



NEWS RELEASE

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Thomas P. O'Brien

United States Attorney
Central District of California

Thom Mrozek, Public Affairs Officer
(213) 894-6947
thom.mrozek@usdoj.gov
www.usdoj.gov/usao/cac

LOCKHEED MARTIN UNIT AGREES TO PAY \$10.5 MILLION TO RESOLVE CIVIL ALLEGATIONS OF SUBMITTING FALSE INVOICES

Lockheed Martin Space Systems Company (Lockheed), a Denver-based business unit of Lockheed Martin Corporation, has agreed to pay the United States \$10.5 million to settle allegations that it submitted invoices for payment it was not entitled to receive on a multi-billion dollar contract connected to the Titan IV space launch vehicle program, United States Attorney Thomas P. O'Brien announced today.

The settlement documents were signed by representatives of Lockheed and the government last week. The \$10.5 million is due by May 21.

After an October 2004 audit by the Defense Contract Audit Agency into the contract to provide launch vehicles and services for the Titan IV program, Lockheed conducted an internal audit and discovered that it should not have requested certain interim payments – known as progress payments – from the federal government. After Lockheed disclosed its findings to the government, an investigation determined that Lockheed was not entitled to millions of dollars of progress payments it received prematurely on the contract. The settlement figure represents approximately double the amount of interest Lockheed would have received by holding the premature payments.

Lockheed obtained the excessive progress payments by manipulating its billings on the complicated contract in two ways. First, Lockheed changed its methodology for calculating its cost of items delivered on progress payment

requests without notifying the government. Consequently, from October 1998 to December 2001, Lockheed received more progress payments than it was entitled to receive.

Second, in August 2000, Lockheed presented an invoice to the government that improperly claimed the government owed it millions of dollars in extra progress payments due to the lowering of the contract's liquidation rate, which determined how much money the government would not have to pay to Lockheed upon delivery of an item in order to repay (or liquidate) the previously paid progress payments.

The United States Attorney's Office in Los Angeles coordinated an investigation of Lockheed for alleged violations of the federal False Claims Act. The government investigative team included agents and auditors from the Air Force Office of Special Investigations and the Defense Contract Audit Agency. Lockheed cooperated with the investigation and will pay \$10.5 million to settle the matter without an acknowledgment of wrongdoing.

In October 2006, the Department of Justice formed the National Procurement Fraud Task Force 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 the United States Attorneys' Offices, the FBI, the U.S. Inspectors General community, and a number of other federal law enforcement agencies.

CONTACT: Assistant United States Attorney Kent A. Kawakami
(213) 894-4858