

Inability to pay

Defend your organization from potentially catastrophic fines

The US Department of Justice (DOJ) announced a detailed inability to pay framework. Organizations and legal teams that understand the factors used to evaluate inability to pay will be better equipped to make credible arguments in favor of reduced fines.



Evaluate inability to pay

The DOJ's guidance outlines four key factors. Federal prosecutors will consider these factors when evaluating an organization's inability to pay proposed criminal fines and monetary penalties:



Financial condition

What is the organization's current financial condition and how did it get there?



Alternative sources of capital

What resources can the organization leverage to generate capital?

- Existing or new credit facilities
- Assets or equity that can be sold
- Insurance or indemnification agreements
- Booked reserves
- Plans for the acquisition or divestment of assets
- Details from company forecasts



Collateral consequences

How will the fine impact stakeholders and the marketplace in which the organization operates?

Relevant

- An organization's ability to fund pension obligations or provide the capital, maintenance, or equipment required by law or regulation
- Likely to cause layoffs, product shortages, or significantly disrupt competition in a market

Not relevant

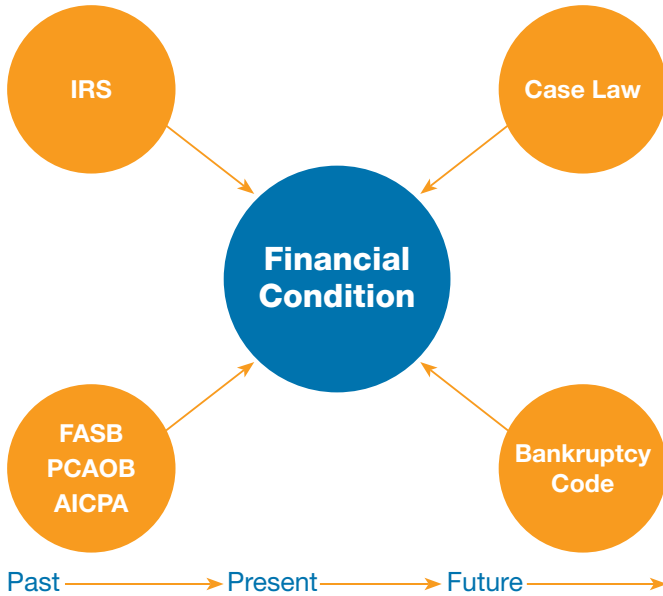
- Growth, future opportunities, planned or future product lines, future dividends, unvested or future executive compensation or bonuses, and planned or future hiring or retention



Victim restitution

Will the organization be able to compensate victims after paying the fine?

Framework to assess the inability to pay



Measure inability to pay

Independent financial, accounting, and economic analytics provide valuable insights to assess an entity's inability to pay a fine.

- Analyze and quantify the impact a fine will have on the organization; the marketplace, workforce, and other stakeholders; and the organization's ability to comply with other laws and regulations
- Consider past, present, and future financial conditions
- Leverage relevant guidance from the FASB, PCAOB, AICPA, IRS, Bankruptcy Code, and case law

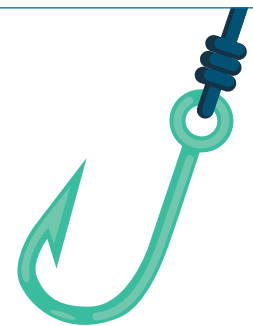
Build a credible argument

Organizations turn to CRA when they need to assess a proposed criminal fine and provide credible and independent assessments for appropriate adjustments based on the inability to pay. Our valuation professionals, CPAs, and economists routinely provide independent financial, accounting, and economic analytics informed by industry, regulatory, and legal guidance. CRA offers deep experience with accepted solvency tests, exclusive relationships with leading practitioners and academic experts, and more than 50 years of experience providing expert support and testimony. Operating from nine countries around the world, CRA's clients include 89% of the Fortune 100 and 99% of the Am Law 100.

Representative engagement

Bumble Bee settlement

CRA consultants conducted analyses to assess the likelihood that Bumble Bee could become insolvent as a result of a fine sought by the US Department of Justice (DOJ) in an alleged price-fixing conspiracy. The DOJ agreed to lower the fine levied against Bumble Bee in part because a larger fine could have led to insolvency and jeopardized the company's continued viability.



Kristofer Swanson, CPA/CFF, CFE, CAMS
Vice President & Practice Leader, Forensic Services
+1-312-619-3313 | kswanson@crai.com

Ken Mathieu, CPA/ABV/CFF
Vice President, Forensic Services
+1-312-377-9210 | kmathieu@crai.com

CRA's Forensic Services Practice and its state-of-the-art digital forensics, e-discovery and cyber incident response labs are ISO 27001:2013 certified. We also maintain private investigator licenses in multiple jurisdictions, as listed on our website (www.crai.com).

CRA Charles River
Associates