

Government Contractor Resolves Charges Relating to Fraud on General Services Administration Contract to Modernize State Department Building - GSA Office of Inspector General

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Alutiiq International Solutions LLC (AIS), a subsidiary of Afognak Native Corporation (Afognak) and an Alaskan Native Corporation, within the meaning of the Alaska Native Claims Settlement Act, that performs construction work on government contracts, has entered into a non-prosecution agreement (NPA) and has agreed to pay over \$1.25 million to resolve the Justice Department's investigation into a kickback and fraud scheme perpetrated by a former AIS manager on a U.S. Government contract administered by the General Services Administration (GSA), announced Assistant Attorney General Brian A. Benczkowski of the Justice Department's Criminal Division.

As part of the NPA, AIS has agreed to pay \$1,259,444 in victim compensation payments to the GSA. Under the terms of the NPA, AIS and its parent company, Afognak, have agreed to cooperate with the government's ongoing investigation and prosecution of individuals, and to report to the department evidence of allegations of violations of U.S. fraud, anti-corruption, procurement integrity, and anti-kickback laws. Afognak and AIS also agreed to enhance their compliance program and internal controls, where necessary and appropriate, to ensure they are designed to detect and deter, among other things, fraud and kickbacks in connection with U.S. federal government contracts.

According to AIS's admissions contained in the NPA, beginning in or around June 2010, the AIS project manager assigned to a multi-million dollar GSA contract to modernize the Harry S. Truman Federal Building in Washington, D.C., began receiving kickbacks from a subcontractor on the project in exchange for steering work to the subcontractor. These kickbacks initially were paid in the form of meals, vacations, and other things of value but, by 2015, the AIS project manager began demanding cash kickbacks equivalent to 10 percent of the value of contract modifications that were being awarded to the subcontractor. At the same time, the AIS project manager billed the GSA for services purportedly provided by an on-site superintendent when there was no superintendent on site. The AIS project manager's false and fraudulent billings caused the GSA to pay \$568,800 to AIS that it should not have paid. Additionally, when making contract modification requests to the GSA, the AIS project manager illegally inflated the estimated costs that AIS received from its subcontractor, resulting in \$690,644 in monies paid by GSA to AIS.

A number of relevant considerations contributed to the department's criminal resolution with AIS, including that AIS fully and completely cooperated with the investigation from the moment it became aware of the ———
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misconduct committed by paying full restitution to compensate for the GSA's losses and, at the time of the offense conduct, provided its profits from the relevant contracts to Afognak, which uses these profits to support Afognak's Alaskan Native shareholders, who are members of severely economically disadvantaged villages.

In addition, as soon as AIS and Afognak learned of the misconduct, the companies engaged in extensive remedial measures, including enhancing their compliance program and internal controls by, among other things: revising their policies and procedures to complete the separation of the contract procurement and contract execution functions; conducting annual risk assessments related to government contracting; conducting regular audits of a sampling of all procurement files and reviewing all procurements over certain cost thresholds; introducing additional management controls for prime contracts, subcontracts, and government projects that includes requiring higher levels of management to approve contract awards and budget changes; requiring additional trainings specific to the Anti-Kickback Act, including training quizzes, ethics publications, and additions to the annual Code of Conduct training; and tracking all compliance reports received through a third-party hotline and email accounts.

A federal grand jury in the District of Columbia returned an indictment charging the AIS project manager, Elmer Baker, with conspiracy to violate the Anti-Kickback Act, and four counts of wire fraud, in May 2019. Trial is currently scheduled for Dec. 7, 2020, before U.S. District Court Judge Amy Berman Jackson.

An indictment is merely an allegation, and a defendant is presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

The GSA Office of Inspector General, FBI's Washington Field Office, and the State Department's Office of Inspector General are investigating this case. Trial Attorney Vasanth Sridharan of the Criminal Division's Fraud Section is prosecuting the case. The Army Criminal Investigation Division and the FBI's Atlanta Field Office provided assistance in connection with the case.

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