

Procurement fraud recoveries substantial for DOJ in FY 2020

(January 29, 2021) - Aron Beezley of Bradley Arant Boult Cummings LLP outlines the Justice Department's noteworthy procurement fraud recoveries for fiscal year 2020.

The Department of Justice (DOJ) recently announced¹ that it obtained more than \$2.2 billion in False Claims Act (FCA) settlements and judgments in the fiscal year ending September 29, 2020.

Notably, DOJ reports that "matters that involved the healthcare industry" again comprised the largest portion of these FCA recoveries, but that "procurement fraud" recoveries comprised the second largest category of recoveries for DOJ this past year — just as they did in fiscal year 2019.²

Among the more notable procurement fraud recoveries from fiscal year 2020 that DOJ reports are:

- Multiple "major federal contractors" agreed to pay over \$57 million to resolve allegations that they submitted false claims to the U.S. Department of Energy by charging inflated labor hours and by billing for work not actually performed to construct and maintain the Hanford Waste Treatment Plant.

- A federal contractor agreed to pay \$27 million to resolve allegations that it fraudulently induced the Army and the U.S. Defense Logistics Agency (DLA) to award wartime contracts for food and trucks by falsely certifying compliance with United States sanctions against Iran. The agreement also resolved allegations that an associated company falsely represented construction progress on a warehouse to induce DLA to award the prime vendor contract to provide food to U.S. troops in Afghanistan.

- A leading supplier of "high-yield steel" for naval submarines paid over \$10 million to resolve allegations that it produced and sold substandard steel components for installation on U.S. Navy submarines. The government alleged that the company produced castings that failed lab tests and did not meet the Navy's standards, and that its director of metallurgy falsified test results to hide the failures.

- "[O]ne of the largest engineering firms in South Korea" paid \$7.8 million to settle FCA claims arising out of an alleged fraudulent scheme to obtain a large U.S. Army construction contract in South Korea by paying millions of dollars to an Army contracting official through a purportedly fake Korean construction company. The company also entered into a plea agreement with the United States and paid over \$60 million in criminal fines for the same alleged misconduct.

In light of DOJ's recent FCA report, as well as DOJ's recent announcement³ that its Procurement Collusion Strike Force "continues to grow and expand," procurement fraud undoubtedly will continue to be a significant focus for DOJ in 2021.

Notes

1 <http://bit.ly/3pwmqJY>

2 <http://bit.ly/3t6GSmQ>

3 <http://bit.ly/2MAPDo9>

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