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ADL to pay \$65M to settle government fraud claim

03/25/2005 10:56 AM

Arthur D. Little (ADL), now known officially in Chapter 11 Proceedings as Dehon Inc., has agreed to pay the United States government \$6.5 million to resolve civil claims related to ADL's overbillings to the federal government allegedly the result of inflating indirect costs and overhead charges on various government contracts, according U.S. Attorney Michael J. Sullivan.

In its civil claim, the United States alleged that ADL caused false and inflated claims to be submitted to the United States in its government contracts by using a rate based upon ADL's higher overhead and costs for its commercial lines of work, as compared to its government work.

ADL's domestic business focused primarily on two distinct types of activities: High level management consulting for commercial clients almost exclusively, and research, development and scientific testing activities for either commercial clients or government agencies. Much of the work performed for the government was performed based on government contracts in which ADL was paid for its costs in performing the contract plus an agreed upon fee, according to information in the claim.

The claim notes ADL was only permitted to charge the government for its costs expended in carrying out the government contracts, including any indirect costs such as overhead that was properly and reasonably allocable to such contracts. ADL, however, charged the United States for costs it incurred in performing its commercial work, and which were not reasonably allocable to the government contracts, according to the claim.

The settlement agreement was approved by a U.S. Bankruptcy Judge on March 15, 2005.

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