

LEVERAGING THE EXPERTISE OF COMPLIANCE PARTNERS TO CREATE AND MANAGE CHANGE IN YOUR ORGANIZATION



SPEAKERS

Deena King



Director of Compliance
Texas Woman's University

Mary Shirley



Senior Director, Ethics and Compliance
Fresenius Medical Care

SPEAKER INTRODUCTIONS

Deena King

Deena is the author of *Compliance in One Page* and has over 30 years of experience in a variety of organizations, including local, state, and federal government, higher education, non-profit, utility, and for-profit. Her work with the federal government literally took her all over the world including Stockholm, Buenos Aires, and Hong Kong. Deena has also served on professional and non-profit boards. She has worked for a U.S. regulator and while there was a key player in the design of the Internal Compliance Program Assessment now used by hundreds of entities in the western U.S. Deena is currently the Director of Compliance at Texas Woman's University, the nation's largest public university primarily for women.

Mary Shirley

Mary Shirley is a New Zealand-qualified lawyer with extensive experience in implementing, evaluating, and monitoring compliance programs for multinational corporations. Currently senior director of ethics and compliance for Fresenius Medical Care in Boston, Shirley has previously worked in compliance consultancy in Hong Kong, as in-house compliance for Tata Communications in Singapore, and head of compliance for Aggreko in Dubai.

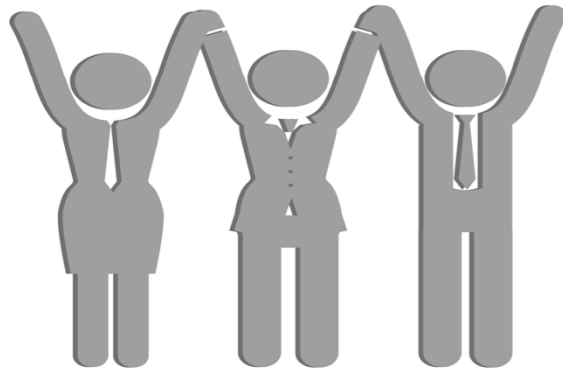
She also has experience working for regulators in investigations roles in the areas of antitrust and data protection.

TODAY'S AGENDA

- Part 1
 - Leveraging the Expertise of Compliance Subject-matter Experts
- Part 2
 - Cultures of Integrity
- Part 3
 - Leading without Authority in Compliance

LEVERAGING THE EXPERTISE OF COMPLIANCE SUBJECT-MATTER EXPERTS

Deena King



TOPICS

- The many layers of compliance
 - Applying best practice frameworks
- Infusing the “seven elements” into all these layers
- Applying best-selling management principles

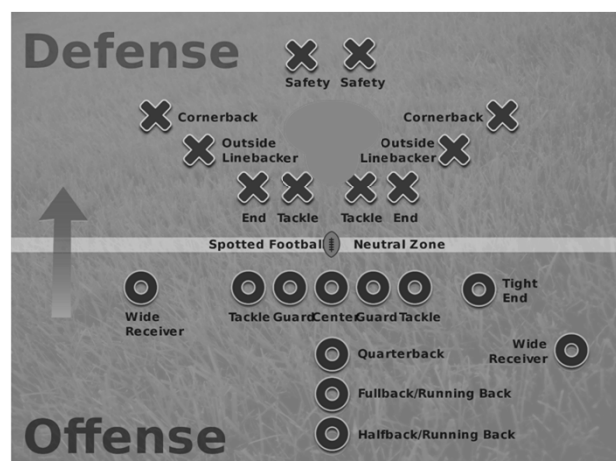
WHAT WOULD HAPPEN IF...

San Quentin was missing one or more sections of the outer fence?



WHAT WOULD HAPPEN IF...

Every player on a football defense was on the field except the middle linebacker?



WHAT WOULD HAPPEN IF...

The night manager at Tiffany & Co. left the front door unlocked all night?

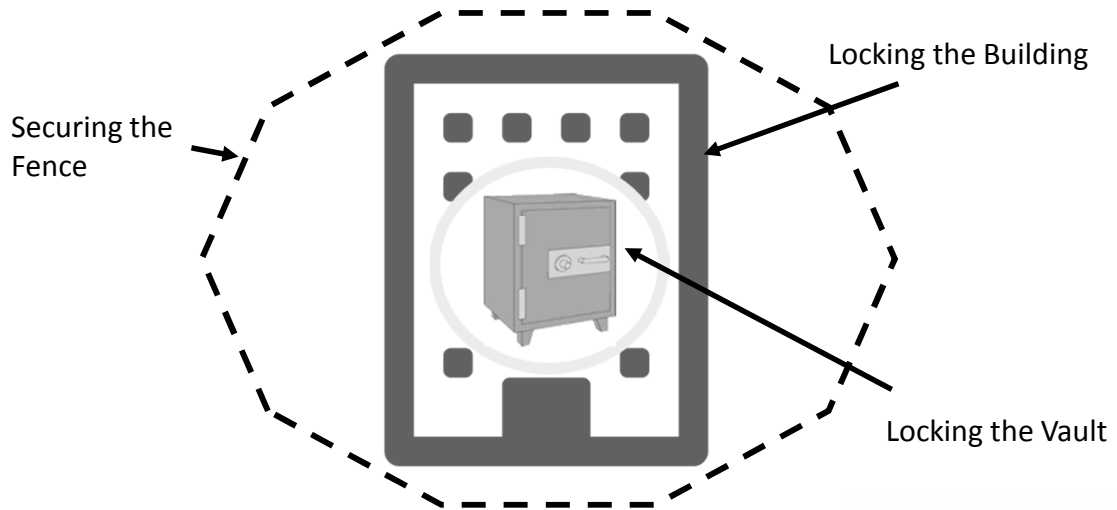


WHAT WOULD HAPPEN IF...

Would all be lost?

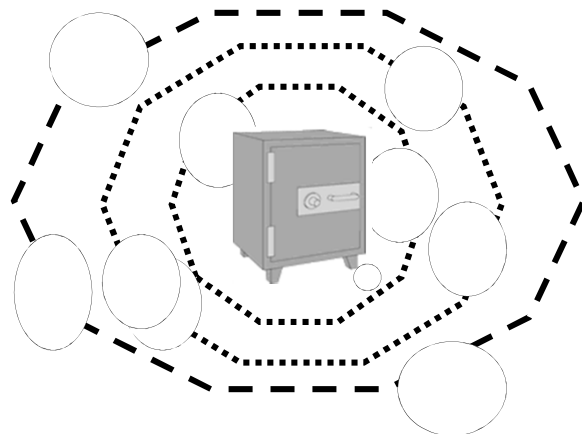
Why or why not?

THE VALUE OF LAYERS



LAYERS IN COMPLIANCE...

Just like these layers, in compliance, everyone plays an important role!!



COMPLIANCE LAYERS

THREE BEST PRACTICE TOOLS



THE EIGHT COMPONENTS AT TWU¹

1. Identify Requirements/Assess Risk
2. Establish/ Modify Compliance Organization
3. Document Standards, Policies, and Procedures
4. Communicate Standards, Policies, and Procedures
5. Implement, Promote, and Enforce
6. Monitor, Audit, and Report
7. Continuous Improvement
8. Leadership/Corporate Culture

The “Seven Elements”

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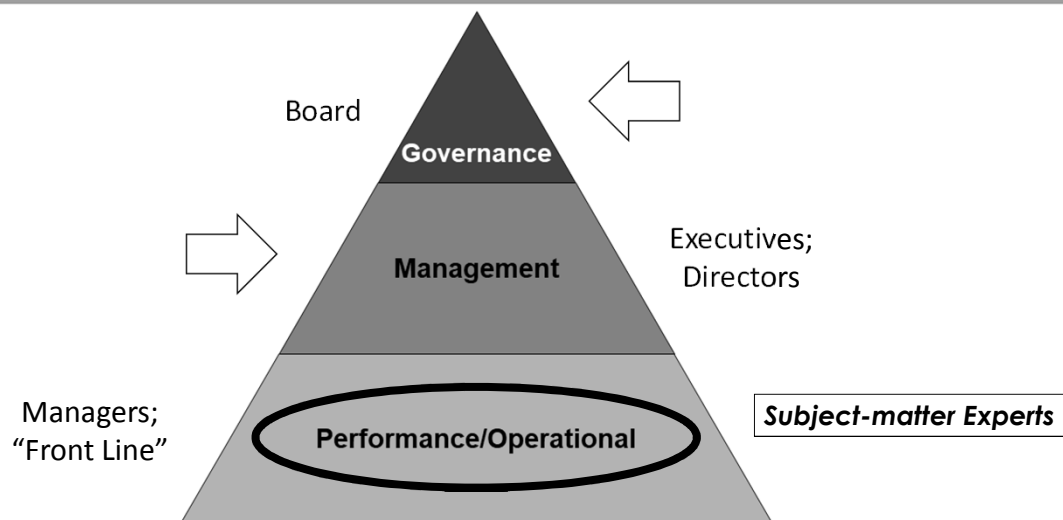
TWU COMPLIANCE PROCESS



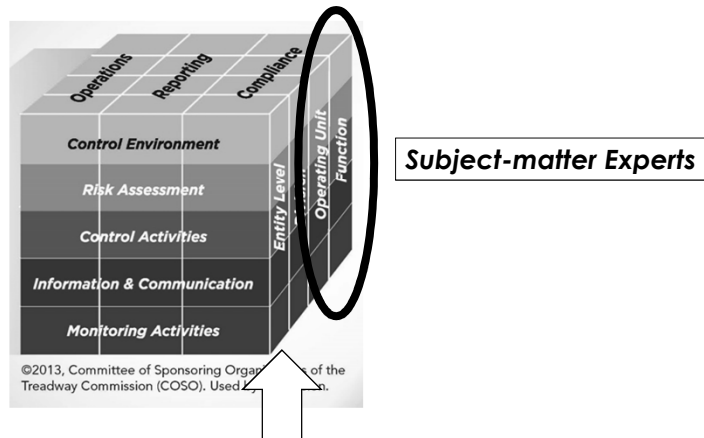
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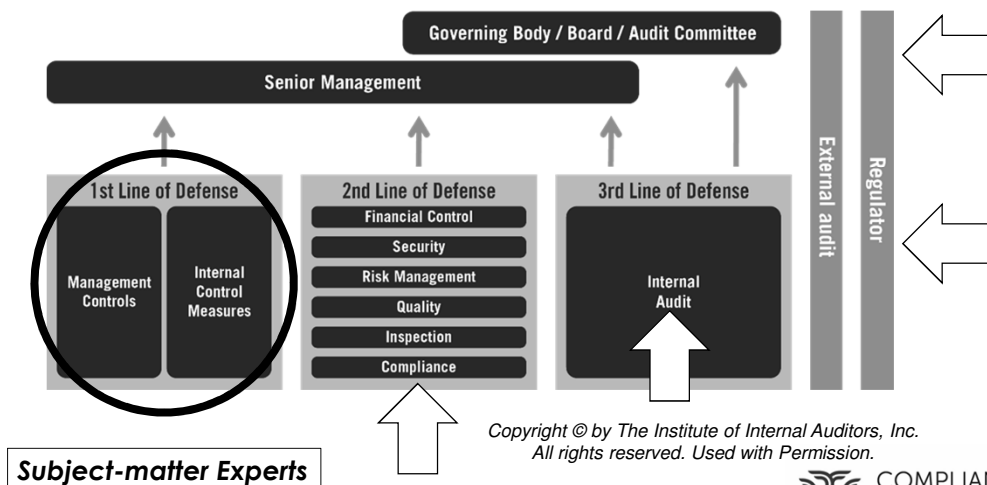
ORGANIZATIONAL HIERARCHY



COSO INTERNAL CONTROL - INTEGRATED FRAMEWORK



THE IIA'S THREE LINES OF DEFENSE MODEL



First Line ("front lines"):

Subject-matter Experts

- Managers/Directors & Their Staff

Second Line - Specialty Offices:

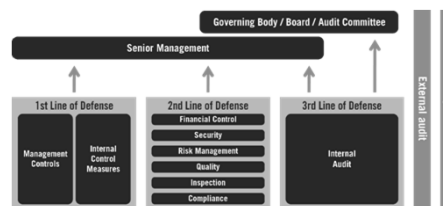
- Environmental Health and Safety
- Compliance
- Risk Management
- Security, etc.

Third Line:

- Internal Auditors

- Board Committee Members
- Compliance Officers
- Compliance Directors
- Compliance Managers or Staff
- Compliance Auditors
- Compliance Partners

Each of you represents a key layer of compliance in your organization!



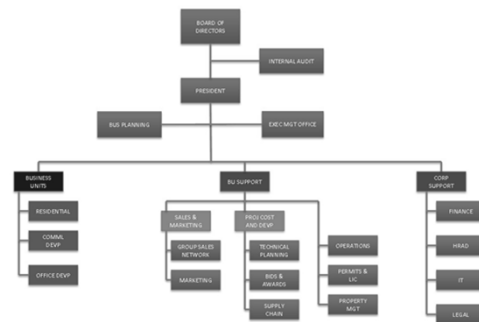
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COMPLIANCE LAYERS

THE STRATEGIES

STRATEGY #1: COMPLIANCE PARTNERS

Leverage EXISTING
management and
operational resources
who have subject-specific
compliance expertise



MANAGEMENT PRINCIPLES

First who...then what.

- Jim Collins
Good to Great, p. 41

Let them become more of who they already are...do everything you can to cultivate [existing] talents.

- Marcus Buckingham & Curt Coffman
First, Break All the Rules, p. 141



WHERE ARE POTENTIAL COMPLIANCE PARTNERS?

- *Higher Education Compliance Alliance*

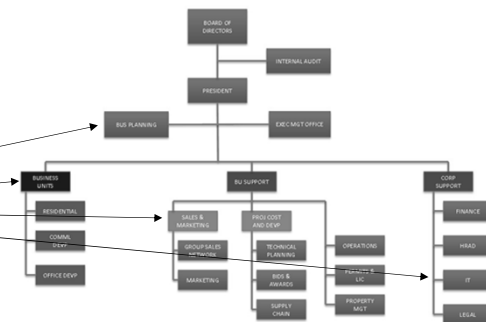
- <http://higheredcompliance.org>

- Matrix

- 265 Statutory Summaries
 - 36 Topics (Areas)

- Employer

- 139 Statutory Summaries
 - 23 Topics (Areas)



WHERE ARE THE COMPLIANCE SUBJECT-MATTER EXPERTS?

- Accounting, Finance, Tax
- Contracts & Procurement
- Environmental Health & Occupational Safety
- Export Controls
- Health Care & Insurance
- Human Resources: Discrimination
- Human Resources: Employee Benefits
- Human Resources: Recruitment Hiring & Termination
- Human Resources: Retirement
- Human Resources: Unions
- Human Resources: Wages
- Intellectual Property
- International Activities & Programs
- Lobbying & Political Activity
- Privacy & Information Security



COMPLIANCE PARTNERS - THE COMPLIANCE NETWORK



STRATEGY #1: WORKING WITH COMPLIANCE PARTNERS

Do's and Don'ts

- Do not “reinvent the wheel”
- Do NOT “take over”
- Minimize input on their turf
- Do respect their timelines
- DO provide oversight when necessary



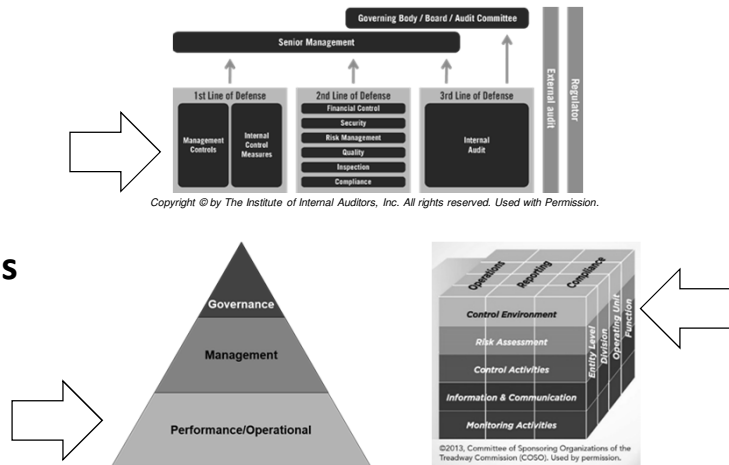
STRATEGY #2: INFUSE THE "SEVEN ELEMENTS"

Encourage ALL levels, including subject-specific compliance programs, to adopt the “seven elements” from the FSG



INFUSING THE "SEVEN ELEMENTS" (EIGHT ACTIVITIES)

- Governance
- Management
- **Subject-specific**
 - **Compliance Operations**



COMPLIANCE ON THE FRONT LINES

1. Identify Requirements/Assess Risk

- Compliance partners:
 - Keep up-to-date on changes to laws/regulations in their areas
 - Do regular compliance risk assessments in their areas

2. Establish/ Modify Compliance Organization

- Compliance partners:
 - Work with their leaders to ensure adequate human resources
 - Modify compliance organization as needed



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COMPLIANCE ON THE FRONT LINES

3. Document Standards, Policies, and Procedures

- Compliance partners establish/modify subject-specific policies/ procedures, as needed



4. Communicate Standards, Policies, and Procedures

- Compliance partners:
 - Communicate and offer training on subject-specific policies/procedures, as needed
 - Maintain training records

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COMPLIANCE ON THE FRONT LINES

5. Implement, Promote, and Enforce

6. Monitor, Audit, and Report

- Self-monitoring
- Self-auditing

7. Continuous Improvement

8. Leadership/Corporate Culture



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TWU BASIC COMPLIANCE PLANNING PROGRAM

The Subject-specific Compliance Plan



FOR INTERNAL USE ONLY		TEXAS WOMAN'S UNIVERSITY
2018 Basic Compliance Plan for: Sample		
Compliance Partner:	Not Identified	(# 1)
Compliance Area:	Copyright & Trademark	
Compliance Program Name:	Sample	
Date of Report:	1/1/2001	
High-level Overview of this Compliance Area/ <i>General compliance obligations of this particular</i> Training, reporting, and specific policies are <i>Primary legal sources of these obligations:</i> Federal: ADA, Title IV, FERPA, IRS, OSHA State: ABC, 123, DRM <i>Agencies that oversee these obligations:</i> Federal: DOE, OCR, NIH, IRS, NSF, HHS State: THECB, TEA <i>What are the risks TWU is exposed to in this c</i> Fines, judgements, loss of funding, damage <i>Other campus areas that have similar compliance</i> HR, Safety, Registrar, Risk, Compliance <small>*Note: The overall purpose of this basic compliance plan is to Texas Woman's University, i.e. that this "compliance and all effective in preventing and detecting criminal conduct" (USD)</small>		
FOR INTERNAL USE ONLY		TEXAS WOMAN'S UNIVERSITY
2018 Basic Compliance Plan for: Sample		
Compliance Partner:	Not Identified	(# 1)
Compliance Area:	Copyright & Trademark	
Compliance Program Name:	Sample	ID 37
Overview of the Basic Compliance Plan 1 - Identify Requirements/Risk Assessment <i>High-level Summary of the Process</i> Compliance Requirements: Once a year, the compliance partner will attend a professional conference that includes a mandatory track on changes to existing regulations and a briefing on new regulations that impact his/her area. In addition, the compliance partner will make arrangements to receive regular emails from a professional organization that will update him/her on changes to existing regulation and briefings on new regulations. Risk Assessment: Once a year the compliance partner will meet with staff and other advisors to review compliance requirements and determine which requirements might bring added risk to their operations. If issues are identified, the department will use sections 2-8 below to design plans to address these compliance risks. 2 - Establish/Modify Compliance Organization Establish/Modify: Establish/Modify: Compliance responsibilities and accountabilities have been assigned and documented. However, the compliance partner will annually review the organization, including roles and responsibilities, job descriptions, committees, etc. and make changes as necessary. Background Checks: We rely on HR for background checks. 3 - Document Standards/Policies/Procedures Establishing New SPP: Establish: As new compliance requirements are identified, the compliance		

MANAGEMENT PRINCIPLE

Give a man a fish, you feed him for the day; teach him how to fish, you feed him for a lifetime.

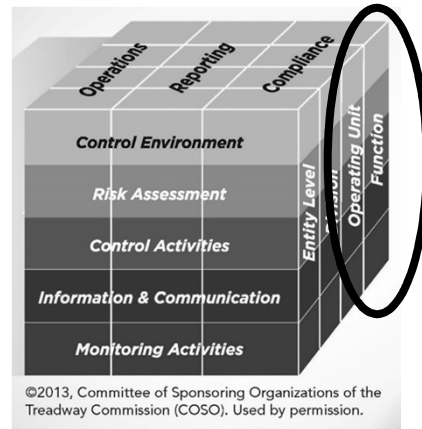
- Eastern Proverb

Adapted by Stephen R. Covey in *Principle-Centered Leadership*



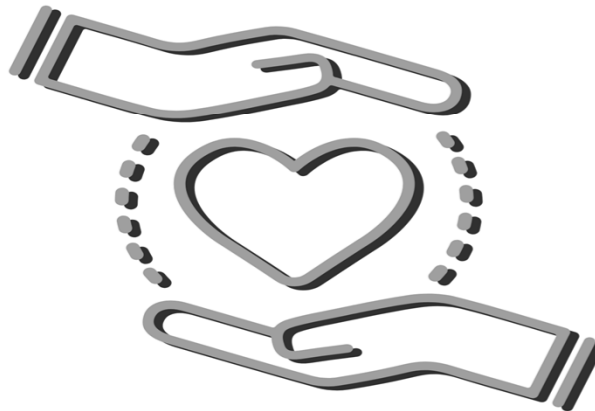
BENEFITS OF COMPLIANCE LAYERS

- Helps infuse compliance into the entire culture and puts everyone on the same page
 - Infuses the “seven elements” from top to bottom (in COSO – front to back)
- Empowers subject-specific compliance areas/partners
- Strengthens the front lines



CULTURES OF INTEGRITY

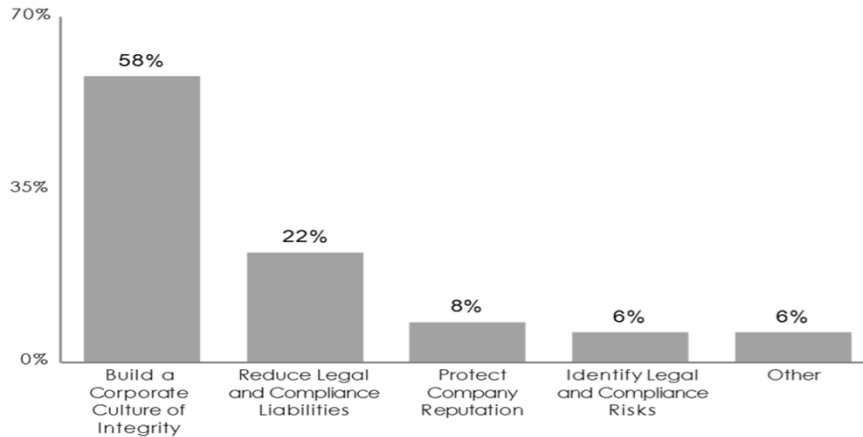
Mary Shirley



Embedding a culture of integrity in a company's DNA.

WORKING TOWARDS A CULTURE OF INTEGRITY

The Primary Goal of the Compliance and Ethics Program
Percentage of Respondents, 2016



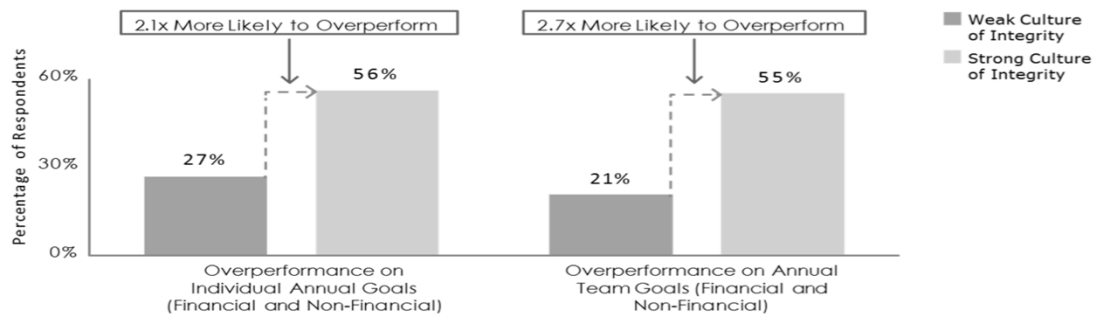
n = 171.

Source: 2016 CEB Compliance and Ethics State of the Function.

A Consistent Priority: Since 2010, building a culture of integrity has been the most frequently cited goal for the program by compliance and ethics officers.

THE VALUE OF STRONG CULTURE

Likelihood of Employee Overperformance in Strong vs Weak Cultures
Percentage of Respondents



n = 5,025.

Source: CEB Compliance and Ethics 2017 Global Culture Assessment.

The Impact of A Strong Culture of Integrity on Risk Management and Employee Outcomes

Employees in strong cultures of integrity are:

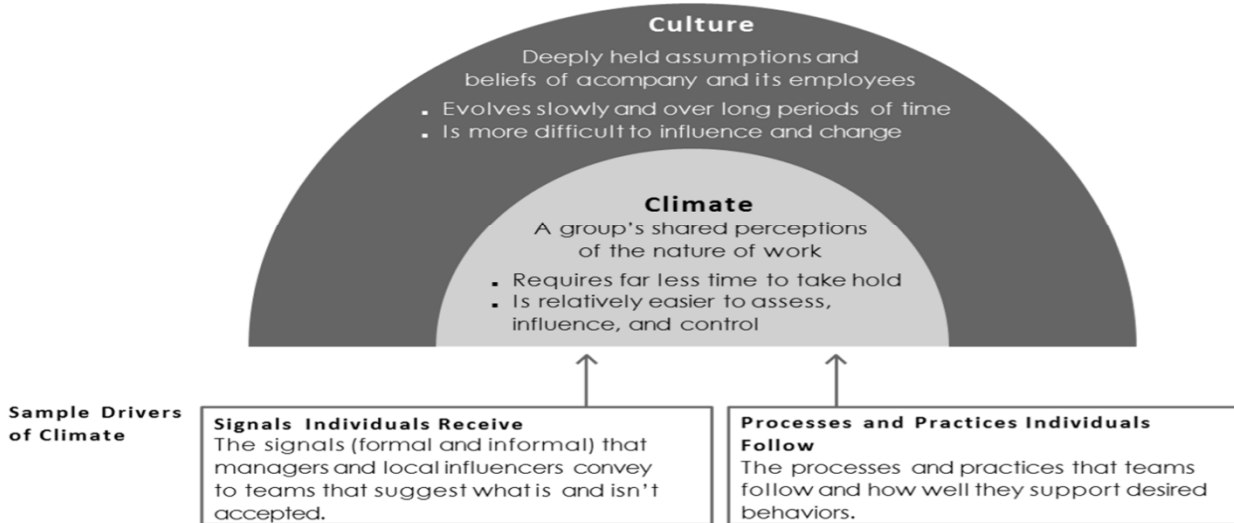
- **90%** less likely to observe misconduct.
- **1.5x** more likely to report observed misconduct.
- **2.1x** more likely to be engaged with their job and company.
- **2.4x** more likely to exhibit higher levels of discretionary effort

n = 1,941,735; n = 5,025.

Source: CEB RiskClarity 2008–2016 Benchmarks; CEB Compliance and Ethics 2017 Global Culture Assessment.

DEFINING "CLIMATE"

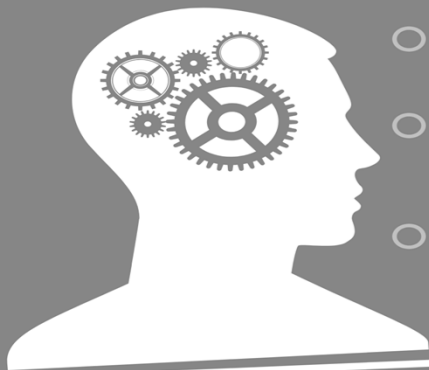
Definition of Culture Versus Climate



Source: Mark G. Ehrhart, William Macey, and Benjamin Schneider, "Organizational Climate and Culture," Annual Review of Psychology 64 (2012): 361-388; CEB analysis.

CEB FINDINGS

ADVANCING A CULTURE OF INTEGRITY BY BUILDING STRONG CLIMATES



- Little improvement in the average employee's perceptions of their company's culture of integrity over the past 9 years.
- A strong culture of integrity can significantly improve employee performance and employee engagement, while reducing the likelihood an employee will observe misconduct.
- More than 70% of employees report working in weak climates where their managers, teams, and colleagues send weak signals about the importance of compliance and ethics.

- Compliance and Ethics can work to create strong climates by:
 - Helping employees exhibit good behaviors in their work,
 - Ensuring managers send consistent messages, and
 - Making colleagues' positive behaviors more visible

A GOOD COMMUNICATIONS PLAN IS NOT ENOUGH

- Embedding culture into a company's DNA requires more than a good communications plan
- A Compliance Week is not the answer to your culture prayers!
 - Don't confuse holding outreach and advocacy events as creating a culture of integrity



CONTINUED EFFORT AND REINFORCEMENT

Continued effort and reinforcement gets colleagues thinking deeply about ethics on a regular basis and makes sure that compliance considerations are inherently part of all business decisions.

1

Enforcing
patterns of
behavior

2

Widespread
reach and
visibility

3

Incentivizing
rather than
threatening



START AS YOU MEAN TO GO ON



Having the right people who already possess an integrity-focused mindset will cut down the proactive work you need to do.



Incorporate compliance questions in the screening interview.



Pose hypothetical or real-life situations that have led to compliance breaches in your company and ask them how they would proceed.



2018 CULTURE SURVEYS - BEHAVIORAL CLOCK INITIATIVE

Core Elements

- Create feedback mechanisms to help managers understand their ethical leadership behaviors and better gauge the consistency of the signals they send their teams.*
- Impose a self-reflection exercise with tips to guide them.

Recipe

- Aim a survey specifically at middle management.
 - Inclusion of compliance topics on the agenda at team meetings
 - Involvement of compliance staff at important meetings
- Meet with them afterwards to discuss self-assessment.
- Follow up with managers in a year, provide them with benchmarking information and best practice examples.
- Help managers plan for how they will send consistent messages about appropriate behaviors during times of increased business pressure or instability.*



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WE TEND TO BUILD CULTURE TOP-DOWN

Compliance and Ethics' Typical Leader-Driven Approach to Culture Building



Assumed Benefits of This Approach

- **Efficiency:** Compliance and ethics can spread cultural values downward, while using limited program resources.
- **Effectiveness:** Employees will learn about culture from individuals that they know and trust.

Source: CEB analysis.

COMPLIANCE COMMENTS - BUILDING ON THE INITIATIVE

During interviews, note comments from influential managers about what they think of compliance

Ask if they would like to be a part of a communication plan to promote compliance

Create a poster using their faces and speech bubbles with the quote about what they think of compliance

Managers will be continuously and visibly accountable for their role-modeling

Use peer norming to nudge managers towards more progressive ethical leadership behaviors and create urgency to send stronger signals.*

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 FRESENIUS
MEDICAL CARE

ONGOING TRANSPARENCY

Sanitize recent compliance issues and post them on the intranet for all to see

Post high-level detail about the context and the punishments that were issued

Won't work for all companies - some executives are deterred at the thought of airing dirty laundry. Anecdotally, companies who have implemented this have found it to be very successful.



COMPLIANCE DISCUSSION GROUPS

- Propose compliance discussion groups to team leaders
- Leaders buy-in to holding semi-regular discussion groups on compliance topics
- Regular opportunities to help teams make better decisions



BLOG

Works well if you have a humorous, charismatic chief compliance officer with excellent writing skills

Get different leaders in the business to rotate authoring the compliance blog

Everyone has an ethics story to tell, not just your compliance colleagues



IN SUMMARY



Culture of integrity plan should aim to shape the DNA of your business

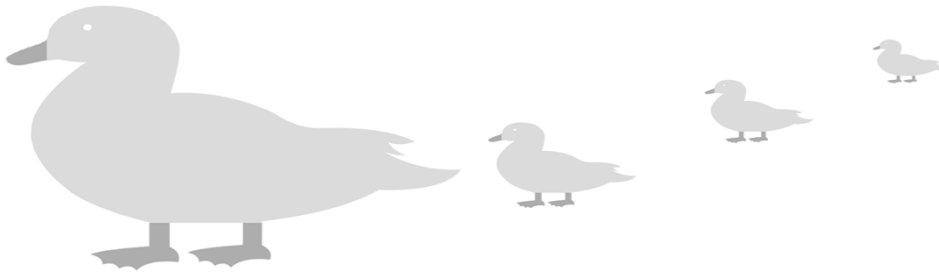


A strong communication plan is important but is not a substitute to furthering your corporate culture of integrity



LEADING WITHOUT AUTHORITY

Deena King and Mary Shirley



OVERARCHING TECHNIQUES

The Federal Sentencing Guidelines (2016)

- "Governing authority" (§8B2.1.b.2.A)
- "High-level personnel...Specific individual(s) within high-level personnel" (§8B2.1.b.2.B)
- "Specific individual(s)" (§8B2.1.b.2.C)



OVERARCHING TECHNIQUES

The Freeh Report (2012)

4.1 Establish and select an individual for a position of "Chief Compliance Officer," The Chief Compliance Officer should:

4.1.3 Coordinate compliance functions in a manner similar to the Office of Internal Audit.

4.1.4 Have similar access to, and a reporting relationship with the Board, as does the Internal Auditor.



STRATEGY #1: WORKING WITH COMPLIANCE PARTNERS

Additional Thoughts

- Be a true partner
- Remember:
 "With people, slow is fast and
 fast is slow."
 --Stephen Covey



THE THREE PEOPLE YOU MEET IN HEAVEN (AKA COMPLIANCE)



The non-believer



The committed
but time poor



The do as I say,
not as I do



THE NON-BELIEVER



How to spot them: smirking when in conversation with you, Compliance isn't invited to their big meetings, playing on their phone when Compliance is presenting



Best way to get buy in: Peer norming and acknowledgement of their views on Compliance



THE COMMITTED BUT TIME POOR



How to spot them: You don't - they're always in back to back meetings! Haven't taken a vacation in five years and genuinely care about their work and integrity.



Best way to get buy in: Spoon-feed opportunities, anticipate needs and proactively fulfill them.



THE DO AS I SAY, NOT AS I DO LEADER



How to spot them: They're the first to loudly champion ethics and integrity causes but when you view annual training completion rates, they're overdue



Best way to get buy in: Let them make commitments to you, utilize their administrative assistant



QUESTIONS?



COMPLIANCE
TEXAS WOMAN'S UNIVERSITY



FRESENIUS
MEDICAL CARE

THANK YOU!

Deena King

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