

Archer-Daniels-Midland (ADM) Accounting and Disclosure Fraud

The 2025–2026 SEC Enforcement Action and its Implications for Financial Reporting and Internal Controls

Caleb J. Broussard¹

Introduction

Archer-Daniels-Midland (ADM), a global leader in agricultural origination and processing, found itself embroiled in a significant accounting and disclosure fraud investigation between 2025 and 2026. This case study delves into the intricacies of the alleged fraud, which centered on the manipulation of inter-segment transactions within ADM's Nutrition division from 2019 to 2022. The investigation, culminating in a substantial settlement with the U.S. Securities and Exchange Commission (SEC) in January 2026, exposed critical deficiencies in ADM's financial reporting, internal controls, and corporate governance. This case serves as a compelling illustration for graduate-level students in accounting, finance, and corporate governance, highlighting the profound implications of earnings management, segment reporting manipulation, and the subsequent regulatory enforcement actions.

The core of the alleged misconduct involved the strategic inflation of operating profits within the Nutrition segment through improper inter-segment transactions. This practice, reportedly driven by pressure to meet ambitious growth targets, led to a misrepresentation of the segment's

¹ Caleb J. Broussard is an independent business case study writer based in Baton Rouge, Louisiana. His work focuses on corporate governance, financial reporting controversies, regulatory enforcement, and strategic management challenges in large multinational firms. He develops teaching cases used in graduate-level business, accounting, and public policy courses.

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financial performance. The SEC's investigation brought to light violations of fundamental accounting principles, particularly those related to segment reporting under ASC 280, which mandates that inter-segment pricing approximate market terms. The ensuing restatement of financial statements, coupled with the disclosure of material weaknesses in internal controls, triggered a significant decline in ADM's stock price and raised serious questions about the oversight responsibilities of its executive leadership and audit committee.

This case study will meticulously examine the mechanisms employed to shift profits, the specific accounting and regulatory violations, the breakdown of internal controls under SOX Section 404, and the comprehensive SEC enforcement action. Furthermore, it will analyze the market's reaction to these revelations, the subsequent remediation efforts undertaken by ADM, and the broader lessons for corporate compliance and ethical leadership. By dissecting the ADM fraud, students will gain invaluable insights into the complexities of financial reporting in multinational conglomerates, the pressures that can lead to earnings management, and the critical role of robust internal controls and effective governance in safeguarding financial integrity and investor trust.

Background and Context

Archer-Daniels-Midland (ADM) is a multinational food processing and commodities trading corporation, headquartered in Chicago, Illinois. Founded in 1902, ADM has grown to become one of the world's largest agricultural processors and food ingredient providers, operating across a diverse range of segments including Ag Services & Oilseeds, Carbohydrate Solutions, and Nutrition. The Nutrition segment, established in 2018, was positioned by ADM's leadership as a key driver of future growth and a strategic move to diversify away from the volatile commodity markets [1] [2].

From its inception, the Nutrition segment was characterized by ambitious growth targets, with executives projecting 15% to 20% annual operating profit growth to investors [3]. This aggressive outlook placed considerable pressure on the segment's management and finance teams to consistently meet these expectations. The segment's products, such as plant proteins used in meat substitutes and snack bars, were seen as central to ADM's strategy to capitalize on evolving consumer preferences for health and wellness [2].

The period between 2019 and 2022 was critical for the Nutrition segment, as it struggled to meet these internal and external growth projections. Despite the strategic importance and high expectations, the segment faced challenges in the marketplace, leading to shortfalls in its operating profit targets [2]. It was during this period that the alleged accounting irregularities

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began to manifest, involving inter-segment transactions designed to artificially inflate the Nutrition division's financial performance.

Inter-segment transactions, which involve the sale of goods or services between different divisions of the same company, are common in diversified conglomerates like ADM. These transactions are permissible under accounting standards, provided they are conducted at arm's length, meaning the pricing should approximate market terms as if the transactions were with an external third party. This principle is enshrined in accounting standards such as ASC 280, which governs segment reporting [4]. ADM had publicly stated that its inter-segment sales were priced based on market values [2].

The internal investigation, initiated by ADM's Audit Committee in late 2023 and early 2024, and subsequent regulatory scrutiny by the SEC and Department of Justice (DOJ), revealed that this principle was allegedly violated. The investigations uncovered a pattern of improper adjustments to inter-segment transactions, which effectively shifted operating profits into the Nutrition segment [3]. These revelations led to a series of disclosures by ADM, including the suspension of its CFO, Vikram Luthar, in January 2024, and the announcement of a material weakness in its internal controls over financial reporting [5] [6]. The company subsequently restated its financial statements for fiscal year 2023 and the first and second quarters of 2024 in November 2024, correcting prior period errors related to inter-segment sales [7].

This background sets the stage for a detailed examination of the accounting fraud, the regulatory response, and the broader implications for corporate governance and financial integrity within ADM.

Problem Statement

The Archer-Daniels-Midland (ADM) case presents a multifaceted problem rooted in the alleged manipulation of financial reporting within its Nutrition segment. The central issue revolves around how ADM, through its executives, purportedly inflated the operating profits of its Nutrition division between 2019 and 2022 by employing improper inter-segment transactions. This practice not only misrepresented the true financial health and performance of a strategically important business unit but also led to significant regulatory consequences and a loss of investor confidence.

Specifically, the problem encompasses several critical dimensions:

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- 1 **Segment Reporting Manipulation:** The core of the problem lies in the alleged violation of ASC 280, which dictates that inter-segment transactions should be priced at market terms. ADM's reported use of retroactive rebates, pricing adjustments, and other internal transfer mechanisms that were not available to third-party customers effectively distorted the Nutrition segment's profitability. This raises questions about the integrity of segment-level financial disclosures and their reliability for investors and analysts in assessing the performance of diversified conglomerates.
- 2 **Earnings Management and Financial Reporting Integrity:** The pressure on the Nutrition division to meet aggressive 15–20% growth targets appears to have been a significant catalyst for the alleged profit shifting. This highlights the broader issue of earnings management, where management uses accounting discretion to achieve desired earnings targets, potentially misleading stakeholders about the company's underlying economic performance. The case underscores the implications for revenue and expense allocation within complex organizational structures and the ethical dilemmas faced by finance professionals under such pressures.
- 3 **Internal Control Deficiencies:** The alleged fraud points to a fundamental breakdown in ADM's internal accounting controls, particularly concerning intercompany eliminations and segment reporting. The subsequent identification of material weaknesses under SOX Section 404 in ADM's disclosures indicates a systemic failure in safeguarding the accuracy and reliability of financial information. This aspect of the problem emphasizes the critical role of robust internal controls in preventing and detecting financial misstatements and the accountability of management for maintaining an effective control environment.
- 4 **Governance and Oversight Failures:** The involvement of former executives, including the former CFO, and the negligent approval of improper adjustments by other senior leaders, suggest significant governance and oversight failures at the executive level. This raises concerns about the effectiveness of the board of directors, particularly the audit committee, in fulfilling their fiduciary duties to ensure transparent and accurate financial reporting. The case highlights the importance of a strong ethical tone at the top and independent oversight in preventing fraudulent activities.

In essence, the ADM case presents a complex scenario where aggressive growth targets, coupled with inadequate internal controls and governance, allegedly led to a deliberate misrepresentation of financial performance, resulting in severe regulatory penalties and reputational damage. The problem, therefore, is not merely an accounting error but a systemic failure with far-reaching implications for corporate accountability and investor protection.

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Case Narrative/Analysis

The Archer-Daniels-Midland (ADM) accounting and disclosure fraud case unfolded against a backdrop of ambitious growth projections for its Nutrition segment, a division strategically positioned to drive the company's future profitability. The narrative of the fraud centers on a period between 2019 and 2022, during which the Nutrition segment consistently failed to meet its aggressive operating profit targets of 15% to 20% annual growth [3]. This shortfall created immense pressure on the segment's leadership, particularly its former CFO, Vikram Luthar, to artificially bolster its financial performance.

Mechanisms of Profit Shifting

The SEC investigation revealed that the primary mechanism for inflating Nutrition's operating profits involved improper inter-segment transactions. These transactions, which are sales of goods or services between different ADM divisions, were allegedly manipulated to transfer profits into the Nutrition segment. The methods employed included:

- **Retroactive Rebates:** Luthar and other executives allegedly directed “adjustments” to Nutrition’s transactions with other ADM business segments. These rebates were not customarily available to ADM’s third-party customers, effectively acting as one-sided transfers of operating profit to Nutrition [3].
- **Pricing Adjustments:** Similar to retroactive rebates, pricing adjustments were implemented to favor the Nutrition segment. These adjustments were often targeted to specific dollar amounts, designed to help Nutrition meet its operating profit goals or mask shortfalls, and were not reflective of market terms [3].
- **Internal Transfer Mechanisms:** The manipulation extended to internal transfer pricing, where goods from other ADM divisions (e.g., processed corn and soy) were provided to Nutrition at below-market rates or with significant cost breaks. An internal company email from 2019 even showed ADM’s other corporate divisions being “asked to donate to Nutrition” by offering millions of dollars in cost reductions [2].

These mechanisms collectively distorted the true financial performance of the Nutrition segment, making it appear more profitable than it actually was. The SEC’s complaint against Luthar specifically highlighted his central role in directing these adjustments when Nutrition was falling short of its targets for fiscal years 2021 and 2022 [3].

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Pressure on Finance Teams and Earnings Management

The intense pressure to achieve the 15% to 20% annual operating profit growth targets for the Nutrition segment played a significant role in fostering an environment conducive to earnings management. Employees within the Nutrition division reported feeling immense pressure from senior executives to conduct internal sales that would help mask costs or meet profit forecasts [2]. Managers described the process as “exhausting,” working “feverishly just to basically spin things to hit the number” [2].

This pressure led to a breakdown in ethical conduct and adherence to accounting principles. The manipulation of inter-segment transactions allowed ADM to present a misleading picture of the Nutrition segment’s performance, which was crucial given the company’s public touting of Nutrition as a key growth driver. The implications for revenue and expense allocation within ADM’s diversified conglomerate structure were profound, as profits were artificially shifted, impacting the reported profitability of other segments as well.

Violations of ASC 280 Segment Reporting Requirements

The core accounting violation stemmed from the failure to adhere to ASC 280, Segment Reporting. This standard requires that inter-segment transactions be recorded at amounts approximating market terms. ADM’s own representations to investors affirmed this principle [2]. However, the use of non-market-based retroactive rebates and pricing adjustments directly contravened this requirement. By providing the Nutrition segment with preferential pricing not available to third parties, ADM violated the arm’s-length principle, rendering its segment disclosures false and misleading [3].

The SEC’s order found that ADM overstated Nutrition’s operating profit for fiscal years 2019, 2021, and 2022, the third quarter of 2019, and all quarters in 2021 as a result of these improper adjustments [3]. This manipulation had a direct effect on reported segment operating profit and, consequently, on the consolidated financial performance presented to investors, albeit the company stated that these adjustments had no impact on the consolidated balance sheet, earnings, or cash flows [7]. The misrepresentation at the segment level, however, was significant enough to mislead investors about the growth trajectory and profitability of a key strategic business unit.

Internal Control Failures

The accounting fraud was facilitated by a significant breakdown in ADM’s internal accounting controls. The company’s internal investigation, led by its Audit Committee, identified a

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material weakness in its internal control over financial reporting related to accounting practices and procedures for intersegment sales [5] [6]. This material weakness was subsequently disclosed in ADM's restated 2023 Form 10-K [7].

Specifically, the internal control deficiencies included:

- **Lack of Controls over Intercompany Eliminations:** The system failed to adequately prevent or detect the improper adjustments made to inter-segment transactions. This suggests a lack of robust controls to ensure that intercompany balances and transactions were properly eliminated or accounted for at fair value.
- **Inadequate Segment Reporting Controls:** Controls designed to ensure that inter-segment pricing approximated market terms were either absent or ineffective. This allowed executives to manipulate transfer prices without sufficient oversight or challenge.
- **SOX Section 404 Material Weaknesses:** The identification of a material weakness under SOX Section 404 underscored a systemic failure in ADM's control environment. SOX Section 404 requires management to establish and maintain adequate internal control over financial reporting and to assess its effectiveness. A material weakness indicates that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

Governance and Oversight Failures

The involvement of senior executives, including the former CFO, Vikram Luthar, and the negligent approval of improper adjustments by former Chief Financial Officer Ray Young and former Chief Accounting Officer Vince Macciocchi, pointed to significant governance and oversight failures [3]. The pressure to meet aggressive growth targets for the Nutrition segment appears to have overridden ethical considerations and internal control mechanisms.

- **Executive Level Involvement:** The SEC's complaint alleged that Luthar directed the adjustments, and Macciocchi and Young were involved in identifying and structuring these adjustments. Young was found to have negligently approved improper adjustments for fiscal years 2019 and 2021 [3]. This indicates a failure of leadership at the highest levels to uphold financial reporting integrity.
- **Audit Committee Oversight:** The fact that the fraud persisted for several years before being uncovered raises questions about the effectiveness of the Audit Committee's oversight. While the Audit Committee eventually initiated an internal investigation, the

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delay in detection suggests potential shortcomings in its proactive monitoring and challenge of financial reporting practices.

Regulatory Enforcement

The SEC's enforcement action, announced on January 27, 2026, brought the fraud to light and imposed significant penalties. The SEC filed settled charges against ADM, Vince Macciocchi, and Ray Young, and a litigated action against Vikram Luthar [3].

Charges Against ADM and Former Executives:

- **ADM:** Charged with violating antifraud, reporting, internal accounting controls, and books and records provisions of the federal securities laws [3].
- **Vikram Luthar (former CFO):** Charged with violating antifraud provisions, aiding and abetting ADM's violations of antifraud, reporting, books and records, and internal accounting control provisions, and failing to reimburse ADM for certain executive compensation [3].
- **Vince Macciocchi (former Chief Accounting Officer) and Ray Young (former CFO):** Found to have violated antifraud, reporting, internal accounting controls, and books and records provisions, and to have caused certain of ADM's violations [3].

Violations of Federal Securities Laws:

- **Exchange Act Section 10(b) and Rule 10b-5 (Antifraud):** These provisions prohibit fraudulent activities in connection with the purchase or sale of any security. The alleged manipulation of financial results falls directly under these antifraud provisions.
- **Section 13(a) Reporting Requirements:** This section requires public companies to file accurate and complete periodic reports with the SEC. The misstated financial statements due to improper inter-segment transactions constituted a violation of these reporting requirements.
- **Section 13(b)(2) Books-and-Records and Internal Control Provisions:** These provisions require companies to maintain accurate books and records and to devise and maintain a system of internal accounting controls. The identified material weaknesses and the manipulation of transactions directly violated these provisions.

Settlement Terms:

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- **ADM:** Agreed to pay a \$40 million civil penalty and to cease and desist from committing or causing any violations of the relevant federal securities laws. ADM was credited for its cooperation and significant remedial measures [3].
- **Vince Macciocchi:** Agreed to pay disgorgement and prejudgment interest totaling \$404,343 and a civil penalty of \$125,000. He also agreed to a three-year officer and director bar [3].
- **Ray Young:** Agreed to pay disgorgement and prejudgment interest totaling \$575,610 and a civil penalty of \$75,000 [3].
- **Vikram Luthar:** The SEC sought permanent injunctions, an officer and director bar, disgorgement of ill-gotten gains with prejudgment interest, civil penalties, and reimbursement of certain executive compensation [3].

Restatement and Market Impact

The disclosure of the accounting irregularities and the subsequent restatement of financial statements had a significant impact on ADM and its investors. In January 2024, ADM disclosed that the SEC had requested documents related to its accounting practices, leading to the suspension of its CFO [5]. This initial disclosure caused ADM's stock price to plunge by 24% on January 22, 2024, representing a loss of over \$8.8 billion in market value [8] [9].

In March 2024, ADM announced that its internal investigation had identified a material weakness in its internal control over financial reporting related to intersegment accounting and that it would restate past earnings [6]. The company subsequently restated its previously issued 2023 Form 10-K and Forms 10-Q for the first and second quarters of 2024 in November 2024, correcting errors in its historical segment reporting [7]. The restatement specifically reduced Nutrition's operating profit by a combined \$228 million between 2018 and 2023 [2].

This sequence of events, from initial disclosure to restatement and SEC settlement, severely eroded investor confidence and highlighted the financial and reputational costs of accounting fraud. The market's swift and negative reaction underscored the importance of accurate and transparent financial reporting, particularly for key growth segments.

Findings

The Archer-Daniels-Midland (ADM) case study reveals several critical findings related to accounting fraud, corporate governance, and regulatory oversight:

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1. **Systematic Segment Reporting Manipulation:** The investigation confirmed that ADM engaged in systematic manipulation of its Nutrition segment's operating profits between 2019 and 2022. This was achieved through improper inter-segment transactions, including non-market-based retroactive rebates and pricing adjustments, which effectively shifted profits into the Nutrition division. This directly violated ASC 280 requirements for inter-segment pricing to approximate market terms, rendering ADM's segment disclosures false and misleading [3].
2. **Pressure-Driven Earnings Management:** The fraud was largely driven by intense pressure on the Nutrition segment to meet aggressive 15–20% annual operating profit growth targets. This pressure led to a culture where finance teams were compelled to “spin things to hit the number,” indicating a clear instance of earnings management to present a favorable, yet inaccurate, financial picture to investors [2].
3. **Pervasive Internal Control Deficiencies:** A material weakness in ADM's internal control over financial reporting related to intersegment sales was identified. This breakdown encompassed inadequate controls over intercompany eliminations and a failure to ensure inter-segment pricing adhered to market terms. The existence of such a material weakness, as per SOX Section 404, signifies a reasonable possibility of material misstatements going undetected [5] [6] [7].
4. **Significant Governance and Oversight Failures:** The involvement of senior executives, including the former CFO and other high-ranking finance officers, in directing or negligently approving the improper adjustments, points to a severe lapse in corporate governance. The prolonged nature of the fraud also raises concerns about the effectiveness of the Audit Committee's oversight in detecting and preventing such misconduct [3].
5. **Comprehensive Regulatory Enforcement Action:** The SEC's enforcement action resulted in substantial penalties, including a \$40 million civil penalty for ADM, and charges against former executives for violations of antifraud, reporting, books and records, and internal control provisions of federal securities laws. The litigated action against former CFO Vikram Luthar underscores the SEC's commitment to holding individuals accountable for financial fraud [3].
6. **Adverse Market and Reputational Impact:** The disclosure of the investigation and subsequent restatement led to a significant 24% decline in ADM's stock price, representing a loss of over \$8.8 billion in market value [8] [9]. This demonstrates the severe financial and reputational consequences of accounting fraud and the erosion of investor trust.
7. **Post-Restatement Remediation Efforts:** ADM undertook significant remedial measures, including implementing new internal accounting controls, amending policies and procedures, and making changes to its financial leadership team. The company's cooperation with the SEC and its efforts to remediate internal control weaknesses were acknowledged in the settlement [3] [7].

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These findings collectively illustrate how a combination of aggressive performance targets, weak internal controls, and insufficient governance oversight can lead to significant financial reporting fraud, with severe repercussions for the company, its executives, and its investors.

Proposed Solutions/Recommendations

Based on the analysis of the Archer-Daniels-Midland (ADM) accounting and disclosure fraud, the following solutions and recommendations are proposed for companies, regulators, and educators to prevent similar occurrences and strengthen financial reporting integrity:

For Companies (especially diversified conglomerates):

1. **Strengthen Inter-segment Transaction Policies and Controls:** Companies must establish clear, robust policies and controls for inter-segment transactions, ensuring that pricing consistently approximates market terms. This includes:
 - a. **Formalized Transfer Pricing Policies:** Develop and strictly enforce written transfer pricing policies that align with ASC 280 and clearly define methodologies for determining market-based prices for all inter-segment goods and services.
 - b. **Independent Review Mechanisms:** Implement independent review and approval processes for significant inter-segment transactions, potentially involving a dedicated internal audit function or an independent committee, to challenge pricing and terms.
 - c. **Automated System Controls:** Utilize enterprise resource planning (ERP) systems to automate inter-segment billing and pricing, reducing manual intervention and the opportunity for manipulation. Implement system-based checks to flag deviations from established transfer pricing policies.
2. **Enhance Internal Controls over Financial Reporting (ICFR):** Address and remediate material weaknesses in ICFR, particularly those related to intercompany eliminations and segment reporting. Key actions include:
 - a. **Regular Control Effectiveness Assessments:** Conduct frequent and rigorous assessments of control effectiveness, beyond annual SOX 404 compliance, focusing on high-risk areas like inter-segment transactions.
 - b. **Segregation of Duties:** Ensure proper segregation of duties within finance and accounting functions involved in inter-segment transactions and reporting to prevent any single individual from having excessive control.

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- c. **Whistleblower Programs:** Strengthen whistleblower programs and ensure a culture where employees feel safe to report concerns about financial irregularities without fear of retaliation.
3. **Foster an Ethical Tone at the Top and Throughout the Organization:** Leadership must visibly and consistently champion ethical conduct and financial integrity. This involves:
 - a. **Performance Metric Alignment:** Re-evaluate performance metrics and incentive compensation structures to ensure they do not inadvertently encourage aggressive or fraudulent accounting practices. Growth targets should be realistic and supported by sustainable business strategies.
 - b. **Ethics Training and Communication:** Provide regular and comprehensive ethics training for all employees, particularly those in finance, emphasizing the importance of compliance with accounting standards and internal policies.
 - c. **Accountability for Misconduct:** Clearly communicate that any involvement in financial misconduct will result in severe consequences, regardless of seniority.

For Regulators (e.g., SEC):

1. **Increased Scrutiny of Segment Reporting:** The SEC should continue to enhance its scrutiny of segment reporting disclosures, particularly for diversified companies with significant inter-segment transactions. This includes:
 - a. **Focused Reviews:** Conduct targeted reviews of inter-segment pricing methodologies and the impact of such transactions on reported segment profitability.
 - b. **Data Analytics:** Leverage advanced data analytics to identify unusual patterns or trends in inter-segment transactions that may indicate profit shifting or earnings management.
2. **Robust Enforcement Actions:** Continue to pursue robust enforcement actions against both companies and individuals involved in financial reporting fraud. The ADM case demonstrates the deterrent effect of significant civil penalties and charges against executives.
3. **Guidance on Complex Accounting Issues:** Provide clearer and more detailed guidance on complex accounting issues, such as inter-segment pricing and revenue recognition, to minimize ambiguity and potential for misinterpretation.

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For Educators (Graduate-level Accounting, Finance, and Corporate Governance Courses):

1. **Integrate Real-World Case Studies:** Utilize cases like ADM to illustrate the practical implications of accounting standards (e.g., ASC 280), internal control frameworks (e.g., COSO, SOX 404), and ethical dilemmas in financial reporting.
2. **Emphasize Ethical Decision-Making:** Incorporate discussions on ethical decision-making frameworks and the pressures faced by finance professionals, encouraging students to consider the broader societal impact of financial misconduct.
3. **Focus on Governance and Oversight:** Highlight the critical role of audit committees, boards of directors, and internal auditors in ensuring financial reporting integrity and preventing fraud.

By implementing these recommendations, companies can build stronger financial reporting systems, regulators can more effectively protect investors, and future professionals can be better equipped to navigate the complexities and ethical challenges of corporate finance.

Implementation Plan

Following the revelation of the accounting fraud and the SEC enforcement action, Archer-Daniels-Midland (ADM) initiated a series of remediation steps to address the identified deficiencies in its financial reporting and internal controls. An effective implementation plan for preventing future occurrences and rebuilding trust involves both the actions already taken by ADM and further proactive measures based on the proposed solutions.

ADM's Remediation Steps (as of January 2026) [3] [7]:

1. **Internal Investigation:** ADM conducted a thorough internal investigation under the direction and oversight of its Audit Committee, voluntarily reporting its findings to the SEC staff. This proactive step was crucial in understanding the scope and mechanisms of the fraud.
2. **Financial Leadership Team Changes:** The company implemented significant changes to its financial leadership team, indicating a commitment to addressing the root causes of the control failures and fostering a new culture of accountability.
3. **New Internal Accounting Controls:** ADM implemented new internal accounting controls specifically around intersegment transactions. These controls are designed to ensure that such transactions are properly recorded and priced at market terms.

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4. **Amended Policies and Procedures:** The company amended its policies and procedures related to financial reporting and intersegment sales to reflect the new control environment and reinforce compliance with accounting standards.
5. **Testing Effectiveness of New Controls:** ADM undertook efforts to test the effectiveness of its newly implemented controls, a critical step in ensuring their operational efficiency and ability to prevent future misstatements.
6. **Restatement of Financial Statements:** In November 2024, ADM restated its previously issued 2023 Form 10-K and Forms 10-Q for the first and second quarters of 2024, correcting errors in its historical segment reporting. This demonstrated a commitment to accurate financial reporting.
7. **Cooperation with Regulators:** ADM fully cooperated with the SEC in its investigation, which was acknowledged by the regulatory body and contributed to the terms of the settlement.

Recommended Future Implementation Plan:

To further solidify its financial reporting integrity and corporate governance, ADM, and other similar organizations, should consider the following ongoing implementation plan:

1. **Continuous Monitoring and Enhancement of Internal Controls:** Beyond initial testing, establish a continuous monitoring program for internal controls, especially those related to inter-segment transactions. This should include:
 - a. **Quarterly Control Reviews:** Conduct quarterly reviews of inter-segment transaction processes and controls by internal audit, with findings reported directly to the Audit Committee.
 - b. **Technology Integration:** Explore and implement advanced analytics and AI-driven tools to continuously monitor transaction data for anomalies or deviations from established transfer pricing policies.
2. **Reinforce Ethical Culture and Training:** Implement a sustained program to reinforce ethical conduct and awareness throughout the organization:
 - a. **Mandatory Annual Ethics Training:** Conduct mandatory annual ethics training for all employees, with specialized modules for finance and executive leadership, focusing on real-world scenarios and ethical decision-making.
 - b. **Leadership Communication:** Regular communications from senior leadership emphasizing the importance of integrity, transparency, and compliance, and clearly outlining the consequences of non-compliance.
3. **Strengthen Audit Committee Oversight:** Enhance the Audit Committee's capabilities and engagement:

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- a. **Expanded Expertise:** Consider adding members to the Audit Committee with deep expertise in complex accounting areas, such as inter-segment transactions and transfer pricing.
 - b. **Direct Access to Data:** Ensure the Audit Committee has direct, unfiltered access to financial data and internal audit reports, and regularly meets with external auditors and internal audit leadership without management present.
 - c. **Performance Metric Review:** The Audit Committee should actively review and challenge the appropriateness of performance metrics and incentive compensation plans for senior executives to mitigate the risk of earnings management.
4. **Regular External Review of Transfer Pricing:** Engage independent third-party experts to periodically review ADM's transfer pricing policies and their application to ensure they remain consistent with market terms and regulatory requirements. This provides an additional layer of assurance and objectivity.
 5. **Investor Relations Transparency:** Maintain open and transparent communication with investors regarding financial performance, internal control effectiveness, and any ongoing remediation efforts. This helps in rebuilding and maintaining investor trust.

By diligently executing these steps, ADM can not only address the immediate aftermath of the fraud but also establish a robust framework for long-term financial integrity and responsible corporate governance.

Conclusion

The Archer-Daniels-Midland (ADM) accounting and disclosure fraud case serves as a potent reminder of the critical importance of transparent financial reporting, robust internal controls, and unwavering ethical governance in complex multinational organizations. The manipulation of inter-segment transactions within the Nutrition segment, driven by aggressive growth targets, led to a significant misrepresentation of financial performance, ultimately resulting in a substantial SEC enforcement action and considerable damage to ADM's reputation and market value.

This case vividly illustrates how deviations from fundamental accounting principles, particularly ASC 280 concerning inter-segment pricing, can distort segment-level profitability and mislead investors. The breakdown in internal controls, identified as a material weakness under SOX Section 404, underscored the systemic vulnerabilities that allowed the fraud to persist. Furthermore, the involvement of senior executives highlights the profound impact of

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an inadequate ethical tone at the top and insufficient oversight from the board and audit committee.

While ADM has undertaken significant remediation efforts, including strengthening internal controls and making leadership changes, the case offers invaluable learning opportunities for students and professionals alike. It emphasizes the necessity of aligning performance incentives with ethical conduct, establishing rigorous internal control frameworks, and fostering a culture of accountability and transparency. Ultimately, the ADM case stands as a compelling example of the severe consequences that arise when the pursuit of financial targets compromises the integrity of financial reporting and corporate governance.

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