

PRESS RELEASE

SEC Charges Hewlett-Packard With FCPA Violations

Company to Pay \$108 Million to Settle Civil and Criminal Cases

FOR IMMEDIATE RELEASE

2014-73

Washington D.C., April 9, 2014 — The Securities and Exchange Commission today charged Hewlett-Packard with violating the Foreign Corrupt Practices Act (FCPA) when its subsidiaries in three different countries made improper payments to government officials to obtain or retain lucrative public contracts.

Hewlett-Packard has agreed to pay more than \$108 million to settle the SEC's charges and a parallel criminal case announced today by the U.S. Department of Justice.

The SEC's order instituting settled administrative proceedings finds that the Palo Alto, Calif.-based technology company's subsidiary in Russia paid more than \$2 million through agents and various shell companies to a Russian government official to retain a multi-million dollar contract with the federal prosecutor's office. In Poland, Hewlett-Packard's subsidiary provided gifts and cash bribes worth more than \$600,000 to a Polish government official to obtain contracts with the national police agency. And as part of its bid to win a software sale to Mexico's state-owned petroleum company, Hewlett-Packard's subsidiary in Mexico paid more than \$1 million in inflated commissions to a consultant with close ties to company officials, and money was funneled to one of those officials.

"Hewlett-Packard lacked the internal controls to stop a pattern of illegal payments to win business in Mexico and Eastern Europe. The company's books and records reflected the payments as legitimate commissions and expenses," said Kara Brockmeyer, chief of the SEC Enforcement Division's FCPA Unit. "Companies have a fundamental

obligation to ensure that their internal controls are both reasonably designed and appropriately implemented across their entire business operations, and they should take a hard look at the agents conducting business on their behalf.”

According to the SEC’s order, the scheme involving Hewlett-Packard’s Russian subsidiary occurred from approximately 2000 to 2007. The bribes were paid through agents and consultants in order to win a government contract for computer hardware and software. Employees within the subsidiary and elsewhere raised questions about the significant markup being paid to the agent on the deal and the subcontractors that the agent expected to use. Despite the red flags, the deal went forward without any meaningful due diligence on the agent or the subcontractors.

The SEC’s order finds that bribes involving Hewlett-Packard’s subsidiary in Poland occurred from approximately 2006 to 2010. Acting primarily through its public sector sales manager, the subsidiary agreed to pay a Polish government official in order to win contracts for information technology products and services. The official received a percentage of net revenue earned from the contracts, and the bribes were delivered in cash from off-the-books accounts.

According to the SEC’s order, Hewlett-Packard’s subsidiary in Mexico paid a consultant to help the company win a public IT contract worth approximately \$6 million. At least \$125,000 was funneled to a government official at the state-owned petroleum company with whom the consultant had connections. Although the consultant was not an approved deal partner and had not been subjected to the due diligence required under company policy, HP Mexico sales managers used a pass-through entity to pay inflated commissions to the consultant. This was internally referred to as the “influencer fee.”

Hewlett-Packard consented to the SEC’s order, which finds that it violated the internal controls and books and records provisions of the Securities Exchange Act of 1934. The company agreed to pay \$29 million in disgorgement (approximately \$26.47 million to the SEC and

\$2.53 million to satisfy an IRS forfeiture as part of the criminal matter). Hewlett-Packard also agreed to pay prejudgment interest of \$5 million to the SEC and fines totaling \$74.2 million in the criminal case for a total of more than \$108 million in disgorgement and penalties.

The SEC's investigation was conducted by David A. Berman and Tracy L. Davis of the FCPA Unit in San Francisco. The SEC appreciates the assistance of the U.S. Department of Justice's Fraud Section and the U.S. Attorney's Office for the Northern District of California as well as the Federal Bureau of Investigation, Internal Revenue Service, and Public Prosecutor's Office in Dresden, Germany.

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Related Materials

- [SEC order](#)
- [Summaries of FCPA Cases](#)
- [Spotlight on FCPA](#)