



U.S. Securities and Exchange Commission

U.S. SECURITIES AND EXCHANGE COMMISSION

Litigation Release No. 20896 / February 11, 2009

Accounting and Auditing Enforcement Release No. 2934 / February 11, 2009

Securities and Exchange Commission v. ITT Corporation, Civil Action No. 1:09-cv-00272 (RJL) (D.D.C. filed Feb. 11, 2009)

SEC FILES SETTLED CHARGES AGAINST ITT CORPORATION FOR VIOLATIONS OF THE BOOKS AND RECORDS AND INTERNAL CONTROLS PROVISIONS OF THE FOREIGN CORRUPT PRACTICES ACT

The Securities and Exchange Commission today filed a settled civil injunctive action in the U.S. District Court for the District of Columbia against ITT Corporation ("ITT"), a New York-based global multi-industry company, alleging violations of Section 13(b)(2)(A) and (B) of the Securities Exchange Act of 1934 ("Exchange Act"). Those provisions are part of the Foreign Corrupt Practices Act books and records and internal controls provisions. The Commission's complaint alleges that ITT's violations of the provisions resulted from payments to Chinese government officials by ITT's wholly-owned Chinese subsidiary, Nanjing Goulds Pumps Ltd. ("NGP"). From 2001 through 2005, NGP's illicit payments to employees of numerous Chinese state-owned entities ("SOEs") totaled approximately \$200,000. The customers associated with those illicit payments generated over \$4 million in sales to NGP, from which ITT realized improper profits of more than \$1 million.

According to the Commission's Complaint:

ITT's subsidiary, NGP, is based in Nanjing, China and is part of ITT's Fluid Technology division. NGP distributes a variety of water pump products that are sold to power plants, building developers, and general contractors throughout China. During the years 2001 through 2005, NGP directly through certain employees, or indirectly through third-party agents, made illicit payments to SOEs to influence the purchase of NGP water pumps for large infrastructure projects in China. The projects were developed, constructed, and owned by SOEs ("project SOEs"). NGP made the payments to employees of Design Institutes, some of which were SOEs, that assisted in the design of the projects to ensure that the Design Institutes recommended NGP water pumps to the project SOEs. In at least one instance, a third-party agent made a payment directly to employees of a project SOE. The payments made by NGP were disguised as increased commissions in NGP's books and records. The improper NGP entries were consolidated and included in ITT's financial statements contained in its filings with the Commission for the company's fiscal years 2001 through 2005.

ITT did not make or keep books, records, and accounts which, in reasonable detail, accurately and fairly reflected the illicit payments by NGP employees and the related disposition of its

assets. ITT also failed to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that: (i) transactions were executed in accordance with management's general or specific authorization; (ii) transactions were recorded as necessary to maintain accountability for its assets; and (iii) access to its assets was permitted only in accordance with management's general or specific authorization.

ITT, without admitting or denying the allegations in the Commission's complaint, consented to the entry of a final judgment permanently enjoining it from future violations of Section 13(b)(2)(A) and (B) of the Exchange Act; ordering the company to pay disgorgement of \$1,041,112, together with prejudgment interest thereon of \$387,538.11; and imposing a \$250,000 civil penalty, pursuant to Section 21(d)(3) of the Exchange Act. The Commission considered that ITT self-reported, cooperated with the Commission's investigation, and instituted subsequent remedial measures.

► [SEC Complaint](#)

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[Home](#) | [Previous Page](#)

Modified: 02/11/2009