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THE UNITED STATES
DEPARTMENT OF JUSTICE
JUSTICE NEWS

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FOR IMMEDIATE RELEASE

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Three Men Indicted for Multimillion-Dollar Accounting Fraud Scheme at U.S. Navy Shipbuilder

A federal grand jury returned an indictment yesterday charging three Alabama men with orchestrating an accounting fraud scheme at Austal USA LLC, a Mobile-based shipbuilder that constructs vessels for the U.S. Navy, including the Independence-class Littoral Combat Ship (LCS). Austal USA is a wholly owned subsidiary of Austal Limited, an Australian company that is traded over-the-counter in the United States via American Depositary Receipts, as well as on the Australian Securities Exchange.

According to court documents, from at least in or around 2013 through at least in or around July 2016, Craig Perciavalle, 52, Joseph Runkel, 54, and William Adams, 63, all of Mobile, and their co-conspirators allegedly conspired to mislead Austal Limited's shareholders and the investing public about Austal USA's financial condition. Specifically, the defendants are alleged to have artificially reduced and suppressed an accounting metric known as "estimate at completion" (EAC) in relation to multiple LCS ships that Austal USA was building for the U.S. Navy. Suppressing the EACs allegedly falsely overstated Austal Limited's reported earnings in its public financial statements.

The defendants and their co-conspirators allegedly manipulated the EAC figures in part by using so-called "program challenges" – ostensibly cost-savings goals – but which in reality were "plug" numbers and fraudulent devices to hide growing costs that should have been incorporated into Austal USA's financial statements, and ultimately reflected in Austal Limited's reported earnings. The defendants allegedly did this, among other reasons, to maintain and increase the share price of Austal Limited's stock. When the higher costs were eventually disclosed to the market, the stock price was significantly negatively impacted and Austal Limited wrote down over \$100 million.

Perciavalle, Adams, and Runkel are each charged with one count of conspiracy to commit wire fraud and wire fraud affecting a financial institution, five counts of wire fraud, and two counts of wire fraud affecting a financial institution. If convicted, they each face a maximum penalty of 30 years in prison for the conspiracy count and each count of wire fraud affecting a financial institution, and 20 years in prison for each count of wire fraud.

Assistant Attorney General Kenneth A. Polite, Jr. of the Justice Department's Criminal Division, U.S. Attorney Sean Costello for the Southern District of Alabama, Special Agent in Charge Darrin K. Jones of the Defense Criminal Investigative Service (DCIS) Southeast Field Office, and Acting Special Agent in Charge Michael D. Butler II of the Naval Criminal Investigative Service (NCIS) Economic Crimes Field Office made the announcement.

DCIS and NCIS are investigating the case.

Assistant Chief Kyle Hankey, Acting Assistant Chief Christopher Jackson, and Trial Attorney Laura Connelly of the Criminal Division's Fraud Section and Assistant U.S. Attorney Christopher Bodnar for the Southern District of Alabama are prosecuting the case.

If you believe you are a victim in this case, please contact the Fraud Section's Victim Witness Unit toll-free at (888) 549-3945 or by email at victimassistance.fraud@usdoj.gov. Victims can find case updates and additional information at

www.justice.gov/criminal-vns/case/united-states-v-craig-d-perciavalle-et-al.

An indictment is merely an allegation. All defendants are presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

Topic(s):

Financial Fraud

Component(s):

Criminal Division

Criminal - Criminal Fraud Section

USAO - Alabama, Southern

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