

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 86963 / September 13, 2019

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 4074 / September 13, 2019

ADMINISTRATIVE PROCEEDING
File No. 3-19446

In the Matter of

SRIDHAR THIRUVENGADAM,

Respondent.

**ORDER INSTITUTING CEASE-AND-
DESIST PROCEEDINGS PURSUANT TO
SECTION 21C OF THE SECURITIES
EXCHANGE ACT OF 1934, MAKING
FINDINGS, AND IMPOSING A CEASE-
AND-DESIST ORDER**

I

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Sridhar Thiruvengadam (“Thiruvengadam” or “Respondent”).

II

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”), which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over him and the subject matter of these proceedings, which are admitted, and except as provided herein in Section V, Respondent consents to the entry of this Order Instituting Cease-And-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-And-Desist Order (“Order”), as set forth below.

III

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

Summary

1. Thiruvengadam, the chief operating officer of Cognizant Technology Solutions Corporation ("Cognizant") participated in a scheme with three other Cognizant executives to authorize the payment of a \$2 million bribe on behalf of the company to a government official in India. The payment was made in response to the official's demand to secure the issuance of a planning permit that was necessary for the construction of a commercial office facility in Chennai, India. The scheme required that Cognizant's books and records be falsified in order to conceal the nature of the payment. Thiruvengadam further contributed to the concealment by signing false subcertifications to the company's management representation letters. Thiruvengadam thereby caused Cognizant's violations of Exchange Act Sections 13(b)(2)(A) and 13(b)(2)(B), and violated Exchange Act Section 13(b)(5) and Rules 13b2-1 and 13b2-2 thereunder.

Respondent

2. **Sridhar Thiruvengadam**, age 55, an Indian national and resident, served as Cognizant's chief operating officer from late 2013 until he was placed on administrative leave in late 2016. Cognizant accepted Thiruvengadam's resignation in late 2018.

Related Entities and Individuals

3. **Cognizant** is a New Jersey corporation headquartered in Teaneck. Throughout the relevant period its common stock was registered with the Commission under Exchange Act Section 12(b) and publicly traded on NASDAQ (symbol: CTSI). Cognizant files annual and quarterly reports under Exchange Act Section 13. Although it operates in several countries, the majority of Cognizant's operations are conducted in India through its largest subsidiary Cognizant India.

4. **Cognizant India** is an Indian corporation and a wholly-owned subsidiary of Cognizant. Cognizant India's books, records, and financial accounts were consolidated into Cognizant's books and records and reported on its financial statements during the relevant period.

5. **Senior Executive-1** served in several senior executive positions at Cognizant in the United States until his resignation in 2016.

6. **Senior Legal Executive-1** served in Cognizant's legal function in the United States until his resignation in 2016.

7. **Real Estate Officer-1** served in Cognizant India's corporate workplace function.

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

8. **Contracting Firm-1** is a multinational engineering and construction firm based in India. It is publicly traded on exchanges in India but its securities are not registered with the Commission.

Facts

Bribe Payments in Chennai, Tamil Nadu

9. Cognizant's construction project in Chennai, referred to as the KITS campus, represents the company's largest owned facility in India, encompassing 2.7 million square feet with a capacity for approximately 17,500 employees. Cognizant engaged Contracting Firm-1 to build the facility and obtain all necessary government permits. Construction began in 2011 prior to the issuance of a required planning permit.

10. In 2014, during the course of construction, Real Estate Officer-1 was made aware that an Indian government official had made a \$2 million bribe demand to Contracting Firm-1 as a condition for issuing the planning permit. Real Estate Officer-1 passed the information along to his supervisor Thiruvengadam. On April 21 and 22, 2014, the demand was discussed by video conference among Senior Executive-1, Senior Legal Executive-1, Real Estate Officer-1, and Thiruvengadam. Senior Executive-1 and Senior Legal Executive-1 participated in the conference from the United States, while Real Estate Officer-1 and Thiruvengadam participated from India. Real Estate Officer-1 described the bribe demand in detail, asked Senior Executive-1 and Senior Legal Executive-1 for guidance on how to proceed, and suggested that Contracting Firm-1 could be reimbursed for the payment through a series of sham change order requests to its contract. Senior Legal Executive-1 approved the method of reimbursement and Senior Executive-1 authorized both the bribe payment and the suggested method for disguising it. Real Estate Officer-1 was given the task of executing the scheme. Thiruvengadam raised no objection to the proposed scheme during the two video conferences.

11. In addition to discussing the bribe demand and the suggested method of disguising the reimbursement during the videoconferences, Senior Executive-1 directed his subordinates to withhold future payments to Contracting Firm-1 if it resisted paying the bribe on Cognizant's behalf. Contracting Firm-1, which had been urging Cognizant to make the payment, ultimately yielded to Senior Executive-1's pressure and made the payment in late May or early June 2014. Cognizant received the planning permit in November of that year.

12. Following Real Estate Officer-1's suggestion, Cognizant concealed the \$2.5 million reimbursement to Contracting Firm-1, including both the \$2 million bribe and a \$500,000 commission for paying it, through a series of falsified contract change orders. Real Estate Officer-1 selected change order requests from Contracting Firm-1 invoices that Cognizant had previously rejected and retroactively "accepted" them, adjusting the cost amounts so that they would total \$2.5 million. The falsified invoices and supporting Excel spreadsheets were forwarded to Senior Executive-1 for approval, with copies provided to Thiruvengadam based on his position as chief operating officer. Senior Executive-1 approved payments in February and March 2015, and the payments were made to Contracting Firm-1 in installments between March 2015 and January 2016.

13. Thiruvengadam helped conceal the payment scheme by signing false management representation subcertifications in connection with Cognizant's 2014 through 2016 audits. The subcertifications falsely denied that Thiruvengadam was aware of any fraud involving senior management. The subcertifications were relied upon by Cognizant's chief executive officer and chief financial officer in signing management representation letters given to Cognizant's outside auditor. The outside auditor relied on management's representations in opining on Cognizant's financial statements.

Legal Standards and Violations

14. Under Exchange Act Section 21C(a), the Commission may impose a cease-and-desist order upon any person who is violating, has violated, or is about to violate any provision of the Exchange Act, or any rule or regulation thereunder, and upon any other person that is, was, or would be a cause of the violation due to an act or omission the person knew or should have known would contribute to such violation.

15. Exchange Act Section 13(b)(2)(A) requires every issuer with a class of securities registered pursuant to Exchange Act Section 12 to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and disposition of the assets of the issuer. [15 U.S.C. § 78m(b)(2)(A).]

16. Exchange Act Rule 13b2-1 prohibits any person, directly or indirectly, from falsifying or causing to be falsified, any book, record or account subject to Section 13(b)(2)(A). [17 C.F.R. § 240.13b2-1.]

17. Exchange Act Rule 13b2-2(a) prohibits any director or officer of an issuer from directly or indirectly making or causing to be made a materially false or misleading statement to an accountant; or omitting to state or causing another person to omit to state, any material fact necessary in order to make statements made not misleading to an accountant in connection with any audit, review, or examination of the financial statements of the issuer, or the preparation or filing of any document required to be filed with the Commission. [17 C.F.R. § 240.13b2-2.]

18. As described above, Cognizant paid bribes to an Indian government official to induce that official to direct that a permit be issued to facilitate the completion of a construction project. Cognizant committed violations of Exchange Act Section 13(b)(2)(A) by falsely characterizing illicit payments to the government official as legitimate business expenses in its books and records.

19. Thiruvengadam caused Cognizant's Section 13(b)(2)(A) violations and directly violated Rule 13b2-1 by participating in the two video conferences in which the bribe payment and its concealment, which necessarily entailed deliberately falsifying Cognizant's books and records, were authorized.

20. Thiruvengadam committed violations of Exchange Act Rule 13b2-2 by signing false subcertifications to Cognizant's management representation letters, all of which

misrepresented that management was not aware of fraud related to the company's financial statements.

21. Exchange Act Section 13(b)(2)(B) requires issuers with securities registered under Section 12 to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that transactions are executed in accordance with management's general or specific authorization, transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles, and to maintain accountability for assets. [15 U.S.C. § 78m(b)(2)(B).]

22. Exchange Act Section 13(b)(5) prohibits any person from knowingly circumventing or failing to implement a system of internal accounting controls or knowingly falsifying any book, record, or account described in Section 13(b)(2). [15 U.S.C. § 78m(b)(5).]

23. Cognizant committed violations of Exchange Act Section 13(b)(2)(B) by failing to devise and maintain a sufficient system of internal accounting controls at its corporate headquarters and at Cognizant India. Cognizant's system for handling contractor change orders in India permitted managers to conceal bribe payments through the creation of nonexistent charges without any independent verification.

24. Thiruvengadam caused Cognizant's violations of Exchange Act Section 13(b)(2)(B) because, as chief operating officer, he was made aware of weaknesses in Cognizant's accounting controls environment and, rather than taking steps to remediate those weaknesses, he participated in a scheme that exploited them. Thiruvengadam also directly violated Section 13(b)(5) by participating in a scheme to falsify the company's books and records and by knowingly signing false subcertifications to management representation letters that contributed to concealing the scheme.

Undertakings

Respondent Thiruvengadam has undertaken to:

25. Cooperate fully with the Commission in any and all investigations, litigations or other proceedings relating to or arising from the matters described in the Order. Thiruvengadam agrees that cooperation includes the following:

- a. On an ongoing basis, producing, without service of a notice or subpoena, to the Commission nonprivileged documents and other materials, wherever located, in Respondent's possession, custody, or control, and appropriate privilege logs, as requested by the Division of Enforcement's ("Division") staff and within 14 days of request unless otherwise agreed to in writing by the Division's staff;
- b. Providing his full, truthful, and continuing cooperation, including making himself available for interviews and the provision of testimony in any and all investigations, litigation or other proceedings relating to or arising from

matters described in the Order when requested to do so by the Division's staff;

- c. Responding to all inquiries related to any and all investigations, litigation or other proceedings relating to or arising from the matters described in the Order and any related proceedings when requested to do so by the Division's staff; and
- d. Testifying at trial and other judicial or administrative proceedings when requested to do so by the Division's staff.

26. In determining whether to accept the Offer, the Commission has considered these undertakings.

IV

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent Thiruvengadam's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent Thiruvengadam cease and desist from committing or causing any violations and any future violations of Sections 13(b)(2)(A), 13(b)(2)(B), and 13(b)(5) of the Exchange Act and Rules 13b2-1 and 13b2-2 thereunder.

B. Respondent shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$50,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341

6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Sridhar Thiruvengadam as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Charles E. Cain, Chief, FCPA Unit, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549-5631.

C. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, he shall not argue that he is entitled to, nor shall he benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that he shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

D. Respondent acknowledges that the Commission is not imposing a civil penalty in excess of \$50,000 based upon his agreement to cooperate in a Commission investigation and related enforcement action. If at any time following the entry of the Order, the Division of Enforcement ("Division") obtains information indicating that Respondent knowingly provided materially false or misleading information or materials to the Commission, or in a related proceeding, the Division may, at its sole discretion and with prior notice to the Respondent, petition the Commission to reopen this matter and seek an order directing that the Respondent pay an additional civil penalty. Respondent may contest by way of defense in any resulting administrative proceeding whether it knowingly provided materially false or misleading information, but may not: (1) contest the findings in the Order; or (2) assert any defense to liability or remedy, including, but not limited to, any statute of limitations defense.

V

It is further Ordered that, solely for purposes of exceptions to discharge set forth in Section 523 of the Bankruptcy Code, 11 U.S.C. § 523, the findings in this Order are true and admitted by Respondent, and further, any debt for disgorgement, prejudgment interest, civil penalty or other amounts due by Respondent under this Order or any other judgment, order, consent order, decree or settlement agreement entered in connection with this proceeding, is a debt for the violation by Respondent of the federal securities laws or any regulation or order issued under such laws, as set forth in Section 523(a)(19) of the Bankruptcy Code, 11 U.S.C. § 523(a)(19).

By the Commission.

Vanessa A. Countryman
Secretary