

# Learning More About the Foreign and Corrupt Practices Act

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(Published in London's PWC Consumer Report)

Our global economy has given rise to U.S. corporations operating or expanding their global footprints. As a result, this global economy has given rise to questionable practices stemming from overseas operations, which has spawned corruption and illegal practices.

The Department of Justice (DOJ) and the Securities and Exchange Commission (SEC) continue to focus on enforcement of the Foreign Corrupt Practices Act (FCPA), making compliance more important than ever. U.S. companies and their foreign subsidiaries face significant risk due to recent enactment of similar anticorruption laws by foreign countries, strengthened export control laws, and heightened scrutiny of cross-border transactions. If you know of any violations of these laws contact the [U.S. Security and Exchange Commission](#) (SEC).

The U.S. Securities and Exchange Commission defines The Foreign Corrupt Practices Act (FCPA), enacted in 1977, as generally prohibiting the payment of bribes to foreign officials to assist in obtaining or retaining business. The FCPA can apply to prohibited conduct anywhere in the world and extends to publicly traded companies and their officers, directors, employees, stockholders, and agents. Agents can include third party agents, consultants, distributors, joint-venture partners, and others.

Enforcement of the Foreign Corrupt Practices Act (FCPA) by the US Government and the Bribery Act by the UK Government has become increasingly prevalent, costing organizations up to hundreds of millions of dollars to settle. Along with its anti-bribery prohibitions, the FCPA, in particular, contains detailed accounting requirements designed to ensure that books and records of an organization accurately reflect corporate transactions. In fact, FCPA enforcement actions by the Securities and Exchange Commission typically arise due to accounting violations.

Potential indicators of accounting violations include:

- Cash expenses;
- Compensation to third parties without sufficient supporting detail;
- Use of shell companies;
- One-time payments to vendors;
- Duplicate or sequential invoice numbers for the same vendor;
- Unusual rebate or discount pricing;
- Unusual travel, entertainment, marketing, or employee bonus expenses;
- Compensation to third parties without sufficient supporting detail; and
- Payments to third parties outside the country where the goods or services were provided.