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Chemonics International, Inc. to Pay \$3.1 Million to Resolve Allegations of Fraudulent Billing Under Global Health Supply Chain Contract

WASHINGTON – Chemonics International, Inc. (Chemonics), a private international development firm based in Washington, DC, has agreed to pay \$3,119,582 to resolve allegations that it violated the False Claims Act by submitting fraudulent claims for payment to the U.S. Agency for International Development (USAID). Chemonics disclosed the fraudulent billing to the United States in 2020.

The settlement resolves allegations that Chemonics acted recklessly in failing to detect fraudulent charges by its subcontractor, Zenith Carex (Zenith), for certain delivery services in Nigeria, and passed the charges on to USAID under the Global Health Supply Chain-Procurement and Supply Chain Management contract. Under this contract, Chemonics provided health care supply chain management services and related technical assistance in Nigeria, and other countries. Chemonics subcontracted with Zenith, an in-country logistics provider, to perform last-mile delivery and long-haul delivery of cold-chain commodities throughout Nigeria. Between June 2017 and March 2020, Zenith fraudulently charged Chemonics for its long-haul delivery services based on truck tonnage as opposed to the weight per kilogram of the commodity transported, as the subcontract between Chemonics and Zenith required. During the same time period, Zenith charged Chemonics more for last-mile delivery services than the subcontract allowed. Chemonics failed to detect Zenith’s fraudulent overcharging for more than 2 years due to systematic process and personnel failures, including inadequate financial controls, monitoring, and oversight, and inadequate employee training, direction, and support.

“Government contractors must exercise responsible oversight and management of their subcontractors to ensure contract compliance and appropriate billing,” said Principal Deputy Assistant Attorney General Brian M. Boynton, head of the Justice Department’s Civil Division. “Today’s settlement demonstrates the department’s commitment to hold accountable those who knowingly or recklessly submit false claims for payment to the United States no matter where in the world the underlying conduct occurs.”

In connection with the settlement, the United States acknowledged that Chemonics took a number of significant steps entitling them to credit for cooperating with the government in connection with the resolution of this matter. Chemonics disclosed the fraudulent billing to the government in connection with an investigation by another entity for which it provided delivery services in Nigeria and took remedial actions, including terminating an employee for conduct related to the submission of fraudulent invoices, conducting a comprehensive review of subcontractor billing, and enhancing internal oversight in Nigeria. Chemonics also assisted the government during its investigation.

“USAID’s Global Health Supply Chain program is designed to provide uninterrupted supplies of health products and services to the vulnerable populations worldwide,” said Special Agent in Charge

Sean Bottary of the USAID Office of Inspector General. “This settlement underscores that justice has no borders, and that USAID's contractors and grantees must have systems in place to detect and prevent false invoices submitted by subawardees. The USAID OIG will vigorously investigate those who seek to defraud U.S.-funded foreign assistance programs and we are relentless in our pursuit of holding awardees and subawardees accountable. We appreciate our partnership with the Department of Justice, Civil Division, Commercial Litigation Branch, Fraud Section, and the United States Attorney’s Office for the Western District of Missouri and commend them on their hard work in bringing this case to a resolution.”

The resolution obtained in this matter was the result of a coordinated investigation conducted by the Justice Department’s Civil Division, Commercial Litigation Branch, Fraud Section, United States Attorney’s Office for the Western District of Missouri and USAID Office of Inspector General.

Trial Attorneys Robin Overby and Samuel Lehman of the Justice Department’s Civil Division and Assistant U.S. Attorneys Matt Sparks and Cari Walsh for the Western District of Missouri handled the matter.

The claims resolved by the settlement are allegations only and there has been no determination of liability.

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