Lockheed Pays Feds $10.3 Million For Lying About Prices

Greg Bluestein, Associated Press

ATLANTA (AP) — Defense company Lockheed Martin Corp. reached a $10.3 million settlement with the federal government Friday to resolve claims that the company's Georgia division inflated rates used to price contracts for the Air Force and Navy between 1996 and 2000.

The settlement resolves prosecutors' claims that Lockheed mischarged costs in a commercial contract with Italian company Alenia Aerospazio to develop a tactical transport plane dubbed the C-27J, said U.S. Attorney Sally Quillian Yates.

Lockheed, the nation's largest military contractor, is accused of charging business development and other costs associated with the company's commercial contract to government accounts, prosecutors said.

Yates said Lockheed "failed to follow basic accounting rules and submitted claims for costs for which reimbursement was not permitted." She said that resulted in a "significant unintended subsidy" for one of the company's commercial ventures.

Lockheed spokesman Joe Stout characterized the case as a disagreement over how costs should be categorized under federal regulations. He said the company decided to settle with the government because of the "complexity of the regulations and the differing interpretations of those regulations."

"The settlement agreement is not an admission of liability by Lockheed Martin, but instead a recognition that settlement is in the best interests of both parties," Stout said in a statement.

The C-27J is a rugged, medium-sized transport plane designed by the Italian company that's also known as the Joint Cargo Aircraft.

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