



From The Desk Of
John Formica

Hey, Staff Member!

My apologies for this scrawled note ... I'm in a bit of a hurry. Your "cubicle neighbor" tells me that you're out to lunch now, and will be back soon.

Didn't you say that you were looking forward to (finally) assuming a senior's lead role on an engagement? Well, here's your chance!

Apparently, the Board Member in charge of the audit committee at WOW Inc. is upset with our competitors at PRS, and they want us to come in and do a quick internal control audit. Here is a copy of my email exchange with the Director of their Audit Committee, as well as some background information. Read the background first ... it'll help you understand the emails.

I need you to review this information and whip up a quick "broad outline" of an engagement plan. I'm particularly concerned about whether our own audit process is sufficiently superior to PRS's to allow us to avoid falling into the same trap.

I'll be back in about an hour, and then I need to run across town to a meeting with this potential client. Before I return, please sit down with your cubicle neighbor and sketch out a plan; then I'll chat with you for about five minutes before heading out. If we can't finish in five minutes, I might suggest that we continue to "walk and talk" together as I head over to the client.

Thanks! See you soon ... JF

----- EMAIL PRINTOUT -----

Subject: Re: Internal Control Audit - Cash Disbursements
Date: 29 Feb 2012 14:05:12 -0500
From: John R. Formica, Jr. <john.r.formica@us.bfac.com>
Reply-To: john.r.formica@us.bfac.com

Dear Jacques:

I am indeed here in town today! And I'd be delighted to hop over to the East Side and meet you.

I'll ask one or two of my staff auditors to sketch out an engagement plan. Not to worry ... we'll move quickly AND effectively to serve you!

See you soon,
John

Big Four Accounting Firm LLP

John R. Formica, Jr. | Partner | National Professional Services Group
123 Luca Pacioli Drive
P. O. Box 456
Trial Balance, NJ 07932

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-----Forwarded Message-----

Subject: Internal Control Audit - Cash Disbursements
Date: 29 Feb 2012 12:55:25 -0500
From: Jacques Pluie <jpluie@wow.com>
Reply-To: jpluie@wow.com

Dear John:

As you can see (below), I now have the "thumbs up" from our Board Chair to hire you.

We need an internal control audit of our cash disbursements operations ASAP. Hopefully, this \$10 million payment is just an isolated incident, but we're looking to you to help us ascertain whether that is

true.

At the moment, I have no authority to remove the full audit engagement from PRS and award it to any other firm. Nevertheless, you'll certainly have an ally in me at WOW if you can help me out quickly with my request.

By the way, are you in town today? I'm visiting the Vastarian embassy to the U.N. this afternoon, and I'd be delighted to meet you in person to talk about our expanding relationship.

Thanks very much for your time.

Regards,
JP

-----Text Message-----

jp, you go ahead and do whatever you think is appropriate.

I'm wrapping up here in Michigan, and will be traveling on to Washington State tonight. Feel free to contact me there if you need me.

Good luck!

-----Forwarded Message-----

Subject: Re: 121 Million Franc Payment
Date: 28 Feb 2012 19:52:49 -0500
From: Jacques Pluie <jpluie@wow.com>
Reply-To: jpluie@wow.com

Dear Mr. Rooney:

Ever since Bann Capital took a controlling ownership stake in WOW, I've enjoyed working with you in your role as Chair of the Board of Directors. And I appreciate that you permit me to exercise full discretion in my role as Director of the Audit Committee, but I've decided that for an issue of this magnitude, I should check with you before taking action.

As you know, we're still investigating a questionable payment that (possibly) represents a significant violation of the Foreign Corrupt Practices Act. We know that someone in our Vastaria office used one of our transfer accounts to pay \$10 million to a member of the Vastarian royal family, but we don't yet know who authorized and processed the payment, or where it was eventually transferred.

I asked our auditing firm PRS why they didn't "red flag" the payment during their customary auditing review procedures, and I just don't feel comfortable with their response (which I'm forwarding to you below). I know that you trust PRS, but would you mind if I ask another "Big Four" firm to come in and perform an internal control audit of our cash disbursements system?

Under normal circumstances, of course, I do have the authority to hire any firm to perform a

brief audit of our operations without consulting you. However, I simply don't perceive this situation to be a "normal circumstance."

Regards,
JP

-----Original Message-----

Subject: 121 Million Franc Payment
Date: 27 Feb 2012 11:07:05 -0500
From: John Aqua <john.aqua@prs.com>
Reply-To: john.aqua@prs.com

Dear Mr. Pluie:

In your role as Director of the Audit Committee at WOW, I can certainly understand why you became concerned when learning that a payment of 121 million Vastarian francs (i.e. US \$10 million) was made to a member of the Vastarian royal family prior to the awarding of the Vastar Valley project to your organization. We were able to confirm that the payment was immediately transferred upon receipt to the recipient's numbered bank account at the Zurich Bank of Switzerland, where within minutes it was transferred again to an unidentified destination account.

As you requested, in addition to tracing the payment, we investigated our own audit practices to ascertain why our internal control year end review procedures failed to detect and investigate the payment transaction. As you noted, the transaction did occur late last year, within the time period of our internal control test sample of your cash disbursements system.

I have good news to share with you: our internal control review activities were indeed completed by our staff auditors in full compliance with our audit program, which is consistent with the relevant Generally Accepted Auditing Standards (GAAS) that have been established by our profession. Although we would have "flagged" the payment if it had been disbursed out of WOW's standard cash account, we did not do so because it was disbursed out of a temporary "transfer" account instead.

Consistent with GAAS, we haven't taken a "low risk profile" sampling approach to auditing your cash transfer accounts during the past few years because your firm had never previously made any disbursements from those accounts in excess of \$1 million. Now that you have done so with this \$10 million payment, of course, we will certainly modify our audit approach next year.

If my colleagues and I at PRS can be helpful to you in the future, please do not hesitate to call on us. I can be reached, here in New York City, at the PRS Engagement Risk Management Unit.

Sincerely,
J. Aqua



The world in figures: Countries Vastaria

Official Name: The Royal Kingdom of Vastaria
Recognized by the General Assembly of the United Nations: May 1, 1962

GDP Growth (2011): 0.7%
GDP: \$US 35 bn (\$US 10,000 per capita)
Inflation: 12.5%
Population: 3.5 m

Primary Exports: crude oil, figs
Millennium Development Goals Rank: 182nd of 196 recognized nations

"Economic Intelligence" Countries Report Synopsis

The Kingdom of Vastaria occupies an uncommonly arid strip of land, wedged between Chad, Niger, and Nigeria, in sub-Saharan central Africa. First colonized by Belgian explorers in the late 1800s, it was ruled by a collective of nomadic tribal leaders until General Pilar consolidated power under his authority during a series of armed conflicts in 1960 and 1961.

After pledging his opposition to the Communist guerilla forces that were then battling for control of several central African nations, Pilar was recognized as the legitimate leader of the Vastarian nation by the Kennedy Administration of the United States on January 1, 1962. The General Assembly of the United Nations followed suit four months later.

Upon his death in 1987, the Ruling Council of Elders of the Republic of Vastaria converted the nation to a monarchy form of government and installed General Pilar's sole heir on the throne. His Royal Highness, King Pilar of Vastaria, will celebrate his 25th year as head of state in November 2012.

Approximately 82% of the private sector economy is attributable to crude oil exports that are extracted from a number of fields in the southwestern region of the nation, near the Nigerian border. The royal family also owns and manages a collection of fig orchards in the Vastar Valley region, which is about to undergo a dramatic transformational project, underwritten by the World Bank's International Finance Corporation (IFC).

The \$1.3 billion project, to be managed by WOW Resources (formerly Western Occidental Water), will utilize IFC loan repayment guarantees on bonds issued by the Kingdom of Vastaria to build a massive dam on the Vastarian River. A pristine man-made lake will form upstream of the dam, serving as the foundation of a nascent luxury resort region for European and South African tourists. The dam itself will provide hydroelectric power and sanitary water for the entire population of Vastaria.

King Pilar and other members of the Royal Family possess controlling interests in the privately owned firms that will manage the dam and the resort. A new employee income tax, to be levied on local townspeople who will be employed by the firms, will serve as the primary source of funds to repay the bonds.



WOW Resources, Inc.
Press Relations Department
Contact information @ wow.com/pr

Release Date: October 17, 2011
Classification: Business Development / Social Impact
Timing: For Immediate Release

WOW Resources Announces Leading Vastaria Project

WOW Headquarters – October 17, 2011 – Today, WOW will announce an important project to increase the Company's growth momentum. In a major agreement, WOW will be named as the primary contractor for the provision of fresh water, flood control, power generation and minerals supply for the Vastar Valley project. As a part of this 15.7 billion Vastari francs (\$US 1.3 billion) project, WOW will provide all oversight, project and contract management, and procurement for the development stage. On an ongoing operating basis, WOW will also provide resources and power to the Vastarian people.

"We have long recognized that cooperation for progress is vital to the Vastarian economy and to WOW Resources," said Pat Melman, Chief Executive Officer of WOW. "We look forward to working together to bring safe water, pollution-free power, and safety from floods and vital resources to the people of Vastaria."

Celebrating this new leap for Vastaria, the leadership of WOW joins with the Vastarian Ambassador in a live and webcast announcement from the Vastarian Embassy to the United Nations in New York City today.

Attachment: Project Plan

About WOW Resources

From its earliest roots as the water utility company Western Occidental Water in Tyler, Texas 95 years ago, WOW has grown into a highly diversified organization that is dedicated to the management of water-based economic and environmental development projects across the globe. Its operating divisions encompass: (a) fresh and waste water storage, testing and treatment, (b) desalinization and pollution remediation utilizing clean chemical solutions, and (c) hydro electric power engineering project management. To reflect its larger ambitions, it has recently shortened its name to WOW Resources, Inc.



WOW ... stewardship for our World Of Water

ATTACHMENT TO PRESS RELEASE

October 17, 2011

WOW Resources Announces Leading Vastaria Project

Attachment: Project Plan

General Description

- > *Providing for clean and sanitary drinking water and hydroelectricity*
- > *Maintaining grazing, hunting, and mining under Vastarian regulations*
- > *Providing a self-sustaining natural environment, and a cultural landscape, where native ecosystems and processes are assured for future generations*
- > *Protecting and maintaining populations of threatened species*
- > *Providing employment and support services and other business opportunities in nearby communities*

Disturbed Land Restoration

- > *Encouraging disturbed land and native species restoration*
- > *Removing hazardous materials (i.e. arsenic and mercury) from previous mine sites.*

Sensitive Species

- > *Supporting the Vastarian Wildlife Service's efforts to protect sensitive species, such as the Blue Poison frog (*Dendrobates azureus*)*
- > *Implementing measures in the Wildlife Service's Vastar Valley Amphibian Recovery Plan to protect the Blue Poison frog*
- > *Purchasing a prime replacement habitat for the Blue Poison frog (now under consideration)*

Water Resources

- > *Providing high quality surface water and ground water for drinking and other public use*
- > *Developing capabilities to treat and return all water, withdrawn for public use, to the watershed system to prevent any impairment of water resources*
- > *Monitoring for any long term effects of the project on water sources that are external to the watershed region*

ATTEND THE RALLY!

AND SAVE THE BLUE FROG!



"Please save my home!"

Today @ Noon
United Nations Plaza
(1st Avenue & E 45 St)

Raise Your Voice!

Let the Vastarian Ambassador to the United Nations know ...
... that you oppose the corporate greed that will cause the destruction ...
... of the Blue Frog's natural habitat!

The rally is sponsored by the Clean Water Program at 5W, the *World Wide Water and Weather Watch* global volunteer environmental protection group. 5W's opposition to the Vastar project has been endorsed by many major environmental protection organizations.

