

Former Louis Berger Group Inc. Chairman, CEO, and President Admits 20-Year Conspiracy to Defraud Federal Government

FOR IMMEDIATE RELEASE

December 12, 2014

Scheme Involved International Environmental Consulting Contracts, Including Reconstruction Contracts in Afghanistan and Iraq

TRENTON, N.J. – The former president, chief executive officer, and chairman of the board of a New Jersey-based international engineering consulting company pleaded guilty to conspiring to defraud the U.S. Agency for International Development (USAID) with respect to billions of dollars in contracts over a nearly 20-year period, U.S. Attorney Paul J. Fishman announced.

Derish Wolff, 79, of Bernardsville, New Jersey, pleaded guilty before U.S. District Judge Anne E. Thompson in Trenton federal court to a superseding information charging conspiracy to defraud the government with respect to claims.

“Two years after the Louis Berger Group and two of its executives confessed to defrauding USAID, the company’s former chairman admitted his role in the scheme,” U.S. Attorney Fishman said. “Derish Wolff admitted today that he enriched himself and his company with money intended for important reconstruction projects in Afghanistan and Iraq. This type of conduct cheats the American taxpayers.”

“Today’s plea is the result of impressive investigative work undertaken to root out fraud that hinders global development,” Special Agent in Charge Daniel Altman, USAID-Office of Inspector General, said.

According to documents filed in this case and statements made in court:

Wolff, the former president and CEO of Morristown-based Louis Berger Group Inc. (LBG), and the former chairman of LBG’s parent company, Berger Group Holdings Inc. (BGH), led a conspiracy to defraud USAID by billing the agency on so-called “cost-reimbursable” contracts – including hundreds of millions of dollars of contracts for reconstructive work in Iraq and Afghanistan – for LBG’s overhead and other indirect costs at falsely inflated rates.

USAID, an independent federal government agency that advances U.S. foreign policy by supporting economic growth, agriculture, trade, global health, democracy, and humanitarian assistance in developing countries, including countries destabilized by violent conflict, awarded LBG hundreds of millions of dollars in reconstruction contracts in Iraq and Afghanistan as well as in other nations. LBG calculated certain overhead rates and charged USAID and other federal agencies these rates on cost-reimbursable contracts, which enabled LBG to pass on their overhead costs to the agency in general proportion to how much labor LBG devoted to the government contracts.

From at least 1990 through July 2009, LBG, through Wolff and other former executives, intentionally overbilled USAID in connection with these cost-reimbursable contracts. The scheme to defraud the government was carried out by numerous LBG employees at the direction of Wolff.

Wolff targeted a particular overhead rate, irrespective of what the actual rate was, and ordered his subordinates to achieve that target rate through a variety of fraudulent means. From at least as early as 1990 through 2000, Wolff ordered LBG's assistant controller to instruct the accounting department to pad its time sheets with hours ostensibly devoted to federal government projects when it had not actually worked on such projects.

At an LBG annual meeting in September 2001, Salvatore Pepe, who was then the controller and eventually became chief financial officer (CFO), presented a USAID overhead rate that was significantly below Wolff's target. In response, Wolff denounced Pepe, called him an "assassin" of the overhead rate and ordered him to target a rate above 140 percent, meaning that for every dollar of labor devoted to a USAID contract, LBG would receive an additional \$1.40 in overhead expenses supposedly incurred by LBG.

In response, Pepe and former controller Precy Pellettieri, with Wolff's supervision, hatched a fraudulent scheme from 2003 through 2007 to systematically reclassify the work hours of LBG's corporate employees, including high-ranking executives and employees in the general accounting division, to make it appear as if those employees worked on federal projects when they did not. Wolff admitted in court today that Pepe and Pellettieri, at Wolff's direction, reclassified these hours without the employees' knowledge and without investigating whether the employees had correctly accounted for their time, and at times did so over an employee's objection.

In addition to padding employees' work hours with fake hours supposedly devoted to USAID work, Wolff instructed his subordinates to charge all commonly shared overhead expenses, such as rent, at LBG's Washington, D.C., office to an account created to capture USAID-related expenses, even though the D.C. office supported many projects unrelated to USAID or other federal government agencies.

"Derish Wolff spent close to 20 years creating and executing a series of elaborate fraudulent billing schemes, ultimately defrauding the federal government of tens of millions of dollars," FBI Special Agent in Charge Aaron T. Ford said. "This long-term, complex investigation required much in terms of investigative resources and financial analysis. The FBI, in partnership with the U.S. Agency for International Development and the U.S. Department of Defense, and through its vast experience investigating complex financial schemes was able to provide such resources, resulting in today's guilty plea of Derish Wolff."

"The plea by Mr. Wolff for his actions as chief executive of Louis Berger Group Inc. supports the need for continued aggressive oversight and investigation of allegations of wrongdoing," Special Agent in Charge Craig W. Rupert, Defense Criminal Investigative Service Northeast Field Office, said. "This example of corporate and personal greed harms both the American taxpayer and the acquisition process, saying nothing of the harm to the reputation of the many faithful employees of this

corporation. DCIS will continue to work with our law enforcement partners on our priority to search out and prosecute fraud found in Defense Department programs.”

On Nov. 5, 2010, Pepe and Pellettieri both pleaded guilty before then-U.S. Magistrate Judge Patty Shwartz to separate informations charging them with conspiring to defraud the government with respect to claims. Also on that date, LBG resolved criminal and civil fraud charges related to Wolff's and others' conduct. The components of the settlement included:

- a Deferred Prosecution Agreement (DPA), pursuant to which the U.S. Attorney's Office in New Jersey suspended prosecution of a criminal complaint charging LBG with a violation of the Major Fraud Statute; in exchange, LBG agreed, among other things, to pay \$18.7 million in related criminal penalties; make full restitution to USAID; adopt effective standards of conduct, internal controls systems, and ethics training programs for employees; and employ an independent monitor who would evaluate and oversee the company's compliance with the DPA for a two-year period;
- a civil settlement that required the company to pay the government \$50.6 million to resolve allegations that LBG violated the False Claims Act by charging inflated overhead rates that were used for invoicing on government contracts; and
- an administrative agreement between LBG and USAID, which was the primary victim of the fraudulent scheme.

In the settlement, the government took into consideration LBG's cooperation with the investigation and the fact that those responsible for the wrongdoing were no longer associated with the company.

The charge to which Wolff pleaded guilty carries a maximum potential penalty of 10 years in prison and a maximum \$250,000 fine, or twice the gain or loss caused by the offense. Sentencing is scheduled for March 20, 2015.

U.S. Attorney Fishman credited special agents of USAID-Office of Inspector General, under the direction of Special Agent in Charge Altman; the FBI, under the direction of Special Agent in Charge Ford; the U.S. Department of Defense, Defense Criminal Investigative Service, under the direction of Special Agent in Charge Rupert; and the former Office of the Special Inspector General for Iraq Reconstruction, under the direction of former Special Inspector General Stuart W. Bowen Jr., for the investigation leading to the guilty plea. He also thanked the U.S. Attorney's Office, District of Maryland, and the U.S. Department of Justice Civil Division for their roles in the case.

The case is being prosecuted by Assistant U.S. Attorneys Scott B. McBride, Deputy Chief of the U.S. Attorney's Office's Economic Crimes Unit, and Joyce M. Malliet of the U.S. Attorney's Office National Security Unit.