

# Table of Contents

## CHAPTER 1. INTERNAL INVESTIGATIONS—A NARRATIVE CHECKLIST

- § 1:1 Introduction and overview
- § 1:2 Types of internal investigations
- § 1:3 Advance planning for potential investigations
- § 1:4 Problems to be avoided under the “do no harm” concept
- § 1:5 When the problem hits: Preliminary assessment
- § 1:6 The lawyer’s role—The attorney-client privilege
- § 1:7 —The Organizational Sentencing Guidelines
- § 1:8 —Responsibility for the lawyer’s own conduct in an internal investigation
- § 1:9 —Considerations in conducting the interviews
- § 1:10 —Considerations in other aspects of the investigation
- § 1:11 Legal pitfalls in an internal corporate investigation
- § 1:12 List of useful forms

## CHAPTER 2. LEGAL AUDITS

- § 2:1 Introduction and overview
- § 2:2 Comparison of legal and financial audits
- § 2:3 Legal audits and compliance programs
- § 2:4 The preventative law legal audit
- § 2:5 The *Caremark* case
- § 2:6 Summary and conclusions

## CHAPTER 3. THE IMPLEMENTATION AND STRATEGIES OF INTERNAL CORPORATE INVESTIGATIONS AND EFFECTIVE COMPLIANCE PROGRAMS

- § 3:1 Introduction
- § 3:2 —Enforcement authorities
- § 3:3 —Department of Justice
- § 3:4 —Federal Acquisition Regulations (FAR)
- § 3:5 —Securities and Exchange Commission
- § 3:6 —U.S. Sentencing Guidelines
- § 3:7 —Summary
- § 3:8 Responsibilities of senior management: *Salomon, Joseph, and Triton Energy*: The seminal cases—*Salomon*

## LEGAL AUDITS AND INVESTIGATIONS

- § 3:9 —*Joseph*
- § 3:10 —*Triton Energy*
- § 3:11 Responsibilities of corporate directors: *Cooper, Grace, and Caremark*—*Cooper*
- § 3:12 —*Grace*
- § 3:13 —*Caremark*
- § 3:14 —Auditor reports of illegal acts
- § 3:15 The internal corporate investigation: The FCPA example
  - § 3:16 —History
  - § 3:17 —The decision to investigate
  - § 3:18 —Conduct of the investigation—The participants
  - § 3:19 ——Privileges—Attorney-client privilege
  - § 3:20 ——Work-product immunity
  - § 3:21 ——The self-evaluation privilege
  - § 3:22 ——Board resolution
  - § 3:23 ——Audit programs
  - § 3:24 ——Letter of instruction
  - § 3:25 An analysis of the duty to report corporate misconduct—Mandatory
    - § 3:26 —Quantitative materiality
    - § 3:27 ——Management integrity
    - § 3:28 —Voluntary
  - § 3:29 The sentencing of organizations—Fines
  - § 3:30 —Guideline components
  - § 3:31 ——Offense level
  - § 3:32 ——Base fines
  - § 3:33 ——Culpability score
  - § 3:34 ——Multipliers range
  - § 3:35 ——Multiple counts
  - § 3:36 An effective compliance program—Sentencing guidelines standards
    - § 3:37 —Government-negotiated integrity agreements
    - § 3:38 Implementation of an effective compliance program
    - § 3:39 —Agents
    - § 3:40 —Distributors
    - § 3:41 —Joint venture partners
    - § 3:42 The legal audit
    - § 3:43 —Document review
    - § 3:44 —Evaluation of FCPA written program
    - § 3:45 —Implementation of FCPA written program
    - § 3:46 —Interviews
    - § 3:47 —Report
    - § 3:48 Conclusion

TABLE OF CONTENTS

Appendix 3-A. Evaluation of Corporate Compliance Programs  
(Department of Justice, Criminal Division—  
Updated June 2020)

**CHAPTER 4. CORPORATE CRIMINAL LIABILITY**

- § 4:1      Introduction
- § 4:2      Liability of corporate employees
- § 4:3      —Individual's liability for his or her own conduct—  
                  Individuals always liable for their own conduct
- § 4:4      ——Conspiracy
- § 4:5      —Individual's liability for the corporation's conduct
- § 4:6      Liability of the corporation itself
- § 4:7      —Liability for employees' actions
- § 4:8      —Corporate liability for acts of nonemployees
- § 4:9      —Credit for corporate cooperation in federal criminal investigation
- § 4:10     ——Corporate mergers
- § 4:11     Crime/fraud reporting requirements for government contractors
- § 4:12     Some specific crimes for which corporations may be held liable—Mail and wire fraud—Overview
- § 4:13     ——Jurisdictional elements
- § 4:14     ——Intangible rights
- § 4:15     ——False representations
- § 4:16     —Conspiracy—Overview
- § 4:17     ——When does a crime become a conspiracy?—  
                  General definition of conspiracy
- § 4:18     ——The agreement
- § 4:19     ——Knowledge, intent, and participation
- § 4:20     ——Overt act
- § 4:21     ——The conspiracy to defraud the government
- § 4:22     ——Intracorporate conspiracies
- § 4:23     —Obstruction of justice—Overview
- § 4:24     ——Section 1503: The Basic Obstruction of Justice Statute
- § 4:25     ——Corrupt intent
- § 4:26     ——Pending proceedings
- § 4:27     ——Knowledge requirement
- § 4:28     ——What types of conduct are prohibited?
- § 4:29     ——Who is protected?
- § 4:30     ——Section 1505: Obstruction of Government Proceedings
- § 4:31     ——A pending proceeding
- § 4:32     ——Prohibited conduct

- § 4:33 ——Corrupt intent
- § 4:34 ——Section 1510: Obstruction of Criminal Investigations
- § 4:35 ——Section 1512: Witness Tampering
- § 4:36 ——Section 1519: Document Destruction or Alteration
- § 4:37 ——Section 1520: Retention of Corporate Audit Records
- § 4:38 —Aiding and abetting—Overview
- § 4:39 ——Basic elements
- § 4:40 ——Relationship between principal and aider/abettor
- § 4:41 ——Knowledge of the aider/abettor
- § 4:42 ——Parameters of aiding and abetting
- § 4:43 —False statements—Overview
- § 4:44 ——Willful and knowing
- § 4:45 ——Materiality
- § 4:46 ——The abolition of the “exculpatory no” exception
- § 4:47 —Corporate fraud
- § 4:48 ——Certification of financial reports
- § 4:49 ——Effect on other statutes
- § 4:50 —Statute of limitations

Appendix 4-A. Evaluation of Corporate Compliance  
Programs—Department of Justice, Criminal  
Division (March 2023)

## CHAPTER 5. THE ATTORNEY-CLIENT PRIVILEGE AND CONFIDENTIALITY

- § 5:1 Introduction
- § 5:2 Overview of the attorney-client privilege—The law of privilege
- § 5:3 —Application to the corporate client
- § 5:4 Parties to the privilege
- § 5:5 —Client—Corporations
- § 5:6 ——Federal courts
- § 5:7 ——State courts
- § 5:8 ——Dissolved corporations
- § 5:9 ——Limited liability companies
- § 5:10 ——Successor
- § 5:11 ——Individual employees
- § 5:12 ——Former officers and directors
- § 5:13 ——Functional equivalents
- § 5:14 ——Subsidiaries
- § 5:15 ——Insurer
- § 5:16 ——Attorneys—Bar membership

TABLE OF CONTENTS

§ 5:17	— — — <i>De facto</i> attorney
§ 5:18	— — Agents of the lawyer
§ 5:19	— — Acting in capacity as lawyer
§ 5:20	— — — Limited involvement
§ 5:21	— — — Corporate responsibilities
§ 5:22	— Patent agents
§ 5:23	Access to privileged corporate materials
§ 5:24	Types of communications covered—Communications versus information
§ 5:25	— Attorney’s advice to the client
§ 5:26	— — Dual purpose communications
§ 5:27	— — <i>Ex parte</i> communications
§ 5:28	— Lawyer-auditor communications
§ 5:29	— Billing statements
§ 5:30	— General reports
§ 5:31	— Investigative reports
§ 5:32	— Settlement records
§ 5:33	— Manuals
§ 5:34	— Illegal or fraudulent conduct
§ 5:35	The confidentiality of the communications— Expectation of confidentiality
§ 5:36	— Physical maintenance of confidentiality
§ 5:37	— The presence of third parties
§ 5:38	— Dual representation
§ 5:39	Exceptions—The “last-link” exception
§ 5:40	— The joint-client exception
§ 5:41	— Self-protection exception
§ 5:42	— The crime-fraud exception
§ 5:43	— Whistleblower statutes
§ 5:44	Asserting a claim of privilege
§ 5:45	— Entity to determine validity of claim
§ 5:46	— The privilege log
§ 5:47	— <i>In camera</i> inspections
§ 5:48	— Filter protocols
§ 5:49	— Protective orders
§ 5:50	— Appeals
§ 5:51	Waiver
§ 5:52	— Types of waivers—Express waiver
§ 5:53	— — — Intentional waiver
§ 5:54	— — — Inadvertent waiver
§ 5:55	— — Implied waiver
§ 5:56	— — — Development of adversarial relationship
§ 5:57	— — — Offensive-use waiver
§ 5:58	— — — Subject matter
§ 5:59	— — — Common-interest theory

- § 5:60 — — —Testimonial review
- § 5:61 — —Partial waiver—Generally
- § 5:62 — — —Effects
- § 5:63 —Who may waive the privilege?—Change of corporate control
- § 5:64 — —Shareholder
- § 5:65 — —Corporate organization
- § 5:66 — —Personal versus corporate assertions of the privilege
- § 5:67 — —Corporate representative
- § 5:68 Records kept at outside counsel's offices
- § 5:69 Privilege and technology—E-mail
- § 5:70 —Keyword search protocol
- § 5:71 —Format of electronic records

## **CHAPTER 6. VOLUNTARY DISCLOSURE PROGRAMS**

- § 6:1 Introduction
- § 6:2 The government-run voluntary disclosure programs—  
Corporate criminal misconduct
- § 6:3 —Defense contractors
- § 6:4 — —Agency responsibilities
- § 6:5 — —Procedure
- § 6:6 —Environmental violations
- § 6:7 —Antitrust
- § 6:8 — —Corporate leniency policy
- § 6:9 — —Individual leniency policy
- § 6:10 —Medicare/Medicaid fraud
- § 6:11 Pros and cons of voluntary disclosure
- § 6:12 —The pros: Advantages to voluntary disclosure
- § 6:13 —The cons: Disadvantages to making disclosures

Appendix 6-A. Corporate Leniency Policy: Answers to Some Recurring Questions

Appendix 6-B. United States Attorneys' Offices Voluntary Self-Disclosure Policy

## **CHAPTER 7. DUTY AND INCENTIVES TO CONDUCT AN INTERNAL INVESTIGATION**

- § 7:1 Introduction
- § 7:2 Why *shouldn't* you investigate?
- § 7:3 —Cost
- § 7:4 —Exposure to liability
- § 7:5 —Disgruntled bad actors

TABLE OF CONTENTS

- § 7:6 What if we are required to investigate?
- § 7:7 —Statutory and regulatory duties
- § 7:8 —Common-law duties of managers and officers
- § 7:9 —Common-law duties of counsel
- § 7:10 Incentives
- § 7:11 —Government incentive programs
- § 7:12 —Practical incentives
- § 7:13 Conclusion

## CHAPTER 8. PROTECTIONS FOR WHISTLEBLOWERS

- § 8:1 Introduction
- § 8:2 The Sarbanes-Oxley Act of 2002—The enforcement agency
  - The basic rules
  - § 8:4 —The basic procedures—Determination letter
  - § 8:5 ——The preliminary order
  - § 8:6 ——The hearing and appeal
  - § 8:7 —The prohibited acts
  - § 8:8 —The *prima facie* case
  - § 8:9 —The relevant case law
  - § 8:10 ——*Halloom v. Intel Corp.*, No. 2003-SOX-7 (DOL ALJ Mar. 4, 2004)
  - § 8:11 ——*Welch v. Cardinal Bankshares Corp.*, No. 2003-SOX-15 (DOL ALJ Jan. 28, 2004)
  - § 8:12 ——*Gilmore v. Parametric Technology*, No. 2003-SOX-1 (DOL ALJ Feb. 6, 2003)
  - § 8:13 ——*Getman v. Southwest Securities, Inc.*, No. 2003-SOX-8 (DOL ALJ Feb. 2, 2004)
  - § 8:14 ——*Platone v. Atlantic Coast Airlines*, No. 2003-SOX-27 (DOL ALJ Apr. 30, 2004)
  - § 8:15 ——*Morefield v. Exelon Services*, No. 2004-SOX-2 (DOL ALJ Jan. 28, 2004)
  - § 8:16 ——*Marshall v. Northrup Gruman Synoptics*, 2005-SOX-8 (DOL ALJ June 22, 2005)
  - § 8:17 ——*Bechtel v. Competitive Technologies, Inc.*, 2005-SOX-33 (DOL ALJ March 29, 2005)
  - § 8:18 ——*Smith v. Hewlett Packard*, 2005-SOX-88 (DOL ALJ Jan. 19, 2006)
  - § 8:19 ——*Brady v. Direct Mail Management, Inc.*, 2006-SOX-016 (DOL ALJ Jan. 5, 2006)
  - § 8:20 ——*Levi v. Anheuser Busch Companies, Inc.*, 2006-SOX-108 (DOL ALJ Oct. 18, 2006)
  - § 8:21 ——*Koeck v. General Electric Consumer and Industrial, et. al.*, 2007-SOX-73 (DOL ALJ March 13, 2008)

- § 8:22 ——*Fredrickson v. American Eagle Airlines, Inc.*, 2008-SOX-38 (DOL ALJ July 24, 2008)
- § 8:23 ——*Snyder v. Wyeth Pharmaceuticals*, 2008-SOX-55 (DOL ALJ Oct. 1, 2008)
- § 8:24 ——*Conner v. ITT Corp., ITT Industries, Inc. and ITT Space Systems Divisions*, 2008-SOX-71 (DOL ALJ Apr. 10, 2009)
- § 8:25 Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010
- § 8:26 The federal employment laws
- § 8:27 —Occupational Safety and Health Act
- § 8:28 —The Fair Labor Standards Act
- § 8:29 —Equal employment opportunity provisions
- § 8:30 The False Claims Act
- § 8:31 The Fair and Accurate Credit Transactions Act
- § 8:32 Consumer Product Safety Act
- § 8:33 The environmental laws
- § 8:34 The state laws
- § 8:35 Other legal issues to consider
- § 8:36 Conclusion

## CHAPTER 9. INTERNAL INVESTIGATIONS OF EMPLOYEE MISCONDUCT

- § 9:1 Introduction
- § 9:2 At-will or contractual: Erosion of the employment-at-will doctrine
- § 9:3 —Investigation that reveals bona fide reason for termination
- § 9:4 —Exceptions to the employment-at-will doctrine—The public policy exception
- § 9:5 ——Discharges based on implied contract theories: Employee handbooks and manuals
- § 9:6 ——Situations in which courts refused to recognize implied contracts based on employee handbook or manuals
- § 9:7 ——Situations where courts recognized implied contracts in employee manuals and handbooks
- § 9:8 ——Disclaimers of at-will employment
- § 9:9 ——Oral implied-in-fact contracts
- § 9:10 Tort causes of action
- § 9:11 —Intentional infliction of emotional distress
- § 9:12 —Invasion of privacy
- § 9:13 —False imprisonment
- § 9:14 —Defamation
- § 9:15 The investigation process

## TABLE OF CONTENTS

- § 9:16 —Effective investigations
- § 9:17 —How not to conduct the investigation
- § 9:18 —Does the company have a duty to investigate?
- § 9:19 —Failure to follow investigation procedures
- § 9:20 —Negligent investigation
- § 9:21 —Retaliation claims
- § 9:22 Collective bargaining agreements and the preemption of state tort law claims arising from internal investigations
- § 9:23 Conclusion

## CHAPTER 10. THE SELF-EVALUATIVE PRIVILEGE

- § 10:1 Introduction
- § 10:2 Elements
- § 10:3 The self-evaluative privilege is a qualified privilege
- § 10:4 The evaluative/factual distinction
- § 10:5 *In camera* inspection
- § 10:6 Confidential treatment of the information
- § 10:7 Disclosure to the government
- § 10:8 Materials prepared for mandatory government reports—Product safety reports
  - Accident reports
  - Affirmative action plans
- § 10:11 Investigative materials—Employment discrimination claims
- § 10:12 Voluntary internal reviews
- § 10:13 —Medical peer reviews
- § 10:14 —Federal labor laws
- § 10:15 Beyond the Title VII cases in the corporate context
- § 10:16 Statutory protection
- § 10:17 Privacy Audits and the self-evaluative privilege
- § 10:18 Conclusion

## CHAPTER 11. ENVIRONMENTAL AUDITS

- § 11:1 Introduction
- § 11:2 Different audits for different purposes
- § 11:3 Why an audit is necessary—Common reasons for conducting an audit
  - Advantages and disadvantages of environmental audit programs
- § 11:5 The environmental self-audit privilege—Overview of problems connected with environmental audits
  - The environmental self-audit privilege in general

LEGAL AUDITS AND INVESTIGATIONS

- § 11:7 —EPA self-policing incentive policy
- § 11:8 ——eDisclosure system
- § 11:9 ——New owners
- § 11:10 ——States' privileges
- § 11:11 ——What they cover
- § 11:12 ——What they except
- § 11:13 ——Waiver
- § 11:14 ——Legally required information
- § 11:15 ——Information obtained by observation
- § 11:16 ——Fraudulent purpose
- § 11:17 ——Stipulation
- § 11:18 ——Evidence of noncompliance without reasonable diligence
- § 11:19 ——Imminent and substantial danger
- § 11:20 ——Conditions precedent to getting the privilege
- § 11:21 ——Burden of proof
- § 11:22 ——Immunity for voluntary disclosure
- § 11:23 ——No effect on other privileges
- § 11:24 ——Self-policing policy and criminal violations
- § 11:25 ——EPA corporate-wide audit agreements
- § 11:26 —Conclusion
- § 11:27 Components of a typical environmental audit—
  - Ingredients
  - § 11:28 —Common elements of all good audit programs
  - § 11:29 —Planning
  - § 11:30 —Identifying the applicable environmental laws
  - § 11:31 —Identify past uses of property and past environmental audits
- § 11:32 —Agency contacts
- § 11:33 —Staffing the audit team
- § 11:34 ——Staffing suggestions
- § 11:35 ——Team leader
- § 11:36 ——Legal counsel
- § 11:37 ——Engineering consultants
- § 11:38 ——Information manager
- § 11:39 ——Specialists
- § 11:40 ——Assembling an audit team
- § 11:41 ——Legal counsel
- § 11:42 ——Technical consultants
- § 11:43 ——The assessment team
- § 11:44 —Contracts with consultants
- § 11:45 —Determining the purpose and scope of the audit
- § 11:46 —The questionnaire
- § 11:47 —The visit
- § 11:48 —Inspection of property

TABLE OF CONTENTS

- § 11:49 —Sampling
- § 11:50 —Preparing the report/conclusion
- § 11:51 Acting on the report or the conclusions—Initial considerations
- § 11:52 Acting on the report or the assessment—Frequency of site assessments
- § 11:53 Auditing assistance: Available EPA resources
- § 11:54 Summary and conclusion
- Appendix 11-A. Text of EPA Environmental Auditing Policy Statement
- Appendix 11-B. Incentives for Self-Policing: Discovery, Disclosure, Correction and Prevention of Violations
- Appendix 11-C. EPA's Audit Policy Program: Frequently Asked Questions (U.S. Environmental Protection Agency—January 2021)

## **CHAPTER 12. AUDITING COMPLIANCE WITH THE OCCUPATIONAL SAFETY AND HEALTH ACT**

- § 12:1 Introduction
- § 12:2 Major components of the Occupational Safety and Health Act
- § 12:3 —Coverage
- § 12:4 —General requirements of the Occupational Safety and Health Act
- § 12:5 —General duty clause
- § 12:6 —Standards
- § 12:7 —Hazard communication rule
- § 12:8 —Labeling
- § 12:9 —Safety data sheets
- § 12:10 —Information and training
- § 12:11 —Written program
- § 12:12 —Occupational Safety and Health Administration hazard communication rule compliance assistance
- § 12:13 —Occupational Safety and Health Administration penalties
- § 12:14 Essential components of an effective Occupational Safety and Health Act compliance program
- § 12:15 —Management commitment and employee involvement
- § 12:16 —Work site analysis
- § 12:17 —Hazard prevention and control
- § 12:18 —Safety and health training

- § 12:19 The Occupational Safety and Health Administration consultation service
- § 12:20 Voluntary protection programs
- § 12:21 Targeted inspections
- § 12:22 Frequently cited Occupational Safety and Health Act violations—Occupational Safety and Health Administration web site information on frequently cited standards
  - § 12:23 —Record-keeping rules
  - § 12:24 —Employers covered by the rule
  - § 12:25 —Changes to record-keeping forms
  - § 12:26 ——Recording of injuries and illnesses
  - § 12:27 ——Determining work relationship
  - § 12:28 ——Elimination of different recording criteria for injuries and illnesses
  - § 12:29 ——Days away and job restriction/transfer
  - § 12:30 ——Revised definitions of first aid and medical treatment
  - § 12:31 ——Needlestick injuries
  - § 12:32 ——Hearing loss
  - § 12:33 ——Tuberculosis
  - § 12:34 ——Musculoskeletal disorders
  - § 12:35 ——Business ownership changes
  - § 12:36 ——Employee involvement with record keeping
  - § 12:37 ——Privacy protections
  - § 12:38 ——Computerization and centralization
  - § 12:39 ——Fatality and catastrophic incidents
  - § 12:40 Protecting audit documents under various privileges
  - § 12:41 Protecting trade secrets
  - § 12:42 Conclusion

## **CHAPTER 13. AUDITING RECORDS RETENTION PRACTICES**

- § 13:1 Introduction
- § 13:2 Types of records
  - § 13:3 —Personal records
  - § 13:4 —Vital records
  - § 13:5 —Third-party records
  - § 13:6 —Electronic records
  - § 13:7 —Internet records
  - § 13:8 ——Advertising
  - § 13:9 ——Communications
  - § 13:10 ——Information
  - § 13:11 ——Privacy implications for the corporation

TABLE OF CONTENTS

§ 13:12	Retention periods
§ 13:13	—Statutes and regulations
§ 13:14	—Statutes of limitations
§ 13:15	Storage
§ 13:16	—Accessibility
§ 13:17	—Retrieval
§ 13:18	—Organization
§ 13:19	—Standards
§ 13:20	—Security
§ 13:21	—Proprietary information
§ 13:22	—Classified information
§ 13:23	—Private records
§ 13:24	—Electronic records
§ 13:25	—Obsolescence
§ 13:26	—Maintain systems
§ 13:27	—Standardize format
§ 13:28	—Migration
§ 13:29	—Preservation
§ 13:30	—Facilities
§ 13:31	—Location
§ 13:32	—Environment controls
§ 13:33	—Supplies and products
§ 13:34	—Handling
§ 13:35	—Catastrophic events
§ 13:36	—Scope
§ 13:37	—Procedures
§ 13:38	Record destruction—Identification
§ 13:39	—Duplicates
§ 13:40	—Suspension
§ 13:41	—Statutory provisions—Criminal
§ 13:42	—Civil
§ 13:43	—Program procedures—Timing
§ 13:44	—Documenting the program
§ 13:45	—Flagging documents
§ 13:46	—Litigation hold
§ 13:47	—Types of documents—Records of co-defendants
§ 13:48	—Original records
§ 13:49	—Method of destruction
§ 13:50	Conclusion

Appendix 13-A. Electronic Records Management (36 C.F.R. pt. 1236)

Appendix 13-B. Facility Standards for Records Storage Facilities (36 C.F.R. pt. 1234)

Appendix 13-C. Facility Standards for Records Storage  
Facilities Inspection Checklist

## **CHAPTER 14. AUDITING INSIDER TRADING COMPLIANCE PROGRAMS**

- § 14:1 Introduction
- § 14:2 Legislative history
- § 14:3 Theories of liability
- § 14:4 Section 10(b) and the SEC's Regulations
- § 14:5 —Insider trading policies
- § 14:6 —Trading plan
- § 14:7 Tender offers
- § 14:8 Short-swing trading restrictions
- § 14:9 Checklist of possible compliance procedures
- § 14:10 Conclusion

## **CHAPTER 15. CORPORATE CAMPAIGN CONTRIBUTIONS AND LOBBYING ACTIVITIES**

- § 15:1 Introduction
- § 15:2 Campaign activities
- § 15:3 —Political action committees
- § 15:4 ——Organizing a PAC
- § 15:5 ——Contribution limits
- § 15:6 ——Payment of PAC costs
- § 15:7 ——Who may be solicited?
- § 15:8 ——The manner of solicitation
- § 15:9 ——Earmarked contributions
- § 15:10 ——Cash contributions
- § 15:11 ——Use of PAC funds
- § 15:12 ——Tax considerations
- § 15:13 ——State versus Federal PACs
- § 15:14 —Trustee accounts
- § 15:15 —Corporate communications
- § 15:16 —Voter registration and get-out-the-vote drives
- § 15:17 —Candidate visits
- § 15:18 —Use of corporate facilities
- § 15:19 —The company airplane
- § 15:20 —Employee leaves of absence
- § 15:21 —Participating in convention-related activity
- § 15:22 —Providing legal and accounting services
- § 15:23 —State political activity
- § 15:24 Corporate lobbying activity

TABLE OF CONTENTS

- § 15:25 —The Lobbying Disclosure Act of 1995—Generally
- § 15:26 —Who is a “lobbyist” under the LDA?
- § 15:27 —What are a “lobbying contact” and “lobbying activity” under the LDA?
- § 15:28 —Registration requirements, Form LD-1
- § 15:29 —Reporting requirements, Form LD-2
- § 15:30 —Record-keeping requirements
- § 15:31 —Penalties
- § 15:32 —Government contractors
- § 15:33 —Compliance counseling advice
- § 15:34 Memorandum explaining federal election laws to corporate employees
- § 15:35 —Illegal corporate actions
- § 15:36 —Restricted corporate actions
- § 15:37 —Actions relating to the company’s political action committees
- § 15:38 —Definition of management and executive employees
- § 15:39 —Individual political activity

# Table of Contents

## CHAPTER 16. THE ANTITRUST AUDIT

- § 16:1 Introduction
- § 16:2 What should you be looking for?
- § 16:3 —Files relating to any competitor
- § 16:4 —Sales reports
- § 16:5 —The record retention program
- § 16:6 —Distinction between corporate and personal records
- § 16:7 —Assessing the effect of consolidation
- § 16:8 —Auditing joint activity
- § 16:9 —Cybersecurity
- § 16:10 —Auditing attendance at compliance programs
- § 16:11 What should you do with the results?
- § 16:12 Auditing receipt of the compliance manual
- § 16:13 How often should you audit a facility?
- § 16:14 Preparing for the audit
- § 16:15 Trade association attendees
- § 16:16 Audits in other portions of the company
- § 16:17 —Purchasing
- § 16:18 —Advertising
- § 16:19 —Engineering and technology
- § 16:20 —Mergers and acquisitions
- § 16:21 Summary and conclusions

Appendix 16-A. Suggested Antitrust Audit Protocol

Appendix 16-B. FTC's Model Antitrust Compliance Audit Program

Appendix 16-C. Department of Justice and Federal Trade Commission: Antitrust Policy Statement on Sharing of Cybersecurity Information

Appendix 16-D. Evaluation of Corporate Compliance Programs in Criminal Antitrust Investigations (U.S. Department of Justice—Antitrust Division – July 2019)

Appendix 16-E. Antitrust Red Flags for Employment Practices

Appendix 16-F. Antitrust Guidance for Human Resource Professionals (Department of Justice—Antitrust Division and Federal Trade Commission—October 2016)

## Bibliography

## **CHAPTER 17. AUDITING RELATIONSHIPS WITH INDEPENDENT CONTRACTORS**

- § 17:1 Introduction
- § 17:2 Independent contractor status—Illustrative cases
- § 17:3 Identify present classification of existing workers
- § 17:4 Documenting the relationship and drafting a good contract
- § 17:5 Examine retention documents
- § 17:6 Examine tax documentation
- § 17:7 Assess the work situation of contractors
- § 17:8 —Behavioral control
- § 17:9 —Financial control
- § 17:10 —Type of relationship
- § 17:11 Review third-party contracts and arrangements
- § 17:12 Voluntary Classification Settlement Program
- § 17:13 Conclusion

Appendix 17-A. Publication 15-A Employer's Supplemental Tax Guide (Internal Revenue Service—2024)

Appendix 17-B. Voluntary Classification Settlement Program (VCSP)—IRS Announcement 2012-45

Appendix 17-C. Understanding Employee vs. Contractor Designation; IRS Press Release, July 2017

## **CHAPTER 18. AUDITING SUBSTANCE ABUSE POLICIES**

- § 18:1 Introduction
- § 18:2 Written policy provisions
- § 18:3 Training
- § 18:4 Testing
- § 18:5 Performance problems
- § 18:6 Employee assistance programs and last chance agreements
- § 18:7 Conclusion

## **CHAPTER 19. AUDITING COMPANY HANDBOOKS AND POLICIES**

- § 19:1 Introduction
- § 19:2 Review the content of company handbooks
- § 19:3 —Compare existing policies with legally required policies
- § 19:4 —Harassment policies
- § 19:5 —At-will language

## TABLE OF CONTENTS

- § 19:6 —Alternative dispute resolution
- § 19:7 —Internet usage
- § 19:8 Identify policies not included in handbook
- § 19:9 Compare company practices with policies
- § 19:10 Dissemination of policies
- § 19:11 Conclusion

## CHAPTER 20. AUDITING WORKFORCE REDUCTION POLICIES

- § 20:1 Introduction
- § 20:2 Planning
- § 20:3 Examine company policy manuals or handbooks
- § 20:4 Early retirement incentives
- § 20:5 Severance agreements and releases
- § 20:6 Health care continuation policy
- § 20:7 Notices under the Worker Adjustment and Retraining Notification Act
- § 20:8 Policy for handling actual terminations
- § 20:9 Conclusion

Appendix 20-A. Employer's Guide to Advance Notice of Closings and Layoffs—Worker Adjustment and Retraining Notification (WARN) Act (Department of Labor—Employment and Training Administration)

## CHAPTER 21. AUDITING EMPLOYMENT RECORD RETENTION AND POSTING PROCEDURES

- § 21:1 Introduction
- § 21:2 Types of records
- § 21:3 —Personnel documents
- § 21:4 —Employee selection procedures
- § 21:5 —Records concerning impact
- § 21:6 —Records concerning adverse impact
- § 21:7 —Internet applications
- § 21:8 —Regulatory reports
- § 21:9 Retention periods
- § 21:10 Record destruction
- § 21:11 Confidentiality
- § 21:12 Compliance with posting requirements
- § 21:13 Conclusion

Appendix 21-A. Background Checks—What Employers Need to Know (Equal Employment Opportunity)

Commission and the Federal Trade  
Commission)

Appendix 21-B. Understanding OFCCP's Internet Applicant  
and Traditional Applicant Recordkeeping  
Requirements (Office of Federal Contract  
Compliance Programs—Department of  
Labor)—August 2019

## **CHAPTER 22. AUDITING VETERANS' REEMPLOYMENT POLICIES**

- § 22:1 Overview
- § 22:2 Covered employers
- § 22:3 Employment and reemployment rights
- § 22:4 Employee benefits—Health plan continuation
- § 22:5 —Retirement benefits
- § 22:6 —Vacation and compensation
- § 22:7 Nondiscrimination obligation
- § 22:8 State law
- § 22:9 Areas to examine when auditing for the uniformed  
services Employment and Reemployment Rights Act  
compliance
- § 22:10 Conclusion

## **CHAPTER 23. AUDITING COMPLIANCE WITH THE FAMILY AND MEDICAL LEAVE ACT**

- § 23:1 Overview
- § 23:2 Ensuring compliance with the Family and Medical  
Leave Act leave requirements—Determination of  
applicability
- § 23:3 —Examination of existing employee handbook  
provisions
- § 23:4 —Evaluation of the process
- § 23:5 ——Handling leave requests
- § 23:6 ——Certification
- § 23:7 ——Notification of eligibility
- § 23:8 ——Designation of leave
- § 23:9 Evaluating the handling of medical information
- § 23:10 Reviewing policies and practices relating to job  
restoration and employee benefits
- § 23:11 —Job restoration
- § 23:12 —Employee benefits
- § 23:13 Compliance with record-keeping and posting  
requirements

TABLE OF CONTENTS

- § 23:14 Review of past lawsuits
- § 23:15 Conclusion

Appendix 23A. Fact Sheet # 28D: Employer Notification Requirements under the Family and Medical Leave Act

## **CHAPTER 24. AUDITING COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT**

- § 24:1 Introduction
- § 24:2 Audit of employment practices
  - § 24:3 —Review employee handbooks and policies
  - § 24:4 —Review written job descriptions
  - § 24:5 —The hiring process
    - § 24:6 —Application forms
    - § 24:7 —Interviewing methods
    - § 24:8 —Tests and qualification standards
    - § 24:9 —Medical examinations
  - § 24:10 —Verify adherence to posting and notice requirement
  - § 24:11 —Evaluate Americans with Disabilities Act training
  - § 24:12 —Review how accommodations are handled
  - § 24:13 —Review employee benefit plans
  - § 24:14 —The Genetic Information Nondiscrimination Act of 2008
  - § 24:15 —Evaluate actions taken for compliance program infractions
  - § 24:16 —Check for previous lawsuits
  - § 24:17 —Review confidentiality policies and practices
  - § 24:18 Auditing places of public accommodation
  - § 24:19 —Determine whether the entity is a public accommodation
  - § 24:20 Auditing places of public accommodations—  
Determine whether the entity is a public accommodation—Websites
  - § 24:21 Auditing places of public accommodation—Evaluate eligibility criteria
  - § 24:22 —Review the process of modifying policies
  - § 24:23 —Assess how auxiliary aids and services are handled
  - § 24:24 —Evaluate the facility or building for barriers that must be removed
  - § 24:25 —Assess the procedures followed when alterations to existing facilities are made
  - § 24:26 —Evaluate the types of alterations that can be made
  - § 24:27 —Ensure that the company knows what is required when constructing new facilities

§ 24:28 Conclusion

## CHAPTER 25. AUDITING EMPLOYEE BENEFIT PLANS

- § 25:1 Introduction
- § 25:2 Key ERISA definitions
- § 25:3 Office of Compliance Initiatives
- § 25:4 Deferred compensation plans
- § 25:5 Plan design issues—Service
- § 25:6 —Vesting and benefit accruals
- § 25:7 Welfare benefit plans—Types of plans
- § 25:8 —COBRA
- § 25:9 —Retiree medical benefits
- § 25:10 —HIPAA—Portability
- § 25:11 ——Privacy
- § 25:12 ——Security
- § 25:13 Reporting and disclosure requirements
- § 25:14 —Reporting obligations
- § 25:15 —Disclosure obligations
- § 25:16 ERISA fiduciaries—Primary parties
- § 25:17 —Duties
- § 25:18 —Prohibited transactions
- § 25:19 Subpoenas
- § 25:20 Correcting plan defects
- § 25:21 Plan audit considerations
- § 25:22 Conclusion

Appendix 25-A. Risk Analysis under HIPAA

Appendix 25-B. Association Health Plans—ERISA  
Compliance Assistance (United Department  
of Labor, Employee Benefits Security  
Administration—August 2018)

Appendix 25-C. Fact Sheet—Delinquent Filer Voluntary  
Compliance Program (U.S. Department of  
Labor—January 29, 2013)

## CHAPTER 26. A LEGAL AUDIT OF THE PURCHASING FUNCTION

- § 26:1 Introduction
- § 26:2 The purpose of the purchasing audit
- § 26:3 Purchasing policies
- § 26:4 The forms
- § 26:5 —Purchase order terms and conditions
- § 26:6 —Contracts for work to be done on company premises

TABLE OF CONTENTS

- § 26:7 —Safety, environment, and security issues
- § 26:8 —Software licenses
- § 26:9 —Consultants or other independent contractors
- § 26:10 —Forms for handling confidential information
- § 26:11 —Master, corporate, or override agreements
- § 26:12 —Electronic purchasing
- § 26:13 —Disposal of used or excess equipment or supplies
- § 26:14 —Requests for proposal
- § 26:15 —Other forms
- § 26:16 Just-in-time purchasing
- § 26:17 Other items in the audit

**CHAPTER 27. AUDITING COMPLIANCE  
WITH GOVERNMENT STATUTES AND  
REGULATIONS DESIGNED TO CURB  
FRAUD IN GOVERNMENT CONTRACTS**

- § 27:1 Introduction
- § 27:2 Statutes and regulations
- § 27:3 —The Anti-Kickback Act of 1986
- § 27:4 —The False Claims Act
- § 27:5 —Program Fraud Civil Remedies Act
- § 27:6 —Limitations on the payment of funds to influence federal transactions
- § 27:7 Areas upon which to focus
- § 27:8 —Procedures
- § 27:9 ——Reporting
- § 27:10 ——Management approval
- § 27:11 ——Auditing
- § 27:12 ——Supervision
- § 27:13 ——Enforcement
- § 27:14 ——Investigations
- § 27:15 —Employees
- § 27:16 ——Training and education
- § 27:17 ——Termination
- § 27:18 ——Lines of communication
- § 27:19 ——Conflicts of interest
- § 27:20 —Contracts
- § 27:21 ——Size
- § 27:22 ——Clauses
- § 27:23 —Subcontractors
- § 27:24 ——Flow down obligations—AKA
- § 27:25 ——LPFIFT
- § 27:26 ——Lines of communications

§ 27:27 Conclusion

## CHAPTER 28. INTELLECTUAL PROPERTY AUDITS

- § 28:1 Introduction and overview
- § 28:2 Intellectual property audit areas
  - § 28:3 —Patents
    - § 28:4 ——Registering and recording patents
    - § 28:5 ——Maintaining patent development records
    - § 28:6 ——Provisional patent application
    - § 28:7 ——The company's rights to its employees' inventions
    - § 28:8 ——Patents and consultants
    - § 28:9 ——Purchase and sale forms
    - § 28:10 ——Foreign patents
    - § 28:11 ——Patent licensing
    - § 28:12 ——Government and universities
    - § 28:13 ——Trademarks and trade names
    - § 28:14 ——Registration requirements
    - § 28:15 ——Use of trademarks
    - § 28:16 ——Advertising
    - § 28:17 ——Foreign registrations
    - § 28:18 ——Internet domain names
    - § 28:19 ——Enforcement of trademarks
    - § 28:20 ——Copyrights
    - § 28:21 ——Copyright registrations
    - § 28:22 ——Works made for hire
    - § 28:23 ——Software
      - § 28:24 ——External software audits
      - § 28:25 ——Internal software audits
      - § 28:26 ——Multimedia issues
      - § 28:27 ——The scope of licenses
      - § 28:28 ——Security interests in copyrights
      - § 28:29 ——Reverse engineering
      - § 28:30 ——Trade secrets
      - § 28:31 ——What is a trade secret?
      - § 28:32 ——Protecting against loss of trade secrets
      - § 28:33 ——Using others' trade secrets
      - § 28:34 ——Relations with suppliers or customers
      - § 28:35 ——International operations
      - § 28:36 Other issues to consider—Interaction of patents, copyrights, and trade secrets
      - § 28:37 ——Alternative dispute resolution techniques
      - § 28:38 ——Forms and administrative hassle

## TABLE OF CONTENTS

- § 28:39 —Attorney-client privilege
- § 28:40 —Antitrust
- § 28:41 —Distribution agreements
- § 28:42 —Records retention procedures and imaging
- § 28:43 —The Internet and Web sites
- § 28:44 —Linking
- § 28:45 —Delivering content to your customers
- § 28:46 —Online reviews
- § 28:47 Summary and conclusions

Appendix 28-A. Master Checklist for IP Audits

## CHAPTER 29. AUDITING COMPLIANCE WITH THE ANTIBOYCOTT LAWS

- § 29:1 Introduction
- § 29:2 Overview of the antiboycott laws
- § 29:3 How the boycott works
- § 29:4 —The boycott procedure
- § 29:5 —Boycott questionnaire
- § 29:6 —Penalties
- § 29:7 —Letters of credit and shipping documents
- § 29:8 Suggestions for compliance
- § 29:9 —Assessment of the problem
- § 29:10 —The company policy
- § 29:11 —Procedures
- § 29:12 Arab boycott checklist
- § 29:13 Recommendations for audit procedures
- § 29:14 —Understanding of law
- § 29:15 —Compliance program
- § 29:16 —Reporting
- § 29:17 —Miscellaneous

Appendix 29-A. A Framework for OFAC Compliance Commitments  
(U.S. Department of the Treasury—Office of  
Foreign Assets Control—May 2019)

## CHAPTER 30. THE FOREIGN CORRUPT PRACTICES ACT

- § 30:1 Introduction
- § 30:2 The bribery provisions—Elements of an FCPA bribery violation
- § 30:3 —The jurisdiction of the bribery provisions
- § 30:4 —“Foreign officials” under the FCPA
- § 30:5 ——Outside director of a government instrumentality

LEGAL AUDITS AND INVESTIGATIONS

- § 30:6 — — —Parastatal directors' fees
- § 30:7 — — —Consulting arrangement with parastatal's general director
- § 30:8 — — —Temporary consulate employee in clerical capacity
- § 30:9 — — —Members of parliament
- § 30:10 — — —Foreign government official on leave from law firm
- § 30:11 — — —The intent requirement
- § 30:12 — — —Knowledge
- § 30:13 — — —The interstate instrumentality requirement
- § 30:14 — — —To obtain or retain business
- § 30:15 — — —The exception and affirmative defenses—The facilitating payments exception
- § 30:16 — — —Affirmative defenses
- § 30:17 — — —DOJ enforcement of the bribery provisions
- § 30:18 — — —Deferred prosecution agreements
- § 30:19 — — —Voluntary self-disclosure
- § 30:20 — — —SEC enforcement of the bribery provisions
- § 30:21 The accounting and record-keeping provisions—Background
- § 30:22 — — —Elements of an FCPA accounting and record-keeping violation
- § 30:23 — — —The jurisdiction of the accounting and record-keeping provisions
- § 30:24 — — —SEC enforcement of the accounting and record-keeping provisions
- § 30:25 — — —Criminal enforcement of the books and records provisions
- § 30:26 Compliance programs—Detection of FCPA problems
- § 30:27 — — —The compliance culture
- § 30:28 — — —Assignment of responsibility
- § 30:29 — — —Due diligence investigations—Before the project begins
- § 30:30 — — —After a project is under way
- § 30:31 — — —Contractual terms—Covenants
- § 30:32 — — —Representations and warranties
- § 30:33 — — —Effect of the Sarbanes-Oxley Act of 2002
- § 30:34 Director and officer liability under the FCPA—Overview
- § 30:35 — — —Illustrative cases
- § 30:36 — — —Private right of action
- § 30:37 — — —Statute of limitations
- § 30:38 International efforts to curb bribery

Appendix 30-A. A Resource Guide to the U.S. Foreign Corrupt

TABLE OF CONTENTS

Practices Act (Second Edition)—  
Department of Justice and Securities and  
Exchange Commission—July 2020

Appendix 30-B. Department of Justice FCPA Corporate  
Enforcement Policy (March 2019)

Appendix 30-C. Criminal Division Corporate Enforcement  
and Voluntary Self-Disclosure Policy (U.S.  
Department of Justice—March 2024)

## **CHAPTER 31. AUDITING COMPLIANCE WITH U.S. EXPORT CONTROLS**

§ 31:1 Overview of the U.S. export control regime

§ 31:2 —Export Administration Act and Export  
Administration Regulations—Types of export  
controls

§ 31:3 ——Jurisdiction

§ 31:4 ——The commerce control list and commerce country  
chart

§ 31:5 ——Licenses and license exceptions

§ 31:6 —Treasury Department controls—The Trading with  
the Enemy Act

§ 31:7 ——The International Emergency Economic Powers  
Act

§ 31:8 —State Department controls

§ 31:9 —The deemed export rule

§ 31:10 ——What is “technology”?

§ 31:11 ——Who are “foreign nationals”?

§ 31:12 Recommendations for a compliance program—  
General recommendations

§ 31:13 —Record-keeping requirements—EAR requirements

§ 31:14 ——Requirements under TWEA and IEEPA

§ 31:15 ——Arms Export Control Act

§ 31:16 ——Original records and reproduction of original  
records

§ 31:17 Recommended audit procedures

Appendix 31-A. Compliance Guidelines: How to Develop an  
Effective Export Management and  
Compliance Program and Manual—  
November 2013 (U.S. Department of  
Commerce-Bureau of Industry and  
Security-Office of Exporter Services-Export  
Management and Compliance Division)  
[Excerpt]

Appendix 31-B. Export Compliance Guidelines—The

Elements of an Effective Compliance  
Program

## CHAPTER 32. THE PRIVACY AUDIT

- § 32:1 Introduction
- § 32:2 Privacy issues in the workplace
- § 32:3 Privacy issues related to the internet and e-commerce
- § 32:4 Federal privacy statutes
- § 32:5 State privacy law issues
- § 32:6 International privacy issues
- § 32:7 —The General Data Protection Regulation
- § 32:8 Data breaches
- § 32:9 —Standing

Appendix 32-A. The CAN-SPAM Act: A Compliance Guide for Business (Federal Trade Commission)

Appendix 32-B. Federal Trade Commission: Protecting Personal Information

Appendix 32-C. Federal Trade Commission: Data Breach Response (February 2021)

Appendix 32-D. Children's Online Privacy Protection Rule: A Six-Step Compliance Plan for Your Business (June 2017)

Appendix 32-E. Seven Steps for Businesses to Get Ready for the General Data Protection Regulation—European Commission (Publications Office of the European Commission—2018)

Appendix 32-F. Complying with COPPA: Frequently Asked Questions (Federal Trade Commission—July 2020)

## CHAPTER 33. AUDITS AND INVESTIGATIONS UNDER THE SARBANES-OXLEY ACT

- § 33:1 Introduction
- § 33:2 Overview of the SOX Act
- § 33:3 A checklist of legal audit issues under the SOX Act
- § 33:4 Corporate investigations and protection against whistleblower liability—Overview of the whistleblower protections
- § 33:5 —Protected persons
- § 33:6 —Reasonable belief
- § 33:7 —Compliance issues to consider during an investigation

**TABLE OF CONTENTS**

- § 33:8 Standards of professional conduct under the SOX Act
- § 33:9 —Attorney conduct rules
- § 33:10 ——Retaliation claims
- § 33:11 —Financial experts and codes of ethics
- § 33:12 —Practical suggestions
- § 33:13 Conclusion

**Bibliography**

**Table of Laws and Rules**

**Table of Cases**

**Index**