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MADIGAN: SOFTWARE GIANT CA TECHNOLOGIES TO PAY \$11 MILLION FOR GOVERNMENT BILLING FRAUD

Former Employee Alleges Company Falsely Billed Hundreds of Government Agencies

Chicago — Attorney General Lisa Madigan today announced CA Technologies has agreed to pay \$11 million to settle whistleblower allegations that the software giant fraudulently billed hundreds of public agencies for software maintenance renewal contracts from 2001 through 2010.

The settlement stemmed from allegations asserted by former CA Technologies employee Ann-Marie Shaw in a 2006 whistleblower lawsuit out of the U.S. District Court for the Eastern District of New York.

Shaw alleged the Fortune 500 company, based in Islandia, NY, violated the federal False Claims Act and similar state and local statutes when it defrauded its government customers, including the Illinois State Police, federal agencies such as the U.S. State Department and the U.S. Department of Justice, and the National Gallery of Art.

“CA Technologies illegally profited by over-billing government agencies in Illinois and across the country,” Madigan said. “This settlement will ensure that the company is held accountable for its fraudulent acts and restore taxpayer funds to the agencies that were overcharged.”

CA Technologies customers who purchased maintenance renewal plans for its software licenses were entitled to free upgrades, resolutions for glitches and web-based technical support for terms of one to three years. Prior to the expiration of a maintenance plan, the company would alert customers to renew their plans and avoid lapses in these services.

However, when a customer did renew, the lawsuit alleged, instead of starting the renewal date at the end of the current plan, CA Technologies set the renewal period to begin on the day it processed the renewal order. In effect, it was alleged, customers paid twice for maintenance services in the period between ordering a renewal and the actual end of the current plan for which they already had paid.

The second fraudulent allegation covered in the settlement involved a contract CA Technologies had with the Department of Defense for prepaid software under a “blanket purchase agreement.”

The whistleblower lawsuit alleged that the company steered Defense Department customers away from ordering software from inventory the department already had paid for and convinced them unwittingly to spend more money to buy the same products through third-party vendors.

The U.S. Attorney’s Office of the Eastern District of New York spearheaded the federal and multi-state legal action with assistance from the Office of the Inspector General of the U.S. General Services Administration and the Defense Criminal Investigative Service of the Department of Defense. Madigan’s office and the New York attorney general’s office led the states’ efforts to negotiate the settlements, which involved eight states, the District of Columbia and hundreds of local government entities.

Assistant Attorneys General Jennifer Zlotow and Christopher J. Kim handled the case for Madigan’s Special Litigation Bureau.

