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THE WALL STREET JOURNAL.

Bounty Hunter: Ex-Foreman May Win Millions for His Tale About Cheating at GE --- John Michael Gravitt Sues Over Falsified Time Cards In a Jet-Engine Factory --- Was the U.S. Overcharged?

By Gregory Stricharchuk. **Wall Street Journal** [New York, N.Y.] 23 June 1988: 1.

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Abstract (summary)

"The time cards going into supervisors' offices aren't the same ones coming out," the 48-year-old Vietnam veteran declared. His refusals to alter cards had led to poor performance reviews, he added. A foreman from Mr. Gravitt's shop grabbed his arm and tried to yank him back into his seat. "He said, 'Shut up, you're going to be fired,'" Mr. Gravitt recalled in testimony before the House Subcommittee on Administrative Law and Governmental Relations.

Now, aided by an obscure bounty-hunter law of the Civil War era, Mr. Gravitt could collect for himself as much as \$55 million of a maximum \$183.6 million in fines and damages that could possibly be levied against GE if he prevails in a federal-court trial in Cincinnati. Mr. Gravitt filed suit against GE on behalf of the government in 1984 over the allegedly false time cards.

GE emphasizes that the Gravitt matter is entirely separate from the weapons-procurement scandal now unfolding. Both it and the Justice Department repeatedly have tried to settle the case quietly, offering Mr. Gravitt at most about 10% of a proposed \$234,000 settlement for bringing the case on behalf of the government.

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CINCINNATI -- For John Michael Gravitt, the assertiveness-training session at General Electric Co. seemed the perfect place to speak out. Suddenly, in the midst of the seminar, the soft-spoken machinist foreman jumped to his feet and told 30 colleagues that the company was ripping off Uncle Sam.

"The time cards going into supervisors' offices aren't the same ones coming out," the 48-year-old Vietnam veteran declared. His refusals to alter cards had led to poor performance reviews, he added. A foreman from Mr. Gravitt's shop grabbed his arm and tried to yank him back into his seat. "He said, 'Shut up, you're going to be fired,'" Mr. Gravitt recalled in testimony before the House Subcommittee on Administrative Law and Governmental Relations.

The class was abruptly halted, but not before half the foremen there also jumped up, shouting their agreement with him. "That's when I realized how big it {the cheating} was," he says.

That outburst at GE's giant jet-engine plant here occurred six years ago, and for Mr. Gravitt it began a personal crusade that has yet to end. Pressured by bosses to go along with the mischarging scheme, he refused, confronted GE executives with evidence that he had gathered surreptitiously -- and was suddenly out of a job. He says he was fired, but the company contends that he was laid off, along with many others, because the department didn't have enough work to do.

Now, aided by an obscure bounty-hunter law of the Civil War era, Mr. Gravitt could collect for himself as much as \$55 million of a maximum \$183.6 million in fines and damages that could possibly be levied against GE if he prevails in a federal-court trial in Cincinnati. Mr. Gravitt filed suit against GE on behalf of the government in 1984 over the allegedly false time cards.

At a time when all Washington seems to be investigating military-contract fraud, Mr. Gravitt's story, if upheld in court, would provide valuable insight into how corruption can take root in a defense contractor. It would also be especially shocking, because the allegations of illegalities involve GE, the nation's sixth-largest industrial corporation and one that prides itself on a favorable public image.

GE emphasizes that the Gravitt matter is entirely separate from the weapons-procurement scandal now unfolding. Both it and the Justice Department repeatedly have tried to settle the case quietly, offering Mr. Gravitt at most about 10% of a proposed \$234,000 settlement for bringing the case on behalf of the government.

But in Cincinnati, federal Judge Carl B. Rubin has rejected those efforts, criticized the Justice Department's handling of the case and decided that Mr. Gravitt's four-year-old civil suit should go to trial.

Mounds of documents have already been produced in connection with the matter over the years; many are from a major government investigation triggered by Mr. Gravitt's complaints while he was at GE and from the subsequent lawsuit. At times, agents from the Federal Bureau of Investigation, the Air Force, and the Defense Department have worked on the case. Congressional subcommittees have also had a crack at aspects of it.

"All I want to do is sit in front of a jury and explain my story," says Mr. Gravitt.

GE acknowledges that time vouchers were altered but says the intention wasn't to cheat the government. "It appears that alterations were intended solely for the purpose of making supervisors in the particular operation look good," says Joseph Handros, a GE vice president and deputy general counsel. GE says the employees wanted to meet GE's internal budget ceilings to make their department appear more productive than it was. That would help justify overtime and prevent layoffs.

In addition, the company says it doesn't believe that the government was damaged. It contends that some of the mischarges were levied against GE-financed work rather than government-financed contracts, hurting the company itself.

When hired as a \$9.69-an-hour machinist in 1980, Mr. Gravitt hardly expected to become the central figure in what may become a landmark case. The 6-foot-3-inch, 315-pound former Marine was proud to have landed a job at this mile-long facility, where 18,000 people help turn out commercial and military aircraft engines, including those for the B-1 bomber. Six months later, he was promoted to a coveted post as foreman.

But, he testified before the House subcommittee in February 1986, he soon noticed that workers' training and idle time was being charged mostly to defense jobs. At one point, he said, he realized that the company was mischarging on jobs not yet even in his engine-development shop. Ultimately, his frustration triggered the outburst before his fellow foremen.

Nevertheless, his now-public opposition didn't dissuade superiors from pressuring him to coax his subordinates to cheat on their time cards, he says. He was even summoned to a boss's office for what he called, in an interview with the Federal Bureau of Investigation, "the 'GE real-world speech' -- that cheating was something we had to do to keep our jobs." GE says there isn't such a speech.

Mr. Gravitt says more than one superior told him that if his subordinates wouldn't do so, he himself should doctor their cards. "My bosses were trying to intimidate and coerce me into that," he says. "That angered me, upset me."

When he refused, Mr. Gravitt says, he watched supervisors do the dirty work. The process was hardly subtle. With black or blue felt-tipped pens, they altered the billing vouchers, he says. Usually, they scrawled the number of a project safely within cost constraints over the number of a job already running over budget.

Mr. Gravitt's contentions about cheating have been confirmed to government investigators by several GE employees, including Karen Kerr, his boss's secretary. Ms. Kerr told FBI agents that she regularly copied "hot sheets" -- lists of cost-overrun projects -- and stuffed them in foremen's mailboxes, including Mr. Gravitt's. "I just ignored them," he says.

Foremen who declined to falsify vouchers would return blank ones to Ms. Kerr's desk, she told the FBI. Those, she said, were filled out by her boss, Robert Kelly, the unit manager.

A subsequent study by the Defense Contract Audit Agency estimated that as much as \$7.2 million of idle time was falsely billed to the U.S. The government also says it found that 27% of the time-sheet vouchers in the shop where Mr. Gravitt worked were falsified in the three years he worked at GE.

Mr. Kelly died of a heart attack in 1983, but the time-card falsification continued under his successor, Bill G. Wiggins, according to an FBI agent's sworn statement. Mr. Gravitt says in an interview, "Mr. Wiggins explained to me that at GE there's this big piece of pie, and everybody who participates gets a slice. He said people who don't participate don't get a slice."

Documents prepared by FBI and Air Force investigators and filed in court say that Mr. Wiggins acknowledged to them that he knew that such cheating was wrong and contrary to GE policy. But he told them that he went along with it to prevent cost overruns and layoffs. He said that GE didn't want to lay off experienced machinists because they could easily find jobs elsewhere. "Consequently, GE's philosophy was to keep the people on board despite the lack of work and resultant idle time," the investigators concluded after talking to Mr. Wiggins.

GE says it doesn't have a policy of cheating to avoid layoffs. Mr. Wiggins "was responding to the wishes of a superior, not GE," a company official says.

Investigators say in their reports that a foreman, William Pettit, told them that the mischarging, mostly to government jobs, began in 1981 when work slackened and, on any given day, 30 to 35 workers per shift in a shop of 50 were idle.

Idle time apparently continued to be such a problem that hourly workers slept at their stations, hid to read books and engaged in "lengthy bull sessions," Air Force Col. Paul D. Lynch reported to GE in 1984. Col. Lynch supervised an on-site staff of 100 government employees whose jobs were to track and report on GE performance on government contracts. He wrote in one letter to GE: "I can assume that GE management has accepted these blatant violations of reasonable work habits. Indeed, they have been so widely ignored, they are probably now a condition of employment."

William R. Phillips, group counsel for GE's aircraft-engines unit, says he hasn't read Mr. Lynch's letters but adds that "it's normal" for government inspectors to complain about productivity.

Mischarging was a way of life, Air Force investigators say Raymond P. Sissum, one foreman, told them. Another foreman, John F. Tepe Jr., recalled for investigators one of his colleagues altering numbers at his desk and remarking: "Why do we do it? Because it's part of the job!" according to another report. In an eight-month period to July 1983, Mr. Tepe told investigators, he personally altered 50% to 60% of his subordinates' daily time vouchers. Mr. Gravitt now says in an interview that he once told Mr. Tepe that "he could go to jail for that." But the younger co-worker replied that he was carrying out orders and that "there wasn't any chance of getting caught," Mr. Gravitt recalls.

In early 1983, Mr. Gravitt says he decided he had to alert "someone { at GE } who could do something about this." But he says he realized that he would need proof. So, on weekend shifts in March and June, he slipped into Ms. Kerr's office and photocopied about 150 altered vouchers, he says. Later, he also snatched and photocopied a book of "hot sheets."

"It was a big decision to take on GE. My wife and I had many discussions about it," says Mr. Gravitt, who spent weeks working on an eight-page letter laying out his evidence.

On June 29, 1983, he delivered the letter and supporting documents to Brian H. Rowe, a senior vice president in charge of the engine plant. Mr. Gravitt was disappointed that Mr. Rowe wasn't in, but he says he felt relieved at merely delivering the letter. "I had the feeling the ball's in the company's court, now run with it."

That same day, Mr. Gravitt was dismissed from his \$35,000-a-year job and was never called back. (GE says he had received a layoff notice about a month earlier.) His letter, however, triggered an internal investigation. "One thing you might thank Mr. Gravitt for" was prompting GE to establish a self-policing system, says Mr. Phillips, the GE attorney.

Three months after his layoff, Mr. Gravitt told the Senate Subcommittee on Administrative Practice and Procedure, a GE auditor told him that the internal inquiry had been completed and that "80% of my allegations had been proven true and the other 20% couldn't be disproved."

And what punishments did GE impose on the cheaters? Three managers' pay raises were delayed, according to an account of an interview that government investigators conducted with one GE official. (One of the managers, ironically, was assigned the job of answering hot-line telephone questions from employees on how to fill out their time-card vouchers.) There were no firings. A GE official confirms some employees were disciplined but declines to give specifics, claiming that would violate GE policy. "All they did was whitewash it," Mr. Gravitt charges.

The bitter former employee decided to file a wrongful-discharge suit against the company. But his lawyers, contending his chances were slim, favored using the 1863 False Claims Act, which they uncovered after six months of digging. It encourages private citizens to bring civil suits on behalf of the government against suspected profiteers -- and promises them a share of anything collected. On Sept. 26, 1984, Mr. Gravitt sued, becoming one of the few citizens to use the statute in many years.

Three months later, the Justice Department intervened and took over the case that Mr. Gravitt started, as allowed by the act. That encouraged Mr. Gravitt, who anticipated a speedy resolution, especially after one FBI agent assured him that the case against GE was strong.

Under the False Claims Act, modified two years ago, fines for false billings can be levied at between \$5,000 and \$10,000 per violation, with 30% of the total awarded to whoever successfully prosecutes a case. The act also calls for tripling any damages that the government can be shown to have sustained.

Mr. Gravitt's lawyers estimate that during the time he worked at GE, 16,200 vouchers were altered in his department. Assuming the maximum penalty, that would yield \$162 million in fines, with 30% going to Mr. Gravitt. In addition, government estimates that as much as \$7.2 million of idle time was falsely billed to Uncle Sam could add -- with triple damages -- \$21.6 million more.

However, in September 1985, GE and Justice Department lawyers -- without Mr. Gravitt's participation -- began to negotiate the \$234,000 civil settlement. As a condition, GE wanted the department to pledge that it wouldn't seek criminal prosecution of the company or any of its employees.

GE's much lower settlement offer came after a company study concluded that as many as 117 claims for payment were false. GE arrived at the \$234,000 figure by multiplying 117 by \$2,000, the fine in effect prior to 1986.

Mr. Gravitt has been fighting both the government and GE, trying to quash the proposed settlement. In January, Judge Rubin, siding with Mr. Gravitt, rejected the proposed settlement. GE is continuing to fight the suit. Still, Mr. Gravitt hopes to win -- and hopes that the bounty is bountiful.

"God, let there be a lot of it," he says. "It's the only way people will know they can do something to correct what isn't right."

Credit: Staff Reporter of The Wall Street Journal

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Indexing (details) Cite

Title	Bounty Hunter: Ex-Foreman May Win Millions for His Tale About Cheating at GE --- John Michael Gravitt Sues Over Falsified Time Cards In a Jet-Engine Factory --- Was the U.S. Overcharged?
Author	By Gregory Stricharchuk
Publication title	Wall Street Journal
Pages	1
Number of pages	0
Publication year	1988
Publication date	Jun 23, 1988
Year	1988
Publisher	Dow Jones & Company Inc
Place of publication	New York, N.Y.
Country of publication	United States
Journal subject	Business And Economics--Banking And Finance
ISSN	00999660
Source type	Newspapers
Language of publication	English
Document type	NEWSPAPER