Readers of this blog have had an opportunity to use the travails of the Louis Berger Group (LBG) as object lessons. We've reported on LBG as it has contended with **allegations** of violations of the False Claims Act with respect to "gaming" its cost allocations and resulting indirect billing rates. Settling those allegations cost the company $69 million. The former LBG Chief Financial Officer (CFO) and its former Controller pleaded guilty to those allegations. More recently, we reported that the former LBG Chief Executive Officer (CEO), President, and Chairman of the Board (which were all the same individual) had pleaded guilty to the allegations, and was sentenced to 12 months in home confinement and a fine of $4.5 million.

Just to recap, by this time LBG has had its CEO/COB/President, its CFO, and its Controller all plead guilty to improper accounting and billing practices. What else could go wrong for the company?

Well, **this** could go wrong.

The Department of Justice reported that LBG had pleaded guilty to violations of the Foreign Corrupt Practices Act (FPCA). As part of its settlement, the company agreed to enter into a Deferred Prosecution Agreement and make a payment of $17.1 million. In addition, two former LBG Senior Vice Presidents pleaded guilty "to conspiracy and FCPA charges in connection with the scheme."

According to the DoJ press release –

… from 1998 through 2010, the company and its employees … orchestrated $3.9 million in bribe payments to foreign officials in various countries in order to secure government contracts. To conceal the payments, the co-conspirators made payments under the guise of 'commitment fees,' 'counterpart per diems,' and other payments to third-party vendors. In reality, the payments were intended to fund bribes to foreign officials who had awarded contracts to [LBG] or who supervised [LBG's] work on contracts.

So that's pretty much the entire C-Suite of senior executives that participated in some part of the various schemes, isn't it. What does that say about " **tone at the top** " and how that tone creates (or doesn't create) a culture of integrity and compliance?

To be fair to the current leadership team at LBG, there does appear to be a newly energized commitment to integrity and ethical behavior. The page may have been turned. We say this because the Department of Justice commented on it. The DoJ said—

Among other factors, in entering into a DPA in this case, the government considered: (1) LBI's self-reporting of the misconduct; (2) the company's cooperation, including voluntarily making both U.S. and foreign employees available for interviews, and collecting, analyzing and organizing evidence and information for federal investigators; (3) the company's extensive remediation, including terminating the officers and employees responsible for the corrupt payments; and (4) the company's demonstrated commitment to improving its compliance program and internal controls.

One of the frustrations in this profession is that compliance is often viewed by executive leadership as a necessary evil, an overhead cost that really doesn't add much value to the entity's ability to win work and execute it. And the internal controls that assure compliance are far too often viewed as something whose cost has to be minimized, and whose requirements have to be avoided.

Then something like this comes along. A company like LBG is investigated and wrong-doing is discovered. Far too often, the wrong-doing is discovered at the highest levels of executive leadership. And then lawyers are hired, and investigators, and outside consultants. Fines are paid. Careers are ruined. In extreme cases, people go to jail.

At that time, if not before, smart leaders realize that compliance and internal controls are not necessary evils. In fact, they are investments whose ROI can be measured in terms of litigation avoided, lawyers not hired, and fines not paid. Not to mention: careers not ruined.

When you find leaders who poo-poo compliance and internal controls, and an entity where budgets are cut first in those areas, you need to ask yourself why that's the case. Perhaps there's a reason that senior leadership doesn't like the notion of compliance, or doesn't want to spend money on internal controls.

When you find a place like that, remember the story of the Louis Berger Group, and learn from it.