



THE UNITED STATES

## Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Thursday, May 27, 2021

### **Navistar Defense Agrees to Pay \$50 Million to Resolve False Claims Act Allegations Involving Submission of Fraudulent Sales Histories**

Navistar Defense LLC (Navistar), an Illinois based manufacturer of military vehicles and subsidiary of Navistar International LLC, has agreed to pay \$50 million to resolve allegations that it fraudulently induced the U.S. Marine Corps to enter into a contract modification at inflated prices for a suspension system for armored vehicles known as Mine-Resistant Ambush Protected vehicles.

During negotiations for the modification, Navistar was asked to provide sales information on the contract parts to assess the reasonableness of Navistar's proposed prices. The United States alleged that Navistar knowingly created fraudulent commercial sales invoices and submitted those invoices to the government to justify the company's prices. The sales reflected in the commercial sales invoices never occurred. The government relied on the fraudulent sales invoices in agreeing to Navistar's inflated prices.

"We expect those doing business with the government to be truthful and transparent," said Acting Assistant Attorney General Brian M. Boynton for the Justice Department's Civil Division. "Today's settlement demonstrates our commitment to pursue those who knowingly provide false information to government procurement officials for their personal gain."

"Money overcharged to the United States is money that should go to providing the very protection and security that we contracted to provide to our troops," said the Acting U.S. Attorney Channing D. Phillips for the District of Columbia. "The settlement evidences our commitment to go after any contractor who treats America's dedication to our troops as a get rich quick scheme at the expense of the taxpayer and the safety of our military personnel."

"This settlement sends an important message to defense contractors who hide costs and profit margins from the government to unjustly enrich themselves," said Special Agent in Charge Cynthia A. Bruce of the Defense Criminal Investigative Service (DCIS), Southeast Field Office. "The Department of Defense must have confidence in the pricing, services and products provided by our contractors in order to protect our military members and be fiscally responsible to the public. I would like to thank the Department of Justice and our investigative partners for their resolve to hold the responsible parties accountable."

"Fraud is not a victimless crime," said Special Agent in Charge Thomas Cannizzo of the Naval Criminal Investigative Service (NCIS), Southeast Field Office. "It steals money from American taxpayers, damages the integrity of the Department of the Navy procurement process, degrades the readiness of the services by compromising the quality of goods and services used to protect the nation, and squanders more money through the funding of criminal investigations which could have been avoided simply by individuals doing the right thing. NCIS will continue to work with our partner agencies to aggressively pursue those who perpetrate financial crimes."

"This settlement agreement is another example of our commitment of ensuring that all military contractors comply with the law," said Frank Robey, director of the U.S. Army Criminal Investigation Command's (CID) Major Procurement Fraud Unit. "Our organization, and our law enforcement partners, will respond robustly to protect the U.S. government from those who would take advantage of it."

"It is always disappointing to see a contractor not fulfill their obligations in an open and fair manner," said Director Anita Bales of the Defense Contract Audit Agency. "We are proud to have partnered with the investigative team in providing forensic audit expertise to bring this contractor to justice. We consider it an honor to be part of a team that helps protect our warfighters."

The civil settlement includes the resolution of claims brought under the *qui tam* or whistleblower provisions of the False Claims Act by Duquoin Burgess, a former Government Contracts Manager for Navistar. Under those provisions, a private party can file an action on behalf of the United States and receive a portion of any recovery. The *qui tam* case is captioned *U.S. ex rel. Burgess v. Navistar Defense, LLC, et al.*, No. 13-cv-1463 (D.D.C). Burgess will receive \$11,060,000 out of today's settlement.

The resolution obtained in this matter was the result of a coordinated effort between the Civil Division's Commercial Litigation Branch, Fraud Section, and the U.S. Attorney's Office for the District of Columbia, with assistance from the Department of Defense's DCIS, NCIS, U.S. Army CID's Major Procurement Fraud Unit, and the Defense Contract Audit Agency.

The matter was handled by Trial Attorneys Gary Newkirk and Brandie Weddle and Assistant U.S. Attorneys Darrell Valdez and Benton Peterson.

*The claims resolved by the settlement are allegations only and there has been no determination of liability.*

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**Component(s):**

Civil Division

**Press Release Number:**

21-497

*Updated May 27, 2021*