

Insights

NO LONGER ABSTRACT: THE DOJ'S CIVIL RIGHTS FRAUD INITIATIVE REACHES ITS FIRST SETTLEMENT

May 06, 2026

SUMMARY

In the first case resolution under the Department of Justice's ("DOJ's") [Civil Rights Fraud Initiative Resolution](#), the DOJ [settled](#) with International Business Machines Corporation ("IBM") for \$17,077,043 on April 10, 2026. This is the first concrete development since the DOJ opened investigations into federal government contractors and grant recipients with diversity, equity, and inclusion ("DEI") programs for purported violations of the False Claims Act, covered previously [here](#).

The False Claims Act, 31 U.S.C. § 3729 *et seq.*, imposes civil liability on companies and individuals who knowingly submit, or cause to be submitted, a false claim for payment to the federal government. Violations of the False Claims Act can lead to severe penalties, including treble damages (actual damages multiplied by three), statutory penalties up to \$28,619 per false claim, debarment, and suspension.

As noted in the [prior alerts](#), the DOJ announced the "Civil Rights Fraud Initiative" on May 19, 2025, almost exactly four months after President Trump signed [Executive Order 14173](#), which requires federal contractors to certify that they do not operate any DEI programs that violate federal anti-discrimination laws. This initiative was designed to "investigate and, as appropriate, pursue claims against any recipient of federal funds that knowingly violates federal civil rights laws."

According to the settlement, the United States [alleged](#) that "IBM certified compliance in its federal contracts" with anti-discrimination requirements "while knowingly maintaining practices . . . that the United States contends discriminated against employees during employment and applicants for employment because of race, color, national origin, or sex, and failed to treat employees during employment without regard to race, color, national origin, or sex." Among the practices the government identified in the settlement as being discriminatory are: (i) IBM's adoption of workforce demographic goals; (ii) IBM's use of a "diversity modifier" that ties employee compensation to the achievement of the workforce demographic goals; (iii) IBM's use of diverse interview slates; (iv)

IBM's use of programs intended to identify "diverse" candidate for hiring, transfer, and promotion; and (v) IBM's exclusive offering of certain trainings, partnerships, mentoring, leadership development programs, and educational opportunities to individuals based on race, color, national origin, and sex. Importantly, the settlement does not represent an admission by IBM as to the government's False Claims Act liability arguments, so the future success of these novel theories remains to be seen.

DOJ officials coupled the announcement of this settlement with continued statements on DEI enforcement. Acting Attorney General Todd Blanche [said](#), "Racial discrimination is illegal, and government contractors cannot evade the law by repackaging it as DEI." Similarly, Associate Attorney General Stanley Woodward stated, "Today's settlement proves this Department's commitment to ensure companies are not using taxpayer funded work to further woke unconstitutional practices in American workplaces." Moreover, the settlement announcement comes just weeks after President Trump signed [Executive Order 14398](#), which targets racial discrimination by federal contractors, including through use of the False Claims Act.

In addition to the monetary payment, the DOJ highlighted IBM's cooperation throughout the investigation, including early disclosure of key facts and termination and/or modification of some of the practices and programs at issue, which IBM allegedly adopted as early as January 2019. The settlement specifically noted that IBM was credited under the DOJ's "Guidelines for Taking Disclosure, Cooperation and Remediation into Account in False Claims Act Matters, Justice Manual § 44-4.112 for cooperation provided by IBM."

Before, some government contractors might have viewed the risks of DEI-related liability under the False Claims Act or the Civil Rights Fraud Initiative as abstract. However, with this settlement, the risks are concrete, and potentially very costly. Clients should work with counsel to review their government contracts, audit their DEI-related programs, and be prepared to respond to requests for information from federal contracting agencies and higher tier contractors regarding potential updates to current contracts. Consultation with counsel will be especially important for companies considering taking certain actions to take advantage of the DOJ's cooperation policies described above.

BCLP has a team of knowledgeable government contracts lawyers and employment lawyers who are monitoring developments in this area and can help government contractors evaluate their DEI programs, government contracts, and more.

RELATED CAPABILITIES

- Business & Commercial Disputes
- False Claims Act
- Employment & Labor

- Government Contracts & Public Procurement

MEET THE TEAM



Justin A. Benson

Partner, Washington

justin.benson@bcplaw.com

[+1 202 508 6042](tel:+12025086042)



Lily J. Kurland

Attorney, Washington

lily.kurland@bcplaw.com

[+1 202 508 6106](tel:+12025086106)



Darren E. Ray

Associate, Washington

darren.ray@bcplaw.com

[+1 202 508 6034](tel:+12025086034)

This material is not comprehensive, is for informational purposes only, and is not legal advice. Your use or receipt of this material does not create an attorney-client relationship between us. If you require legal advice, you should consult an attorney regarding your particular circumstances. The choice of a lawyer is an important decision and should not be based solely upon advertisements. This material may be "Attorney Advertising" under the ethics and professional rules of certain jurisdictions. For advertising purposes, St. Louis, Missouri, is designated BCLP's principal office and Kathrine Dixon (kathrine.dixon@bclplaw.com) as the responsible attorney.