

Verizon Pays \$93.5 Million to Resolve False Claim Suit

Written by Nick Sanders
Thursday, 07 April 2011 00:00



On April 5, 2011, several related things happened, according to [this article](#) at the Legal Times blog.

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A *qui tam* suit alleging violations of the False Claims Act was unsealed in U.S. District Court in Washington, D.C.

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The Department of Justice announced its intention to intervene in the whistleblower's suit.

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Verizon and the DOJ entered into a settlement agreement, wherein Verizon agreed to pay \$93.5 million, but denied any wrongdoing.

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Looking at the original *qui tam* complaint via the link helpfully provided by the article, we noted that the allegations concerned MCI/Worldcom, which was acquired by Verizon in 2006, and invoices submitted to the General Services Administration (GSA) under the telecommunications contracts FTS2001 and FTS2001 Bridge. According to the complaint—

MCI overcharged the United States by submitting invoices for payment to the United States for certain surcharges including certain federal, state and local taxes that it is prohibited from charging the United States under Federal Acquisition Regulations (FAR) and the FTS2001 Contract.

Specifically, the relator, Mr. Shea (a former Deloitte telecommunications consultant), alleged that Verizon violated FAR 52.229-04, which was incorporated into Verizon's GSA contracts. Despite the limitations of that contract clause (and other related contract language), Mr. Shea alleged that Verizon billed the GSA for "Federal Regulatory Fee surcharges, state sales, excise and utility taxes; and surcharges [including] public utility commission fees; ... state "deaf taxes;" state and local gross receipts taxes; business license fees; 911 taxes; ... ad valorem taxes..."

The settlement agreement states—

This Agreement represents a compromise to avoid continued litigation and associated risks and is neither an admission of liability by Verizon nor a concession by the United States that its claims are not well founded.

Interestingly, while Verizon asserted that it was entering into the settlement agreement in order to "avoid .. risks," the settlement agreement—by its express terms—does not eliminate Verizon's risks associated with criminal liability or suspension/debarment proceedings. So we have difficulty fathoming what risks Verizon thought it was mitigating

Here's [a link](#) to the official DOJ announcement. It's not every day that the government's attorneys reap nearly \$100 million in contractor payments, but the announcement is (deliberately?) understated. The most strident statement is the following—

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‘A government contract is not a blank check,’ said U.S. Attorney Ronald C. Machen Jr. ‘Contractors who overbill the government will be aggressively pursued and required to make the taxpayers whole. This \$93 million recovery should make contractors realize that we are firmly committed to ensuring the integrity of corporate billing practices with respect to government programs.’

Well, yes. We contractors do realize that billing practices are rather important, and that the False Claims Act always looms, like the Sword of Damocles, over our heads. Thanks for the reminder.

And thanks to Verizon, for the object lesson that government contractor compliance failures tend to be on the very expensive side, such that investments in compliance mechanisms and internal controls tend to pay for themselves.