



COUNTY OF MARIN

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Marin County, California Files Lawsuit Charging Deloitte, SAP and former County Official in Racketeering Conspiracy To Defraud County of Millions

San Rafael, CA – December 16, 2010 – The County of Marin, California filed a lawsuit today in California Superior Court alleging that Deloitte Consulting LLP, a U.S. subsidiary of global consulting firm Deloitte Touche Tohmatsu, and two U.S. subsidiaries of the German enterprise resource software developer SAP AG (SAP America, Inc. and SAP Public Services, Inc.), engaged in a pattern of racketeering activity designed to defraud the County of more than \$20 million.

Also named as an individual defendant in the lawsuit is the former employee who served as the project director for the implementation of the computer system. Former County Assistant Auditor-Controller Ernest Culver, the complaint alleges, was interviewed for employment by Deloitte, which also repeatedly treated him to lavish meals, as part of the fraudulent conduct. Culver currently works as a client services executive for SAP Public Services, Inc. The complaint alleges that during the time that Culver was interviewing with Deloitte and SAP about job opportunities, he was also approving Deloitte's deficient work on the project, approving payments, and causing Marin County to enter into new contracts with Deloitte and SAP Public Services, Inc.

Marin County Counsel Patrick Faulkner described the conduct alleged as “a violation of the public trust, for which Deloitte, SAP and Culver must be held accountable.” He stated: “Not only were County taxpayers charged for millions of dollars in services that Deloitte failed to properly perform, but County residents were also defrauded of the honest services of a high-ranking County official.”

The complaint alleges, among other counts, six violations of the Federal Racketeering Influenced and Corrupt Organizations Act (RICO) by Deloitte and the SAP entities, and three counts of illegal conduct against Culver, including a violation of a California anti-corruption statute.

“We were dismayed and disappointed to learn about this,” said Judy Arnold, President of the Marin County Board of Supervisors. “We were previously unaware of the involvement by SAP and Deloitte to influence a County employee in this scheme.”

The complaint alleges that as part of the scheme, Deloitte falsely represented that it had the necessary skills to implement SAP for Public Sector software, and that the SAP entities falsely vouched for Deloitte’s skills. In fact, the complaint alleges, Deloitte’s consultants lacked the requisite skills, and, when problems with Deloitte’s work began to surface, Deloitte and the SAP entities engaged in a cover-up that included bribing Culver to falsely “approve” Deloitte’s defective work, and silencing an SAP employee who attempted to intervene on the County’s behalf.

The County is seeking \$35 million in damages, to be trebled under the RICO statute, as well as punitive damages.

Mark P. Ressler, the County’s lead lawyer and partner at Kasowitz, Benson Torres & Friedman LLP, stated: “As we have outlined in the complaint, Deloitte and SAP preyed on Marin County, a public entity, to obtain fees for Deloitte’s deficient work, and then engaged in corrupt dealings with a County employee to try to conceal their misconduct.

This is unacceptable behavior for any vendor, especially a leading consulting firm and a software company like Deloitte and SAP. We look forward to presenting our case and obtaining redress for Marin County and its constituents.”

The complaint alleges that Deloitte’s misconduct on Marin County’s SAP implementation was part of a pattern and practice of misconduct that victimized other public sector entities around the country. The complaint describes other problematic SAP implementations by Deloitte for the Los Angeles Unified School District (“LAUSD”), City of San Antonio, the Colorado Department of Transportation and the Miami-Dade Public School District.

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