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WILLIAMS SAYS PRIVATE SECTOR REACTION TO NEW ACCOUNTING CONTROLS
CAN BE VIEWED AS MEASURE OF PROGRESS IN CORPORATE ACCOUNTABILITY

DALLAS -- Chairman Harold M. Williams said today that the spirit in which the private sector complies with the accounting and internal control provisions of the Foreign Corrupt Practices Act (FCPA) will be interpreted as a measure of voluntary efforts toward increased corporate accountability.

Williams, in remarks prepared for delivery at 1 p.m. CDT on Tuesday to a meeting in Dallas of the Section of Business, Banking and Corporate Law of the American Bar Association, said that attorneys will play a central role in shaping reaction to those provisions of the new law.

"To the extent that the profession takes the attitude that the new law should be viewed narrowly and treated as another governmental over-reaction, to be complied with grudgingly, in letter but not spirit, then the Act will accomplish little except to spawn litigation and harden the lines between those who urge more pervasive Federal control over corporations and those who advocate less," Williams said.

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"If, on the other hand," he continued, "the response of the private sector, with counsel's help and guidance, addresses the concerns and public perceptions which motivated Congress in enacting it, then an important and constructive link in the evolving philosophy of corporate accountability will have been forged. And that link is one which, in my judgment, would do much to demonstrate the effectiveness of corporate self-discipline -- administered not primarily by government, but by each corporation in conjunction with its outside accountants and counsel."

The FCPA was enacted in December 1977, and the part to which Williams addressed himself today requires public corporations to keep books and records which "accurately and fairly" show how the company's assets are used. In addition, it requires such companies to maintain systems of internal accounting controls adequate to assure that the company operates in conformity with enumerated corporate objectives. In April of this year, the Commission proposed for public comment rules which would require companies to state in their annual reports whether their internal controls were adequate.

In his remarks today, Williams pointed out that enactment of the accounting provisions represented a Congressional reaction to revelations of widespread use of corporate funds for questionable or illegal payments both in this country and abroad; usually, such payments were not accurately reflected in the company's records.

Williams, noting that there has been some vocal, negative criticism to the Commission's proposals, conceded that "giving meaningful content to the accounting provisions will not be easy and may prove impossible.

"If we fail, however," he said, "I am concerned that our failure will serve chiefly to furnish ammunition to those who demand still greater Federal intervention into how and by whom public corporations are run."

One impact of the accounting provisions, Williams said, would be to encourage corporate management "systematically to review" the controls which it relies on to see that corporate assets are expended in accordance with the policies of management and the board of directors.

A second, he said, would be to encourage "a searching analysis" of what has been termed "the control environment."

"In the last analysis," Williams explained, "the term control environment is simply a short-hand for the attitudes of the people who must run the system. In particular circumstances, fostering the right attitude may require codes of conduct for corporate employees, enhanced internal audit mechanisms, changes in the way the company responds to the recommendations of independent auditors, and possibly other concepts outside the repertoire of those who are used to thinking of controls narrowly and in isolation from the environment in which they operate."

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In addition, the accounting provisions should encourage management to document its control system which should in turn have a beneficial effect both on management systems and on the auditing process.

And finally, Williams said, the cumulative effect of the entire process fostered by the provisions "should ultimately enhance public confidence in the corporate sector.

"It will," he said, "enable the corporation and the business community to separate more clearly those incidents which reflect upon the accountability ethic and the morality of the private sector from more isolated instances of system subversion or human frailty -- both of which are inherent limitations which mean that no system can be expected to achieve zero defects or to be fail-safe."

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