

Government Contractor Agrees to Pay \$425,000 for Alleged False Claims Related to Conflicts of Interest - GSA Office of Inspector General

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Department of Justice
U.S. Attorney's Office
Eastern District of Virginia
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ALEXANDRIA, Va. - Cape Henry Associates (Cape Henry), located in Virginia Beach, has agreed to pay \$425,000 to resolve allegations that it violated the False Claims Act by failing to inform contracting officers of the company's organizational conflicts of interest in connection with the award and performance of task orders on government contracts.

Cape Henry performs manpower analysis, personnel analysis, and training services for the United States Armed Forces. The allegations involved that Cape Henry failed to disclose that one of the company's officers had an ownership interest in KOVA Global, a company to which Cape Henry awarded subcontracts to provide warehouse services in connection with two sole source task orders issued by the Army and General Services Administration (GSA).

The Justice Department also alleged that Cape Henry failed to disclose relevant information about a conflict of interest arising from advisory & assistance services (A&AS) performed in 2015 by Q.E.D. Systems, Inc. (Q.E.D.), a Cape Henry subcontractor. In connection with a multi-year delivery order under a Navy SeaPort-e contract, Cape Henry would submit project-specific proposals to a Navy program management office that was responsible for determining the scope and funding for each project. At the same time that Cape Henry was submitting proposals to the Navy, Cape Henry was also funding the direct labor of a Q.E.D. employee through a subcontract. This Q.E.D. employee was providing A&AS services to the Navy program office and making recommendations that could potentially affect Cape Henry's funding and treatment in connection with these project proposals. Cape Henry failed to disclose this conflict of interest to the contracting officer as required by the OCI clause in Cape Henry's contract with the Navy.

"The failure of government contractors to disclose organizational conflicts of interest harms government procurement, creates unfairness, and can cost the taxpayers money," said U.S. Attorney Jessica D. Aber.

"It is critical that companies disclose potential conflicts of interest to protect the integrity of the federal procurement process," said Principal Deputy Assistant Attorney General Brian M. Boynton, head of the Justice Department's Civil Division. "We will hold accountable those who knowingly conceal relevant information that may affect the award or performance of a government contract."

"The Department of Defense requires its contractors to divulge any potential conflicts of interest to maintain the integrity of the military's procurement process," said Acting Special Agent in Charge Greg Gross of the NCIS Economic Crimes Field Office. "NCIS and our federal law enforcement partners remain committed to ensuring the good stewardship of taxpayer dollars by fully investigating all allegations of procurement fraud."

"This settlement highlights the resolve of Army CID and our law enforcement partners to hold government contractors accountable for their actions. The ability to protect and defend the assets of the United States Army is always our top priority," said Special Agent in Charge L. Scott Moreland of the U.S. Army Criminal Investigation Division's (Army CID) Major Procurement Fraud Field Office.

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"GSA OIG special agents are committed to working with DOJ and investigative partners to ensure that taxpayer dollars are properly spent and protected," said Special Agent in Charge Eric D. Radwick of the GSA Office of Inspector General, Mid-Atlantic Division.

"This settlement agreement demonstrates the commitment of the Department of Defense, Office of Inspector General, Defense Criminal Investigative Service (DCIS) and our law enforcement partners to vigorously pursue those who attempt to exert improper influence over the federal government contracting process and to protect American taxpayer dollars," said Special Agent in Charge Christopher W. Dillard of the Department of Defense, Office of Inspector General, DCIS.

The resolution obtained in this matter was the result of a coordinated effort between the United States Attorney's Office for the Eastern District of Virginia, the Justice Department's Civil Division, Commercial Litigation Branch, and Fraud Section, and with assistance from the Defense Criminal Investigative Service, the Army Criminal Investigation Division, the General Services Administration Office of Inspector General, the Defense Contract Audit Agency, and the Naval Criminal Investigative Service.

The matter was handled by Assistant U.S. Attorney Clare Wuerker and Trial Attorney Jason M. Crawford of the Justice Department's Civil Division.

A copy of this press release may be found on the website of the U.S. Attorney's Office for the Eastern District of Virginia.

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

Source: U.S. Attorney's Office [press release](#)