SEC Press Release

Medical Manufacturer Settles Accounting Fraud Charges

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Washington D.C., Sept. 28, 2017—
A Massachusetts-based medical manufacturer has agreed to pay more than $13 million to settle charges that it committed accounting fraud through its subsidiaries to meet revenue targets and made improper payments to foreign officials to increase sales in certain countries.

The Securities and Exchange Commission issued an order finding that the South Korean subsidiary of Alere Inc., which produces and sells diagnostic testing equipment, improperly inflated revenues by prematurely recording sales for products that were still being stored at warehouses or otherwise not yet delivered to the customers. According to the SEC's order, Alere also engaged in improper revenue recognition practices at several other subsidiaries.

"Our securities laws give investors the right to a fair picture of public companies' finances. For Alere, that picture was distorted by multiple accounting failures and by outright fraud," said Paul Levenson, Director of the SEC's Boston Regional Office.

The SEC's order also finds that Alere subsidiaries in India and Colombia obtained or retained business by using distributors or consultants to make improper payments to officials of government agencies or entities under government control. Alere failed to maintain adequate internal controls to prevent the payments, and the company inaccurately recorded the payments in its books and records.

In consenting to the SEC's order without admitting or denying the findings, Alere agreed to pay disgorgement of ill-gotten gains totaling $3,328,689 plus interest of $495,196 and a penalty of $9.2 million.

The SEC's investigation was conducted by Alicia Reed, Trevor Donelan, Marc Jones, Asita Obeyesekere, Peter Bryan Moores, and Kevin Currid. The SEC appreciates the assistance of the U.S. Attorney's Office for the District of Massachusetts, the Department of Justice, and the Public Company Accounting Oversight Board.