

# Whistleblower News Review

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## ADS to Pay \$16M on Whistleblower Allegations of Defense Contract Fraud

By ML McLaren

**A**DS Inc., a Virginia-based company that supplies equipment and logistics for the U.S. military's search-and-rescue operations, has agreed to pay \$16 million to resolve allegations that it fraudulently secured government contracts.

ADS obtained numerous contracts that were set aside for small businesses, in spite of the fact that the company made \$1 billion from federal contracts alone in 2016, which hardly qualifies for the "small business" category.

### ADS SCHEME EXPOSED – MANUFACTURED FRONT COMPANIES

According to the Justice Department, ADS created a network of smaller companies in order to access contracts through federal programs meant to help small businesses secure them.

ADS allegedly presented a facade of disconnection with the small companies obtaining

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— **Eric Gang**  
veterans' lawyer and defense contractor whistleblower attorney

the contracts, but it was actually affiliated with them.

Some of the smaller companies named in the lawsuit are SEK Solutions, Karda Systems, and London Bridge Trading Co., a manufacturer of ammunition pouches and tactical K-9 harnesses, which is under investigation for producing the supplies abroad, in violation of defense contractor regulations.

SEK Solutions and Karda Systems, on the other hand, allegedly misrepresented themselves as eligible to obtain certain incentives set aside for small business contractors.

Another company that was allegedly involved in the scheme is MJL Enterprises, a provider of medical supplies, office supplies, and tactical combat training.

According to the qui tam lawsuit, MJL illegally obtained contracts which were reserved for service-disabled veterans.

Two decades ago, ADS was a modest diving supplies shop in Virginia Beach. When the U.S. Navy started purchasing its wet suits, the company started growing, until it eventually landed a sizable contract with the Defense Department.

By 2014, ADS had 400 employees and had begun carrying robotics and other high-end equipment.

## **ANONYMOUS ADS WHISTLEBLOWER INSIDERS FILED QUI TAM (FALSE CLAIMS) LAWSUIT**

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ADS's alleged scheme to obtain perks set aside for small businesses was exposed by whistleblowers who have chosen to remain anonymous. Presumably ADS insiders, the whistleblowers, who filed the original lawsuit under the False Claims Act, will receive a \$2.9 million reward, the DOJ announced.

For Eric Gang, an experienced veterans' lawyer and defense contractor whistleblower attorney, the settlement represents an important landmark.

"When large companies manipulate the system to take advantage of set-asides designed for legitimate service-disabled small businesses, it hurts legitimate service-disabled veterans and their companies. The fraudulent actions by those that violate the False

Claim Act defeat the purpose of the legislation designed to help companies that Congress has deemed worthy of special assistance. Any legitimate service-disabled small business owner has to be pleased with the news of the ADS settlement," Gang told WNR.

Acting Assistant Attorney General, Chad A. Readler's opinion is aligned with Gang's; "When ineligible companies improperly obtain set-aside contracts, they prevent the small business community from receiving the assistance that Congress intended," Readler commented. ■