

SEC Charges Oregon-Based Defense Contractor With FCPA Violations

FOR IMMEDIATE RELEASE

2015-62

Washington D.C., April 8, 2015 — The Securities and Exchange Commission today charged Oregon-based FLIR Systems Inc. with violating the Foreign Corrupt Practices Act (FCPA) by financing what an employee termed a “world tour” of personal travel for government officials in the Middle East who played key roles in decisions to purchase FLIR products. FLIR earned more than \$7 million in profits from sales influenced by the improper travel and gifts.

FLIR, which develops infrared technology for use in binoculars and other sensing products and systems, agreed to settle the SEC’s charges by paying more than \$9.5 million and reporting its FCPA compliance efforts to the agency for the next two years. The SEC previously charged two FLIR employees in the case.

“FLIR’s deficient financial controls failed to identify and stop the activities of employees who served as de facto travel agents for influential foreign officials to travel around the world on the company’s dime,” said Kara Brockmeyer, Chief of the SEC Enforcement Division’s FCPA Unit.

According to the SEC’s order instituting a settled administrative proceeding against FLIR, the company had few internal controls over gifts and travel out of its foreign sales offices. Two employees in its Dubai office provided expensive watches to government officials with the Saudi Arabia Ministry of Interior in 2009, and they arranged for the company to pay for a 20-night excursion by Saudi officials that included stops in Casablanca, Paris, Dubai, Beirut, and New York City. The value of the gifts and the extent and nature of the travel were falsely recorded in FLIR’s books and records as legitimate business expenses, and the company’s internal controls failed to catch the improper payments despite documentation suggesting that extravagant gifts and travel were being provided.

The SEC’s order finds that from 2008 to 2010, FLIR paid approximately \$40,000 for additional travel by Saudi government officials, including multiple New Year’s Eve trips to Dubai with airfare, hotel, and expensive dinners and drinks. FLIR also accepted cursory invoices from a FLIR company partner without any supporting documentation to pay extended travel of Egyptian officials in mid-2011.

The SEC’s order finds that FLIR violated the anti-bribery provisions of Section 30A of the Securities Exchange Act of 1934 and the internal controls and books-and-records provisions of Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act. FLIR self-reported the misconduct to the SEC and cooperated with the SEC’s investigation. FLIR consented to the order without admitting or denying the findings and agreed to pay disgorgement of \$7,534,000, prejudgment interest of \$970,584 and a penalty of \$1 million for a total of \$9,504,584.

The SEC’s investigation was conducted by FCPA Unit members Cameron P. Hoffman and Tracy L. Davis in the San Francisco office. The SEC appreciates the assistance of the Justice Department’s Fraud Section, the U.S. Attorney’s Office for the District of Massachusetts, the Federal Bureau of Investigation, and the United Arab Emirates Securities and Commodities Authority.

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Related Materials

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