

Compliance & Ethics Professional[®]



December
2017

A PUBLICATION OF THE SOCIETY OF CORPORATE COMPLIANCE AND ETHICS

www.corporatecompliance.org

Meet Michael Levin

Senior Director of Compliance,
Ethics & Business Practices
Freddie Mac in McLean, VA

See page 16



27

The components of strong
cybersecurity plans, Part 2:
Security assessment

Mark Lanterman

33

Don't sing the misprision
blues: A little known
compliance risk

Daniel Coney

39

Get the most out of
your compliance
committee

Steve Shoop

43

Caught
doing the
right thing
Marjorie Maier

by Steve Shoop

Get the most out of your compliance committee

- » Establish your committee formally with written documents.
- » Use your compliance risk assessment to assemble the right skills on your committee.
- » Get committee members the information they need in order to allow them to contribute at the meetings.
- » Have a compliance plan and share it with your committee at every meeting.
- » Always show the committee how its work helps to achieve compliance plan goals.

The HHS OIG has called the compliance committee a fundamental component of an effective compliance program. And, having compliance committees is certainly recognized as a best practice in the Compliance field. The difference between merely having a compliance committee and



Shoop

having a carefully planned and well-managed compliance committee can, however, dramatically affect your entire compliance program and your success as a compliance officer. A committee consisting of engaged, interested, and committed organizational leaders will do more to set your program's tone at the top and promote a culture of ethics than dozens of public statements by your CEO on "doings things the right way around here." The right committee will help give the Compliance department a reputation as an enabler of business, rather than the "Department of No," and that's a big win for any compliance program.

The three main areas that require careful planning in order to maximize the effectiveness of the compliance committee are:

(1) The establishment and purpose of the committee—Documenting the source of the committee's authority and the actions it is empowered and expected to take;

(2) The composition or membership of the committee—Including a few "automatic" positions: HR, finance, audit, and legal counsel. Any optional members should be included only after careful thought has been given as to how they will positively impact the work of the committee; and

The right committee will help give the Compliance department a reputation as an enabler of business, rather than the "Department of No."

(3) The information architecture and work flow—Delivering the information committee members need in a timely manner and establishing ground rules governing the way committee members are expected to

work together should be carefully considered and fully documented. Careful planning in these areas will significantly bolster the committee's effectiveness and inevitably increase the relevance and stature of the compliance program.

The establishment and purpose of the committee should be set out in as formal a manner as your organization will tolerate. Ideally, the board (or other governing body) would adopt a resolution establishing the committee, assigning certain positions as members, and stating the committee's mandate. A copy of this resolution should be included as part of any information packet sent prior to each committee meeting. This formality is intended to establish firmly and unambiguously in the minds of the members the reason for the committee to exist and its position within the organization. When committee members understand the importance and visibility of their committee work, they will be motivated to devote significant attention and effort to it. (After all, how many other tasks are the committee members likely to have been assigned to them in writing by the board of directors?) This documentation also will help the committee operate effectively the first time it encounters any kind of difficulty. Crises have a way of creating confusion and faction, but if a clear mandate establishing the board's expectations of the committee exists and is understood, the committee will be able to concentrate on its responsibilities regarding the issue at hand rather than waste time trying to figure out what its duties are.

**The establishment
and purpose of the
committee should
be set out in as
formal a manner as
your organization
will tolerate.**

The people selected to serve as members can make or break the committee. Obviously, members must be ethical and committed to the concept of compliance. But there's more to assembling an effective committee than that. The compliance risk assessment (the first step in designing any effective compliance program) will indicate specific types of skills the committee needs. For example, if much of the organization's compliance risk comes from third-party intermediaries (agents, distributors, etc., doing business on behalf of your organization), then someone intimately familiar with the third-party contracting process should be on the committee. Likewise, if your organization already has a fairly

robust program with a committee that has been functioning fairly well, your committee might consist mostly of individuals skilled in sustaining current programs. Some "revolutionary/visionary" individuals might be included in order to make sure worthwhile innovations don't go unnoticed. But, for the most part, mature, well-functioning committees call for people who excel in managing and maintaining existing programs. If, however, the compliance program is in "start-up mode," it might require a committee that includes successful "change agents" and perhaps a member with marketing experience to help identify ways to effectively position and publicize your program. Each new compliance risk assessment assists in deciding what kinds of skills need to be represented on the committee.

Building the committee framework through "establishing documents" and

selecting the correct people from various departments with the correct skill sets for your organization's current situation are excellent first steps in creating an effective compliance committee. But, not every well-built team functions well. The people named to your committee need to *operate* as a team. It may take time to establish the type of team-oriented, trusting environment required to get the full contribution from your members. The compliance officer must, however, create this team environment as quickly as possible. Every meeting spent as a group of committed professionals working on

important issues will strengthen a perception of compliance as an essential part of the business with an important contribution to make to the organization's success. Committee members will be highly placed individuals in the organization, subject-matter experts, and other people with track records of accomplishment in the organization. People in this group tend to look for opportunities to continue to make significant contributions and are not usually interested in wasting their time in "chat sessions."

The compliance officer can take several steps to build the appropriate structure for the committee. First, as mentioned above, share the compliance program mission statement and charter with the members—often. Also, make sure the mission statement is actionable—something that can be objectively evaluated. Give the mission statement a prominent place on

every agenda. Second, have a compliance plan that covers a certain period of time (quarterly, biannual, annual, etc.), and share the plan with the committee. Put the plan on a file-sharing platform where the members can access it whenever and wherever they want to. Refer to the plan in every committee meeting. Track performance against the plan and keep the committee members informed of the status. Always discuss how the actions you ask committee members to take are moving the plan toward completion. Third, ensure

that members receive the information they need, in the form in which they need it, and with enough lead time to allow them to contribute to committee meetings. Finally, you must build a committee where all members speak up and contribute. Until the members build their own relationships and find a comfortable method of working together, you may have to coax contributions out of some members. (e.g., "Mary, what's your opinion of this control? Do you think it will be effective?") Remember, people were selected to be committee members because you believed they could make strong contributions to the committee. Don't assume that silence during meetings means they can't or don't want to do so. Urge them to contribute. If, however, a member misses too many meetings without the compliance officer's

Committee members will be highly placed individuals in the organization, subject-matter experts, and other people with track records of accomplishment in the organization.

permission, or frequently comes to meetings unprepared, that person should not be a committee member. That behavior sets a bad example for everyone else, and it slows the committee down. Remove that member, pursuant to your previously published process, and move on to a more dedicated person.

If the committee does not function in a way that allows meaningful work to be accomplished, the members most likely will lose interest in the committee quickly, and a golden opportunity to highlight the importance of the compliance program to senior management will have been lost. Conversely, if the committee is structured and managed to allow members to make meaningful contributions to the achievement of the organization's compliance and operational goals, the members will form a positive attitude about their work for the committee and the compliance program in general. The attitudes of senior leaders tend naturally to influence the attitudes of all employees in any organization. A well-managed committee could, therefore, be a very

powerful tool in creating a culture of compliance and ethics.

Following these steps will help your compliance committee become a "team of compliance supporters." Having a well-constructed committee with strong establishing documentation, including a clearly stated mission and goals, carefully selected membership, and good processes regarding the information architecture and expectations of members' contributions can do more for communicating the value of your program throughout the organization than dozens of tent cards on break room tables or posters on walls. When your organization's leaders experience Compliance as a well-run department, helping them keep their operational areas on track and allowing them to make meaningful contributions to the organization's success, word-of-mouth will broadcast the message of the value and importance of compliance. And employees all over your organization will be listening. *

Steve Shoop (sshoop@ix.netcom.com) is a CCEP in New Jersey with more than 15 years' experience in compliance.

Advertise with us!

Compliance & Ethics Professional is a trusted resource for compliance and ethics professionals. Advertise with us and reach decision-makers!

For subscription information and advertising rates, contact Liz Hergert at +1 952 933 4977 or 888 277 4977 or liz.hergert@corporatecompliance.org.

SCCE's magazine is published monthly and has a current distribution of more than 6,500 readers. Subscribers include executives and others responsible for compliance: chief compliance officers, risk/ethics officers, corporate CEOs and board members, chief financial officers, auditors, controllers, legal executives, general counsel, corporate secretaries, government agencies, and entrepreneurs in various industries.

