

Paragon Systems to Pay \$53.68 Million to Settle False Claims Act Lawsuit

November 12, 2024

Washington, DC—Paragon Systems, Inc., one of the largest providers of security services to the federal government, has agreed to pay \$52 million plus \$1.68 million interest to the federal government to settle a whistleblower lawsuit filed by a Phillips & Cohen LLP client under the False Claims Act. In a separate settlement agreement, Athena Services International, LLC (ASI), Athena Joint Venture Services, LLC (AJVS), and Alisa Silverman, the owner of ASI and an owner AJVS, also settled the allegations in the whistleblower complaint by agreeing to pay \$1.66 million to the United States. The lawsuit was originally filed in 2021. The U.S. Department of Justice intervened in the case in August 2024.

The settlements resolve allegations that Paragon—a subsidiary of a Swedish company, Securitas, which has more than 350,000 employees worldwide—engaged in an unlawful scheme to obtain security officer service contracts set aside by the Department of Homeland Security (DHS) to be awarded to small businesses, including small businesses owned by veterans, women, and other socially and economically disadvantaged groups. To capture such contracts, the lawsuit alleges Paragon formed joint ventures with purportedly small businesses owned by relatives and friends of Paragon executives.

For example, the wife of a Paragon Vice President formed one purported small business, Praetorian, using her middle name and maiden name—which she did not use in any other context—in an effort to conceal her relationship to her husband. Her elderly father, who lived in a retirement community, was designated as the figurehead owner of one purported small business because he was a service-disabled veteran whom Paragon could leverage to obtain service-disabled veteran owned small business status.

In reality, Paragon’s executives controlled the supposed small businesses. Because of the operational control Paragon exercised, the purported small businesses were affiliated with Paragon and were ineligible for the DHS set-aside contracts awarded to them. As a result, Paragon deprived the government of the benefit of set-aside contracts, which are intended to foster the growth and development of small businesses.

Paragon, ASI, AJVS, and Ms. Silverman also settled the government’s allegations that they violated the Anti-Kickback Act when the purported small businesses secretly made over 300 payments totaling over \$11 million to shell companies formed by Paragon executives. The financial records of the purportedly small businesses identified the payments as compensation for “consulting services,” but the shell companies that the payments passed through were not operating businesses, and the individuals involved described the payments as “distributions” in their private emails and text messages. The

government further alleged that the amounts of the kickback payments were improperly included in the contract prices charged to DHS.

“Paragon engaged in fraud to obtain contracts intended for small businesses, depriving legitimate small businesses of a fair and competitive bid process,” said John Tremblay, a partner at the whistleblower law firm Phillips & Cohen.

The whistleblower, Todd Pattison, is the CEO and President of MaxSent, a company that provides professional security services for federal, state, and local government buildings, airports and transit centers, and other locations. Pattison learned that Paragon, through a joint venture, had been awarded a contract by the DHS to provide protective security officer services at various locations in southern New Jersey. He investigated and determined that Paragon was using ASI, AJVS, and other companies as proxies to obtain small business set-aside contracts for which Paragon was ineligible.

“Government funds intended by Congress to be awarded to small businesses were instead diverted to a multinational conglomerate,” said Peter Chatfield, a partner and whistleblower attorney with Phillips & Cohen. “We are proud to represent the whistleblower and recognize his extraordinary bravery.”

The settlements announced today are the largest recovery in a False Claims Act case concerning small business set-aside fraud. In addition to the settlements, the Department of Justice filed a complaint in intervention against two other purported small businesses, Patronus Systems, Inc. and Patronus Systems Partners, LLC, and their alleged figurehead owner, Mabel O’Quinn.

The False Claims Act allows private citizens who know of entities and individuals defrauding the federal government to file lawsuits against them and recover funds on the government’s behalf. The law offers whistleblowers protection against job retaliation and rewards for their information and assistance. When the government joins a qui tam case, as it did here, whistleblowers are entitled to 15 to 25 percent of the recovery.

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[Complaint.](#)

[Complaint in Intervention.](#)

[Paragon Settlement Agreement.](#)

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