

## In the Matter of Cognizant Technology Solutions Corporation (2019) SEC v. Gordon J. Coburn & Steven E. Schwartz (D.N.J. 2019)

### Nature of the Business.

Cognizant Technology Solutions Corporation ("Cognizant") is a global information technology services provider, headquartered in Teaneck, N.J.

Cognizant maintains common stock registered under Section 12(b) of the Exchange Act that is publicly traded on NASDAQ. Cognizant India is a subsidiary based in India.

Gordon J. Coburn, a resident of Colorado, was the former president of Cognizant. Steven E. Schwartz, a resident of Connecticut, was the former Chief Legal Officer for Cognizant.

### Influence to be Obtained.

According to the SEC, Cognizant Technology Solutions Corporation, along with Coburn and Schwartz, violated anti-bribery, books and records, and internal accounting controls provisions of the FCPA when it bribed senior government officials in India related to the construction of Cognizant's building projects in Chennai, Pune, and Siruseri, India through a third party construction firm. The SEC alleges that Cognizant manipulated contract change orders to conceal the payments and did not have a sufficient internal system to prevent such manipulation.

From 2012 through 2015 Cognizant allegedly authorized a contractor to pay various government officials to secure related development permits to aid in the building of Cognizant's construction projects. In 2012, Cognizant India allegedly authorized the third party construction firm to pay an official \$770,000 to receive environmental clearance for a project in Pune, Maharashtra—the bribe was disguised by manipulating a change order request which Cognizant later approved to reimburse the contractor. According to the SEC, Cognizant India authorized the constructing firm to make similar payments of \$840,000 to government officials in Siruseri, Tamil Nadu to facilitate construction projects and again the construction company was reimbursed through falsified change order requests.

Additionally, the SEC alleges that in 2014, Coburn and Schwartz learned about bribery demands related to a development project and approved a scheme for illicit payments. They authorized a real estate officer with Cognizant India to work with the construction firm to facilitate a \$2 million bribe payment demanded by an official in Chennai to secure a planning permit for the construction of Cognizant's KITS campus in Chennai. Coburn further affirmatively supported the bribery payments by directing "subordinates to withhold future payments to the construction firm if it resisted paying the bribe." In connection with this, Coburn allegedly authorized \$17 million to be withheld from the contractor until the contractor facilitated the bribery payments. Ultimately the construction firm paid the official the \$2 million bribe demanded, and Cognizant reimbursed the firm, released the withheld funds, and paid the firm a \$500,000 commission. The SEC claims that Coburn authorized and approved falsified work change orders to reimbursement the contractor in 2015 and 2016.

The SEC alleges that Coburn and Schwartz lied to the company's auditor to conceal the payments by failing to disclose the scheme. Coburn allegedly affirmatively misrepresented in letters to the auditor that he and Cognizant's management were unaware of any potential fraud or violations perpetrated at the company, and Schwartz approved the letters.

### Enforcement.

On February 15, 2019, the SEC settled its enforcement action against Cognizant. In consideration of Cognizant's remedial efforts which included self-disclosure of

### Key Facts

**Citation.** *In the Matter of Cognizant Technology Solutions Corporation*, Admin. Proc. File No. 3-19000 (Feb. 15, 2019); *SEC v. Gordon J. Coburn & Steven E. Schwartz*, Case No. 2:19-cv-05820 (D.N.J. 2019).

**Date Filed.** February 15, 2019.

**Country.** India.

**Date of Conduct.** 2012 – 2016.

**Amount of the Value.** Approximately \$3.6 million.

**Amount of Business Related to the Payment.** Approximately \$16,394,351.

**Intermediary.** Contractor.

**Foreign Official.** Unnamed government officials.

**FCPA Statutory Provision.**

- **Cognizant:** Anti-Bribery; Books-and-Records; Internal Controls.
- **Coburn & Schwartz:** Anti-Bribery; Books-and-Records; Internal Controls.

**Other Statutory Provision.** None.

**Disposition.**

- **Cognizant:** Cease-and-Desist Order.
- **Coburn & Schwartz:** Pending.

**Defendant Jurisdictional Basis.** Issuer (Cognizant); Agent of Issuer (Coburn & Schwartz).

**Defendant's Citizenship.** United States (Cognizant, Coburn, and Schwartz).

**Total Sanction.** \$25,167,374 (Cognizant); Pending (Coburn & Schwartz).

**Compliance Monitor/Reporting Requirements.** Two-year reporting requirement (Cognizant).

**Related Enforcement Actions.** *In re Cognizant Tech. Solutions Corp.* (Feb 13, 2019).

**Total Combined Sanction.** \$25,167,374 (Cognizant).

the violations and cooperation with the investigation, Cognizant was ordered to pay a disgorgement fee of \$16,394,351, prejudgment interest of \$2,773,017, and a civil monetary penalty of \$6,000,000.

In a related matter, the DOJ declined to prosecute Cognizant, citing the company's prompt and voluntary disclosure of the issues once the Board discovered it, the company's own investigation into the matter, the company's engagement and cooperation in the DOJ's investigation, and the company's lack of criminal history, amongst other reasons. Cognizant agreed to pay a disgorgement of \$19,370,561 and the DOJ agreed to credit any disgorgement paid to the SEC.

The SEC charged Coburn and Schwartz with violations of the anti-bribery provisions of the FCPA, as well as aiding and abetting Cognizant's violations of the FCPA's anti-bribery, books-and-records, and internal control provisions and regulations. Additionally, there is an ongoing related criminal action against Coburn and Schwartz in the District of New Jersey.