

SCCE 2006 COMPLIANCE AND ETHICS INSTITUTE

Session Name: Compliance & Ethics 202

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The following are challenges, comments and ideas from the breakout sessions. Topics track the USSG's 7 steps, but with modifications (e.g., 3rd parties added to item 3, culture added to item 4).

#1 POLICIES, CODES, PROCEDURES & CONTROLS

- Expense reports bypass CFO's (Stark) - Control needed, checks & balances on signing authority
- Make code real

#2 COMPLIANCE OFFICER, INFRASTRUCTURE, MANAGEMENT & BOARD

- Clarity from management on who is responsible for Compliance & Ethics
- When "compliance" affects plan, it makes big difference
- At FedEx: take training, or else!
- Background of CCO
- Putting a "face" on compliance/ethics by using local representatives
- Board committee focused on compliance/ethics and/or management committee
- Need to train management

#3 SCREENING & THIRD PARTIES

- Some industries require checking against exclusion lists
- Agents and 3rd parties
 - HR Lawyers: concern re co-employment rises
- Solution? Partner with 3rd parties in face-to-face meetings to talk through issues. "We are in this together."

#4 COMMUNICATIONS, TRAINING & CULTURE

- Culture is key consideration
- Awareness of compliance & ethics program, company values as a goal?
- Challenges in decentralized company
- Challenges in "off-line" company
- Using scenes from popular movies in training – there's a company that can get these rights for you

#5 AUDITING & MONITORING

- Audit plans should vary by company (according to risk, size, etc.)
- Redundancy is ideal
- Need to evaluate whether audits provide most important info

- Risk assessment Δ audits – each informs the other
- Consider compliance/ethics “deep dives”

#6 DISCIPLINE & INCENTIVES

- Publishing “issues” and outcomes – i.e., real illustrative cases (“sanitized”) distributed to employees (see also under “response” below)
- Need for different sanctions for different forms of violations
- Push-back on incentives: should you get a reward for doing your job?
- Examples of use of incentives from DII members
- “Bounty for reporting?” Risk to employee morale

#7 RESPONSE TO VIOLATIONS

- Need for consistency in investigations \forall due diligence checklist
- Justify response \forall what are we doing?
- Consider who you’d use to investigate: outside counsel
- Publish sanitized “stories,” e.g., DuPont, Boeing examples
- Make clear ramifications for repeat conduct

#8 ... I MEAN “C” RISK ASSESSMENT

- Obstacles
- Lack of consistency and fear that its “not worth it”
- Solution: schedule it (part of compliance committee meetings), get management to back it
- Use outside resources?
- Limits: creative adversaries, next “big thing.”