

LEGAL ALERT

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FALSE CLAIMS

IBM AGREES TO FIRST SETTLEMENT OF FALSE CLAIMS ACT ALLEGATIONS UNDER DOJ FRAUD INITIATIVE

BY MATTHEW K. GRASHOFF, SERA M. MARTIN, MATTHEW F. WAGNER, J. PATRICK WHITE

HAHN LOESER & PARKS LLP

On April 10, 2026, the United States Department of Justice (“DOJ”) announced the first False Claims Act resolution secured under the Civil Rights Fraud Initiative with International Business Machines Corporation (“IBM”). We have previously reported on the [Civil Rights Fraud Initiative](#), which was initiated in May 2025. The initiative is a coordinated enforcement effort by various DOJ components and other federal agencies to investigate and prosecute alleged civil rights violations committed by recipients of federal funds under the False Claims Act (“FCA”). Executive Order 14173 (“EO”), which was issued on January 21, 2025, requires federal contractors to certify that they are in compliance with all federal anti-discrimination laws and to affirm that they do not operate any programs promoting DEI that violate any applicable federal anti-discrimination laws. IBM agreed to pay the U.S. government just over \$17 million to resolve allegations that it violated the FCA by failing to comply with anti-discrimination requirements in its federal contracts. The government contends that IBM discriminated against employees and applicants for employment because of race, color, national origin, or sex.

The settlement resolves allegations that IBM certified government contracts and knowingly maintained practices that the government contends were discriminatory employment practices under Title VII of the Civil Rights Act of 1964. According to the settlement agreement, IBM’s alleged discriminatory practices included:

1. Modifications or adjustments to compensation that caused employees to take race, color, national origin, or sex into account when making employment decisions, including a diversity modifier that tied bonus compensation to achieving demographic targets;
2. Taking race, color, national origin, or sex into account as part of decisions to hire, transfer, or promote through the use of “diverse interview slates,” “diverse sourcing,” and other related employment practices, including altering interview eligibility criteria based on race, color, national origin, or sex;

3. Developing race and sex demographic goals for business units and taking race, color, national origin, or sex into account when making employment decisions to achieve progress towards those demographic goals;
4. Offering certain training, partnerships, mentoring, leadership development programs, educational opportunities or resources, and/or similar opportunities only to certain employees, with eligibility, participation, access or admission limited on the basis of race, color, national origin, or sex.

The government further alleged that IBM allocated costs associated with these practices to federal government contracts and sought payment or reimbursement for those costs. The settlement agreement does not identify specific contracts alleged to have been affected by IBM's practices; however, the settled allegations cover a period of over seven years from January 1, 2019, through the date of the settlement. IBM was credited in the settlement for taking remedial measures, including the termination or modification of various programs, policies and other activities, as well as cooperating with the government's investigation by providing relevant facts gathered during its independent investigation and providing information to assist in the determination of damages and penalties. The roughly \$17 million settlement amount is inclusive of civil penalties under the FCA.

The IBM settlement underscores the increased risk that federal government contractors are subject to by exposure to the False Claims Act through certification of compliance with civil rights laws. The settlement agreement's description of IBM's alleged discriminatory practices also provides further examples of the type of conduct the government views as discriminatory. We previously reported on the [DOJ's memorandum providing guidance on unlawful discrimination](#). Contractors should take note of the conduct and practices set forth in the memorandum in addition to those in the IBM settlement in evaluating their own policies and procedures to assess and manage their exposure. Hahn Loeser & Parks will continue to report on these issues as developments occur.

AUTHORS



MATTHEW K. GRASHOFF, PARTNER
mgrashoff@hahnlaw.com
216.274.2205



SERA M. MARTIN, ASSOCIATE
smartin@hahnlaw.com
216.274.2526



MATTHEW F. WAGNER, ASSOCIATE
mfwagner@hahnlaw.com
216.274.2345



J. PATRICK WHITE, OF COUNSEL
pwhite@hahnlaw.com
312.637.3092

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