

## → Organizational Integrity Group

The Sheppard Mullin Organizational Integrity Group (OIG) helps companies and organizations defend threats to their organizational integrity by developing and implementing compliance programs that stick, responding to and defending against government investigations and litigation, and resolving reputational threats. Solving serious legal and organizational challenges requires assessing and addressing multiple organizational priorities, including the organization's mission, values, reputation, stakeholder interests, and business imperatives. We look beyond a narrowly defined legal approach to understand and align various and sometimes competing demands. We view legal problems broadly, through a wide-angle lens, to help our clients focus on the underlying issues that can be the source of a legal problem as well as the key to its solution. We identify the root causes of problems to craft solutions that are practical, effective, and sustainable. We develop solutions that address each organization's unique risk profile and align with its mission, values, and obligations.

### What Do We Do?

The Sheppard Mullin OIG is all about reducing risk and solving problems. Our work typically unfolds in three settings:

- **Before The Problem.** To reduce the risk of problems, we conduct compliance audits, perform internal reviews, facilitate "legal pre-mortems," develop risk-based compliance programs, and design and implement meaningful internal controls.
- **Upon Discovery.** Once an existing or potential problem is identified, we perform internal investigations, evaluate self-disclosure options, manage self-disclosures, and work closely with legal and business leaders to best position the organization for a strategic resolution of the problem.
- **After The Problem.** Upon the involvement of outside entities (whether government enforcement authorities or non-governmental stakeholders), our work often focuses on expanded internal investigations, negotiating with enforcement officials, litigation, and positioning the organization for all manner of collateral consequences, from a settlement discussion to a media storm to a suspension/debarment proceeding to the imposition of a monitor.

These efforts, of course, are not undertaken in a vacuum. Each is seamlessly connected to the other, ensuring a multi-disciplined – and privileged – approach to problem solving that is efficient, thoughtful, and aligned with each organization's mission, values, and obligations.

### Why Us?

We have expertise borne of experience helping organizations respond to public crises, compliance failures, investigations, and litigation. We have represented government agencies, academic institutions, public and private companies, and boards of directors. We have successfully guided our clients through unprecedented and high-profile legal, organizational, and reputational crises. We routinely deal with the multitude of stakeholders – customers, investors, employees, the Board, the Government, and the public – that have often-competing interests in the outcome of such situations. This experience helps us analyze problems from all angles, which, in turn, helps us solve the whole problem thoughtfully, efficiently, and effectively. In sum, we

represent a wide range of organizations in addressing the full range of threats to their organizational integrity.

## Representative Solutions

We formed the Sheppard Mullin Organizational Integrity Group (OIG) because most problems facing sophisticated organizations cannot be solved by legal analysis alone. Complicated problems are solved through a thoughtful, deliberate, and holistic approach. Our approach seeks to identify the root causes of problems and to craft solutions that are practical, effective, and sustainable.

The following pages contain illustrations of how the Sheppard Mullin OIG has solved complicated problems in a wide range of contexts, including:

- Integrating compliance cultures in a post-merger organization
- Mounting a values-driven investigation and defense
- Advocating before multiple enforcement agencies
- Identifying integrated resolutions to satisfy multiple stakeholders
- Devising holistic solutions for institutions in crisis
- Promoting meaningful change through cultural reform
- Establishing credibility through transparency and accountability
- Aligning values to ensure compliance integrity
- Reforming complex institutions
- Fashioning internal investigations to solve the whole problem

Our solutions have been successful in virtually every sector, including: aerospace and defense, government contracting, the intelligence community, healthcare, higher education, government agencies, municipal police departments, insurance, and regulated industries.

### Merging Compliance Cultures

Two global aerospace manufacturers concluded a merger, but the two companies' legal compliance programs differed widely from each other, and both were deeply entrenched. Additionally, one of the entities was operating under a U.S. Department of Justice consent decree in settlement of past arms export control violations. Under the DOJ order, the newly-merged company was required to audit and integrate its export compliance programs, and provide a detailed report to the government. Company compliance personnel in different business segments and across different geographies each had their own procedures. A top-down compliance program reform would have created resentment and resistance. The company chose us to lead the integration effort. We visited every facility and interviewed key compliance and operations personnel to understand the common core compliance obligations and values. In the end, the successful integration of the compliance systems required a fusion of two compliance cultures, including a realignment of employee incentives with the newly-emerging corporate values of the combined entity. The project not only was successful, but also resulted in exempting the new entity from the DOJ consent decree.

## **Values-Driven Investigations and Defense**

A Fortune 100 defense contractor was alleged to have provided the Government defective products that could harm national security. The allegation triggered a DCAA audit, a DOJ civil False Claims Act Investigation, and a suspension/debarment proceeding. Through the combination of an aggressive defense and a transparent internal corrective action effort, we were able to navigate the client through the gauntlet of highly motivated enforcement authorities.

## **Multi-Agency Advocacy**

A mid-sized corporation provided certain services to the U.S. Intelligence Community. A routine agency-level audit uncovered alleged wrongdoing by a small group of employees, which led to a DOJ False Claims Act investigation, three congressional inquiries, a criminal investigation, and a suspension/debarment proceeding. Due to the critical nature of the services offered, the various inquiries brought with them significant media coverage and public scrutiny. The multiple avenues of attack called for a holistic solution. Since each enforcement authority had a different perspective and a different mission (the AUSA was looking to punish wrongdoing; the SDO was looking to ensure future responsibility; the media was pushing for public transparency, etc.), the importance of a holistic solution was obvious from the start. Our successful strategy incorporated a robust self-disclosure, meaningful cooperation with the civil AUSA, a vigorous defense against the criminal allegations, an aggressive PR campaign, and an extensive internal effort to remedy acknowledged cultural shortcomings that were driving the negative behavior.

## **Multiple Stakeholders - Integrated Resolution**

An urban medical center stood accused by a whistleblower of overbilling Medicare, Medicaid, and other health insurers for services rendered to its patients. The outcry was immediate – from patients, employees, insurers, and the greater public. Soon thereafter, federal and state law enforcement and regulatory authorities commenced parallel and competing investigations into the alleged misconduct. We were retained to investigate the allegations, respond to the investigations, and advise on potential remedial measures; but, as importantly, to coordinate responses such that the organization's values guided its responses. We thoroughly investigated the allegations and reported our findings to stakeholders, provided documents and appropriate advocacy to law enforcement and regulators, and assisted in communications across the board. The medical center was able to avoid the potentially severe consequences of the allegations (including the possibility of compliance monitoring and/or a corporate integrity agreement) because of the responsible manner in which it responded to the allegations.

## **Holistic Solutions for Institutions in Crisis**

A major national university was embroiled in a scandal over the alleged favorable treatment of athletes and fake classes. The university faced pressure not only from its accrediting body and the NCAA, but also extensive stakeholder (faculty, staff, student, alumni, and donor) backlash and potential irreparable reputational harm. A narrow legal investigation would have helped establish a defense, but would not have solved the University's multiple underlying problems. We worked with the university to identify the root causes of the problems and to develop a multi-prong path forward that satisfied all stakeholder groups. We crafted a holistic solution that took into consideration the perspectives not only of the academic and athletic regulatory authorities, but also of the student body, the faculty, alumni, future students, and university donors. The university moved past the scandal and emerged a stronger institution on the other side.

## **Cultural Reform for Meaningful Change**

A U.S. Law Enforcement Agency undertook a very visible operation that led to the death of several people, including several innocent people. Public and congressional outcry drew the initiation of a full-scale investigation. In conducting the investigation, our efforts went well beyond whether laws were or were not broken. We drilled down into the underlying causes of the problem, many of which turned out to be cultural. We also worked closely with the agency to develop meaningful policies, practices, and training that would keep agents and civilians safe, and lead the agency to the restoration of its public reputation. As part of the effort to ensure stakeholder buy-in to the solution, we worked with the agency to review all public criticism of the botched operation to ensure the agency (and we) would have meaningful answers to all future questions.

## **Aligning Values for Compliance Integrity**

A national seller of commercial items found itself in the midst of a criminal investigation following its purchase of a new line of business. The investigation focused on a number of allegedly improper sales activities, all of which took place prior to the acquisition. While the post-acquisition internal investigation quickly uncovered the root cause of the alleged wrongdoing, it also uncovered additional contract violations as well as a sales culture wholly inconsistent with the culture of the acquiring company. Working closely with the company's in-house counsel, chief ethics officers and contracts manager, we developed and implemented an enhanced internal compliance program consistent with the well-established program of the acquirer. We then took advantage of our "white knight" status as the acquirer to make a voluntary presentation to the cognizant suspension/debarment official. Finally, through a high level of cooperation, we worked with the Department of Justice to bring the criminal investigation to a mutually-acceptable close.

## **Institutional Reform**

A municipal police department was alleged by the United States Department of Justice to be engaging in a pattern and practice of violating citizens' constitutional rights. Among other things, the DOJ concluded the department was one of the most dysfunctional in the nation. To oversee the reform of the Department, the United States District Court called upon our team to provide technical assistance to the Department and to monitor the Department's performance throughout the reform effort. Through a combination of diligent investigation, meaningful technical assistance, and a disciplined focus on innovative solutions to long-standing problems, we worked with the U.S. DOJ, the Court, the Department, and the community to help bring about what the Court called a "remarkable" transformation.

## **Credibility Through Transparency and Accountability**

An elite, religious-affiliated private school received a complaint through social media of sexual misconduct by a former (and then-deceased) faculty member and athletic coach. The school recognized it needed to respond to the complaint, but was unsure how. While a traditional litigation-oriented approach would have focused only on the school's potential legal liability, it would not have accounted for the school's overall reputation and its core values of openness and integrity. Accordingly, we worked with the school to conduct a broad investigation of the complaint, identify additional victims, review the school's response, go public with the investigative results, and assess the school's current sexual abuse prevention, detection, and reporting policies and procedures. The school satisfied its current students, parents, and alumni by acting responsibly and transparently in this matter and suffered no harm to its reputation.

## Internal Investigation: Solving the Whole Problem

A life insurance company learned that its chief actuary was improperly calculating whether its insurance policies complied with Internal Revenue Code provisions created to differentiate between genuine life insurance policies and investment vehicles masquerading as insurance. The company soon received an anonymous “whistleblower” package detailing the tax violation, along with other alleged improprieties (including whether the company was inappropriately selling life insurance in other countries without being registered). The whistleblower package then was disseminated widely as part of a “short and distort” scheme. Because simply defending against these concerns wouldn’t have solved our client’s whole problem, we coupled an internal investigation (which prompted us to self-report to the Securities and Exchange Commission), with a focused effort to remediate the underlying concerns and correct the tax violations. While the SEC was deeply troubled by the company’s lack of internal controls over financial reporting, we worked hand-in-hand with the client to successfully convince the SEC that the company’s self-disclosure and remediation efforts militated in favor of terminating its investigation. Indeed, the lead SEC attorney noted that he would be hard-pressed to find a better example for how a company should handle a situation such as this one. The company is thriving today.