

Tyco embezzlement essay sample



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Tyco's use of limited purpose entities inflated free cash flow. Uses of funds from company loans included: Kozlowski's \$ 18 million Manhattan apartment, \$ 2 million birthday party for Kozlowski's wife in Italy, \$ 6, 000 shower curtain, \$ 2, 000 trash can, \$ 13 million worth of art work PWC chief auditor for TYCO, Richard Sculze, issued fraudulent audit reports and was aware of the interest free loans. Embezzling funds as a financial fraud which causes an act of conflict of interest. In order to fulfill self-interest (luxurious life) the leaders embezzled the company funds that should be used to manage the company in the best interest of the shareholders and stockholders. Kozlowski had exploited the company by using company funds to fulfill his own desire of having a lavish lifestyle. According to the principle of they must never exploit others to achieve their own objectives. Also, Kozlowski and other directors had their duties to manage the company well.

However, they failed to manage the company well because they had misappropriated the funds which embezzling the funds caused them not to fulfill their duties and violated them instead. TYCO also did not emphasize an ethical corporate culture during the empire of Kozlowski. The unethical corporate culture in TYCO was due to the unethical leadership of the CEO of the company, Kozlowski. Another ethical issue under the conflict of interest in the scandal of TYCO is bribery. One instance of bribery was when Frank E. Walsh Jr., the director of TYCO had received \$ 20 million for helping the arrangement of the acquisition of CIT group without the knowledge of the rest of the board of directors. The third ethical issue that relates to the conflict of interest is accounting fraud. The auditors, accountants, and the executives of TYCO sacrificed the quality of financial reporting information

for their personal interest. TYCO failed to give a true financial picture for several years. Kozlowski, Swartz, and Belnick of TYCO's executives who committed fraud by charged with falsifying business record to conceal a great amount of loans without approval.

The auditor is supposed to comply with the Swiss Law and the Swiss Auditing Standards. Those standards require that TYCO plans and performs the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. (Article 728 Swiss Code of Obligation and Article 11 AOA) In accordance with Article 728a paragraph 1 item 3 CO and Swiss Auditing, Standard 890, confirms that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors. Rule 1. 2: A lawyer shall abide by a client's decision concerning the objectives of representation and as required by Rule 1. 4, shall consult with the client as to the means by which they are to be pursued. Rule 1. 2d: Lawyer shall now counsel the client to engage or assist a client in conduct that the lawyer knows is criminal or fraudulent but a lawyer may discuss the legal consequences of any proposal; course of conduct with a client and may counsel or assist a client to make a good faithful effort to determine the validity, scope and meaning or application of the law. Rule 1. 6:

A lawyer shall not reveal information relating to the representative of a client unless the lawyer reasonably believes it's necessary to prevent reasonably certain death or substantial bodily harm. Rule 4-101(c): Lawyer is able to and may reveal the confidence of a client where it involves the intention of the client to commit a crime and the information is necessary to prevent the

crime. Rule 7-102(b); A lawyer who receives information clearly establishing that a client has, in the course of representation, perpetrated a fraud upon a person shall promptly call upon the client to rectify the same and if the client refuses or is unable to do so, the lawyer shall reveal the fraud to the effected person in all circumstances except where barred from doing so Iowa Code 622. 10 (Statue on preservation of confidential communication) If barred from doing so, the lawyer shall immediately withdraw from representation of the client unless the client fully discloses the fraud to the person. I defend the most recent TYCO guide to Ethical Conduct following after the embezzlement with Kozlowski. This guide was developed in 2003 to help set ethical standards and code of conduct for its employees.

The drive to develop this ethical guide was due to the unethical practices done by former CEO Dennis Kozlowski. Kozlowski and former CFO Mark Swartz were accused of stealing from the company about \$ 170 million and \$ 430 million in stock sales. Due to the unethical behavior and subsequent of TYCO's executives, the new CEO Edward Breen sought to improve the ethical standards of the company and introduced the TYCO Guide to Ethical Conduct. TYCO International is under constant scrutiny now to ensure that the ethical guide lines are being followed and that the company is conducting business in a manna which is honest and abides by the laws set in every country. The ethical guide provides employees with a tool in which they can utilize on a daily basis to enable them to make decision about what sort of behavior is considered ethical and unethical by the company. The guide ties in closely with TYCO; s vision and values which are; integrity, excellence, teamwork and accountability.