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Centre Obtains \$3.3 Million Verdict for Subcontractor in Indirect Rate Dispute

VIENNA, Va. — December 20, 2010—Last Wednesday, December 15, Eric Crusius, Esq. from Centre Law Group LLC obtained a verdict in Virginia’s Fairfax Circuit Court of more than \$2.8 million dollars plus interest. Centre represented Thomas Computer Solutions, LLC (“TCS”) a subcontractor against prime contractor, L-3 Services and L-3 Communications Corporation (“L-3”). This verdict is one of the ten largest reported verdicts in Virginia this year and the fourth largest verdict involving business claims.

Eric Crusius conducted the trial, which lasted four days and involved eight witnesses. In this case, L-3 refused to pay TCS’ interim variance indirect rate invoices until the Defense Contract Audit Agency conducted a final audit. This stance was contrary to FAR 52.216-7, which allowed for interim rate adjustments prior to contract closeout. Besides, the parties went through a lengthy and time consuming reconciliation process to verify the invoices and correct any mistakes. In addition, during the reconciliation process, a supervisor at L-3 stated in an e-mail to TCS that “[i]t is unreasonable to expect you [TCS] to wait for some undetermined amount of time for the DCAA to work your rate adjustments” and offered to pay 70% of the invoices.

However, L-3 reversed course and refused to pay the invoices. This decision occurred at a time when TCS and L-3 began competing for the same government contracts to provide linguistic services to support the war effort. In addition to failing to pay the invoices due, L-3 also refused to provide past performance (when it had done so previously) and trashed TCS to the government client by falsely stating (without solicitation) in an e-mail “[t]he solvency of TCS is an issue (not sure if they even still exist)...” The Court found that this was an attack on a competitor.

Mr. Crusius commented that “I am thrilled that TCS was vindicated by the Court. It took a lot of courage for TCS to challenge a prime contractor as large as L-3 and the resources they can bring to bear. I hope this verdict gives prime contractors pause when they think they can abuse the prime contractor/sub-contractor relationship without consequence.

About Centre Consulting, Inc.

Centre Consulting, Inc. with its sister company Centre Law Group and the Federal Contracting Institute (FCI), is the only company that provides integrated legal, training and consulting services to both government and industry clients. Centre's attorneys and consultants offer expert services in GSA/VA Schedules, federal market analysis, legal services, acquisition support services, and training. Through Centre Law Group, our experienced government contract attorneys win protests at GAO, successfully litigate claims and provide legal advice to federal contractors. Centre's nationally known Federal Contracting Institute offers a full range of federal contracts and acquisition training services in-house or through public seminar offerings. Our trainers and courseware are consistently rated the best in the industry. Centre is a single solution for your legal, training, and consulting needs. Centre is a small, woman owned business located in Vienna, VA. For more information visit www.centreconsult.com.

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