



Department of Justice

FOR IMMEDIATE RELEASE
MONDAY, AUGUST 30, 2010
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CIV
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TDD (202) 514-1888

HEWLETT-PACKARD AGREES TO PAY THE UNITED STATES \$55 MILLION TO SETTLE ALLEGATIONS OF FRAUD

WASHINGTON – Hewlett-Packard Co. (HP) has agreed to pay the United States \$55 million to settle claims that the company defrauded the General Services Administration (GSA) and other federal agencies, the Justice Department announced today. This settlement resolves allegations under the False Claims Act that HP knowingly paid kickbacks, or “influencer fees,” to systems integrator companies in return for recommendations that federal agencies purchase HP’s products. The settlement also resolves claims that HP’s 2002 contract with the GSA was defectively priced because HP provided incomplete information to GSA contracting officers during contract negotiations.

“Contractors must deal fairly with the government when doing business with federal agencies,” said Tony West, Assistant Attorney General for the Civil Division of the Department of Justice. “As this case demonstrates, we will take action against those who seek to taint the government procurement process with illegal kickbacks.”

The allegations that HP improperly paid kickbacks were first made in a lawsuit that whistleblowers Norman Rille and Neal Roberts filed in the U.S. District Court for the Eastern District of Arkansas in 2004. Under the *qui tam* provisions of the False Claims Act, private citizens may file actions for fraud on behalf of the United States and share in any recovery.

“In this district, we are committed to aggressively pursuing any actions in which the government has been defrauded,” said Jane W. Duke, U.S. Attorney for the Eastern District of Arkansas. “Ultimately, it is the taxpayers’ money at issue and our office works to protect the citizens of the United States.”

HP disclosed the defective pricing allegations resolved by today’s settlement to GSA contracting officials. In 2002, HP entered into a contract with GSA to sell computer equipment and software to federal agencies. Under applicable regulations and contract provisions, HP was required to tell GSA how it conducted business in the commercial marketplace so that GSA

could use that information to negotiate a fair price for government customers using the GSA contract to purchase HP products. HP informed GSA contracting officials in 2007 that it might not have complied with all applicable provisions of the GSA contract. This disclosure led to an audit by the GSA Office of Inspector General (GSA-OIG), which concluded that the contract had been defectively priced.

"Americans deserve the best deal possible when their hard-earned tax dollars are used," said GSA Inspector General Brian D. Miller. "We will aggressively pursue companies that overcharge the government."

The United States has settled kickback allegations similar to those made in this case in matters involving IBM for \$2.9 million, Computer Sciences Corporation for \$1.37 million, and PWC for \$2.3 million. In addition, these same allegations were a part of a settlement with EMC Corporation which totaled \$87.5 million. The EMC settlement also settled defective pricing claims found through an audit by the GSA OIG.

The civil investigation and resulting settlement were jointly handled by the Justice Department's Civil Division and the Office of the U.S. Attorney for the Eastern District of Arkansas, with assistance from the GSA-OIG, the Office of Inspector General of the Department of Energy, and the Defense Criminal Investigative Service.

The *qui tam* action is entitled *United States ex rel. Rille. v. Hewlett-Packard, Inc.*, Civil No. 4-04 cv 0988(E.D. Ark.).

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