

Verizon False Claims Act Settlement Signals DOJ's Sustained Focus on Cybersecurity-Related Violations

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On September 5, the Department of Justice (DOJ) settled allegations under the False Claims Act against Verizon Business Network Services LLC, a telecommunications provider. The settlement emphasizes the DOJ's continued efforts to enforce cybersecurity compliance against federal contractors. Between 2017 and 2021, Verizon submitted proposals for, and was awarded, federal contracts by the U.S. General Services Administration (GSA). The contracts required Verizon to provide information technology services, including Managed Trusted Internet Protocol Services (MTIPS), to federal agencies. Verizon's MTIPS provide federal agencies with secure connections to the public internet and other networks. Due to the nature of the services, the federal contracts required compliance with Trusted Internet Connections standards. Following a self-initiated compliance review, Verizon discovered potential issues with its implementation and maintenance of certain security controls for its MTIPS solution. Verizon promptly reported the issues to the GSA Office of Inspector General. On its own accord, Verizon also initiated an independent investigation, cooperated with the government's subsequent investigation, and separated a manager who had supervisory authority over the area where the issues occurred, among other things. Under the settlement agreement, Verizon did not admit liability and agreed to pay \$4.1 million to resolve alleged violations of the False Claims Act for reporting that it satisfied three required cybersecurity controls related to its GSA contracts. This settlement illustrates what the DOJ described as a "cooperating federal contractor," and how such cooperation might lead to better results in certain instances for the company as compared to fighting a government investigation. For example, in exchange for Verizon's cooperation, it paid a 1.5 multiplier — less than its potential exposure under the False Claims Act, which can be three times the loss to the government plus penalties. The Verizon settlement further underscores the DOJ's commitment to investigate potential violations of the False Claims Act involving "knowing cybersecurity related violations under the Department's Civil Cyber-Fraud Initiative and to provide credit in settlements to government contractors that

disclose misconduct, cooperate with pending investigations and take remedial measures.” This is the latest in a series of [recent cybersecurity-based False Claims Act matters](#), including the recent settlement in [Aerojet Rocketdyne](#). **Key Takeaways** Companies that do business with the government can minimize their exposure to cybersecurity-related False Claims Act liability by taking a few key steps:

1. Carefully reviewing their assurances to the government when entering into and renewing federal government contracts.
2. Proactively investigating and ensuring compliance with the cybersecurity requirements that apply to their federal government contracts.
3. Equipping their personnel with adequate cybersecurity training that would allow them to identify potential issues and report and remediate the issues upon discovery.
4. In consultation with counsel, evaluate whether to make a self-disclosure and the potential consequences of that action.
5. If making a self-disclosure, work with counsel to reveal the extent of any noncompliance to the government.

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