

Press Release

SEC Charges Cardinal Health With FCPA Violations

FOR IMMEDIATE RELEASE

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Washington D.C., Feb. 28, 2020 — The Securities and Exchange Commission today announced that Ohio-based pharmaceutical company Cardinal Health, Inc. has agreed to pay more than \$8 million to resolve charges that it violated the books and records and internal accounting controls provisions of the Foreign Corrupt Practices Act (FCPA).

According to the SEC's order, Cardinal's internal accounting controls were not sufficient to detect improper payments made by employees of its former Chinese subsidiary. The order finds that, between 2010 and 2016, Cardinal China retained thousands of employees and managed two large marketing accounts for the benefit of a European dermocosmetic company whose products Cardinal China distributed. The dermocosmetic company directed the day-to-day activities of the Cardinal China employees, who used the marketing account funds to promote the dermocosmetic company's products. According to the order, employees directed payments to government-employed healthcare professionals and to employees of state-owned retail companies who had influence over purchasing decisions. The order finds that Cardinal did not apply its full accounting controls to the accounts and regularly authorized the payments without reasonable assurances that the transactions were executed appropriately. A profit-sharing agreement with the dermocosmetic company provided Cardinal with a percentage of profits from sales derived from the improper payments. As a result, the order finds, Cardinal also failed to maintain complete and accurate books and records concerning the marketing accounts.

"Cardinal's foreign subsidiary hired thousands of employees and maintained financial accounts on behalf of a supplier without implementing anti-bribery controls surrounding these high-risk business practices," said Anita B. Bandy, an Associate Director in the SEC's Division of Enforcement. "The FCPA is designed to prohibit such conduct, which undermined the integrity of Cardinal's books and records and heightened the risk that improper payments would go undetected."

Without admitting or denying the SEC's findings, Cardinal consented to the entry of an order requiring the company to cease and desist from committing violations of the books and records and internal accounting controls provisions of the FCPA and to pay \$5.4 million in disgorgement, \$916,887 in prejudgment interest, and a civil penalty of \$2.5 million.

The SEC's investigation was conducted by Eric Day. The investigation was supervised by Mark Cave and Ms. Bandy.

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Related Materials

- [SEC Order](#)

