

**UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY**

ORIGINAL FILED

UNITED STATES OF AMERICA : **CRIMINAL COMPLAINT - 5 2010**
v. :
THE LOUIS BERGER GROUP, INC. : **Magistrate No. 10-3198**

PATTY SHWARTZ
U.S. MAG. JUDGE

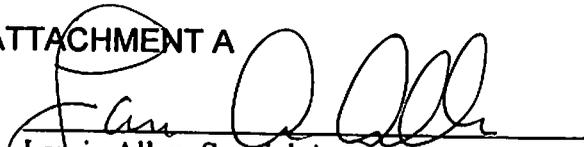
I, Laurie Allen, being duly sworn, state the following is true and correct to the best of my knowledge and belief. From at least as early as in or about 1999 to in or about August 2007, in the District of New Jersey, and elsewhere, the defendant THE LOUIS BERGER GROUP did:

knowingly execute and attempt to execute a scheme and artifice to defraud the United States Agency for International Development, an agency of the United States, and to obtain, by means of materially false and fraudulent pretenses, representations, and promises, in procurement of property and services with a value of at least \$1,000,000, as a prime contractor with the United States Agency for International Development, an agency of the United States, which scheme is set forth in substance in Attachment A.

In violation of Title 18, United States Code, Section 1031 and Section 2.

I further state that I am a Special Agent of the Federal Bureau of Investigation and that this complaint is based on the following facts:

SEE ATTACHMENT A

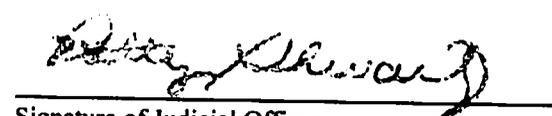

Laurie Allen, Special Agent
Federal Bureau of Investigation

Sworn to and subscribed in my presence,

November 5, 2010 at
Date

Newark, New Jersey
City and State

Hon. Patty Shwartz
United States Magistrate Judge
Name and Title of Judicial Officer


Signature of Judicial Officer

ATTACHMENT A

I, Laurie Allen, a Special Agent of the Federal Bureau of Investigation, am familiar with the facts set forth herein based on my investigation, my conversations with witnesses and other law enforcement officers, and my review of reports, documents, and items of evidence. Since this Complaint is being submitted for a limited purpose, I have not set forth each and every fact that I know concerning the investigation.

A. General Background

1. The Louis Berger Group, Inc. ("LBG") was headquartered in East Orange, and then, Morristown, New Jersey and provided engineering consulting services to private and public entities, including federal agencies, state agencies, and foreign governments.
2. LBG's contract performance was often subject to technical and administrative regulations and laws, which were overseen and enforced by federal, state and local government agencies, and/or foreign government agencies.
3. The U. S. Agency for International Development ("USAID") was an independent federal government agency that received overall foreign policy guidance from the U.S. Secretary of State. USAID advanced U.S. foreign policy guidance objectives by supporting economic growth, agriculture, trade, global health, democracy, and humanitarian assistance in developing countries, including countries destabilized by violent conflict, such as Iraq and Afghanistan. USAID awarded multi-million dollar contracts to LBG, including contracts for rehabilitative and reconstructive work in Iraq and Afghanistan.

B. LBG's Billings to the Federal Government

1. The contracts between USAID and LBG were primarily "cost-plus" contracts. Cost-plus contracts enabled LBG to bill USAID and other federal agencies for direct costs associated with the contract, such as labor and materials.
2. Cost-plus contracts additionally enabled LBG to bill USAID and other federal agencies for a share of LBG's indirect costs. Indirect costs were overhead and general

and administrative expenses, such as rent, depreciation, accounting, and legal costs, which were, as a general matter, incurred in support of LBG's overall business rather than in support of a particular contract.

3. To determine how much of its indirect costs would be charged to a particular federal contract, which LBG performed in whole or in part overseas, LBG would calculate an indirect cost rate, also known as the "GG rate," which it would multiply by the amount of direct labor costs associated with that contract.
4. The GG rates were utilized in "Incurred Cost Submissions," which included billing proposals, and which LBG submitted to USAID and other government agencies.
5. The "GG997A" project code was designated to capture the overhead costs of LBG's operations out of its New Jersey headquarters, such as accounting, legal, administration, information technology and human resources, attributable to LBG's work performed for the U. S. government in overseas locations.
6. The "GG997B" project code was designated to capture the common overhead costs of LBG's Washington D.C. office which were attributable to LBG's work performed for the U. S. government in overseas locations.

C. LBG's Improper Allocations and Billings to the Federal Government

1. Former executives improperly "targeted" an inflated GG rate, and directed former management employees to bill USAID and other federal agencies at falsely inflated GG rates.
2. LBG, at the direction of its former executives and through its former management employees, reclassified non-GG indirect costs, that had been incurred, as GG costs, thereby increasing the GG rate.

3. Improper GG997A allocations involved the misuse of an accounting method known as a "journal entry." On a periodic basis, former management employees, at the direction of former executives, reclassified, and caused to be reclassified, as GG overhead costs, via journal entries, a percentage of the non-GG labor time of certain LBG's employees at its East Orange, New Jersey headquarters. These reclassifications were done without investigating whether these employees had correctly accounted for their time and without the knowledge or consent of the employees whose time charges had been changed.
4. These reclassifications of time amounted to moving falsely estimated or "residual" overhead costs into the GG pool, which was supposed to account for actual or "discrete" costs. These reclassifications caused the GG997A overhead rate to increase.
5. These journal entries were included in LBG's books and records, and resulted in LBG's intentional submission to the U. S. government of false allocations of corporate overhead. In subsequent submissions to the U.S. government, these false allocations were used to calculate overhead rates that LBG used, or was intending to use, to bill the U.S. government under certain contracts in the U.S. government international business segment.
6. Improper GG997B-related billings involved an over-inclusion of common area overhead costs. LBG, at the direction of its former executives and through its former management employees, fraudulently allocated the totality of all common overhead costs, such as rent for common areas, telephone bills and office supplies, of its Washington, D.C. office to the U. S. government international business segment. However, the Washington, D.C. office also supported LBG's non-U.S. government clients. As a result, GG997B overhead costs were improperly charged in their entirety into the GG cost

pool as reflected in LBG's Incurred Cost Submissions to USAID.

7. In sum, from at least as early as in or about 1999 to in or about August 2007 LBG, through its former executives and management employees, intentionally submitted Incurred Cost Submissions to USAID, which were relied upon by USAID and other federal agencies involved in international projects, and which contained false, fictitious and fraudulent overhead rates for indirect costs and correspondingly wrongfully resulted in overpayments by the government in excess of \$10 million.