

S.D. Company Admits EPA Fraud, Pays Fine

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A major government contractor based in San Diego pleaded guilty Monday to 10 counts of defrauding the government by falsifying testing of samples from Superfund toxic waste sites around the country.

Science Applications International Corp. (SAIC) pleaded guilty to seven counts of making false statements to the federal Environmental Protection Agency and to three counts of making false claims for payment to the government during 1987 and 1988.

The company paid \$1.3 million in restitution and penalties--what U.S. Atty. William Braniff called "the largest environmental fraud fine we've had here in recent memory."

Brooks Griffin, an EPA divisional inspector general, said it is debatable whether the fraud committed by SAIC employees has endangered the public health. But Griffin said their shortcuts may have seriously hindered the EPA's ability to judge which Superfund sites needed the most attention.

"The analysis and testing of samples from Superfund sites are the foundation of all the EPA's decision-making for Superfund. This cast very serious doubt on the legitimacy of the data," Griffin said, adding that the bungled samples--most from the East Coast--have since been traced and in some cases retested.

Six employees of SAIC's Environmental Chemistry Laboratory in La Jolla had already pleaded guilty to falsifying test results and other charges. The falsification took two forms:

- * The employees, none of whom still work for SAIC, have admitted that they provided false assurances that testing equipment had been calibrated to ensure accuracy.

- * In addition, because the lab in which they worked was paid more if it met EPA deadlines, the employees backdated some late results, overcharging the U.S. government about \$100,000. SAIC has since sold the lab.

At a news conference in San Diego, Braniff said he believes that Monday's plea agreement, which came after a three-year investigation, sends "a clear message that integrity is an essential ingredient to testing in this vital area."

Braniff said the investigation uncovered no evidence that any of SAIC's upper-level managers knew of or condoned the falsification scheme. But he indicated that, once the wrongdoing was discovered, SAIC officials were not as forthcoming as he would have hoped.

"Its disclosures were not complete enough. . . . We could not make assessments of corporate responsibility" without ordering a grand jury investigation, Braniff said.

As recently as April, Braniff had said it was unclear whether the corporation itself would be indicted, since it had participated in the Justice Department's voluntary-disclosure program, under which companies are encouraged to inform the government of wrongdoing they uncover.

In April, the Project on Government Procurement, a watchdog group that monitors government spending, had made public a letter from an SAIC board member to U.S. Atty. Gen. Dick Thornburgh that prompted a flurry of questions about the appearance of improper high-level influence peddling at the Justice Department.

The letter, from former Secretary of Defense Melvin R. Laird, told Thornburgh that any criminal prosecution of SAIC would be "entirely inappropriate."

Braniff said Monday that Laird's letter, and the furor it inspired among some U.S. senators and the watchdog agency that made it public, "had nothing whatsoever to do with" the settlement reached with SAIC.

"We were at the point before the letter of proceeding with prosecution," he said, dismissing the suggestion that the fate of SAIC would discourage other companies from admitting wrongdoing, thus wrecking the voluntary-disclosure program.

"As a policy matter, if these voluntary disclosures are to have any meaning, they should be complete," Braniff said. SAIC "had the information. They could have provided it."

Charles Nichols, an SAIC spokesman, disagreed.

"The company disclosed everything it knew," he said. "That is the sum total of it."

SAIC Chairman J. R. Beyster said in a statement that, although SAIC management had no knowledge of the violations, the company accepts "vicarious responsibility" for the fraud its employees committed.

"The company has cooperated with the U.S. attorney in reaching this settlement and acted in a manner that shows its responsibility as a good corporate citizen," he said.

Braniff said the \$502,000 fine SAIC paid--in addition to an \$805,000 settlement of civil claims--was one of the biggest in the history of his Southern district.

In a similar case last year, Ametek-Straza, an El Cajon submarine sonar maker, pleaded guilty to two counts of overpricing sonar systems it built for the Navy. That company was fined \$110,000, and agreed to pay \$5.1 million to settle related civil claims.

SAIC, a contract research firm, does much of its business with the U.S. government, including the Department of Defense. But its projects are diverse.

In June, for example, SAIC won a multimillion-dollar contract to develop and install a bomb-detection system to screen freight trains that will travel through the Eurotunnel being built between England and France.

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