



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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INFO MEMO

September 3, 2002, 3:30 p.m.

FOR: SECRETARY OF DEFENSE

FROM: Joseph E. Schmitz, Inspector General of the Department of Defense

SUBJECT: DoD Contractor Pleads Guilty to False Claims and Agrees to Pay \$1.29 Million
in Restitution

- Attached at TAB A is an August 30, 2002, article from *The Austin American-Statesman* highlighting a significant "stewardship of the taxpayers' dollars" achievement by the Defense Criminal Investigative Service and Office of the Inspector General, DoD, auditors. Other federal law enforcement agencies participated in this nationwide joint effort, including the U.S. Army Criminal Investigation Command, the Naval Criminal Investigative Service, and the Air Force Office of Special Investigations.
- Tanknology-NDE International Inc. (Tanknology) is an Austin-based environmental testing company. On August 29, 2002, Tanknology formally pled guilty in U.S. District Court to 10 felony counts of presenting false claims and making false statements. From 1997 to 1999, Tanknology falsified tests of underground storage tanks across the country including military bases, post offices, and a NASA facility.
- The company will pay \$1.29 million in restitution, pay a \$1 million fine, and be placed on probation for 5 years. Additional details are provided in the Department of Justice press release issued when Tanknology agreed to plead guilty (TAB B).
- This result, achieved by the hard work of the Office of the Inspector General employees listed at TAB C, exemplifies my vision for the Office of the Inspector General: "One Professional Team of Inspectors, Auditors, and Investigators, Inspiring by Paradigm a Culture of both Accountability and Intelligent Risk-Taking throughout the Department of Defense."

COORDINATION: None

Attachments: As stated

cc: ASD (Public Affairs)
General Counsel of the Department of Defense
DUSD (Installations & Environment)

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The Austin American-Statesman

http://www.austin360.com/statesman/editions/friday/business_7.html

Central Texas Digest

Compiled from staff reports

Friday, August 30, 2002

ENVIRONMENTAL TESTING

Tanknology pleads **guilty** to falsifying test results

Austin-based environmental testing company **Tanknology**-NDE International Inc. pleaded **guilty** in U.S. District Court to 10 felony counts of presenting false claims and making false statements to federal agencies.

Tanknology admitted that from 1997 to 1999, it performed false tests of underground storage tanks at federal facilities across the country, including post offices, military bases and a NASA facility. In some cases, the government said, **Tanknology** employees did no more than drive by the tanks and then submit data as if tests had been performed.

Sentencing has been set for Oct. 2.

Under the plea agreement, the company will pay \$1.29 million in restitution to the government, pay a \$1 million fine and be placed on probation for five years.



Department of Justice

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UNITED STATES SECURES PLEAS TO 10 FELONY COUNTS IN UNDERGROUND STORAGE TANK CASE

WASHINGTON, D.C.- The Department of Justice and the U.S. Environmental Protection Agency announced today that Tanknology-NDE, International, Inc. has agreed to plead guilty to 10 felony counts of presenting false claims and making false statements to federal agencies. The guilty pleas were for false underground storage tank (UST) testing services performed by Tanknology employees at federal facilities in 10 different federal districts. Tanknology also has agreed to pay a \$1 million criminal fine and restitution of \$1.29 million to the United States.

Tanknology has admitted in a plea agreement that from January 1997 until December 1999, Tanknology testers had performed false tests at federal facilities across the country, including U.S. Postal facilities, military bases and a NASA facility. Tanknology is the largest UST testing company in the United States, with four regional offices and six field offices located across the country. Its corporate headquarters are in Austin, Texas.

"Compliance with the underground storage tank requirements is dependent upon accurate information. Those who knowingly place the public and environment at risk by false testing must and will be prosecuted," said EPA Administrator Christie Whitman. "False testing at underground storage tanks presents grave risks and is unacceptable."

"Tanknology was prosecuted and has been held responsible for fraudulent practices that could cause a risk of significant environmental harm at federal facilities. It is essential that federal owners and operators of underground storage tanks be assured that the company providing these important testing services is doing so honestly and accurately," said Tom Sansonetti, Assistant Attorney General of the Justice Department's Environment and Natural Resources Division. "The Department of Justice will vigorously prosecute such crimes to ensure that the environment is protected."

Underground storage tanks contain petroleum products, including gasoline, and all UST owners and operators are required by law to have their tanks tested to ensure that their systems are not leaking any petroleum into the soil or groundwater. Leaking USTs can present other health and environmental risks, including the potential for fire and explosion.

The pleas arise from an extensive investigation carried out by several federal criminal investigative agencies, in which agents observed Tanknology testers at federal facilities across the country. The false

tests ranged from failing to follow required test protocols to "drive-by" tests, where a Tanknology tester was videotaped driving up to a federal facility, driving away after a few minutes and then submitting false data.

In agreeing to plead guilty, Tanknology admitted that the investigation of the corporation produced evidence of a number of improper and/or fraudulent practices carried out by employees. These included:

- Tanknology regional managers set schedules for testers that caused some testers to be unable to always conduct valid tests and stay on schedule;
- a corporate bonus system rewarded testers in part for the number of tests they performed;
- testers knowingly reported test results when, in fact, no tests had been performed; and
- quality assurance personnel complained to corporate and regional personnel that testers were inadequately trained and were performing invalid tests, but the corporation failed to implement quality assurance that could have prevented invalid testing practices by testers.

In addition to paying the criminal fine and restitution, Tanknology will serve a term of probation for five years. Tanknology also will implement a quality management system to ensure that false and improper testing practices do not occur again.

Pursuant to a plea agreement with the United States, Tanknology agreed to plead guilty to criminal charges that were filed by United States Attorneys in 10 federal districts, including the Western District of Texas; the Northern District of Texas; the Central District of California; the District of Arizona; the Northern District of Illinois; the Middle District of Florida; the District of South Carolina; the Eastern District of Pennsylvania; the District of Massachusetts; and the District of New Jersey. Tanknology will enter all pleas in the Western District of Texas.

The case was investigated by the following federal criminal investigative agencies, including EPA Criminal Investigation Division, FBI, U.S Postal Service Office of the Inspector General, Defense Criminal Investigative Service, Army Criminal Investigation Division, Air Force Office of Special Investigations, Navy Criminal Investigative Service and NASA. Investigators were assisted by personnel from the Texas Natural Resources and Conservation Commission and the Pennsylvania Department of Environmental Protection.

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