

**Defense Contracting Fraud
False Claims Act Settlement**

**Qui Tam Whistleblower
Breaking Legal NEWS**

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For Immediate Release

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Wired Undercover by FBI, Whistleblower Helps Government
Recover a Total of \$25 Million Today, Resolving Defense Contracting Fraud,
Defective Pricing Allegations Against Aerospace Contractor

MPC Products Corporation and MPC International “Reverse
False Claimed” Government Contracts; Overcharged for Critical
F22 Parts, Among Many Schemes, Complaint Alleges;
MPC Pays \$22.5 Million to Settle Civil Charges; Related
Criminal Charges Settled With \$2.5 Million Fine

CHICAGO – Wired undercover by the FBI to help expose his employer’s pervasive, interlocking and sophisticated schemes of brazen accounting chicanery, a qui tam whistleblower’s efforts resulted in today’s agreement by aerospace contractor MPC Products Corporation and MPC International, Inc. (“MPC”) to pay \$22.5 million to the federal government. The settlement resolves procurement fraud allegations that the Department of Defense (“DOD”) was falsely billed over seven years, according to a Complaint filed under seal in 2003 by whistleblower lawyer Mark Allen Kleiman of Los Angeles, and employment lawyer Dennis R. Favaro of Palatine, Illinois.

Skokie-based MPC, acquired in October 2008 by Woodward Governor Co. and renamed Woodward MPC, Inc., will pay a total of \$25 million to the United States, which includes \$2.5 million in fines in related criminal prosecution, the U.S. Department of Justice announced.

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Woodward MPC had been debarred by the Pentagon from government contracts for approximately a year until it recently executed a three-year administrative agreement with the DOD which includes enhanced ethics implementation.

Joe Caputo, an Illinois resident and former long-time pricing analyst for MPC, had been fired on a pretext in fall 2000 after refusing his employer's instructions to continue falsifying documents which were being provided to the government. He was rehired approximately a year later, resuming his duties but secretly cooperating undercover with federal authorities, gathering information that led to today's settlement. Caputo took personal risks to secretly record workplace conversations for the authorities and then, with attorneys Kleiman and Favaro, spent more than 1,000 hours helping government investigators analyze company accounting documents.

"Joe was a real hero in this case. He took great risks over the years. He and his family put up with tremendous hardships to make this investigation work. I'm so proud to be able to work with whistleblowers like him who help return ill-gotten gains to taxpayers from defense, medical and other government frauds," Kleiman said.

"As our fraud investigation unfolded we saw its extent and went straight to the government. It was Joe's knowledge and persistence in teaming up with government investigators which made this case work," said Favaro.

The defense fraud schemes employed by MPC were designed to maintain high profit margins and help win private industry contracts by creating false pricing data. The government paid high prices for MPC parts. This same payment record allowed MPC to discount their rates to private industry in which it sought to gain a greater foothold, according to court documents.

According to the three-count Complaint, among the interlocking schemes used by MPC to conduct the alleged defense contracting fraud were:

- Inflating material costs by overwriting actual costs in a computer record, printing out the false documentation and then "reverting" the internal data back to the correct costs;
- Inflating labor required by deciding first how many hours MPC needed to show for a project then transferring hours from other projects to the one to be inflated;
- Inflating labor rates by temporarily raising pay, printing out the false records and then reverting rates in the computer system back to employees' actual pay rates;
- Inflating overhead rates by changing direct material costs to overhead; building a new home for an owner's daughter but charging the costs to MPC overhead; and charging labor for customer jobs for overhead;
- Falsely concealing that stock parts were being supplied yet billing for more expensive, individually manufactured parts;

- Paying vendors higher prices for procurements in return for getting lower prices from those vendors for procurements to be used on non-government projects;
- Submitting false progress billings;
- Refurbishing scrapped items or those required by the government to be “Non-Repairable,” then providing those items to the Department of Defense;
- Overcharging on teardown and evaluation; and
- Using lower grade parts than those specified.

A glaring alleged overpricing example involved a spare F/A 18 Throttle Quadrant Assembly for which the Department of Defense paid approximately \$176,000. In actuality the part was taken from an already inventoried production run of 60 assemblies each of which cost only approximately \$60,000, giving MPC a nearly 194 percent profit, according to court documents.

Kleiman and Favaro had high praise for DOD Defense Criminal Investigative Agency Investigator Michael Thompson and FBI Special Agent Ralph Reino who led the MPC investigation, as well as Assistant U.S. Attorney Samuel Miller of the Northern District of Illinois, who handled the civil prosecution of the False Claims Act case.

In settling this civil matter MPC denied liability, wrongdoing or improper conduct.

“I’m proud to have been able to help taxpayers recover dollars that were being wasted” said whistleblower Caputo. “The agents were great to work with. And now that it’s over I’ve got my life back.”

Under the federal False Claims Act (“FCA”) “qui tam” actions, a term derived from English Common Law meaning “he who sues on behalf of the king as well as himself,” allow private citizens with knowledge of fraud to help the government recover ill-gotten gains and additional civil penalties.

The FCA allows the government to collect up to three times the amount it was defrauded, in addition to civil penalties of \$5,500 to \$11,000 per false claim. Under the FCA, whistleblowers, legally called “relators,” could receive awards representing 15 to 25 percent of qui tam recoveries, according to Kleiman, whose firm represents whistleblowers across the U.S.

Caption and Case Number, Attorney and Media Information
Appear On The Following Page

UNITED STATES OF AMERICA, ex rel JOE CAPUTO, Relator, v. MPC Products Corporation, MPC International, Inc., JOE ROBERTI, and Does 1-100, Defendants. Case No. 03C373 NDIL.

About Mark Allen Kleiman

Mark Allen Kleiman is the former Executive Director of the Consumer Coalition for Health in Washington, D.C. Over more than two decades as a trial attorney he has prosecuted doctors, hospitals, and nursing homes for consumer fraud and malpractice. In the process he has represented nurses, doctors, engineers as well as other whistleblowers in the defense, construction, and education industries. Among multi-million-dollar settlements and verdicts, Kleiman helped secure a \$400 million whistleblower settlement with Merck & Co. He represents whistleblowers across the United States in matters brought under state and federal False Claims Acts.

About Dennis R. Favaro

Dennis R. Favaro, a principal of Favaro & Gorman, Ltd., with offices in Palatine and Crystal Lake (Lakewood) Illinois, is an employment lawyer who represents individuals in a wide variety of employment disputes including whistleblower and retaliation lawsuits, wrongful discharge and sexual harassment claims. Favaro and his law partners practice employment law throughout state and federal courts in Chicago and Northern Illinois.

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