CASE 3.5

Triton Energy Ltd.

Bill Lee retired in the mid-1990s from Triton Energy after leading the Dallas-based oil and gas exploration firm through three turbulent decades. During Lee's tenure, Triton discovered large oil and gas deposits in several remote sites scattered around the globe. Although adept at finding oil, Triton's small size hampered the company's efforts to exploit its oil and gas properties. Major oil firms, large metropolitan banks, and other well-heeled investors often refused to participate in the development of promising oil and gas properties discovered by Triton. Why? Because they were unnerved by Bill Lee's reputation as a run-and-gun, devil-may-care "wildcatter."

To compensate for Triton's limited access to deep-pocketed financiers, Lee resorted to less conventional strategies to achieve his firm's financial objectives. In the early 1980s, Triton struck oil in northwestern France at a site overlooked by many major oil firms. To expedite its drilling efforts and to gain an advantage over competitors that had begun snapping up leases on nearby properties, Triton formed an alliance with the state-owned petroleum firm, *Compagnie Francaise des Petroles*. This partnership proved very beneficial for Triton since it gave the firm ready access to the governmental agency that regulated France's petroleum industry. A business journalist commented on Triton's political skills as a key factor in its successful French venture. "Triton's success is due not just to sound geology but also to good politics. It has established a close relationship with the all-powerful French energy administration, which issues all new drilling permits."[1]

Triton's policy of working closely with government agencies and bureaucrats landed the company in trouble with U.S. authorities during the 1990s. Charges that Triton bribed foreign officials to obtain favorable treatment from governmental agencies led to investigations of the company's overseas operations by the U.S. Department of Justice and the Securities and Exchange Commission (SEC). These investigations centered on alleged violations of the Foreign Corrupt Practices Act of 1977, including the accounting and internal control stipulations of that federal statute.

A Brief History of a Texas Wildcatter

L. R. Wiley founded Triton Energy Corporation, the predecessor of Triton Energy Ltd., in 1962. At the time, industry analysts estimated that there were approximately 30,000 businesses involved in oil and gas exploration, most of which were small "Mom and Pop" operations. The volatile ups and downs of the petroleum industry dramatically thinned the ranks of oil and gas producers during the 1960s and 1970s. The oil bust of the 1980s wiped out most of the surviving firms in the industry. Fewer than 20 significant "independent" oil and gas producers remained in business by 1985.[2] Triton Energy was one of those firms.

Bill Lee joined Triton in the early 1960s and was promoted to chief executive officer (CEO) in 1966. Under Lee, Triton competed in the rough-and-tumble business

1. P. Kemezis and W. Glasgall, "A Texas Wildcatter Cashes In on French Oil," *Business Week*, 13 May 1985, 106–107.

2. The dominant companies in the oil and gas industry include such firms as ExxonMobil and ConocoPhillips. These firms are often referred to as the "majors" or simply as "Big Oil."

of oil and gas exploration by employing a rough-and-tumble business strategy. Lee recognized that the large domestic oil firms in the U.S. had already identified the prime drilling sites in this country. So, Lee decided that Triton should focus its exploration efforts in other oil-producing countries, particularly in regions of those countries largely overlooked by "Big Oil." During Lee's tenure with Triton, the company launched exploration ventures in Argentina, Australia, Canada, Colombia, France, Indonesia, Malaysia, New Zealand, and Thailand.

In the early 1970s, Triton discovered a large oil and gas field in the Gulf of Thailand. Recurring disagreements and confrontations with the Thai government stymied Triton from developing that field for more than 10 years. Lee's experience with the Thai government taught him an important lesson: If Triton's exploration ventures were to be successful in foreign countries, the company had to foster good relationships with key governmental officials in those countries.

Lee created Triton Indonesia, Inc., a wholly owned subsidiary of Triton Energy, to develop an oil field that the company acquired in Indonesia in 1988. This oil field, located on the island of Sumatra and known as the Enim Field, belonged to a Dutch firm in the 1930s. At the time, Sumatra was a protectorate of the Netherlands. When the Japanese invaded Indonesia during World War II, retreating Dutch soldiers dynamited the Enim Field to render it useless to Japan. Over the next four decades, the dense jungles of Sumatra reclaimed the oil field. In the mid-1980s, Lee learned of the potential oil reserves still buried in the Enim Field. A small Canadian company owned the drilling rights for those reserves. Triton wrested control of the drilling rights from that company in a protracted legal battle. After investing several million dollars and several years of hard work in the Enim Field, Triton began pumping thousands of barrels each day from the long dormant oil reservoir.

Triton's strategy of working closely with officials of the Indonesian government contributed greatly to the success of the Enim Field project. To strengthen Triton's ties to those officials, the company hired a French citizen, Roland Siouffi, as a consultant. Siouffi, who had resided in Indonesia for nearly three decades, served as Triton's liaison with Indonesian tax authorities and with governmental agencies that oversaw the country's oil and gas industry.

In 1991, Triton struck black gold again, this time in Colombia. Several large firms had drilled exploratory wells in the foothills of the Andes Mountains that stretch across Colombia. Those wells came up dry. Nevertheless, geological reports convinced Lee and other Triton executives that the region contained large but well-hidden oil reservoirs. Lee and his colleagues were right. In 1991, Triton pinpointed huge oil and gas deposits trapped in complex geological structures lying beneath the Colombian jungles. These reservoirs were the largest discovered in the western hemisphere since the 1968 Prudhoe Bay discovery in Alaska. Again, Triton established close working relationships with governmental officials, this time in Colombia, to develop the new oil field.

On the strength of Triton's Indonesian and Colombian oil strikes, the company's stock skied from a few dollars per share in the late 1980s to more than $50 per share in 1991.[3] Triton's common stock ranked as one of the 10 best performing stocks on the New York Stock Exchange in 1991. Despite the company's obvious knack for finding oil, many Wall Street analysts refused to recommend Triton's common stock. Rumors of the bribing of foreign officials, allegations of creative accounting methods, and intimations of other corporate wrongdoings soured these analysts on Triton. One Wall

3. D. Galant, "The Home Runs of 1991," *Institutional Investor*, March 1992, 51–56.

Street portfolio manager succinctly summed up his view of Triton. "Bill Lee is not a guy I'd like to see running an oil company I had invested in."[4]

The allegations of abusive management practices and creative accounting caught up with Triton in the mid-1990s. Those allegations persuaded the U.S. Department of Justice and the SEC to probe Triton's ties to government officials in foreign countries. The principal focus of this investigation was the relationships that Triton executives had cultivated with Indonesian officials during the development of the Enim Field.

The central issue addressed by federal authorities while investigating Triton was whether the company had violated a seldom-enforced federal statute, the Foreign Corrupt Practices Act of 1977 (FCPA). The FCPA was a by-product of the scandal-ridden Watergate era of the 1970s. During the Watergate investigations, the Office of the Special Prosecutor uncovered numerous bribes, kickbacks, and other payments made by U.S. corporations to officials of foreign governments to initiate or maintain business relationships. Widespread public disapproval compelled Congress to pass the FCPA, which criminalizes most such payments. The FCPA also requires U.S. companies to maintain internal control systems that provide reasonable assurance of discovering improper foreign payments.

> *The accounting provisions [of the FCPA] were enacted by Congress along with the anti-bribery provisions because Congress concluded that almost all bribery of foreign officials by American corporations was covered up in the corporations' books and that the requirement for accurate records and adequate internal controls would deter bribery.*[5]

Exhibit 1 summarizes the FCPA's key anti-bribery and internal control requirements.

EXHIBIT 1

KEY PROVISIONS OF THE FOREIGN CORRUPT PRACTICES ACT

Anti-Bribery Provisions:

Section 30 (A) of the Securities Exchange Act, the anti-bribery provision of the FCPA, prohibits any issuer . . . or any officer, director, employee, or agent of an issuer from making use of instruments or interstate commerce corruptly to pay, offer to pay, promise to pay, or to authorize the payment of any money, gift, or promise to give, anything of value to any foreign official for purposes of influencing any act or decision of such foreign official in his official capacity, or inducing such foreign official to do or omit to do any act in violation of the lawful duty of such official, or inducing such foreign official to use his influence with a foreign government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality, in order to assist such issuer in obtaining or retaining business for or with, or directing business to, any person.

Recordkeeping and Internal Control Provisions:

Section 13(b)(2) of the Securities Exchange Act is comprised of two accounting provisions referred to as the "books and records" and "internal controls" provisions. These accounting provisions were enacted as part of the FCPA to strengthen the accuracy of records and to "promote the reliability and completeness of financial information that issuers are required to file with the Commission or disseminate to investors pursuant to the Securities Exchange Act." Section 13(b)(2)(A) requires issuers to make and keep books, records, and accounts that accurately and fairly reflect the transactions and dispositions of their assets. Section 13(b)(2)(B) requires issuers to devise and maintain a system of internal accounting controls sufficient

4. T. Mack, "Lucky Bill Lee," *Forbes*, 14 October 1991, 50.

5. This quotation and the remaining quotations in this case, unless indicated otherwise, were drawn from the following source: Securities and Exchange Commission, *Accounting and Auditing Enforcement Release No. 889*, 27 February 1997.

EXHIBIT 1— ***continued***

KEY PROVISIONS OF THE FOREIGN CORRUPT PRACTICES ACT

to provide reasonable assurances that, among other things, transactions are executed in accordance with management's general or specific authorization and that transactions are recorded as necessary to permit presentation of financial statements in conformity with GAAP and to maintain accountability for assets.

Source: Securities and Exchange Commission, *Accounting and Auditing Enforcement Release No. 889*, 27 February 1997.

Indonesian Charges

Triton Energy's former controller sued the company in 1991, claiming that he had been fired in 1989 after refusing to sign off on the company's Form 10-K registration statement. The controller refused to sign off on the 1989 10-K because it failed to disclose "bribery, kickbacks and payments to government officials, customs officials, auditors, inspectors and other persons in positions of responsibility in Indonesia, Columbia, and Argentina."[6] The controller acknowledged that Triton's senior management had not authorized the payments but insisted that the FCPA required such payments to be disclosed in the company's 10-K. Before the case went to trial, Triton officials dismissed the charges, suggesting that they were "totally without merit."[7] During the trial, considerable evidence surfaced supporting the controller's allegations. A memo written by Triton's former internal audit director contained the most damaging of this evidence.

In late 1989, Triton management sent the company's new internal audit director to review and report on Triton Indonesia's operations. Upon returning, the internal audit director filed a lengthy memorandum with several Triton executives, including the company's president and at least two key vice presidents. Exhibit 2 presents selected excerpts from that memo. The memo documented extensive wrongdoing by employees and officials of Triton Indonesia. At one point, the frustrated internal audit director complained that the subsidiary's accounting records were so misleading it was impossible "to tell a real transaction from one that has been faked."[8] After reading the memo, the alarmed Triton executives ordered that all copies be collected and destroyed. Despite these instructions, one copy of the memo survived and became a key exhibit in the lawsuit filed against Triton by its former controller.

EXHIBIT 2

SELECTED EXCERPTS FROM THE INTERNAL AUDIT MEMO REGARDING OPERATIONS OF TRITON INDONESIA

"In Indonesia, I found myself in a country of state supported corruption."

"I was told that we pay between $1,000 and $1,900 per month just to get our invoice to Pertamina [the state-owned Indonesian oil company] paid."

"We must pay people in customs in order to get our equipment off the dock so that it can be used in operations."

"What is worse, and this is extremely confidential, is that we paid the auditors in order to have their audit exceptions taken care of. . . . This part is particularly bad to me. I had hoped that at least the Indonesian auditors were honest."

Source: A. Zipser, "Crude Grab?" *Barron's*, 25 May 1992, 12–15.

6. A. Zipser, "Crude Grab?" *Barron's*, 25 May 1992, 15.
7. Mack, "Lucky Bill Lee."
8. A. Zipser, "Trials of Triton," *Barron's*, 26 July 1993, 14–15.

Another former Triton accountant also corroborated many of the former controller's allegations. This individual, who had previously served as a Price Waterhouse auditor, joined Triton Indonesia's accounting staff in early 1989. Almost immediately, the accountant discovered serious internal control deficiencies in the subsidiary's operations. Inadequate segregation of key accounting and control responsibilities created an environment in which individuals could easily perpetrate and then conceal fraudulent transactions. The accountant's most serious charge regarding his former employer involved an admission made by his superior. The superior told the accountant that auditors from Pertamina, the state-owned Indonesian oil firm, had been "bought" by Triton. Among other responsibilities, these auditors regularly reviewed Triton Indonesia's tax records. "I understood the words 'buy the audit' to mean bribe Pertamina auditors. To me, it represented an illegal transaction, the proposal of an illegal transaction."[9]

Co-workers reportedly shunned the accountant after he objected to such conduct. A few weeks later, the accountant resigned. Because he was concerned that his brief tenure with Triton Indonesia might blight his professional career, the accountant filed a 37-page report with the U.S. embassy in Indonesia. That report documented questionable transactions, events, and circumstances he had encountered during his employment with Triton Indonesia. In the report, the accountant described his former superiors as "unprincipled, unethical liars."[10]

Peat Marwick served as Triton Energy's audit firm over a span of more than two decades beginning in 1969. During the planning phase for the 1991 audit, Peat Marwick learned of the memorandum written by Triton's former internal audit director. A Peat Marwick auditor questioned client management concerning the unlawful activities allegedly documented in that memo. Company officials convinced Peat Marwick that all copies of the memo had been destroyed. A Triton executive then prepared a memo responding to Peat Marwick's inquiries. This second memo omitted many key details of questionable activities documented by the internal audit director. At a subsequent meeting with Peat Marwick representatives, Triton management directly refuted the principal allegation reportedly included in the internal audit memo. Several Triton officials told Peat Marwick that there was no evidence Triton Indonesia officers or employees had bribed Indonesian auditors.[11]

In the summer of 1992, the jury that heard the lawsuit filed by Triton's former controller ruled in his favor and awarded him a $124 million judgment. That judgment ranks as one of the largest wrongful termination awards ever handed down by a U.S. court.[12] Following the trial, the surviving copy of the memo written by Triton's former internal audit director became a road map for federal authorities to follow while investigating Triton's abusive management and accounting practices.

"Dirty" Payments

Triton Indonesia negotiated a contract with the Indonesian government for the right to develop the Enim Field. This contract made the nation's state-owned oil company,

9. Zipser, "Crude Grab?"

10. *Ibid.*, 14.

11. In 1992, Triton Energy retained Price Waterhouse to serve as its audit firm, replacing Peat Marwick.

12. The judgment was subsequently reduced in a private, out-of-court settlement involving the former controller, Triton, and Triton's insurer. The former controller received approximately $10 million from Triton and an undisclosed additional sum from Triton's insurer. Shortly before the jury verdict was announced, the former controller had offered to settle the case for $5 million.

Pertamina, a partner in the project. The agreement gave the Triton subsidiary operational and financial control over the joint venture but allowed Pertamina to review and override all-important decisions involving the project. Another feature of the agreement required Triton Indonesia to transport oil recovered from the Enim Field through Pertamina's pipelines. Finally, the agreement obligated Triton Indonesia to pay significant taxes to the Indonesian government on the basis of the Enim Field's production.

Two Indonesian audit teams periodically examined Triton Indonesia's accounting and tax records. Pertamina auditors reviewed the accounting records to ensure that the Triton subsidiary complied with its contractual obligations to Pertamina. Auditors from the Indonesian Ministry of Finance and Pertamina auditors inspected the tax records to ensure that the proper taxes were being paid to the Indonesian government. The Ministry of Finance auditors were known as the "BPKP" auditors since they worked for the agency's audit branch, *Badan Pengawasan Keuangan Dan Pembangunan*.

Pertamina and BPKP auditors concluded a joint tax audit of a Triton Indonesia operating unit in May 1989. The audit revealed that the unit owed approximately $618,000 of additional taxes. Of this total, $385,000 involved taxes levied by Pertamina auditors, while the remaining $233,000 were taxes assessed by BPKP auditors. Two officers of Triton Indonesia discussed this matter with Roland Siouffi, the longtime Indonesian resident hired the year before to serve as a liaison with government officials. Siouffi then met with two key members of the Pertamina audit team. Siouffi arranged to pay these two individuals $160,000 to eliminate the additional tax assessment of $385,000 proposed by the Pertamina auditors. Triton Indonesia paid $165,000 to a company controlled by Siouffi in August 1989.[13] A few weeks later, that company paid $120,000 and $40,000, respectively, to the two Pertamina auditors. Triton Indonesia's controller prepared false documentation for the payment made to Siouffi's company. The documentation indicated that the payment was for seismic data purchased for the Enim Field.

In August 1989, a BPKP auditor reminded Triton Indonesia officials that their firm still owed $233,000 of taxes. An executive of Triton Indonesia discussed this matter with Siouffi. After meeting with the BPKP auditor, Siouffi told Triton Indonesia's management that in exchange for $20,000 the auditor would reduce the $233,000 tax bill to $155,000. Triton Indonesia processed a $22,500 payment to another company controlled by Siouffi, who then paid the BPKP auditor $20,000. Triton Indonesia's controller prepared false documentation indicating that the payment to Siouffi's company was for equipment repairs at the Enim Field made by Siouffi's employees. Following the payments made to the Pertamina and BPKP auditors by Siouffi, Triton Indonesia received letters from the two audit teams indicating that they had resolved the issues raised during the tax audit.

Throughout 1989 and 1990, Triton Indonesia continued to channel improper payments to various government officials through Roland Siouffi. Triton Indonesia fabricated false documentation to "sanitize" each payment for accounting purposes. The SEC identified $450,000 of such payments recorded in Triton Indonesia's accounting records.

Triton Indonesia officers periodically briefed key members of Triton Energy's management regarding the payoffs funneled through Siouffi. In these briefings, the Triton Energy officers also learned of the false accounting entries and documentation prepared to conceal the true nature of the payments. "The Triton Energy officers expressed concern about such practices which they had neither directed nor authorized, but failed to require Triton Indonesia to discontinue those practices." At one point, a Triton Indonesia officer directly told Triton Energy's president that illicit payments were

13. Triton Indonesia paid Siouffi a "commission" for the illegal payments he funneled to government officials. In this case, the commission was $5,000.

EXHIBIT 3

TRITON ENERGY'S DISCLOSURE OF SEC SETTLEMENT IN 1996 FINANCIAL STATEMENT FOOTNOTES

In February 1997, the Company and the Securities and Exchange Commission (SEC) concluded a settlement of the SEC's investigation of possible violations of the Foreign Corrupt Practices Act in connection with Triton Indonesia, Inc.'s former operations in Indonesia. The investigation was settled on a "consent decree" basis in which the Company neither admitted nor denied charges made by the SEC that the Company violated the Securities Exchange Act of 1934 when Triton Indonesia, Inc. made certain payments in 1989 and 1990 to a consultant advising Triton Indonesia, Inc. on its relations with the Indonesian state oil company and tax authority, misbooked the payments and failed to maintain adequate internal controls. Under the terms of the settlement, the Company's subsidiary, TEC, was permanently enjoined from future violations of the books and records and internal control provisions of the Securities Exchange Act of 1934 and paid a civil monetary penalty of $300,000. In 1996, the Company was advised that the Department of Justice had concluded a parallel inquiry without taking any action.

being made to Siouffi. The president responded "that he had worked in another foreign country and understood that such things had to be done in certain environments."[14]

SEC Sends a Message

In 1997, the SEC climaxed a four-year investigation of Triton Indonesia and its parent company by issuing a series of enforcement releases. Those releases charged Triton and its executives with violating the anti-bribery, accounting, and control requirements of the FCPA. Without admitting or denying these charges, six officers of Triton Energy and Triton Indonesia signed consent decrees that prohibited them from violating federal securities laws in the future. The consent decrees also imposed a $300,000 fine on Triton Energy and fines of $35,000 and $50,000 on two former Triton Indonesia officers. Exhibit 3 presents the footnote appended to Triton Energy's 1996 financial statements that described the company's settlement with the SEC.

Although Triton Energy did not authorize the improper payments and the bogus accounting for the payments, the SEC sharply criticized two executives who were aware of the practices and allowed them to continue unchecked.

> *The senior management of Triton Energy, _____ and _____, simply acknowledged the existence of such practices and treated them as a cost of doing business in a foreign jurisdiction. The toleration of such practices is inimical to a fair business environment and undermines public confidence in the integrity of public corporations.*

The SEC publicly conceded that it intended the Triton case to send a "message" to corporate managers. SEC officials noted that the case "underscored the responsibilities of corporate management in the area of foreign payments"[15] and impressed upon U.S. companies that "it's not O.K. to pay bribes as long as you don't get caught."[16]

Prior to the Triton case, more than 10 years had elapsed since the SEC had filed FCPA-related charges against a public company. During the late 1990s, frequent allegations of improper foreign payments by U.S. corporations prompted the SEC to initiate several FCPA investigations. The SEC attributed the apparent increase in such

14. Apparently, the attention drawn to the illicit payments by the lawsuit filed by Triton Energy's former controller caused Triton Indonesia to stop making those payments.

15. *Securities Regulation and Law Report*, "SEC Official Predicts More FCPA Cases in Near Future," Vol. 29, No. 18 (2 May 1997), 607.

16. L. Eaton, "Triton Energy Settles Indonesia Bribery Case for $300,000," *The New York Times*, 28 February 1997, D2.

payments to the increasingly global nature of U.S. corporations.[17] Each year, additional U.S. companies attempt to establish footholds in emerging markets. Funneling unlawful payments to officials of foreign countries is often the most effective method of breaking down entry barriers to those markets.

The growing sophistication of illicit foreign payment schemes complicates the SEC's efforts to rigorously enforce the FCPA. In fact, critics of the FCPA suggest that it is practically unenforceable except in the most blatant cases. As one journalist noted, the days of "bulky cash payments in large sealed envelopes" are long past.

> *Now the bribes, kickbacks, and "facilitating payments," such as those described in Triton Energy's internal memorandum, more often get channeled through expensive "consultants," dummy charities, and construction projects that never seem to materialize.*[18]

Many corporate executives have lobbied against enforcement of the FCPA. These executives maintain that the federal law places U.S. multinational companies at a significant competitive disadvantage relative to other multinational firms. A member of President Clinton's administration supported this point of view when he observed that the U.S. is the only country that has "criminalized bribery of foreign officials."[19,20]

EPILOGUE

Bill Lee was never directly implicated in the Indonesian payments scandal and retired as Triton Energy's CEO in January 1993. Thomas Finck, who came to Triton after the Indonesian scandal, replaced Lee as Triton's CEO. In 1996, a journalist noted that Triton's new CEO seemed to be employing some of his predecessor's "old tricks."[21] One of Finck's first major decisions was to reorganize Triton Energy as a subsidiary of an offshore holding company headquartered in the Cayman Islands. Finck reported that moving Triton's headquarters to the Cayman Islands would significantly reduce the company's tax burden. Critics placed a different spin on the decision. They suggested that the company's desire "to avoid scrutiny under the U.S. Foreign Corrupt Practices Act" likely motivated the move to the Caymans.[22]

Triton Energy sold its Indonesian subsidiary in 1996 but under Finck continued its high-risk strategy of searching for obscure and overlooked oil fields across the globe. Depressed oil prices caused the value of Triton's sizable oil reserves to fall dramatically during the 1990s, leaving the company in a financial lurch in early 1998. Company officials announced that Triton was for sale and retained an investment banking firm to find a potential buyer. When a buyer could not be found, Triton announced plans to restructure its operations and to continue as an independent entity. That announcement caused Triton's stock to plummet to its lowest level in several years and prompted Thomas Finck to resign as the company's CEO. A few years later, in the summer of 2001, Triton Energy's tumultuous history as an independent firm ended when Amerada Hess purchased the company for a reported $2.7 billion.

17. *Securities Regulation and Law Report*, "SEC Official Predicts More FCPA Cases."

18. A. Zipser, "A Rarely Enforced Law," *Barron's*, 25 May 1992, 14.

19. *Ibid.*

20. The FCPA was initially unclear regarding whether or not so-called "facilitating payments" qualified as bribes and thus were illegal under that federal statute. Generally, bribes are significant amounts paid to foreign governmental officials to secure or retain business, while facilitating payments are relatively modest and routine payments typically made to lower-ranking governmental officials to expedite or "facilitate" business transactions. In 1988, the FCPA was amended to address that issue. As amended, facilitating payments made to encourage "routine governmental action" are not covered by the FCPA.

21. A. Zipser, "New Management, Old Tricks as Oil Firm Heads for Caymans," *Barron's*, 25 March 1996, 10.

22. *Ibid.*

Questions

1. Identify the key factors that complicate the audit of a multinational company.
2. Identify specific control activities that Triton Energy could have implemented for Triton Indonesia and its other foreign subsidiaries to minimize the likelihood of illegal payments to government officials. Would these control activities have been cost-effective?
3. Does an audit firm of a multinational company have a responsibility to apply audit procedures intended to determine whether the client has complied with the FCPA? Defend your answer.
4. If a company employs a high-risk business strategy, does that necessarily increase the inherent risk and control risk components of audit risk for the company? Explain.
5. What responsibility, if any, does an accountant of a public company have when he or she discovers that the company has violated a law? How does the accountant's position on the company's employment hierarchy affect that responsibility, if at all? What responsibility does an auditor of a public company have if he or she discovers illegal acts by the client? Does the auditor's position on his or her firm's employment hierarchy affect this responsibility?
6. If the citizens of certain foreign countries believe that the payment of bribes is an acceptable business practice, is it appropriate for U.S. companies to challenge that belief when doing business in those countries? Defend your answer.