

A Banner Year for Corruption-Related Settlements

Written by Nick Sanders

Wednesday, 31 December 2014 00:00

During 2014, the U.S. Department of Justice collected almost \$2.4 Billion dollars in criminal and civil actions, according to a recent DOJ [press release](#) . And that was just within the purview of the Eastern District of Pennsylvania – that was not the entirety of the DOJ haul, just one piece of it.

You know it's going to be a good year for the DOJ as a whole. We know: we've seen the daily enforcement summaries.

It gotten to the point that we decided to simply stop reporting on the repetitive stories. We were bored, and we assumed our readers were bored as well. Why continue to make a point about the cost of corruption when there is no apparent deterrence from the story? Why continue to argue for investing in effective internal controls when so few companies seem to listen?

Fraud and corruption are endemic, it seems. Bribery and kickbacks are simply part of how business is done. How else can we explain the same story, repeated over and over, *ad nauseum* , about corporate wrongdoing?

You think we exaggerate? Deal with the following list:

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December 8, 2014 – Contractor agrees to pay \$1.9 million (plus interest) for compliance failures related to its GSA Schedule contract.

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December 8, 2014 – Supreme Group and its various affiliated companies agree to pay more than \$338 million to settle a bevy of allegations. (This one merited its own [write-up](#) .)

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December 10, 2014 – A Dallas, Texas, aircraft maintenance company admits to FCPA violations and agrees to pay \$14 million to resolve the bribery charges.

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December 12, 2014 – The former President, CEO, and Chairman of the Board of the Louis Berger Group pleaded guilty to “conspiring to defraud the U.S. Agency for International Development (USAID) with respect to billions of dollars in contracts over a nearly 20-year period.” Readers may recall our [original story](#) on the questionable cost allocation practices of that contractor. Those who wish closure can read the DOJ press release [here](#)

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December 15, 2014 – An employee of Day & Zimmerman, International – a large engineering contractor – is found guilty of 8 counts of wire fraud related to his attempts to fraudulently obtain \$650,000 by creating fictitious subcontractors. This is actually a fairly humorous story (as these things go). The DOJ press release can be found at [this link](#).

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December 15, 2014 – Contractor agrees to pay \$2.5 million (and to relinquish rights to additional withheld contract funds) to resolve allegations related to violations of The False Claims Act. Apparently the contractor’s employee, the Director of Contracts, accepted kickbacks from potential subcontractors in return for awarding them subcontracts. The contractor submitted invoices on its prime contracts for work that was never performed by the subcontractors. Oops!

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December 16, 2014 – Former employee of contractor is indicted for bribery related to award of contracts to local Afghan firms. Again, the employee under indictment is the former Director of Contracts. What is it with these people? You would think they would have a good clue about the cost of corruption, wouldn't you?

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December 18, 2014 – A former employee of Wackenhut Security is indicted for alleged theft of U.S. Government property and money laundering, related to her work at the East Tennessee Technology Park. According to the allegations, the employee received checks as part of her job and converted more than \$214,000 of funds she received to personal use.

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December 19, 2014 – A subcontractor on a federally funded construction project in New York agrees to pay \$1,750,000 to resolve allegations that it fraudulently claimed that a disadvantaged business enterprise (DBE) performed work on the project.

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December 19, 2014 – A jury finds a civilian Navy employee guilty of obstructing a NCIS investigation and making false statements. According to the DOJ press release, "The evidence at trial showed that the NCIS was investigating Ashton for conflicts of interest and using inside government information to advance his business. When Ashton learned about the investigation, he created fraudulent documentation purporting to show that he had fully disclosed his business to Navy authorities and received approval."

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December 19, 2014 – Contractor Iron Mountain agrees to pay \$44.5 million to settle allegations under the FCA that it violated the requirements of its GSA Multiple Award Schedule contracts in the areas of commercial sales practice disclosure as well as the Price Reductions clause.

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December 19, 2014 – Lockheed Martin Integrated Systems agrees to pay \$27.5 million “to resolve allegations that it violated the False Claims Act by knowingly overbilling the government for work performed by LMIS employees who lacked required job qualifications.” LMIS allegedly used “under-qualified employees” who were billed “at the rates of more qualified employees.”

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December 22, 2014 – The former owner of a defense contractor is sentenced to 6 months in prison for defective aircraft parts. “In 2013, the [DoD] discovered that the wing pins ... might be defective....Based on this discovery, auditors were dispatched to Phoenix to interview Markson and inspect Action Machine’s books and records.... Markson supplied auditors with a document that appeared to show that a third-party testing company had conducted all of the necessary safety testing on the wing pins. In fact, this document was a forgery created by Markson.”

When fraud and bribery and product substitution and other corruption become the routine, boring norm for a blog such as this one ... well, then you know we are all in trouble from an ethics perspective.

Happy New Year.

May the New Year be less ethically challenged than 2014 was.