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NATIONAL AIR CARGO TO PAY U.S. \$28 MILLION TO RESOLVE ALLEGATIONS OF DEFRAUDING THE DEPARTMENT OF DEFENSE

WASHINGTON—National Air Cargo (NAC) has agreed to pay the United States \$28 million to settle both criminal and civil allegations that it defrauded the Department of Defense, the Justice Department announced today.

As part of the global settlement, NAC pleaded guilty to one count of knowingly making a material misstatement to the United States. NAC will pay criminal restitution of \$4.4 million, a criminal penalty of \$8.8 million, and forfeit assets in the amount of \$3.05 million. NAC will also pay \$11.75 million to resolve allegations that it violated the False Claims Act.

The global settlement resolves allegations that NAC submitted fraudulent claims for payment to the Department of Defense for the shipment of freight. The government alleged that, during the period from Jan. 1, 1999, through April 2005, NAC engaged in a pattern and practice of knowingly submitting false claims for payment by transporting freight wholly by surface transportation rather than by air as required by Department of Defense regulations and by misrepresenting the actual delivery dates of the freight.

"Today's settlement demonstrates the United States' determination to ensure that contractors doing business with our military departments do not divert resources needed for the war effort into their own pockets through fraud," said acting Assistant Attorney General Jeffrey S. Bucholtz, head of the Justice Department's Civil Division.

The civil settlement agreement resolves allegations against NAC that were filed in a federal lawsuit brought by a "whistleblower," Mark Oehm, under the False Claims Act. The act permits private citizens to bring lawsuits on behalf of the United States and receive a portion of the proceeds of any settlement or judgment awarded against a defendant. Mr. Oehm, a former NAC employee, will receive \$3.3 million as his share of the proceeds of the False Claims Act settlement.

"This felony conviction, which includes the largest criminal and civil penalties ever imposed in the Western District of New York, makes it clear that dishonest corporate entities are not immune from bearing substantial consequences arising from their deliberate efforts to cheat the American public," said U.S. Attorney Terrance P. Flynn.

The global settlement is an example of the Justice Department's commitment to protect U.S. taxpayers from procurement fraud through its creation of the National Procurement Fraud Task Force. The National Procurement Fraud Initiative announced in October 2006 is designed to promote the early detection, investigation, and prosecution of procurement fraud associated with the increase in contracting activity for national security and other government programs.

The settlement with NAC was the result of a coordinated effort by the U.S. Attorney's Office for the Western District of New York, with the assistance of the Civil Division of the Department of Justice, the Defense Criminal Investigative Service, Army CID, the Air Force Office of Special Investigations, and the Federal Bureau of Investigation