

Body Armor Company Executive Misconduct demonstrates real need for whistleblower oversight

September 17, 2010

One of the chief motivations behind [the strengthening of Sarbanes-Oxley whistleblower protections in the Dodd-Frank Act](#) was to address the rampant financial misconduct by corporate executives that played a large part in causing and sustaining the current financial crisis. One of the ways the act aims to do this is by increasing worker and layperson reporting the Securities and Exchange Commission in an effort to have more eyes and ears available to blow the whistle and stop the abuse of taxpayer dollars in its tracks.

The ever-present need for these incentives was vividly demonstrated today when the abuses of taxpayer funds by body armor company executives led to their trial and sentencing for insider trading, fraud, and obstruction of justice. David H. Brooks, the founder and former CEO of DHB Industries of Westbury, and Sandra Hatfield, the company's former chief operating officer, were found guilty of submitting falsified accounting reports to the SEC, leading to the embezzlement of \$200 million of investor funds for personal use. Many of these were taxpayer funds, as DHB Industries supplied body armor to the U.S. military and to law enforcement agencies following 9/11, particularly for American troops in Iraq. Brooks used the funds, in part, to finance a horse-racing business, to purchase jewelry and a luxury car, to pay for cosmetic surgery, and to throw decadent bat and bar mitzvahs for his children. Both defendants face up to 25 years for securities fraud, conspiracy to commit wire and mail fraud, obstruction of justice, conspiracy to obstruct justice, and lying to auditors. The judge may also impose a fine equal to twice the amount embezzled, and the government is seeking the forfeiture of \$353 million from the defendants.

With the help of whistleblowers guided to clear avenues of complaint and armed with strong legal protections against retaliation, more abuses like these are sure to come to light early, before they grow to this egregious level.