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THE UNITED STATES ATTORNEY'S OFFICE  
EASTERN DISTRICT *of* VIRGINIA

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**Department of Justice**

U.S. Attorney's Office

Eastern District of Virginia

FOR IMMEDIATE RELEASE

Wednesday, June 30, 2021

**Armed Forces Services Corporation Pays \$4.3 Million to  
Resolve Anti-Kickback Act and False Claims Act  
Allegations**

ALEXANDRIA, Va. – Armed Forces Services Corporation d/b/a Magellan Federal (“AFSC”), located in Alexandria, agreed to pay \$4,342,651 to resolve allegations that three former AFSC executives accepted kickbacks in exchange for awarding subcontracts on federal government contracts, announced Acting U.S. Attorney Raj Parekh for the Eastern District of Virginia.

The United States alleged that from 2010 to 2015, a former AFSC executive directed a subcontractor to mark up the cost of services that the subcontractor provided to AFSC primarily in support of various Wounded Warrior programs. The United States further alleged that the former AFSC executive directed the subcontractor to divide the proceeds of the scheme between the subcontractor, the former AFSC executive, and two other former AFSC executives in exchange for awarding the subcontracts.

AFSC's current ownership submitted a written contractor disclosure to the U.S. Small Business Administration describing potential kickbacks to the former executives, and cooperated in full in the ensuing investigation. The settlement resolves federal civil claims under the Anti-Kickback Act and the False Claims Act.

The resolution obtained in this matter was the result of a coordinated effort between the U.S. Attorney's Office for the Eastern District of Virginia; the Defense Criminal Investigative Service, U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit; and the Naval Criminal Investigative Service.

The matter was investigated by Assistant U.S. Attorneys William Hochul and Kristin S. Starr.

The civil claims settled by the settlement agreement are allegations only; there has been no determination of civil liability.

A copy of this press release may be found on the website of the U.S. Attorney's Office for the Eastern District of Virginia.

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**Topic(s):**

False Claims Act

**Component(s):**

USAO - Virginia, Eastern

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