

CLIENT ALERT

Procurement Collusion Strike Force Nabs Another Military Contractor in Bid Rigging Scheme

June 27, 2022

On June 23, 2022, a federal grand jury returned an indictment against Army contractor Envistacom LLC and two of its executives alleging participation in a fraudulent scheme that deprived the federal government of competition and making false representations to the government in furtherance of the conspiracy. The indictment also charged the executive as a co-conspirator, and asserts the conspirators coordinated in the preparation of so-called “competitive quotes” submitted in connection with 8(a) set aside contracts. The quotes were allegedly fraudulently inflated in order to all but guarantee the government customer would sole source the award to the conspirators’ pre-determined bidder. This indictment represents the fruits of yet another investigation by the Department of Justice’s Procurement Collusion Strike Force (“PCSF”).

According to the indictment, the defendants conspired to prepare and secure “sham” pricing quotes from third-party companies that were intentionally higher than Envistacom’s proposals to ensure that the government issued sole source awards to Envistacom. Further, the defendants allegedly coordinated with an unnamed government employee who acted as a co-conspirator and assisted in preparing and submitting Independent Government Cost Estimates (“IGCE”) for certain set aside contracts to ensure that the pre-determined bidder’s proposal would be lower than the IGCEs. Finally, the indictment alleges that the defendants made “false statements, representations, and material omissions to federal government contracting officials” about the IGCEs being “legitimate” and the sham quotes being “competitive.”

The investigation was the result of cross-agency partnership and included investigators from the Department of Justice Antitrust Division, the U.S. Attorney’s Office for the Northern District of Georgia, the U.S. Army Criminal Investigation Division Major Procurement Fraud Field Office, and the Defense Criminal Investigative Service. This collaboration is a hallmark of the PCSF, which includes efforts undertaken to further arm contracting officers to identify red flags of anticompetitive behavior.

Notably, the Envistacom indictment does not include a Sherman Act antitrust count. And it continues the recent trend of the PCSF bringing cases alleging more sophisticated schemes. Since the establishment of the strike force in November 2019, the PCSF has begun pursuing more complex cases, and we anticipate announcements of more such cases in the coming months as the PCSF’s efforts continue to gain traction.

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