

Flowserve Corporation / Flowserve Pompes SAS

Case ID:

ST-159

Case Cluster :

Flowserve Corporation

Jurisdiction of Settlement:

United States

Jurisdiction of Settlement / Enforcement Agency:

Department of Justice

Jurisdiction of Foreign Public Official(s) :

Iraq (UN Oil-for-Food)

Year of Settlement:

2008

Month/Day of Settlement (or Notes):

02/21

Other Jurisdictions of Settlement:

Netherlands

Settlement with Individual or Legal Person?:

Legal Person

Type of Settlement:

Criminal

Legal Form of Settlement:

Deferred Prosecution Agreement

Monetary Sanctions (Types):

Criminal Fine

Total Monetary Sanctions (US\$):

\$4,000,000.00

Criminal Fine/Penalty (US\$) :

\$4,000,000

Monetary Sanctions Returned / Ordered Returned (US\$):

\$0

UNCAC Articles(s) Implicated:

Art.16

Art.23

Art.26

OECD Anti-Bribery Convention Articles Implicated:

Art. 1, Art. 2, Art. 7, Art. 8

Offenses - Alleged:

Conspiracy to falsify books and records, Conspiracy to commit wire fraud

Offenses - Settled:

Conspiracy to falsify books and records, Conspiracy to commit wire fraud

Public Procurement Contract / SOE Involved?:

Yes

Summary:

According to the June 2011 US Report to the OECD, "On February 21, 2008, the Department

of Justice and the SEC simultaneously filed a criminal information and a civil complaint against Flowserve Pompes SAS (Flowserve Pompes), and its parent company, Flowserve Corporation (Flowserve), in the U.S. District Court for the District of Columbia. The information charges that Flowserve Pompes engaged in a conspiracy to commit wire fraud and to violate the books and records provisions of the FCPA in connection with a scheme to pay kickbacks to the Iraqi government under the United Nations Oil for Food Program (OFFP). The SEC's civil complaint charges Flowserve with violating the books and records and internal controls provisions of the FCPA in connection with the same underlying conduct. According to documents filed in the criminal and civil cases, the French and Dutch subsidiaries of Flowserve [] paid or promised to pay approximately \$820,246 from 2001 to 2003 in connection with the sale of industrial equipment to the Iraqi government. Flowserve Pompes, Flowserve's French subsidiary, concealed illegal payments to the Iraqi government totaling \$604,651 through a Jordanian entity that was its exclusive agent for Iraqi contracts. These payments were made to assist Flowserve Pompes in obtaining fifteen contracts for the sale of large-scale water pumps and spare parts for use in Iraqi oil refineries. Flowserve Pompes also agreed to, but did not ultimately make, an additional \$173,758 in improper payments pursuant to four additional contracts, as delivery under these four contracts had not been completed by the time of the U.S. invasion of Iraq in March 2003. Senior officials at Flowserve Pompes, including its President, allegedly developed different false cover stories to conceal these kickback payments in the company's internal accounting records. According to the SEC's complaint, Flowserve's Dutch Subsidiary, Flowserve B.V., also entered into one contract involving an improper kickback under the OFFP. Specifically, Flowserve B.V. paid \$41,836 in kickbacks to Iraqi officials in order to obtain a contract to supply water pump spare parts to the Iraqi government-owned South Gas Company." (Source: US Report to the Organisation for Economic Co-operation and Development, "Steps taken to implement and enforce the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions," Information as of May 31, 2011, Flowserve Corporation Case Summary at 83-84.)

Sources :

US Report to the Organisation for Economic Co-operation and Development, "Steps taken to implement and enforce the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions," Information as of May 31, 2011, Flowserve Corporation Case Summary at 83-84, accessed at <http://www.oecd.org/dataoecd/18/8/42103833.pdf>; US Department of Justice Press Release, "Flowserve Corporation to Pay \$4 Million Penalty for Kickback Payments to the Iraqi Government under the U.N. Oil for Food Program," February 21, 2008, accessed at http://www.justice.gov/opa/pr/2008/February/08_crm_132.html; US v. Flowserve Pompes SAS, Case No. 1:08-cr-00035-RJL (D.D.C.), Information filed February 21, 2008, accessed at <http://www.justice.gov/criminal/fraud/fcpa/cases/flowserve-sas/02-21--08flowserve-inform.pdf> and Deferred Prosecution Agreement (February 21, 2008), accessed at <http://www.justice.gov/criminal/fraud/fcpa/cases/flowserve-sas/02-21-08flowserve-deferred.pdf>