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PRESS RELEASE

**ABT ASSOCIATES INC OF CAMBRIDGE AGREES TO PAY \$2.9 MILLION TO
GOVERNMENT UNDER TERMS OF A DEFERRED PROSECUTION AGREEMENT**

Boston, MA... A Cambridge, Massachusetts company entered into a deferred prosecution agreement with the government, filed in federal court today, to resolve allegations of over-billing on certain government contracts .

United States Attorney Michael J. Sullivan and Donald A. Gambatesa,, Inspector General of the United States Agency for International Development's Office of Inspector General, announced today that **ABT ASSOCIATES INC** ("**Abt Associates**"), headquartered at 55 Wheeler Street, Cambridge, has entered a deferred prosecution agreement in which Abt Associates has admitted to criminal wrongdoing in connection with over-billing the government on various U.S. Agency for International Development ("**USAID**") contracts and has agreed to a payment of \$2.9 million in fines, restitution, and civil recovery. Abt Associates is an employee-owned, for-profit government and business research and consulting firm which employees more than 1000 people in the United States and abroad. USAID is the government agency responsible for administering many of the foreign economic programs of the United States and Abt Associates is one of USAID's largest contractors.

In addition to the payment, Abt Associates has also agreed to abide by a variety of terms and conditions for a period of twenty-seven months. Under the Compliance and Ethics section of the deferred prosecution agreement, Abt Associates agreed to hire a third-party auditor to prepare a written report and certify that Abt Associates is billing USAID in accordance with its contractual agreements with the government, improve its supervision of foreign site accounting and finance personnel and implement an on-the-spot employee cash award system to encourage employees to uncover and report significant government billing errors. Should Abt Associates fully comply with the terms of the agreement for a period of twenty-seven months, the U.S. Attorney's Office has agreed to dismiss the Information that was filed in federal court today and will not prosecute Abt Associates for its false claims to the United States. The United States Attorney's Office also entered into a separate civil settlement agreement with Abt Associates under which Abt Associates agreed to pay treble damages to resolve all civil claims stemming

from this investigation. USAID also entered into a separate compliance agreement with Abt Associates.

As set forth in the Statement of Facts, to which Abt Associates is admitting, from May 1999 through April 2002, Abt Associates submitted more than 110 false invoices to USAID on cost plus fixed fee ("CPFF") contracts based in Egypt, South Africa and Zambia in that these invoices over-billed USAID for foreign labor costs. During the same time period, Abt Associates submitted similarly false invoices to USAID for CPFF contracts in the Dominican Republic, Guatemala, Honduras and Rwanda.

By way of background, numerous USAID contracts required Abt Associates to perform work in foreign countries. Abt Associates typically set up offices in such countries, organized by contract, and staffed those offices with locally recruited employees who were citizens and/or residents of those countries, as well as with American citizens recruited in the United States. When required by the governing USAID contracts, the locally recruited employees were paid in the local currency (e.g., Egyptian Pounds, South African Rand, and Zambian Kwacha), rather than in U.S. Dollars. However, Abt Associates was required to submit its contract invoices to USAID in U.S. Dollars. Many of Abt Associates' contracts with USAID were designated "Cost Plus Fixed Fee" ("CPFF") contracts. Under CPFF contracts, Abt Associates was entitled to be reimbursed for allowable costs incurred in performing the contract, including local labor costs, plus a contractually agreed upon fee.

Starting in 1999, exchange rates in many countries in which Abt Associates performed work for USAID began to fluctuate, notably devaluing in Egypt, South Africa, Zambia and other countries. As a result of this currency fluctuation, Abt Associates was able to purchase the local currencies to pay its local employees for fewer U.S. Dollars. Said another way, Abt Associates' true foreign labor costs in dollars decreased. Yet, Abt Associates did not pass its labor cost savings on to the government as required under the CPFF contracts. It failed to update the salary information in its billing system and falsely billed USAID for foreign labor charges that were inflated because they were based on out-of-date foreign currency exchange rates.

As set forth in greater detail in the Statement of Facts, senior management at Abt Associates knew that the company was over-billing USAID in countries where the local currency was devaluating relative to the U.S. dollar but they did not stop the over-billing.

This is the second time that Abt Associates has resolved over-billing allegations with the U.S. Attorney's Office in Massachusetts. In October 1999, Abt Associates paid a \$1.9 million to resolve civil claims for its premature billing of subcontractor costs which violated the terms of the governing government contracts.

The case was investigated by the USAID's Office of Inspector General. It is being prosecuted by Assistant U.S. Attorney Diane Freniere and Auditor Thomas Zappala of Sullivan's White Collar Crime Section. The resolution of the civil false claims case was handled by Assistant U.S. Attorney Eugenia M. Carris of Sullivan's Civil Division. USAID's Office of the General Counsel handled drafting of terms and conditions for the compliance and ethics section of the agreement.

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