debt-restructuring specialists in Australia, the United States, and other developed countries to help them determine how best to deal with their mounting portfolios of nonperforming loans. Among the major providers of these debt-restructuring services were the large international accounting firms, including Deloitte, Michael Wansley's firm.

The nature of debt-restructuring services varies significantly but such engagements often begin with an intense study or "audit" of the given entity's accounting records. This examination is intended to uncover any evidence of embezzlement or other malfeasance by management or other parties. These engagements also commonly include an in-depth analysis of the debtor company's business model to determine whether the entity appears to be economically viable. A debt-restructuring engagement typically concludes with the engagement team developing a series of recommendations intended to help the lenders of the financially troubled company minimize their loan losses. These recommendations may involve replacing the existing management team, having the lender or lenders forgive their outstanding loans in exchange for equity interests in the given company, or liquidating the company to raise funds that can be used to repay or partially repay its outstanding loans.

Not surprisingly given their nature and purpose, debt-restructuring engagements can be rife with tension. *Business Week* noted that Thailand's financial crisis spawned "Debt Wars" in that country that pitted representatives of the large international accounting firms, such as Michael Wansley, against Thai business owners and executives.[3] Thai business owners and executives resented the probing and relentless investigations of the "farangs" (foreigners) who did not appreciate or fully understand the informal and low-key culture of the Thai business community, a culture in which "handshake" contracts were common, disagreements were considered impolite, and face-to-face confrontations were rare. Making matters worse, Thai companies were not accustomed to having their financial records and business operations scrutinized by third parties since the nation's independent audit function was still evolving and was not nearly as rigorous as in developed countries around the world.

The investigative work of debt-restructuring specialists was particularly galling to members of the wealthy Thai families that had long dominated their nation's economy. Until the late 1990s, 15 Thai families controlled networks of businesses that accounted for more than one-half of Thailand's annual gross domestic product.[4] Among these families was the Siriviriyakul family that owned the Kaset Thai Sugar Company. For centuries, these families had operated their business empires with only minimal oversight or regulation from the Thai government or other parties. Suddenly, these prominent families found themselves being forced to respond to embarrassing questions and accusations posed by a small army of foreign accountants.

In January 1999, *Business Week* interviewed the 58-year-old Wansley regarding the difficult and stressful nature of his work in Thailand. Wansley noted that the most frustrating facet of debt-restructuring engagements in Thailand was the belligerent attitude of company owners. "Once you become grossly insolvent you're not supposed to be in a position of great strength, but here they think they are."[5] In a subsequent interview, Wansley also admitted that the hostile nature of the debt-restructuring engagements caused him to sometimes question his and his subordinates' safety. That concern was not unwarranted.

3. F. Balfour, "Fixing Thailand's Debt Mess," *Business Week* (www.businessweek.com), 12 February 2001.

4. Parpart, "Restructuring East Asia," 41.

5. R. Corben, M. Clifford, and B. Einhorn, "Thailand: Bring Your Spreadsheet—and Bulletproof Vest," *Business Week* (www.businessweek.com), 29 March 1999.

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As the black minivan carrying Wansley and the four employees of Kaset Thai Sugar Company rolled to a stop outside the firm's Takhli sugar mill, two men on a motorcycle pulled up beside the vehicle. The man sitting on the rear of the motorcycle leaped off and within a matter of seconds fired eight bullets from an automatic pistol into the interior of the minivan. The bullets struck Michael Wansley in the head, killing him instantly. The four other passengers in the minivan were left unharmed as the gunman and his confederate sped away on the motorcycle.

The murder of Michael Wansley triggered outrage in Australia and the international business community. Australian government officials demanded that Thailand law enforcement authorities vigorously investigate the crime and apprehend those responsible. Eventually, six individuals would face criminal charges for Wansley's murder. These individuals included the gunman, the motorcyclist, the owner of the motorcycle, two employees of Kaset Thai Sugar Company who had allegedly been involved in the conspiracy to kill Wansley, and the owner of the Takhli sugar mill who was a member of the powerful Siriviriyakul family. This latter individual was charged with masterminding Wansley's murder.

The motorcyclist, who was arrested shortly after the incident, was convicted for his role in the crime and given a life sentence. A human resources manager of Kaset Thai Sugar and the owner of the motorcycle, a retired policeman, were convicted of conspiring to murder Wansley and received death sentences. The brother of the human resources manager, who was also a Kaset Thai Sugar employee, was convicted of conspiracy to commit murder but received a life sentence. In July 2008, the individual who allegedly shot Wansley was acquitted of that crime by a Thai court. The only witnesses who identified that individual as the gunman were two of his alleged co-conspirators; however, those witnesses' testimony was dismissed by the court. The court ruled that those witnesses were not credible since they were convicted felons.

The most controversial outcome in the criminal cases emanating from Wansley's death was the acquittal of the owner of the Takhli sugar mill despite seemingly strong evidence linking him to the crime. During this individual's trial, a witness testified that the defendant had paid him approximately $1,000 to dispose of the motorcycle used in the Wansley murder. Another individual, a senior law enforcement official, revealed that the sugar mill owner had offered him $4 million in exchange for not filing charges against him in the case. Phone records introduced as evidence during the trial documented that prior to the shooting the defendant had frequent telephone conversations with the three individuals convicted of conspiring to kill Wansley.

Court testimony also revealed that shortly before his death, Michael Wansley discovered that approximately $150 million loaned to the Kaset Thai Sugar Company had been secretly transferred to small companies controlled by the sugar mill owner and other members of his family. This testimony established that the defendant had a strong motive to harm Wansley. In fact, a Kaset Thai Sugar employee testified that following Wansley's death, the sugar mill owner had told him, "It's very good the farang is dead; now we can all live comfortably."[6] Despite such evidence, the three-judge tribunal that presided over the trial handed down a "not guilty" verdict, clearing the sugar mill owner of any involvement in Wansley's murder.[7,8]

6. J. Pollard, "Death Penalty for Aussie Auditor's Killers," *The Australian* (www.theaustralian.news.com.au), 6 September 2006.

7. One of the judges initially assigned to the case had been replaced when allegations surfaced that he had been paid a large bribe by the defendant's family.

8. The Siriviriyakul family maintained control of the Kaset Thai Sugar Company following Michael Wansley's death. When the debt-restructuring plan eventually developed by Deloitte was rejected by the company's creditors, a Thai court refused to liquidate the company and instead allowed the Siriviriyakul family to continue operating it.

The six individuals who faced criminal charges stemming from the murder of Michael Wansley were not the only parties blamed for his death. A journalist suggested that Wansley's employer, Deloitte, should shoulder some of the blame for his untimely death. Deloitte officials "should have known that they were sending the locally inexperienced Wansley into a dangerous situation without taking precautions."[9] The journalist pointed out that among the major international accounting firms, Deloitte had established a reputation as a leader in risk assessment and risk management. "These days, expertise in risk assessment–on which D. T. T. [Deloitte Touche Tohmatsu] prides itself–cannot be prudently limited to financial risk."[10]

Deloitte apparently did not respond directly to such criticism. However, several years later, Keith Skinner, the chief operating officer (COO) of Deloitte Touche Tohmatsu and a close friend of Michael Wansley, agreed to be interviewed regarding Wansley's death. In that interview, Skinner indicated that Wansley's murder "has had a lasting impact" on Deloitte's operations in regions of the world that are "culturally different."[11] When asked what specific changes Deloitte had made in response to the incident, Skinner reported that Deloitte was placing a higher priority on "security" issues for professional services engagements in high-risk countries. During this same interview, Skinner noted that his friend had not only been a well-respected professional but also an individual who was known for his extraordinary personal integrity and for being a devoted humanitarian. In particular, Wansley had devoted considerable time to working with the International Red Cross.

Questions

1. Suppose in the future you are assigned to an audit engagement that requires you to travel to a foreign country openly hostile to the United States. Because of that hostility, you are uncomfortable with the assignment. What would you do? Before responding, identify the alternatives you have.
2. Do you believe it is appropriate for a professional services firm to ask employees to serve on engagements in which their personal safety is at risk? Defend your answer.

9. Parpart, "Restructuring East Asia," 39.

10. *Ibid.*

11. A. Caldwell, "Murdered Accountant's Son Welcomes Sentences," www.abc.net.au, 5 September 2006.

CASE 8.6

Kaset Thai Sugar Company

The black Toyota minivan made slow but steady progress down the narrow, unpaved road as it approached the village of Takhli in south central Thailand, approximately 150 miles north of Bangkok. On either side of the bumpy road were fields of sugarcane, dense thickets of scrub brush, and an occasional rice paddy. Seated in a rear window seat of the minivan was Michael Wansley, a senior partner with Deloitte Touche Tohmatsu, who was based in that firm's Melbourne, Australia, practice office. The vehicle's four other occupants were Thai nationals and employees of the Kaset Thai Sugar Company. No doubt, the five weary travelers who had spent several hours in the cramped minivan were overjoyed when they finally caught a glimpse of the large sugar mill in the distance that was their final destination. The sugar mill was one of many owned and operated by the Kaset Thai Sugar Company.

For the past several weeks, Michael Wansley had been supervising a debt-restructuring engagement for the company's banks and other lenders. Kaset Thai Sugar had defaulted on nearly $500 million of loans to those lenders. Wansley and the 14 subordinates on his engagement team were to study the company's accounting records and business operations and then make recommendations about how the lenders should proceed in attempting to collect all–or, at least, a significant portion–of the outstanding loans.

Wansley, a well-known debt-restructuring expert, had become all too familiar with remote Thailand communities, such as Takhli, over the previous several months because the services of debt-restructuring specialists were much in demand within Thailand during the late 1990s. In March 1999 when Wansley visited the sugar mill on the outskirts of Takhli, the nation of Thailand was mired in a financial crisis. From 1985 through 1995, Thailand had boasted the highest economic growth rate in the world, averaging almost 9 percent annually over that time span. That trend prompted billions of dollars of foreign direct investment in Thailand companies, the bulk of which was in the form of loans.

Thailand's impressive economic growth came to a jarring halt in 1997, undercut by speculative investments, mismanagement, and extensive fraud on the part of business owners and corporate executives. According to one critic of Thailand's freewheeling economic system, "cronyism, collusion, corruption, and complacency" had long been the "four modern horsemen of the apocalypse" in that economy.[1] By the late 1990s, hundreds of Thai companies faced bankruptcy, unable to pay back the loans they had secured over the previous decade. In 1999, nearly one-half of the $150 billion in outstanding loans to large Thai companies was classified as "nonperforming"–and it was estimated that $50 billion of that total would never be collected."[2]

As Thailand's financial crisis deepened, the foreign banks and other lenders that had pumped billions of dollars of debt capital into Thai companies began retaining

1. U. Parpart, "Restructuring East Asia: A Progress Report," *The Milken Institute Review*, Third Quarter 1999, 42.

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