

Department of Justice

U.S. Attorney's Office

District of Massachusetts

FOR IMMEDIATE RELEASE

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Government Contractor Agrees to Pay Nearly \$3.5 Million to Resolve Allegations it Overcharged U.S. Navy

BOSTON – Charles Stark Draper Laboratory, Inc. (Draper), a Cambridge-based non-profit research company and defense contractor, has agreed to pay nearly \$3.5 million to resolve allegations that it improperly overcharged U.S. Navy contracts. Draper, among other things, helps develop weapons systems for the U.S. Navy.

The settlement resolves allegations that Draper improperly overcharged the government under federal acquisition regulations for certain overhead costs. According to the settlement agreement, an audit of Draper's 2016 fiscal year costs charged to the government found, among other things, that Draper improperly billed the government for costs associated with internal projects that Draper called "Opportunity Investments." Many Opportunity Investment projects were not of interest to the government, or Draper lacked sufficient documentation to justify the costs. The audit also found that Draper lacked sufficient internal accounting controls concerning Opportunity Investments. When the Department of Defense requested additional information about the costs flagged by the audit, Draper, for months, did not reveal that it lacked documentation to support charging some of the Opportunity Investments to the government.

"Contractors responsible for supplying and supporting our armed forces are required to follow many rules designed to protect both our military and the taxpayers," said Acting United States Attorney Nathaniel R. Mendell. "Our office monitors government contractors and – where appropriate – we will hold accountable those who fail to operate within the rules. This is our way of making sure taxpayers can trust that their money is going toward legitimate government-supported purposes and not overcharges."

"Draper Lab's overcharging on Navy contracts wasted valuable taxpayer money and undermined the integrity of the Department of the Navy's procurement process," said Michael Wiest, Special Agent in Charge of the Naval Criminal Investigative Service (NCIS), Northeast Field Office. "NCIS and our law enforcement partners remain committed to investigating contracting irregularities that diminish the operational readiness and warfighter superiority of the Navy and Marine Corps."

"Protecting the integrity of the procurement process is a top priority for the Department of Defense (DOD) Office of Inspector General Defense Criminal Investigative Service (DCIS)," said Patrick J. Hegarty, Special Agent in Charge of DCIS, Northeast Field Office. "The settlement agreement announced today is the result of a joint investigative effort and demonstrates the DCIS' ongoing commitment to work with our law enforcement partners and the U.S. Attorney's Office to investigate allegations of cost mischarging on DOD contracts."

Acting U.S. Attorney Mendell, NCIS SAC Wiest and DCIS SAC Hegarty made the announcement today. Assistant U.S. Attorneys Brian M. LaMacchia and Evan Panich of Mendell's Affirmative Civil Enforcement Unit handled the matter.

Attachment(s):[Download U.S. v. Draper - Settlement Agreement.pdf](#)**Component(s):**[USAO - Massachusetts](#)