



News Release

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IMMEDIATE RELEASE

NORTHROP GRUMMAN AGREES TO PAY THE U.S. GOVERNMENT \$60 MILLION

The Office of the Inspector General (OIG), Department of Defense (DoD), announced today that on Aug. 20, 2003, under a settlement agreement, Northrop Grumman agreed to pay the United States of America \$60,000,000.

The settlement agreement and release resulted from an investigation into allegations that Northrop Grumman subsidiary Newport News Shipbuilding Inc. (NNS) had falsely and fraudulently mischarged and claimed costs as “independent research and development” (IR&D) on government contracts. While applicable regulations dictate that costs may only be charged as IR&D to government contracts if they are not for effort required to perform a contract, from 1994-1999 NNS allegedly mischarged and claimed as IR&D its costs for the design and development of double hulled tankers that the shipbuilder had contracts to build. The U.S. Navy reimbursed NNS for its claimed IR&D costs through progress payments and final invoices submitted under flexibly-priced shipbuilding and ship repair contracts in the proportion that Navy contracts bore to all of NNS’s contracts.

NNS will pay the United States \$60,000,000 to settle the allegations. Since November 2001, NNS has been a wholly owned subsidiary of Northrop Grumman.

The investigation was conducted by the Defense Criminal Investigative Service (the criminal investigative arm of the OIG, DoD) and the Naval Criminal Investigative Service, with audit assistance provided by the Defense Contract Audit Agency. The civil investigation was handled by Assistant U.S. Attorney Craig Wittman, U.S. Attorney’s Office, Eastern District of Virginia, Norfolk, Va., and David Sadoff, attorney, Main Justice, Department of Justice, Washington, D.C.

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