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## PRESS RELEASE

# Raytheon Company to Pay Over \$950M in Connection with Defective Pricing, Foreign Bribery, and Export Control Schemes

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**For Immediate Release**

Office of Public Affairs

Raytheon Company (Raytheon) — a subsidiary of Arlington, Virginia-based defense contractor RTX (formerly known as Raytheon Technologies Corporation) — will pay over \$950 million to resolve the Justice Department’s investigations into: (i) a major government fraud scheme involving defective pricing on certain government contracts and (ii) violations of the Foreign Corrupt Practices Act (FCPA) and the Arms Export Control Act (AECA) and its implementing regulations, the International Traffic in Arms Regulations (ITAR).

Raytheon will enter into a three-year deferred prosecution agreement (DPA) in connection with a criminal information filed today in the District of Massachusetts charging Raytheon with two counts of major fraud against the United States. As part of that resolution, Raytheon admitted to engaging in two separate schemes to defraud the Department of Defense (DOD) in connection with the provision of defense articles and services, including PATRIOT missile systems and a radar system.

Separately, Raytheon entered into a three-year DPA in connection with a criminal information unsealed today in the Eastern District of New York charging Raytheon with two counts: conspiracy to violate the anti-bribery provision of the FCPA for a scheme to bribe a government

official in Qatar and conspiracy to violate the AECA for willfully failing to disclose the bribes in export licensing applications with the Department of State as required by part 130 of ITAR.

Both agreements require that Raytheon retain an independent compliance monitor for three years, enhance its internal compliance program, report evidence of additional misconduct to the Justice Department, and cooperate in any ongoing or future criminal investigations.

Raytheon also reached a separate False Claims Act settlement with the department relating to the defective pricing schemes. The Justice Department's FCPA and ITAR resolution is coordinated with the Securities and Exchange Commission (SEC).

In addition, the Justice Department's resolutions ensure that the appropriate federal agencies can proceed with determining whether Raytheon or any other individuals or entities associated with the company should be suspended or debarred as federal contractors. Pursuant to the Federal Acquisition Regulations (FAR), when more than one agency has an interest in an entity's potential suspension or debarment, the FAR requires that the Interagency Suspension and Debarment Committee (ISDC) identify the lead agency for conducting governmentwide suspension or debarment proceedings. In connection with this resolution, the Justice Department has referred Raytheon's factual admissions to the appropriate officials within the DOD to initiate the process with the ISDC to identify which federal agency will take the lead in such administrative proceedings, which occur independently of the Justice Department's criminal and civil resolutions.

"Raytheon engaged in criminal schemes to defraud the U.S. government in connection with contracts for critical military systems and to win business through bribery in Qatar," said Deputy Assistant Attorney General Kevin Driscoll of the Justice Department's Criminal Division. "Such corrupt and fraudulent conduct, especially by a publicly traded U.S. defense contractor, erodes public trust and harms the DOD, businesses that play by the rules, and American taxpayers. Today's resolutions, with criminal and civil recoveries totaling nearly \$1 billion, reflect the Criminal Division's ability to tackle the most significant and complex white-collar cases across multiple subject matters."

"Government contractors have an obligation to be fully transparent about their cost and pricing data when they seek an award of a sole source contract," said Principal Deputy Assistant Attorney General Brian M. Boynton, head of the Justice Department's Civil Division. "The department is committed to holding accountable those contractors that knowingly misrepresent their cost and pricing data or otherwise violate their legal obligations when negotiating or performing contracts with the United States."

"International corruption in military and defense sales is a violation of our national security laws as well as an anti-bribery offense," said Assistant Attorney General Matthew G. Olsen of the Justice Department's National Security Division. "Raytheon willfully failed to disclose bribes

made in connection with contracts that required export licenses. Today's resolution should serve as a stark warning to companies that violate the law when selling sensitive military technology overseas."

"Over the course of several years, Raytheon employees bribed a high-level Qatari military official to obtain lucrative defense contracts and concealed the bribe payments by falsifying documents to the government, in violation of laws including those designed to protect our national security," said U.S. Attorney Breon Peace for the Eastern District of New York. "We will continue to pursue justice against corruption, and as this agreement establishes, enforce meaningful consequences, reforms and monitorship to ensure this misconduct is not repeated."

"Through deliberate and deceptive actions, Raytheon not only defrauded the U.S. government — it compromised the integrity of our defense procurement process," said Acting U.S. Attorney Joshua S. Levy for the District of Massachusetts. "Our office is committed to holding accountable those who prioritize profits over national security and clear legal obligations. This case underscores our unwavering commitment to pursuing justice, particularly when taxpayer dollars and DOD operations are at stake. We will continue to work tirelessly with our law enforcement partners to ensure that this type of misconduct is fully exposed and addressed with serious consequences."

"Investigating procurement fraud impacting DOD contracts is a top priority for the Defense Criminal Investigative Service (DCIS), the law enforcement arm of the DOD Office of Inspector General," said Inspector General Robert Storch of DOD. "When DOD contractors fail to provide truthful pricing data and overcharge the government, they undermine the integrity of the DOD procurement process and harm critical DOD programs. The DCIS will continue to work with its law enforcement partners and the Justice Department to ensure DOD contractors that engage in defective pricing schemes are held accountable for their actions. The Defense Contract Audit Agency's (DCAA's) Operations Investigative Support Division provided valuable expertise during this investigation."

"The Raytheon Company set out to intentionally defraud the U.S. government," said Assistant Director Chad Yarbrough of the FBI Criminal Investigative Division (CID). "This agreement highlights the importance of integrity when it comes to government contracting. The FBI, with its law enforcement partners, will continue to investigate these types of crimes that waste taxpayer dollars and prosecute all those who are intent on cooking up these major fraud schemes."

"Raytheon Corporation engaged in a systematic and deliberate conspiracy that knowingly and willfully violated U.S. fraud and export laws," said Special Agent in Charge William S. Walker of Homeland Security Investigations (HSI) New York. "Raytheon's bribery of government officials, specifically those involved in the procurement of U.S. military technology, posed a national security threat to both the United States and its allies. As this investigation reflects, national

security continues to be a top priority for HSI New York. The global threats facing the United States have never been greater, and HSI New York is committed to working with our federal and international partners to ensure that sensitive U.S. technologies are not unlawfully and fraudulently acquired.”

### The Defective Pricing Case

#### *The Criminal Resolution*

According to admissions and court documents filed in the District of Massachusetts, from 2012 through 2013 and again from 2017 through 2018, Raytheon employees provided false and fraudulent information to the DOD during contract negotiations concerning two contracts with the United States for the benefit of a foreign partner — one to purchase PATRIOT missile systems and the other to operate and maintain a radar system. In both instances, Raytheon employees provided false and fraudulent information to DOD in order to mislead DOD into awarding the two contracts at inflated prices. These schemes to defraud caused the DOD to pay Raytheon over \$111 million more than Raytheon should have been paid on the contracts.

Under the terms of the DPA, Raytheon will pay a criminal monetary penalty of \$146,787,972, pay \$111,203,009 in victim compensation, and retain an independent compliance monitor for three years. The Justice Department has agreed to credit the victim compensation amount against restitution Raytheon pays to the Civil Division in its related, parallel False Claims Act proceeding.

Pursuant to the DPA, in addition to the independent compliance monitor, Raytheon and RTX have agreed to continue to implement a compliance and ethics program at Raytheon designed to prevent and detect fraudulent conduct throughout its operations. Raytheon and RTX have also agreed to continue to cooperate with the Criminal Division’s Fraud Section and the U.S. Attorney’s Office for the District of Massachusetts in any ongoing or future criminal investigations.

The Justice Department reached this resolution with Raytheon based on a number of factors, including, among others, the nature and seriousness of the offense conduct, which involved two separate schemes to defraud the U.S. government. Raytheon received credit for its affirmative acceptance of responsibility and cooperation with the department’s investigation, which included (i) facilitating interviews with current and former employees; (ii) providing information obtained through its internal investigation, which allowed the department to preserve and obtain evidence as part of its own independent investigation; (iii) making detailed presentations to the department; (iv) proactively identifying key documents in the voluminous materials collected and produced; (v) engaging experts to conduct financial analyses; and (vi) demonstrating its willingness to disclose all relevant facts by analyzing whether the crime-fraud exception applied to certain potentially privileged documents and releasing the

documents that it deemed fell within the exception. However, in the initial phases of the investigation prior to March 2022, Raytheon's cooperation was limited by unreasonably slow document productions.

Raytheon also engaged in timely remedial measures, including (i) terminating certain employees who were responsible for the misconduct; (ii) establishing a broad defective pricing awareness campaign; (iii) developing and implementing policies, procedures, and controls relating to defective pricing compliance; and (iv) engaging additional resources with appropriate expertise to evaluate and test the new policies, procedures, and controls relating to defective pricing compliance.

In light of these considerations, as well as Raytheon's prior history, the criminal penalty calculated under the U.S. Sentencing Guidelines reflects a 25% reduction off the 10th percentile above the low end of the otherwise applicable guidelines fine range.

### *The False Claims Act Settlement*

Raytheon also entered into a civil False Claims Act settlement to resolve allegations that it provided untruthful certified cost or pricing data when negotiating prices with the DOD for numerous government contracts and double billed on a weapons maintenance contract.

Under the False Claims Act settlement, which is the second largest government procurement fraud recovery under the Act, Raytheon will pay \$428 million for knowingly failing to provide truthful certified cost and pricing data during negotiations on numerous government contracts between 2009 and 2020, in violation of the Truth in Negotiations Act (TINA). Congress enacted TINA in 1962 to help level the playing field in sole source contracts — where there is no price competition — by making sure that government negotiators have access to the cost or pricing data that the offeror used when developing its proposal. As part of the settlement, Raytheon admitted that it failed to disclose cost or pricing data, as required by TINA, regarding its labor and material costs to supply weapon systems to DOD.

Raytheon also admitted that by misrepresenting its costs during contract negotiations it overcharged the United States on these contracts and received profits in excess of the negotiated profit rates. Further, Raytheon admitted that it failed to disclose truthful cost or pricing data on a contract to staff a radar station. Raytheon also admitted that it billed the same costs twice on a DOD contract.

As part of the civil resolution, Raytheon received credit under the Justice Department's guidelines for taking disclosure, cooperation, and remediation into account in False Claims Act cases for cooperation provided by RTX. That cooperation included conducting and disclosing the results of an internal investigation, disclosing relevant facts and material not known to the government but relevant to its investigation, providing the department with inculpatory evidence, conducting a damages analysis, identifying and separating individuals responsible for

or involved in the misconduct, admitting liability and accepting responsibility for the misconduct, and improving its compliance programs.

“The Defense Department greatly appreciates the Justice Department’s outstanding efforts culminating in this significant recovery,” said Principal Director of Defense Pricing, Contracting, and Acquisition Policy John Tenaglia of DOD. “The price we pay for equipment and services absolutely matters. The more we pay, the less combat capability we can deliver for our nation’s warfighters. This Justice Department recovery both restores funding that will be used to acquire more capability while also serving as a strong deterrent to all companies that might seek to deny DOD contracting officers the factual information they require to negotiate contracts at fair and reasonable prices.”

The civil settlement includes the resolution of a lawsuit filed under the *qui tam* or whistleblower provision of the False Claims Act, which permits private parties to file suit on behalf of the United States for false claims and share in a portion of the government’s recovery. The *qui tam* lawsuit was filed by Karen Atesoglu, a former Raytheon employee, and is captioned *United States ex rel. Atesoglu v. Raytheon Technologies Corporation*, 21-CV-10690-PBS (DMA). Ms. Atesoglu will receive \$4.2 million as her share of the settlement.

#### The FCPA Case

According to admissions and court documents filed in the Eastern District of New York, between approximately 2012 and 2016, Raytheon, through certain of its employees and agents, engaged in a scheme to bribe a high-level official at the Qatar Emiri Air Force (QEAF), a branch of Qatar’s Armed Forces (QAF) that was primarily responsible for the conduct of air warfare, in order to assist Raytheon in obtaining and retaining business from the QEAF and QAF. Raytheon entered into and made payments on sham subcontracts for air defense operations-related studies in order to corruptly obtain the QEAF official’s assistance in securing certain air defense contracts. Raytheon also entered into a teaming agreement with a Qatari entity in order to corruptly obtain the QEAF official’s assistance in directly awarding a potential contract to Raytheon to build a joint operations center that would interface with Qatar’s several military branches.

Under the terms of the DPA, Raytheon will pay a criminal monetary penalty of \$230.4 million, pay forfeiture of \$36,696,068, and retain an independent compliance monitor for three years. In addition, as part of the resolution of the SEC’s parallel investigation, Raytheon will pay approximately \$49.1 million in disgorgement and prejudgment interest and a civil penalty of \$75 million (\$22.5 million of which will be credited against the criminal monetary penalty). The Justice Department has agreed to credit approximately \$7.4 million of the disgorgement Raytheon pays to the SEC against the criminal forfeiture.

As part of the DPA, Raytheon and RTX have agreed to continue to cooperate with the Criminal Division's Fraud Section, the National Security Division's Counterintelligence and Export Control Section, and the U.S. Attorney's Office for the Eastern District of New York in any ongoing or future criminal investigations. In addition to the independent compliance monitor, Raytheon and RTX have agreed to continue to enhance Raytheon's compliance program.

The Justice Department reached this resolution with Raytheon based on a number of factors, including, among others, the nature and seriousness of the offense. Raytheon received credit for its affirmative acceptance of responsibility and cooperation with the department's investigation, which included (i) providing information obtained through its internal investigation, which allowed the government to preserve and obtain evidence as part of its own independent investigation; (ii) facilitating interviews with current and former employees; (iii) making detailed factual presentations to the government; (iv) proactively disclosing certain evidence of which the government was previously unaware and identifying key documents in materials it produced; and (v) engaging experts to conduct financial analyses. However, in the initial phases of the investigation, prior to in or around 2022, Raytheon was at times slow to respond to the government's requests and failed to provide relevant information in its possession.

Raytheon also engaged in timely remedial measures, including (i) recalibrating third party review and approval processes to lower company risk tolerance; (ii) implementing enhanced controls over sales intermediary payments; (iii) hiring empowered subject matter experts to oversee its anti-corruption compliance program and third party management; (iv) implementing data analytics to improve third party monitoring; and (v) developing a multipronged communications strategy to enhance ethics and compliance training and communications.

In light of these considerations, as well as Raytheon's prior history, the criminal penalty calculated under the U.S. Sentencing Guidelines reflects a 20% reduction off the 20th percentile above the low end of the otherwise applicable guidelines fine range.

### The ITAR Case

According to admissions and court documents filed in the Eastern District of New York, between approximately 2012 and 2016, Raytheon, through certain of its employees and agents, engaged in a scheme to willfully violate the AECA and ITAR Part 130 by failing to disclose to the State Department, Directorate of Defense Trade Controls, fees and commissions paid in connection with two Qatar-related contracts — specifically, the bribes Raytheon paid to the high-level QEAF official through sham subcontracts.

The Justice Department reached this resolution with Raytheon based on a number of factors, including, among others, the nature and seriousness of the offense. Raytheon received credit for its cooperation with the department's investigation, which included (i) gathering evidence of

interest to the government and proactively identifying key documents related to willful ITAR-related misconduct; (ii) making factual presentations concerning the ITAR-related misconduct; and (iii) facilitating witness interviews and expediting the government's ability to meet with witnesses. Raytheon did not receive full credit for its cooperation because in the initial phase of the investigation, before the National Security Division joined the investigation, it failed to provide information relevant to the ITAR violations beyond what was requested in the FCPA investigation.

Raytheon also received credit for remediation, which included, in addition to the remediation described above in connection with the FCPA case, (i) hiring additional empowered subject matter experts in legal and compliance; (ii) developing a multipronged communications strategy to enhance ethics and compliance training and communications; and (iii) making enhancements to its ITAR-related compliance program.

In light of these considerations, the ITAR-related financial penalty of \$21,904,850 includes a cooperation and remediation credit of 20% off the otherwise applicable penalty.

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DCIS, Army Criminal Investigation Division, FBI, and Air Force Office of Special Investigations are investigating the criminal defective pricing case. Senior Auditor Glen Hughes from DCAA's Office of Investigative Support Division assisted in the civil investigation of the False Claims Act Matter. HSI and the FBI's International Corruption Unit are investigating the FCPA and ITAR case. The Justice Department's Office of International Affairs assisted in the investigation for the FCPA and ITAR case.

Assistant Chief Kyle Hankey, Acting Assistant Chief Laura Connelly, and Trial Attorney Tamara Livshiz of the Criminal Division's Fraud Section and Assistant U.S. Attorneys Brian LaMacchia and Benjamin Saltzman for the District of Massachusetts are prosecuting the criminal defective pricing case.

Attorneys Art J. Coulter, Patrick Klein, and Jared S. Wiesner of the Civil Division's Commercial Litigation Branch, Fraud Section, and Assistant U.S. Attorney Brian LaMacchia for the District of Massachusetts are prosecuting the False Claims Act matter.

Acting Assistant Chief Katherine Raut and Trial Attorney Elina A. Rubin-Smith of the Criminal Division's Fraud Section, Trial Attorneys Christine Bonomo and Leslie Esbrook of the National Security Division's Counterintelligence and Export Control Section, and Assistant U.S. Attorneys David Pitluck, Hiral Mehta, and Jessica Weigel for the Eastern District of New York are prosecuting the FCPA and ITAR case.

The Justice Department also expresses its appreciation for the assistance provided by the State Department and the legal offices of the Army, Air Force, Defense Logistics Agency, Defense



Contract Management Agency, and Department of Navy.

The Criminal Division's Fraud Section is responsible for investigating and prosecuting FCPA and Foreign Extortion Prevention Act matters. Additional information about the Justice Department's FCPA enforcement efforts can be found at [www.justice.gov/criminal-fraud/foreign-corrupt-practices-act](https://www.justice.gov/criminal-fraud/foreign-corrupt-practices-act).

[View the Executed Civil False Claims Act Settlement Agreement here.](#)

*Updated October 29, 2024*

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