
Israeli Military Contractors and the False Claims Act

[עברית]

In the realm of international defense and security, the partnership between the United States and Israel has been a significant alliance. This collaboration extends beyond diplomacy and involves military cooperation. One aspect of this cooperation that has come under scrutiny is the involvement of military contractors from Israel in projects undertaken by the US government. Some of these contractors have faced legal challenges under the qui tam provisions of the US False Claims Act, raising questions about transparency, accountability, and the dynamics of such partnerships.

The US False Claims Act: An Overview

Enacted during the Civil War in 1863, the US False Claims Act (FCA) is a federal law aimed at combating fraudulent activities against the government. Its primary focus is to deter individuals and entities from defrauding the government by presenting false or fraudulent claims for payment. The FCA allows private citizens, also known as whistleblowers, to file lawsuits on behalf of the government and receive a portion of the recovered funds.

The Role of Israeli Military Contractors

Israel is known for its cutting-edge defense technologies and expertise in military operations. Over the years, Israeli military contractors have been involved in various projects and partnerships with the US government. These collaborations range from developing advanced weaponry to providing cybersecurity solutions. While many of these ventures have been successful and mutually beneficial, there have been instances where Israeli contractors have faced allegations of fraudulent activities under the FCA.

Cases Against Israeli Military Contractors

- **Allegations of Overbilling:** Some Israeli military contractors have faced allegations of overbilling the US government for their services. These allegations suggest that contractors intentionally submitted inflated invoices for work performed, leading to an increased financial burden on the government.
- **Misrepresentation of Products:** There have been cases where contractors allegedly misrepresented the capabilities or specifications of their products to the US government. This could involve exaggerating the performance of a weapon system or cybersecurity solution, leading to improper contract awards.

- Non-Compliance with Contractual Obligations: In certain instances, contractors have been accused of not fulfilling their contractual obligations, such as delivering subpar products or failing to meet agreed-upon deadlines.
- Lack of Quality Control: Allegations of poor quality control resulting in the delivery of defective or non-compliant products have also been raised against some Israeli military contractors.
- Kickbacks and Bribes: Some cases have revolved around allegations of kickbacks or bribes provided by contractors to government officials or decision-makers to secure contracts or favorable treatment.

Case Highlights:

- Chester L. Walsh, an employee at General Electric Company, was awarded \$13.4 million for exposing his company's role in an estimated \$40 million fraud against the U.S. Government. General Electric conspired with Rami Dotan, an Israeli Air Force general, by sending bills to the American government for fictitious parts and testing equipment. The money received was pocketed by Dotan and Herbert Steindler, a General Electric executive who oversaw the engine sales.
- Gregory Caputo, an employee at Global Tungsten & Powers Corporation (GTP), was awarded \$952,000, 17% of a \$5.6 million settlement, for exposing his company's false certifications to the United States Foreign Military Financing (FMF) program. Under the law, these types of grant funds are limited to materials manufactured by domestic American companies. GTP, in seven of its sales to the government of Israel, listed United States as the origin of tungsten when the metal was sourced from China.
- ABS Development Corporation (ABS) settled, for \$2.8 million, allegations that it violated the False Claims Act. The United States only awards prime contracts for foreign military sales to domestic American companies. ABS falsely misrepresented itself as the prime contractor for a \$46 million renovation of a naval shipyard in Haifa, Israel. The substantive work on the military port was actually performed by Ashtram International Ltd., ABS's parent company in Israel.

How Do I Start?

Our lawyers at Pollock Cohen are committed to helping whistleblowers secure their False Claims Act rewards. If you are aware of fraud in Israeli contracting, call us at +1.646.290.7251. Submit an inquiry on our website. Or email us at confidential@pollockcohen.com. We want to hear your story.