

Case: Fighting International Fraud with the FCPA

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Hewlett-Packard's Current Problems With International Kickbacks

Andrew and Susie were on a Midwest college campus discussing current events over lunch. Susie found an article about one of the topics they were studying in law and fraud class and brought it to Andrew's attention, "Andrew I just read in the *Wall Street Journal* (Crawford, 2012) that the Hewlett-Packard (HP) criminal bribery case we studied in class last semester is finally heating up. Remember the case was about a German branch of HP bribing a Russian official. The article says that German prosecutors filed bribery, tax evasion and embezzlement charges against: Hilmar Lorenz, a German and former H-P marketing executive in Russia; Ken Willett, a Germany-based American H-P manager; and Päivi Tiippana, a Finn and former manager at the company. Prosecutors also indicted Ralf Krippner, a local German politician and businessman as an accessory. The indictment alleges that Krippner billed an H-P subsidiary for services that were never performed and helped relay the funds." Susie noted, "This case has not yet been brought to a U. S. court. The SEC is still investigating. If I remember correctly from articles we read (Yannet and Fuhr, 2010), the investigation began in 2007 after a German tax auditor became suspicious of payments totaling €22 million that a German HP subsidiary made to a small computer hardware firm near Leipzig from 2004 to 2006. They suspect Russian officials received €7.5 million in kickbacks for a €35 million dollar contract to sell computer gear to Russia's Prosecutor General Office, the very office responsible to stop bribes. (Crawford, 2012)"

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Susie continued, “The HP subsidiary recorded the payments as having been made for services rendered in Moscow. The investigation also identified three payment intermediaries (shell companies in multiple jurisdictions) and a Moscow-based computer supplier with foreign bank accounts as having conspired with HP to perpetrate the alleged bribery scheme. Using HP funds, the intermediaries, based in the former East Germany, allegedly paid fake invoices for equipment to the shell companies. The illicit funds then flowed through bank accounts all over the world, including the U.K., the U.S., New Zealand, the British Virgin Islands, Latvia, Lithuania, Belize, Austria and Switzerland before making their way to Russia. (Yannet, and Fuhr, 2010)

It is really a story of international intrigue. The Securities and Exchange Commission has yet to file charges using the Foreign Corrupt Practices (FCPA) Act of 1977. It amazes me how long it takes to bring these people and companies to justice. What is evening more amazing is that it appears that the HP employees did not even benefit personally from the fraud except for getting credit for the sale¹. I am looking forward to studying more international FCPA violations in our fraud and forensics course. It really takes a lot of information gathering and drilling down into the details to be able to bring a case like this to court. Andrew, what I don’t get is that I thought all these U.S. companies have a code of conduct and policies to prohibit their employees from offering bribes to foreign officials. I thought the FCPA required that US companies have accounting systems with adequate controls to prevent these fraudulent kickbacks. It has been years since the law was passed. How can this still be happening?”

¹ Although the employees did not take any cash directly, the sale earned the employees commissions or bonuses, led to potential salary increases and helped fulfill expectations in order to get promoted.

STUDENT ASSIGNMENTS

Individual Assignments

Although the FCPA has been around since 1977, it is not until the last 12 years that the SEC has annually indicted multiple U.S. companies doing business in foreign countries using the FCPA. To gain an understanding of the FCPA, go to the SEC's website <http://www.sec.gov/spotlight/fcpa.shtml> and click on the FCPA (Securities and Exchange Commission, 2012b) hyperlink on the bottom left. Then, answer the following questions.

1. Download the document *A Resource Guide to the U.S. Foreign Corrupt Practices Act* (Criminal Division of the U.S. Department of Justice and the Enforcement Division of the U.S. Securities and Exchange Commission).
 - a. Read Chapter 1, Introduction, which describes the scope of the FCPA, discusses the costs of corruption, covers the evolution of the law as well as how the SEC partners with the Department of Justice to fine companies and imprison those that break the law. It also provides an introduction to the efforts of the Commerce and State Departments to assist U.S. companies by advancing anti-corruption and good governance initiatives as well as an introduction to the international landscape.
 - b. Read Chapter 2, The FCPA: Anti-bribery Provisions, which explains the anti-bribery provisions.
 - c. How can a law that was enacted more than 35 years ago still be relevant today?
2. Review the annual list of enforcement actions by calendar year for the past five years. From the SEC website, select a sample of 5 companies to read about in more detail. What strikes you about the companies you reviewed and their crimes?

3. Go to www.cbsnews.com/8301-18560_162-4080920.html and view The Price of Bananas video. You will also find the transcript of the video at that link. Be ready to discuss the video in class.
 - a. Chiquita Banana was making payments to a militant group. How does this action fall under the FCPA?
 - b. What would you have done if you were faced with threats of deadly action against those that worked at the Chiquita Banana facilities under your supervision?
 - c. What has been some of the fallout for Chiquita Banana?
4. Answer the questions in the FCPA Survey in the Appendix. Be ready to defend your choice based on your understanding of the FCPA and your personal beliefs.
5. To learn about Codes of Conduct, read the article: *Up To Code* by Paine, L., Deshpandé, R., Margolis, J., and Bettcher, K. (2005). *Harvard Business Review*, 83 (12), 122-133. Then answer the following questions:
 - a. Should a company have a uniform global code of conduct policy? Why or why not?
 - b. Should these policies be implemented globally, or at a regional, country or local level?
 - c. Should companies have specific global policies regarding gifts, gratuities, payments, entertainment, conflicts of interest and related matters? Why?
 - d. Who should be responsible for communicating, monitoring and enforcing the company's policy?

Team Assignments

Based on what you have learned above by completing the individual assignment questions, work with your team to complete the following:

1. On the SEC website, select a company from the SEC FCPA enforcement actions list from the two most recent years. Click on the case on the SEC's website for additional information about the company, situation and issues.
2. Research the company to find their Code of Conduct. After reading their Code, do you believe that management breached their duty to the company? Explain your answer.
3. Find at least 3 other references (documents, articles, web links, etc.) about the company's problems with the SEC.
4. Was the case you identified a civil or criminal proceeding? Explain the difference between the two types of indictments.
5. Were the parties involved fined and/or served jail time? Where are guilty parties today?
6. Write a five page memo to the Board of Directors and create a 10 minute PowerPoint presentation to explain the fraud to the class. Include a listing of who was involved in the fraud and their home country, how the fraud was perpetrated, how that led the company to be indicted by the SEC, and subsequent conviction or fines. Also explain the financial and nonfinancial costs to the company. Include the information you found in questions 2 to 5.
7. Investigate the website below and the latest Corruption Perceptions Index (CPI). How should this index raise concerns about doing business in countries that have the higher corruption ratings? <http://www.transparency.org/research/cpi/overview> Note the U. S. (or your home country) ranking.

8. Was the company your group researched doing business in countries included in the CPI?

If yes, what were the countries' scores and rankings in the latest published CPI?

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APPENDIX**Foreign Corrupt Practices Act Survey**

How would you answer the questions below? Assume you work for a division of a large diversified multinational company. For each of the requests listed, assume you have authority to make the decision and select an option. Be ready to defend your choice based on your understanding of the FCPA.

- a. A physician considering purchasing diagnostic equipment for his hospital laboratory would like to go for training in Florida and afterwards to visit a major Orlando theme park with his family.
- ☐ Firm Rejection
 - ☐ Hesitant Rejection
 - ☐ Hesitant Approval
 - ☐ Firm Approval
- b. To facilitate the signing of a long-term supply contract, a customer's purchasing official has requested that the company donate computer equipment to her department.
- ☐ Firm Rejection
 - ☐ Hesitant Rejection
 - ☐ Hesitant Approval
 - ☐ Firm Approval
- c. In connection with a multi-million dollar contract, the country commerce minister calls to tell you, "It will cost you 10% to get this contract."
- ☐ Firm Rejection
 - ☐ Hesitant Rejection
 - ☐ Hesitant Approval
 - ☐ Firm Approval
- d. From a government official responsible for awarding a \$1,900,000 contract for an upcoming construction project, "Before we reach our decision, we would like a chance to look at your factories in the U.S. Can you fly our committee to the U.S. for a tour?"
- ☐ Firm Rejection
 - ☐ Hesitant Rejection
 - ☐ Hesitant Approval
 - ☐ Firm Approval

APPENDIX

Foreign Corrupt Practices Act Survey continued

- e. From an employee of a foreign country regulatory agency, "For a small fee we can process your license application much faster."
- ☐ Firm Rejection
 - ☐ Hesitant Rejection
 - ☐ Hesitant Approval
 - ☐ Firm Approval
- f. A customs official refuses to allow a shipment of time-sensitive goods to be unloaded without an appropriate cash payment.
- ☐ Firm Rejection
 - ☐ Hesitant Rejection
 - ☐ Hesitant Approval
 - ☐ Firm Approval
- g. From the Defense Minister, an invitation to his daughter's wedding. Officials of companies that have dealings with the ministry are normally invited to such events. Attendees are expected to bring a cash gift, approximately \$200.00, for the bride and groom.
- ☐ Firm Rejection
 - ☐ Hesitant Rejection
 - ☐ Hesitant Approval
 - ☐ Firm Approval
- h. You are told that deliveries of your products to the warehouses of the government construction system (the dominant builder of roads in the country) will be mishandled and lost unless you also include in the shipment a case or two of vodka or gin for the warehouse workers.
- ☐ Firm Rejection
 - ☐ Hesitant Rejection
 - ☐ Hesitant Approval
 - ☐ Firm Approval

Teaching Notes: Fighting International Fraud With The FCPA

This case asks students to study codes of conduct for international companies and to report on a company that was not in compliance with the Foreign Corrupt Practices Act of 1977 (FCPA). All global businesses work in an ever more complex and highly regulated world. International companies hope they employ a variety of honest, competent employees. These employees are agents of their organizations and must make the right decisions in difficult and competitive situations where laws vary from country to country. How their employees treat others and do business is a direct reflection on a company's reputation. An organization wants to be known by the quality of its products and services, the integrity of its employees and its ethical business conduct. This case can be used in a fraud, forensic, auditing or international accounting class to introduce students to the FCPA and to study how companies commit fraud in violation of the law. It can also be used to cover codes of conduct, governance and corporate accountability.

Although laws, regulations and business practices vary by country, international employee behavior and expectations should be tied to an enforced code of conduct. It is the responsibility of every company to establish high standards for business conduct and codify these expectations in a company Code of Conduct. This Code of Conduct should be supplemented by a summary of the FCPA. Employee training emphasizing company culture and performance expectations consistent with the company Code of Conduct and the FCPA should be regularly delivered to employees. While company culture starts with those at the top of the organization and employees model their behavior based on the actions and expectations of their leaders, unfortunately, some companies and their employees are unethical and break the law.

In this case, students are first asked to complete an individual assignment that allows them to: research and learn about the FCPA; learn about a company's Codes of Conduct; and learn how difficult it is to do the right thing when the proper course of action may be in a gray

area. In the second part of the case assignment, student groups are asked to investigate companies that have not been in compliance with the FCPA and report on their illegal acts to the class so that all students can learn about many different instances of companies violating the FCPA.

CASE LEARNING OBJECTIVES

Conceptual Learning Objectives

1. Identify approaches to ensure organizational compliance with laws and regulations.
2. Discuss the potential for conflicts of interest and how to avoid them.
3. Recognize how legal ambiguity elevates the importance of leadership in fostering organizational values.

Specific Learning Objectives

1. Learn about the FCPA.
2. Examine reasons Codes of Conduct (Ethics) are difficult to enforce in a global business environment.
3. Perform topic and company research.
4. Develop critical thinking skills to determine how frauds can be committed.
5. Develop business writing and speaking skills by communicating a situational analysis in report form and by presenting the findings orally to the class.

Introduction of Topic - Video on Doing Business in Columbia

Set the tone for the class by showing the video about Chiquita Banana doing business in Columbia. The video is 14 minutes long but guaranteed to capture the attention of your students.

The video and transcript text are available at www.cbsnews.com/8301-18560_162-4080920.html.

ANSWERS TO ASSIGNMENTS

Individual Assignment Questions

Although the FCPA has been around since 1977, it is not until the beginning of the current century that the SEC has annually indicted multiple U.S. companies doing business in foreign countries. To gain an understanding of the FCPA go to the SEC's website <http://www.sec.gov/spotlight/fcpa.shtml> and click on the FCPA hyperlink on the bottom left and answer the following questions.

1. Download the document *A Resource Guide to the U.S. Foreign Corrupt Practices Act* (Criminal Division of the U.S. Department of Justice and the Enforcement Division of the U.S. Securities and Exchange Commission 2012).
 - a. Read Chapter 1, Introduction, which describes the scope of the FCPA, discusses the costs of corruption, covers the evolution of the law as well as how the SEC partners with the Department of Justice to fine companies and imprison those that break the law. It also provides an introduction to the efforts of the Commerce and State Departments to assist U.S. companies by advancing anti-corruption and good governance initiatives as well as an introduction to the international landscape.
 - b. Read Chapter 2, The FCPA: Anti-bribery Provisions, which explains the anti-bribery provisions.
 - c. How can a law that was enacted more than 35 years ago still be relevant today?

Sources for the following discussion of the FCPA's Scope, History and Enforcement sections: *A Resource Guide to the U.S. Foreign Corrupt Practices Act* and for the Application section: *Wikipedia*.

Scope of FCPA

The FCPA contains both anti-bribery and accounting provisions. The anti-bribery provisions prohibit U.S. persons and businesses, U.S. and foreign public companies listed on stock exchanges in the United States and certain other foreign persons and businesses from making payments to foreign officials to obtain or retain business. The accounting provisions require issuers to make and keep accurate books and records and to devise and maintain an adequate system of internal accounting controls. The accounting provisions also prohibit individuals and businesses from knowingly falsifying books and records or knowingly circumventing or failing to implement a system of internal controls.

History of FCPA

Congress enacted the FCPA in 1977 after revelations of widespread global corruption in the wake of the Watergate political scandal. At that time, the SEC discovered that more than 400 U.S. companies had paid hundreds of millions of dollars in bribes to foreign government officials to secure business overseas. The SEC reported that companies were using secret slush funds to make illegal campaign contributions in the United States and corrupt payments to foreign officials abroad and were falsifying their corporate financial records to conceal the payments.

As Congress recognized when it passed the FCPA, corruption imposes enormous costs both at home and abroad, leading to market inefficiencies and instability, sub-standard products, and an unfair playing field for honest businesses. By enacting a strong foreign bribery statute, Congress sought to minimize these destructive effects and help companies resist corrupt demands, while addressing the destructive foreign policy ramifications of transnational bribery. The Act also prohibited off-the-books accounting through provisions designed to strengthen the accuracy of the corporate books and records and the reliability of the audit process which constitute the foundations of our system of corporate disclosure. In 1988, Congress amended the

FCPA to add two affirmative defenses:

1. the local law defense, i.e., payments to foreign officials may be legal under the FCPA if the payments are permitted under the written laws of the host country
2. the reasonable and bona fide promotional expense defense (grease payments)
Congress also requested that the President negotiate an international treaty with members of the Organization for Economic Co-operation and Development (OECD) to prohibit bribery in international business transactions by many of the United States' major trading partners. Subsequent negotiations at the OECD culminated in the Convention on Combating Bribery of Foreign Officials in International Business Transactions (Anti-Bribery Convention), which, among other things, required parties to make it a crime to bribe foreign officials.

In 1998, the FCPA was amended again to conform to the requirements of the Organization for Economic Cooperation and Development Anti-Bribery Convention (Esslinger, 2010) which became effective on February 15, 1999. These amendments expanded the FCPA's scope to:

1. include payments made to secure any improper advantage
2. reach certain foreign persons who commit an act in furtherance of a foreign bribe while in the United States;
 - a. cover public international organizations in the definition of foreign official
 - b. add an alternative basis for jurisdiction based on nationality
 - c. apply criminal penalties to foreign nationals employed by or acting as agents of U.S. companies
 - d. add an alternative basis for jurisdiction based on nationality
 - e. apply criminal penalties to foreign nationals employed by or acting as agents of U.S. companies

Enforcement of FCPA

The Department of Justice (DOJ) and the Securities and Exchange Commission share FCPA enforcement authority. An important component of this effort is education. This resource guide, prepared by DOJ and SEC staff, aims to provide businesses and individuals with information to help them abide by the law, detect and prevent FCPA violations, and implement effective compliance programs. The SEC is responsible for civil enforcement of the FCPA over issuers of securities and their officers, directors, employees, agents, or stockholders acting on the

issuer's behalf.

SEC's Division of Enforcement has responsibility for investigating and prosecuting FCPA violations. To focus specifically on FCPA enforcement in 2010, the SEC's Enforcement Division created a specialized FCPA Unit with attorneys in Washington, D.C. and in regional offices around the country. The Unit investigates potential FCPA violations; facilitates coordination with the DOJ's FCPA program and with other federal and international law enforcement partners; uses its expert knowledge of the law to promote consistent enforcement of the FCPA; analyzes tips, complaints, and referrals regarding allegations of foreign bribery; and conducts public outreach to raise awareness of anti-corruption efforts and good corporate governance programs.

The DOJ has criminal FCPA enforcement authority over issuers (i.e., public companies) and their officers, directors, employees, agents, or stockholders acting on the issuer's behalf. The DOJ also has both criminal and civil enforcement responsibility for the FCPA's anti-bribery provisions over domestic concerns which include: U.S. citizens, nationals, and residents; U.S. businesses and their officers, directors, employees, agents, or stockholders acting on the domestic concern's behalf; and certain foreign persons and businesses that act in furtherance of an FCPA violation while in the territory of the United States. Within the DOJ, the Fraud Section of the Criminal Division has primary responsibility for all FCPA matters. FCPA matters are handled primarily by the FCPA Unit within the Fraud Section, regularly working jointly with U.S. Attorney Offices around the country.

Application of FCPA

The U.S. Justice Department and the Securities and Exchange Commission are currently investigating whether Hewlett Packard Company executives paid about \$10.9 million in bribery money between 2004 and 2006 to the Prosecutor General of Russia "to win a million-dollar contract to supply computer equipment throughout Russia" (Crawford and Searcey 2010). Stronger U.S. DOJ and SEC enforcement increased the prominence of the FCPA from 2010 onwards (Palazzolo 2012).

2. Review the annual list of enforcement actions by calendar year for the past five years. From the SEC Website, select a sample of 5 companies to read about in more detail. What strikes you about the companies you reviewed and their crimes?

Answers will vary depending on what companies the students selected. The students should discuss why one of the companies they reviewed broke the law and what the consequences were for the company.

3. Go to www.cbsnews.com/8301-18560_162-4080920.html and view the Price of Bananas video. You will also find a transcript of the video at that link. Be ready to discuss the case in class.
 - a. Chiquita Bananas was making payments to a militant group. How does this action fall under the FCPA?

This is an FCPA violation due to the 1988 law changes which expanded coverage of the FCPA to cover public international organizations in the definition of foreign official.

- b. What would you have done if you were faced with threats of deadly action against those that worked at the Chiquita Banana facilities under your supervision?

This generates lots of discussion with the class rarely reaching consensus in their opinions.

- c. What has been some of the fallout for Chiquita Bananas?
- Large fines
 - Other people held captive by the FARC – see article: Peeler, S. and C. Seals, (2010). “Chiquita Brands’ Troubles With The Foreign Corrupt Practices Act (FCPA) In Colombia – Part One – The FCPA Explained,” *The Columbian Law and Business Post*. May 23 2010
 - Eventually they left the area
4. Answer the questions in the FCPA Survey in the Appendix. Be ready to defend your choice based on your understanding of the FCPA.

Use this questionnaire as a FCPA debrief. Put the survey into an online survey instrument like Survey Monkey. Have the students complete the survey by midnight before class. Summarize the results and distribute them to the class. The results are then used as a basis for the class discussion with more time allocated to the questions with the most diversity in responses. The class discussion is framed in the context of codes of conduct and cultural differences with an FCPA overlay. Students leave the class acknowledging that everyone responds and interprets the questions differently based on their own past experiences and culture. Review and discussion of each of the eight items in the survey in the Appendix could last 45 minutes.

These are difficult situations and there is no right or wrong answer. The strongest student explanations are those that explain their reasoning with clarity, specificity and link the situation to the FCPA or some higher principle, value or objective. Discuss why this was a difficult decision and see if the students can give solid arguments for doing the opposite of what they recommended. It is important to discuss the ethical principles that influenced and/or were relevant to the deliberation. Also, consider an individual’s duties (fiduciary duty, duty of care,

duty of loyalty, etc.) and mention the standards from the *Up to Code* reading in the next question. Simply stating an admonishment that a company has to be law-abiding is not adequate.

As the class ends, students will not reach consensus about the appropriate corporate policy or correct plan of action for an individual or an organization to pursue. Students should understand the foundation for their decisions by considering local, regional and global differences with the law, ethical standards, cultural and societal expectations and the economic impact of their choices. Remind them that when they are assessing a plan of action to make decisions at work, they can reference available Ethics Codes, Codes of Conduct and regulations as they contemplate their duties, rights and commitments as an employee and as a member of society.

5. To learn about Codes of Conduct, read the article: *Up To Code* by Paine, L., Deshpandé, R., Margolis, J., and Bettcher, K. (2005). *Harvard Business Review*, 83 (12), 122-133. Then, answer the following questions.
- a. Should a company have a uniform global code of conduct policy? Why or why not?
 - b. Should these policies be implemented globally, or at a regional, country or local level?
 - c. Should companies have specific global policies regarding gifts, gratuities, payments, entertainment, conflicts of interest and related matters?
 - d. Who should be responsible for communicating, monitoring and enforcing the company policy?

This Harvard Business Review article is a good summary of the responsibilities of organizations and their duties and obligations. As it is difficult reading for an undergraduate class, you may need to summarize the key points in the article. The Appendix provides a summary of widely endorsed standards of corporate conduct from *Up to Code*. There is no one correct answer to the

thought questions listed for the students to consider when reflecting on the article they have just read. But the discussion about why there are diverse answers to the questions can be very rich and rewarding as students start to consider the difficulties of successfully navigating doing business in other parts of the world.

Bring the concepts to life by following the article discussion with student breakout groups. As a way to have the students start thinking personally about the contents of the article, put them in teams of 3 and have them rank the eight Standards of Corporate Conduct (Appendix) included in the reading. Allow approximately 15 minutes for this exercise. Then each group reports out with their top 3 and bottom 3 standards. The students get an understanding of the items and where there is agreement or disagreement. They also sense which ones are most important for them as individuals through sharing and small group discussion. It empowers them.

Group Assignments

Based on what you have learned above by completing the individual assignment questions, work with your team to complete the following:

1. On the SEC website, select a company from the SEC FCPA enforcement actions list from the two most recent years. Click on the case on the SEC's website for additional information about the company, situation and issues.
2. Research the company to find their Code of Conduct. After reading their Code, do you believe that management breached their duty to the company? Explain your answer.
3. Find at least 3 other references (documents, articles, web links, etc.) about the company's problems with the SEC.

4. Was the case you identified a civil or criminal proceeding? Explain the difference between the two types of indictments.
5. Were the parties involved fined and/or served jail time? Where are guilty parties today?
6. Write a five page memo to the Board of Directors and create a 10 minute PowerPoint presentation to explain the fraud to the class. Include a listing of who was involved in the fraud and their home country, how the fraud was perpetrated, how that led the company to be indicted by the SEC, and subsequent conviction or fines. Also explain the financial and nonfinancial costs to the company. Include the information you found in questions 2 to 5.

For questions 1 to 6, there are two deliverables: a memo to Board of Directors outlining the information the students found out about the company and its fraudulent actions and a 10 minute oral presentation to share the group's findings with the class.

7. Investigate the website below and the latest Corruption Perceptions Index (CPI). How should this index raise concerns about doing business in countries that have the higher corruption ratings? <http://www.transparency.org/research/cpi/overview> Note the U. S. (or your home country) ranking.

Since 1995, as determined by expert assessments and opinion surveys, Transparency International (TI), www.transparency.org, has published the Corruption Perceptions Index (CPI) annually ranking countries by their perceived levels of corruption. TI generally defines corruption as "the misuse of public power for private benefit." The CPI measures perception of corruption due to the difficulty of measuring absolute levels of corruption. The sources of information used for the 2012 CPI are based on data gathered in the past 24 months. The CPI includes only sources that provide a score for a set of countries/territories and that measure

perceptions of corruption in the public sector. The CPI draws on data sources from independent institutions that specialize in governance and business climate analysis. The institutions include the African Development Bank, the Asian Development Bank, the Bertelsmann Foundation, the Economist Intelligence Unit, Freedom House, Global Insight, International Institute for Management Development, Political and Economic Risk Consultancy, the World Economic Forum and the World Bank. Transparency International reviews the methodology of each data source in detail to ensure that the sources used meet Transparency International's quality standards.

When constructing the 2012 CPI ranking 176 countries, TI applied a new methodology that uses the raw scores given to any country/territory and then converts these raw scores to fit the CPI scale from 100 (very clean) to 0 (highly corrupt). In previous editions of the CPI, the methodology drew on a country/territory's rank position in the data sources to capture perceptions of corruption as compared with other countries/territories. This will allow year-to-year comparisons on the country level in future years, but not with the past. For a country/territory to be included in the ranking, it must be included in a minimum of three of the CPI's data sources. If a country is not featured in the ranking, then this is solely because of insufficient survey information and not an indication that corruption does not exist in the country.

Corruption remains at very high levels in some sectors and countries and it is unlikely ever to go away entirely. While the Corruption Index is not perfect, it is a good introduction for students to start thinking about global corruption and its impact on business. If they haven't already, corruption is something that most students will face in some form or another. They will have to decide as an individual or as a company what stance to take in response to corruption.

Their responses can run from indifference to leadership against it. This spectrum of response is not limited to a student's position on corruption or other public problems from a company perspective. It can be applied to other ethical and legal issues they encounter in their daily lives.

If you are interested in learning more about corruption, visit the websites of Transparency International, the OECD Anti-Bribery Convention and the UN Convention Against Corruption.

8. Was the company your group researched doing business in countries included in the CPI?

If yes, what were the countries' scores and rankings in the latest published CPI?

This will require students to look up the information in the Corruption Index. Use this information to talk about the different cultures and how embedded bribery is in some cultures when doing business. Note how high the U. S. (or your home country) is on the CPI list.

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APPENDIX

Widely Endorsed Standards of Corporate Conduct from *Up to Code*

Standard/ Principle	Definition
Fiduciary	Act in the best interests of the company and its investors.
Property	Respect property and the right of those who own it.
Reliability	Keep promises, agreements, contracts and other commitments.
Transparency	Conduct business in a truthful and open manner.
Dignity	Respect the dignity of all people.
Fairness	Deal fairly with all parties.
Citizenship	Act as responsible members of the community.
Responsiveness	Be responsive to the legitimate claims and concerns of others.