**CASE STUDY IN ANTI-CORRUPTION:**

**ESTABLISHING CORPORATE CONTROLS**

**Facts:** Your company, “Uniforms International,” a multinational supplier of workers’ uniforms with headquarters in Italy and manufacturing facilities in the United States, recently won a contract to provide uniforms to the U.S. Army. Similar future work is now likely in the United Kingdom, Libya, Nigeria, and Sweden, and the company is contemplating advertisements featuring the late Silvio Berlusconi, former Italian prime minister, to assist in those future sales efforts. The new U.S. Army contract requires that corporate controls be put in place, and the directors of the company have asked for an implementation plan. The president of the company, with the concurrence of the company’s senior attorney and chief financial officer, has appointed your group.

**Background**: The new federal contract includes a special clause, Federal Acquisition Regulation (FAR) 52.203-13, <https://www.acquisition.gov/far/52.203-13>, which calls for a system of corporate controls. The clause calls for the types of corporate controls also described by Chapter 8 of the U.S. Sentencing Commission’s Organizational Sentencing Guidelines, <https://www.ussc.gov/guidelines/2023-guidelines-manual/annotated-2023-chapter-8#8b21>. Similar corporate controls are required by the United Kingdom’s Bribery Act; guidance for establishing those corporate controls has been published by the UK Ministry of Justice and available at <https://www.gov.uk/government/publications/bribery-act-2010-guidance>. Finally, the Organisation for Economic Cooperation and Development (OECD) has published its own guidance on best practices for corporate control systems, at <http://www.oecd.org/investment/briberyininternationalbusiness/anti-briberyconvention/44884389.pdf>. Pursuant to these various authorities, corporations and organizations around the world, mindful of Transparency International’s corruption perceptions index, <http://www.transparency.org/research/cpi/overview>, have developed internal controls. Under pressure to afford transparency, many of those corporations and organizations have published key elements of their control systems on the Internet, and so they are publicly available.

**Exercise:** Working as a group, your assignment is to assess (and, if appropriate, develop) corporate controls for your company. You should take this process in steps:

* As a group, you should decide whether controls are necessary. If so, you should identify which rules or guidance, outlined in the “background” section above, you will want the company to follow, in structuring its corporate controls. You should also address any national guidance, specific to your country, on controls of this type. As a group, identify the basic elements of the corporate compliance system, and chart them.
* *A subgroup on standards and procedures* should identify models for a code of conduct for the company, and should create a rough draft of that manual. The manual should address both rules of conduct *and* the ethical culture expected at the firm.
* *A subgroup on internal governance* should explain how the company’s leadership will stay aware of corporate compliance issues that arise -- and how leadership will respond.
* *A subgroup on personnel screening* should develop standards for assessing, and potentially excluding, risky personnel.
* *A subgroup on training* should develop a plan for training on ethics and compliance.
* *A subgroup on monitoring, auditing and reporting* should plan out internal systems for passing information on compliance. Who will monitor for compliance violations, for example? Who will audit the monitors, and review the soundness of the system? How will individuals report compliance failures, and how will those reports be handled?
* *A subgroup on enforcement* should be prepared to explain how incentives and discipline under the compliance system can be integrated into the company’s existing human resources structure.
* *A subgroup on adjustment to risk* should explain how the company’s controls will need to change in the future, to accommodate future expected business.
* The *president, chief financial officer and senior attorney* should be prepared to listen to, and comment critically on, any proposed compliance plan.

Please use the following chart to organize the members of your group into the subgroups defined above:

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| --- | --- |
| **ASSIGNMENTS** | |
| **SUBGROUP** | **PARTICIPANTS** |
| Standards and Procedures |  |
| Internal Governance |  |
| Personnel Screening |  |
| Training |  |
| Monitoring, Auditing and Reporting |  |
| Enforcement |  |
| Adjustment to Risk |  |
| President, Chief Financial Officer & Senior Attorney |  |