



The United States Attorney's Office

Central District of California



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Release No. 08-124

September 2, 2008

UNITED STATES SUES BOEING FOR INFLATING CONTRACT PRICE FOR B-1 BOMBER TOWED DECOY SYSTEM

The United States today filed a civil lawsuit against The Boeing Company, alleging that the company unlawfully inflated the price it charged the Air Force to manufacture the Towed Decoy System for the B-1 bomber.

At the core of the lawsuit, which was filed in United States District Court in Los Angeles, is the allegation that during contract negotiations Boeing failed to disclose that it would outsource the fabrication of most of the components of the parts that were to be used in the program. During negotiations with the Air Force in 1998, according to the complaint, Boeing said that it would manufacture 50 parts at its Palmdale Site 9 fabrication facility, but the company was already planning to use suppliers and subcontractors to make the parts.

The suit alleges that Boeing realized substantial cost savings on earlier contracts by purchasing similar parts, and components of the parts, from suppliers. The aerospace company also allegedly planned to close its Palmdale Site 9 facility at the end of 1998.

Boeing allegedly did not tell the Air Force of the significant cost savings the company had achieved on earlier contracts by purchasing parts and offloading manufacturing steps. The suit alleges that had the Air Force known the truth, it would have negotiated a substantially lower price for the Towed Decoy System, which is used to decoy missiles that are fired at the B-1.

Boeing's own employees complained internally and warned their managers about the concealment, according to the complaint, but Boeing managers ignored the warnings and refused to tell the Air Force the truth. As a result, the suit alleges, Boeing inflated its contract price and consequently submitted 140 unlawfully inflated invoices to the Air Force, in violation of the False Claims Act. The lawsuit alleges that the Air Force paid \$7.5 million more than it should have. Under the False Claims Act, the government may recover up to three times the amount of the loss, plus statutory penalties for each inflated invoice.

The government investigation team included agents from the Air Force's Office of Special Investigations, the Defense Criminal Investigative Service, and auditors from the Defense Contract Audit Agency.

In October 2006, the Justice Department announced the formation of a National Procurement Fraud Task Force designed to promote the early detection, identification, prevention and prosecution of procurement fraud associated with the increase in government contracting activity for national security and other government programs. The Procurement Fraud Task Force – chaired by Assistant Attorney General Alice S. Fisher for the Criminal Division – includes United States Attorney's Offices, the FBI, the U.S. Inspectors General community and a number of other federal law enforcement agencies. This case, as well as other cases brought by members of the Task Force, demonstrates the Department of Justice's commitment to helping to ensure the integrity of the government procurement process.

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