

Paragon Systems Agrees to Pay \$52M to Resolve False Claims Act Allegations Concerning Fraudulently Obtained Small Business Contracts and Kickbacks

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U.S. Attorney's Office, District of Maryland

Athena Services International, LLC and its Owner Also Agree to Pay More Than \$1.6 Million to Resolve Related Allegations.

WASHINGTON – Herndon, Virginia-based contractor Paragon Systems Inc. (Paragon) has agreed to pay to the United States \$52 million to settle allegations that the company violated the False Claims Act by knowingly causing purported small businesses that it controlled to fraudulently obtain small business set-aside contracts. The settlement further resolves allegations that Paragon violated the Anti-Kickback Act. Paragon is one of the Federal government's largest providers of specialized security, fire and emergency response and mission support services, and the company provides security guards at federal buildings throughout the United States.

"This settlement sends a message that flagrant misuse of government contracts through kickback schemes will not be tolerated," said U.S. Attorney Erek L. Barron for the District of Maryland. "The integrity of our contracting programs is essential, and we remain committed to rooting out fraud that compromises fair access and accountability."

The settlement resolves allegations that Paragon, acting through former high-ranking corporate executives, knowingly engaged in a fraudulent scheme to use purported small businesses that it controlled to obtain U.S. Department of Homeland Security (DHS) set-aside contracts reserved for Woman-Owned Small Businesses (WOSBs), Service-Disabled Veteran Owned Small Businesses (SDVOSBs) and other small businesses. The former high-ranking Paragon officials who carried out this alleged scheme included the company's President, Vice President of Business Development, Vice President of Operations, Compliance Manager and Contracts Manager. The United States contends the former Paragon executives engaged female relatives and friends to serve as figurehead owners of purported small businesses in order for those companies to obtain DHS set-aside contracts relating to

the provision of security services at federal buildings, and that the Paragon-controlled companies then subcontracted substantially all of the work under the set-aside contracts to Paragon.

The settlement further resolves allegations that the purported small businesses surreptitiously paid substantial sums of money to the Paragon Executives in violation of the Anti-Kickback Act. In total, the United States contends that the purported small businesses controlled by Paragon made over 300 separate payments to the former Paragon executives, totaling more than \$11 million, which they attempted to conceal as purported "consulting payments" made to various shell companies formed by the former executives.

One of the purported small businesses, Athena Services International LLC (ASI) and its joint venture with Paragon, Athena Joint Venture Services LLC (AJVS), along with their owner, Alisa Silverman, have collectively agreed to pay more than \$1.6 million to resolve their liability in connection with the alleged small business contracting fraud scheme. The settlement further resolves allegations that ASI, through Silverman, improperly received a Paycheck Protection Program loan that SBA forgave in full based on false representations that ASI complied with all PPP rules. The settlement with ASI, AJVS and Silverman is based on their ability to pay. The United States has filed a complaint against another purported small business, Patronus Systems Inc. and its owner Mabel O'Quinn, for their role in the alleged misconduct.

As part of the settlements, Paragon, ASI, AJVS and Silverman have agreed to cooperate with the Department's investigation of other parties and any related litigation.

"Those who fraudulently procure, or assist others to fraudulently procure, small business set-aside contracts will be held accountable," said Principal Deputy Assistant Attorney General Brian M. Boynton, head of the Justice Department's Civil Division. "When ineligible companies obtain contracts reserved for veteran owned or socially or economically disadvantaged businesses, they prevent the small business community from receiving the contracting opportunities that Congress intended."

"This settlement is the largest civil recovery in over a decade by the Department of Homeland Security Office of Inspector General (DHS-OIG)," said Inspector General Joseph V. Cuffari Ph.D of DHS. "The settlement sends a clear message that the Federal Government will continue to investigate and prosecute fraud, waste, and abuse to protect small businesses owned by service-disabled veterans and other socially and economically disadvantaged individuals. I am grateful for the continued partnership with the Department of Justice and for the whistleblower who initiated the complaint."

"Small Business Administration (SBA) programs must be preserved for truly small businesses," said SBA General Counsel Therese Meers. "Fraud on SBA's procurement programs deprives legitimate small businesses of important procurement opportunities, and fraud on the Paycheck Protection Program unconscionably undermines critical pandemic relief. The results in this matter reflect SBA's and the government's ongoing commitment to identifying and pursuing those who perpetrate such fraud."

The settlements with Paragon, ASI, AJVS and Silverman resolve claims brought in 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 United States may intervene in the action, as it did in this case. The lawsuit is captioned *United States ex rel. Pattison v. Paragon Systems Inc., et al.*, Case No. 21-3260 (DMD). As part of the settlement with Paragon, the whistleblower, Todd Pattison, will receive more than \$9 million, and he will receive approximately \$280,000 in connection with the settlement with ASI and Silverman.

This settlement was the result of a coordinated effort between the U.S. Attorney's Office for the District of Maryland, the Civil Division's Fraud Section, and the Department of Homeland Security's Office of the Inspector General. U.S. Attorney Barron thanked Assistant U.S. Attorney Sarah Marquardt for the District of Maryland and Senior Trial Counsel Alicia J. Bentley of the Civil Division's Commercial Litigation Branch, who handled the matter.

The claims resolved by the settlement are allegations only. There has been no determination of liability as to those claims.

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