

Due diligence identifies risk in global expansion venture

An agricultural and construction equipment manufacturer gains valuable insight into the global operations of a potential acquisition

Client's challenge

A major US-based agricultural and construction equipment manufacturer was considering the acquisition of a target manufacturer with operations in nearly a dozen countries, including India, Brazil, Ecuador, China, Israel, and Russia. The company, which had a long standing relationship with PricewaterhouseCoopers (PwC), needed an anti-corruption/Foreign Corrupt Practices Act (FCPA) due diligence performed on of the target manufacturer around the globe.

PricewaterhouseCoopers' Advisory solution

Based on several factors, including but not limited to revenue, growth, interaction with local government officials, and Transparency International's Corruption Perceptions Index¹ for the site, PwC performed a risk assessment and performed on-site anti-corruption/FCPA due diligence at high risk locations in Israel, China, India, and Brazil and surveyed other sites such as Ecuador that were not considered high risk. The due diligence included interviews with key personnel in management, compliance, sales, marketing, human resources, legal, and accounting and finance. The team also examined the code of conduct, policies and procedures, and the books and records of each operation, looking for transaction and compliance issues related to several key areas, including business promotions, commission, gifts, travel, miscellaneous expenses, and donations. PwC also scrutinized the operations' practices related to government interactions and tax authorities.

PwC identified risks and potential FCPA violations at several of the operations. These included inappropriate payments made to tax authorities, government officials, and customs agents.

Impact on client's business

PwC's anti-corruption/FCPA due diligence provided the company with the insight necessary to make a more informed decision about the acquisition and its potential risks. The company used the information to address the identified problems, reducing the amount of risk involved in acquiring those operations. The findings also helped the company decide to eliminate the India operation from the acquisition; the company already had identified several concerns about the India operation before the anti-corruption/FCPA due diligence, and these new findings led the company to separate the India operation from the rest of the acquisition. PwC's insight helped the company reduce its exposure to risk while expanding into new markets.

For more information, please visit: pwc.com/us/forensics

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¹ http://www.transparency.org/policy_research/surveys_indices/cpi