

GOVERNMENT CONTRACTOR ADMITS SCHEME TO INFLATE COSTS ON FEDERAL PROJECTS AND PAYS \$11 MILLION TO RESOLVE CRIMINAL AND CIVIL PROBES - GSA

Office of Inspector General

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Department of Justice

U.S. Attorney's Office

District of Vermont

Thursday, December 17, 2020

FOR IMMEDIATE RELEASE

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Schneider Electric Buildings Americas Admits to Fraudulent Scheme to Overcharge Government Agencies on Federal Energy Savings Performance Contracts

BURLINGTON – Schneider Electric Buildings Americas, Inc. (Schneider Electric), a nationwide provider of electricity solutions for buildings and data centers with its principal place of business in Carrollton, Texas, will pay \$11 million to resolve criminal and civil investigations relating to kickbacks and overcharges on eight federally-funded energy savings performance contracts (ESPCs), the Department of Justice announced today. Under the contracts, Schneider Electric was to install a variety of energy saving upgrades such as solar panels, LED lighting, and insulation in federal buildings.

As part of the criminal resolution with the United States Attorney's Office for the District of Vermont (USAOVT), Schneider Electric admitted that it fraudulently charged the Government nearly \$1.7 million in design costs incurred on three ESPCs funded by the Department of the Navy (DON), General Services Administration (GSA), and Department of Agriculture (USDA) by disguising those costs and spreading them across un-related pricing components. Schneider Electric employees described this process as "burying" or "hiding" the costs. Schneider Electric specifically spread costs across various line items in these federal projects so that the agencies would pay the amounts without knowing they were design costs that Schneider Electric was prohibited from charging the Government. Schneider Electric admitted that its conduct constituted wire fraud in violation of 18 U.S.C. § 1343. Schneider Electric executed a non-prosecution agreement related to this conduct and agreed to pay nearly \$1.7 million in criminal forfeiture.

Schneider Electric further admitted that former convicted Senior Project Manager Bhaskar Patel solicited and received over \$2.5 million in kickbacks from various subcontractors who worked on ESPCs issued by the DON, Coast Guard, GSA, USDA, and Department of Veterans Affairs (VA). Schneider Electric admitted that this conduct violated the Anti-Kickback Act, 41 U.S.C. § 8707.

Schneider Electric is required by its agreement with the USAOVT to cooperate fully in any and all matters relating to relevant conduct for a period of three years, to report to the USAOVT any evidence or allegation of

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Office of Inspector General Information, procurement integrity, or anti-kickback laws, to implement and comply with an updated corporate compliance program, and to report annually to the USAOVT on remediation and implementation of its required compliance enhancements.

In the separate civil settlement announced today, Schneider Electric agreed to pay \$9.3 million to resolve False Claims Act and Anti-Kickback Act liability for Patel's kickback scheme and for including inflated estimates and improper costs in proposals, and overcharging federal agencies under the eight ESPCs.

"These cases are complex and challenging, and I commend the dogged work of our Assistant U.S. Attorneys and their law enforcement agency partners to ensure that Schneider Electric's conduct was brought to light and that it was held to account," said United States Attorney Christina E. Nolan. "I am proud that our small office not only successfully convicted Bhaskar Patel, but went further and unraveled Schneider Electric's broader criminal scheme of fraudulently inflating costs to boost its profits and steal from taxpayers. In reaching this resolution, we considered that Schneider Electric terminated two employees involved in the schemes and overhauled its compliance program. We also considered the shortcomings of Schneider Electric's cooperation and its failure to timely accept responsibility."

"ESPC projects can only be successful where contractors are forthright and honest with federal agencies," said Acting Attorney General Jeffrey Bossert Clark of the Justice Department's Civil Division. "We will not tolerate attempts by contractors to mislead the government and line their own pockets at the expense of the very energy savings the government seeks to achieve."

Michael Wiest, Special Agent in Charge of the Northeast Field Office of the Naval Criminal Investigative Service concurred, stating: "Fraud is not a victimless crime. It steals money from American taxpayers, damages the integrity of the Department of the Navy procurement process, degrades the readiness of the warfighter by compromising the quality of goods and services used to protect the nation, and squanders more money in 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."

Similarly, USDA Office of Inspector General (OIG) Special Agent in Charge Bethanne M. Dinkins emphasized: "Participation in Government contracts should not involve contractors and their employees seeking financial gain to the detriment of the U.S. Government. Thanks to the hard work and tireless efforts of the investigative team, the interests and integrity of the United States and the procurement process throughout Government have been protected. The USDA Office of Inspector General appreciates the commitment of the Department of Justice and the cooperative efforts of our law enforcement partners. Our resources are well utilized when we work together to investigate those who unlawfully solicit and accept bribes and kickbacks and overcharge the U.S. Government. This resolution demonstrates that we are committed to holding contractors accountable when they choose to abuse the integrity of vital government programs designed to significantly reduce energy and operating costs and make progress toward meeting federal sustainability goals."

Joseph Dattoria, GSA-OIG Special Agent in Charge, likewise highlighted the significance of this investigation, stating: "The GSA Office of Inspector General is committed to protecting the integrity of the GSA's procurement process and programs. This resolution is a testament to that commitment, and should serve as a warning to other contractors who may consider engaging in similar conduct. We appreciate the collaborative efforts of the DOJ and our other law enforcement partners."

Finally, VA OIG Special Agent in Charge Christopher Algieri, Northeast Field Office, affirmed: "VA OIG is committed to protecting the integrity of energy savings performance contracts awarded by VA and other

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Office of Inspector General for the VA, USDA and GSA, and the Navy Criminal Investigative Services. Schneider Electric was represented by Mark Goodman and David Sarratt of Debevoise & Plimpton LLP, and Michael Connolly, Michael Koenig, and Victoria Lane of Hinkley, Allen & Snyder LLP.

The criminal investigation and resolution was handled by Assistant United States Attorneys Owen C.J. Foster and Michael P. Drescher of the United States Attorney's Office for the District of Vermont. The civil investigation was jointly handled by the District of Vermont and Trial Attorneys Kelley Hauser and Alexandra Wilson of the Civil Division's Commercial Litigation Branch (Fraud Section). The investigation was supported by the Offices of Inspector General for the VA, USDA and GSA, and the Navy Criminal Investigative Services. Schneider Electric was represented by Mark Goodman and David Sarratt of Debevoise & Plimpton LLP, and Michael Connolly, Michael Koenig, and Victoria Lane of Hinkley, Allen & Snyder LLP.

Except for the conduct admitted in connection with the criminal resolution, the civil claims resolved by the settlement are allegations only, and there has been no determination of liability as to such civil claims.

Source: U.S. Department of Justice [press release](#).