

07 CV 401
UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

JUDGE STEIN

UNITED STATES ex rel.
LEONARD H. LE BLANC III,

Qui Tam Plaintiff,

v.

ITT INDUSTRIES, INC.,
ITT FEDERAL SYSTEMS
INTERNATIONAL CORP., and
ITT FEDERAL SYSTEMS
INTERNATIONAL LTD.,

Defendants.

Civ. No. _____

FILED
U.S. DISTRICT COURT
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S.D. OF N.Y.

COMPLAINT

1. This action concerns false claims submitted under a U.S. Army contract for security guard services in Bosnia, and related claims.

2. As explained in detail below, the Defendants overcharged the Government under the Contract by, *inter alia*:

- o billing for manning as if the manning roster was fully staffed, when it was not ("ghost-posting"); and
- o billing as if they had provided the guards with all of the equipment required by the Contract, when they did not.

PARTIES

3. The Qui Tam Plaintiff is Leonard H. Le Blanc III ("Le Blanc"). Le Blanc is a citizen of the United States. He resides abroad. He worked under the Contract.
4. Defendant ITT Industries, Inc. ("ITT-Parent") is an Indiana corporation. It is a publicly-traded company with approximately 40,000 employees, and annual sales of over \$7 billion. ITT-Parent's principal executive office is located at 4 West Red Oak Lane, White Plains, New York 10604, within this judicial district.
5. ITT-Parent is divided into four principal business segments. One of them is ITT Defense Electronics and Services. ITT's Systems Division is within this business segment.
6. ITT's Systems Division is an unincorporated division of ITT-Parent. Its revenues are over \$1 billion a year. ITT Systems Division's principal executive office is located at 4410 East Fountain Blvd., Colorado Springs, Colorado 80916.
7. ITT's Systems Division sometimes operates through wholly-owned subsidiaries of ITT. Among these subsidiaries are Defendants ITT Federal Systems International Corp. ("ITT-FSIC"), and ITT Federal Systems International Ltd. ("ITT-FSIL"). ITT-FSIC is incorporated in Delaware. ITT-FSIL is incorporated in the Cayman Islands. On information and belief, the principal office for both ITT-FSIC and ITT-FSIL is located at 4410 East Fountain Blvd., Colorado Springs, Colorado 80916, within the principal office of ITT's Systems Division.
8. On information and belief, when ITT-FSIC receives a contract requiring the

provision of substantial amounts of labor abroad, it issues a subcontract under that contract to ITT-FSIL. This is done primarily for tax purposes.

9. Collectively, the Defendants are referred to as "ITT" or "Defendants."

JURISDICTION AND VENUE

10. This action arises under 31 U.S.C. § 3729 *et seq.* Therefore, this is a case or controversy arising under the laws of the United States. Hence there is subject matter jurisdiction under 28 U.S.C. § 1331 (2000).

11. This action may be brought in this judicial district under 31 U.S.C. § 3732(a) (2000) because, *inter alia*, Defendant ITT-Parent transacts business and is found in this judicial district.

ALLEGATIONS

12. On or about July 8, 2002, the United States Army (the "Army") awarded Contract No. DAJA22-02-C-0031 (the "Contract"). The Army announced that it had awarded the Contract to "ITT Federal Services International Inc." Evidently, this refers to either ITT-FSIC or ITT-FSIL. ITT-Parent, however, announced that the contract had been awarded to ITT-Parent, and that the work would be performed by ITT's Systems Division.

13. The Army's Regional Contracting Center in Weisbaden, Germany, was the contracting activity for the Contract. The Army assessed the value of the Contract at \$205,005,914. The Contract was for one "base year," and several option years. The

Contract was a "firm-fixed-price" contract, meaning that the amount paid to the Defendants would not depend upon what the Defendants spent to perform the Contract. In other words, the less the Defendants spent, the greater the Defendants' profit.

14. The basic purpose of the Contract was to obtain armed guard services for posts within Task Force Eagle, in Bosnia. Task Force Eagle is the U.S. contingent of the multinational "Stabilization Force" in Bosnia. The Contract required ITT to provide security and "force protection" for "forward-deployed locations," including those at the Army's Task Force Eagle Base Camps in Bosnia. These included Eagle Base, near Tuzla, and Forward Operations Bases ("FOBs") McGovern, Morgan, Conner and Hill 1326. ITT referred to its guards as its "Force Protection Team."

15. Bosnia was a war zone in 2002. ITT's security guards were responsible for helping to protect the 20,000 U.S. peacekeeping troops deployed there.

16. On or about August 4, 2002, approximately 245 ITT security guards were to arrive at Eagle Base.

17. Much of the contractor staff remained at Eagle Base. The rest of the staff was assigned to the other Task Force Eagle bases, mostly north and east of Eagle Base. They assumed their posts on or about August 15, 2002. Le Blanc worked at a U.S. Army base near Brcko (the "Brcko Base").

I. "Ghost-Posting"

18. Under the Contract, ITT initially was required to provide a staff of 48 at the

Brcko Base. Forty-two ITT employees (including supervisors) were to provide security at the Main Gate, for a Humvee patrol, and at the Base Defense Operations Center and the armory. Six additional ITT employees provided coverage when the others were sick, or on leave. Army soldiers manned the perimeter watch and the guard towers.

19. Shortly after Contract performance began, the Army directed that ITT provide 18 more employees. These employees were to replace Army soldiers providing additional security at the Main Gate, and in the guard towers.

20. ITT staff was informed that the Army had issued a contract modification or task order to require the additional staff, and to pay for it.

21. Thus the required ITT staff at the Brcko Base during virtually all of the performance period was 48 plus 18, or 66.

22. The actual number of staff that ITT provided at the Brcko Base usually was less than 40. Sometimes, it was as low as 33, or half of the staff required. It was never more than 48, much less as much as 66.

23. As a result, ITT failed to man several of the required security posts, during any of the three daily shifts. These unmanned posts generally included the armory, the Base Defense Operations Center, one of the two guards on patrol, at least two of the Main Gate staff, and three of the five guard towers.

24. On information and belief, such "ghost posting" occurred at other bases in Bosnia staffed by ITT, as well. Le Blanc and others learned that ITT-manned posts generally were short-staffed. If the other bases had been staffed properly, it would have been a simple

matter for ITT to transfer some staff from those bases to the Brcko Base, to relieve the severe under-staffing there. ITT did not do so.

25. On information and belief, ITT billed the Army for the number of employees required, not the number of employees actually provided. ITT deliberately perpetuated the short-staffing, in order to boost profit.

26. Le Blanc and other ITT employees complained to the Army about the under-staffing. The Army informed ITT of the complaints (although not, evidently, the specific identity of the complainants). ITT then informed its staff that any ITT guard speaking to the U.S. Army for any reason would be dismissed immediately. This bar against communicating with the U.S. Army seriously hindered the guards' performance of their duties.

II. Under-Supply of Equipment and Uniforms

27. On information and belief, the Contract required ITT to outfit its employees with equipment and uniforms.

28. ITT failed to provide much of the equipment and uniforms required by the Contract.

29. For instance, in Le Blanc's case, ITT never provided a raincoat or belt. It also failed to provide the required down-filled winter jacket, substituting a cheap replacement for that.

30. Other ITT employees had the same experience.

31. ITT required new employees to wear the uniforms and boots left behind by old

employees.

32. In many cases, ITT even failed to provide the U.S. flag patches that ITT employees were required to wear, to identify themselves as associated with U.S. Forces.

33. Ironically, an ITT company newsletter acknowledged that the employees were "living in austere conditions," and facing "daily hardships." Much of that hardship arose from the fact that ITT did not equip the employees properly.

34. On information and belief, ITT nevertheless billed under the Contract as if it had met the Contract's requirements.

First Claim - FALSE CLAIMS

35. All of the preceding allegations are incorporated herein.

36. As alleged above, the Defendants received the Contract from the U.S. Army in 2002, and began performing the Contract in or around August 2002. The relevant contracting activity is the U.S. Army Regional Contracting Center in Weisbaden, Germany. It is staffed by officers and employees of the U.S. Government, and members of the Armed Forces of the United States. On information and belief, the Defendants have billed the Government under the Contract each month, and will continue to do so during the pendency of this lawsuit. Each of these Contract invoices, beginning in or around August 2002 and continuing during the pendency of this lawsuit, is a false or fraudulent claim, for the reasons alleged above. On information and belief, these false claims were presented to employees of the U.S. Government at the U.S. Army Central Command in Kuwait; and the U.S. Defense

Finance and Accounting Service in Cleveland or Columbus, Ohio; Indianapolis, Indiana; Kansas City, Missouri; or Denver, Colorado, *inter alia*. Each of the Defendants knowingly presented these false claims for payment or approval, or knowingly caused them to be presented for payment or approval.

37. The Defendants thus knowingly presented, or caused to be presented, to an officer or employee of the United States Government or a member of the Armed Forces of the United States false or fraudulent claims for payment or approval.

Second Claim - FALSE STATEMENTS

38. All of the preceding allegations are incorporated herein.

39. The Defendants knowingly made, used or caused to made or used numerous false records or statements to get the false or fraudulent claims paid or approved. For instance, on information and belief, the Defendants falsely reported full staffing levels in regular reports to the Army regarding contract performance.

40. The Defendants thus knowingly made, used, or caused to be made or used, false records or statements to get false or fraudulent claims paid or approved by the Government.

WHEREFORE, for each of the first two claims, the Qui Tam Plaintiff requests the following relief from each of the Defendants, jointly and severally:

A. Three times the amount of damages that the Government sustains because of

- the acts of the Defendants;
- B. A civil penalty of \$11,000 for each violation;
 - C. An award to the Qui Tam Plaintiff for collecting the civil penalties and damages;
 - D. Award of an amount for reasonable expenses necessarily incurred;
 - E. Award of the Qui Tam Plaintiff's reasonable attorneys' fees and costs;
 - F. Interest; and
 - G. Such further relief as the Court deems just.

JURY REQUEST

The Qui Tam Plaintiff requests a jury for all issues that may be tried by a jury.

Respectfully submitted,



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