Next Generation Anti-Corruption Compliance Programs

Transforming a Policy-Based Program
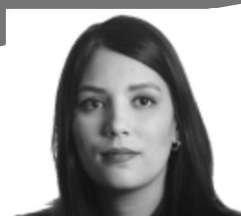to a Controls-Based Program

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Speaker Bios

Parth Chanda
CEO
Lextegrity

Samantha Barrett Badlam
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Natasha Trifun
Executive Director, R&D, Global Medical, External Funding, Quality and Operations
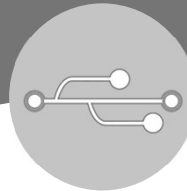Alexion Pharmaceuticals, Inc.

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ELEMENTS OF NEXT GENERATION ANTI-CORRUPTION COMPLIANCE

Real-Time
Data-Driven
Risk Assessment
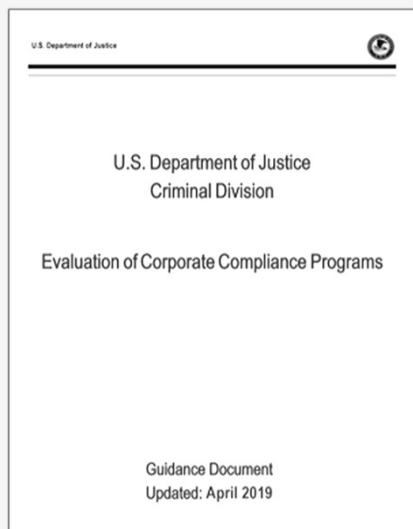
Dynamic
Employee
Engagement

Unified and
Integrated
Systems

Data Analytics &
Continuous
Monitoring

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U.S. Department of Justice

U.S. Department of Justice
Criminal Division

Evaluation of Corporate Compliance Programs

Guidance Document
Updated: April 2019

The DOJ's 2019 **Evaluation of Corporate Compliance Programs** guidance requires the following considerations:

1. "Is the corporation's compliance program **well designed**?"

2. "'Is the program being applied earnestly and in good faith?' In other words, is the program being **implemented effectively**?"

3. "'Does the corporation's compliance program **work' in practice**?"

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The DOJ's 2018 **Selection of Monitors in Criminal Division Matters** guidance requires the following considerations in determining whether a monitor is needed:

- "whether the corporation has made **significant investments in, and improvements to**, its corporate compliance program and **internal control systems**"

- "whether remedial improvements to the compliance program and internal controls have been **tested** to demonstrate that they would **prevent or detect similar misconduct** in the future."
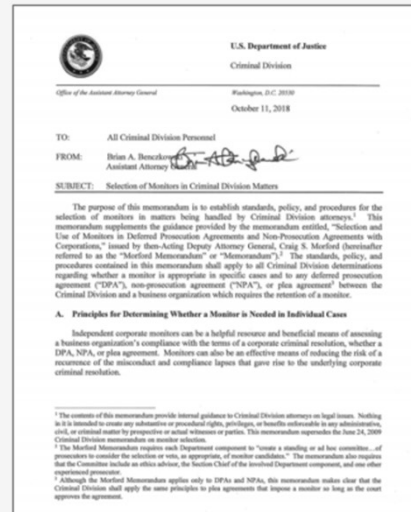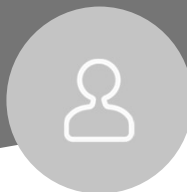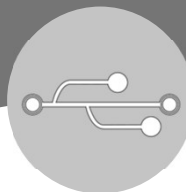

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ELEMENTS OF NEXT GENERATION ANTI-CORRUPTION COMPLIANCE

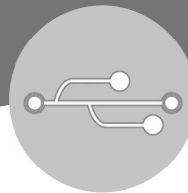| Real-Time Data-Driven Risk Assessment | Dynamic Employee Engagement | Unified and Integrated Systems | Data Analytics & Continuous Monitoring |

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ELEMENTS OF NEXT GENERATION ANTI-CORRUPTION COMPLIANCE

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DOJ 2019 Guidance: Risk Assessments

Prosecutors may give credit for programs that give "appropriate attention and resources" to **transactions designated as higher-risk**, even if the program fails to prevent a violation in a low-risk area.

Considerations for the **Risk Management Process:**

- "What **methodology** has the company used to identify, analyze, and address the particular risks it faces?
- "What **information or metrics** has the company collected and used to **help detect** the type of misconduct in question?
- "How have the information or metrics **informed** the company's compliance program?"

Considerations for **Risk-Tailored Resource Allocation**:

- "Does the company give **greater scrutiny, as warranted, to high-risk transactions** (for instance, a large-dollar contract with a government agency in a high-risk country) than more modest and routine hospitality and entertainment?"

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RISK ASSESSMENT

FIRST GENERATION

- Subjective & Soft Inputs

- Infrequent (Annual)

- Missing Key Data

- Paper Based

NEXT GENERATION

- Subjective **and** Objective Data Inputs

- Real-Time/Continuous

- Integration of multiple data sources

- Automated using technology

- Risk across multiple dimensions (e.g., country, vendor, employee, etc.)

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REAL-TIME DATA-DRIVEN RISK ASSESSMENT

Locational Risk Analysis | Dashboard 1 | Dashboard 2 | Dashboard 3

Risk Indicator Formula

Vendor Average Risk

Period | Region | Overlay Spend
Yes / No

Dashboard Overview
Explore geographic risk using the risk formulae uniquely generated from company data.

Normalized Risk Score

Automated platform

Ingesting real-time data from ERP, T&E and Investigations

Multi-dimensional risk ranking

Machine learning to adjust risks over time

Visualization of data for ease of understanding

Access controls to provide limited cuts of data to management

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GEOSPATIAL BY VENDOR RISK

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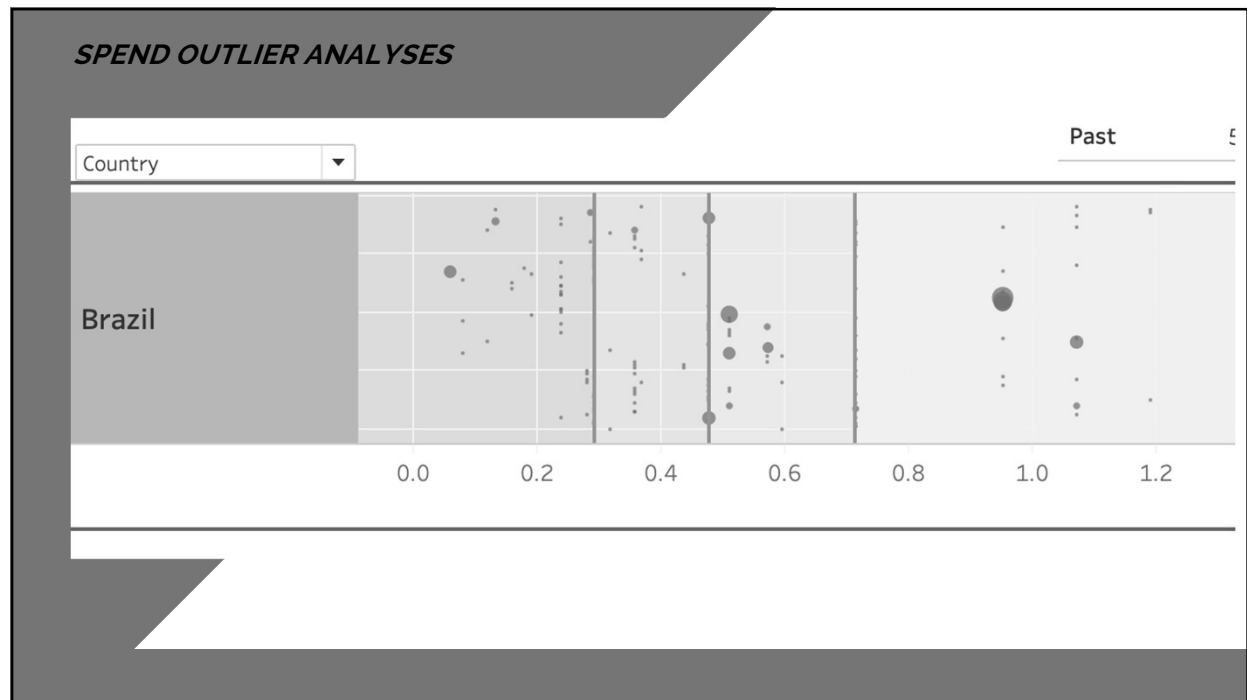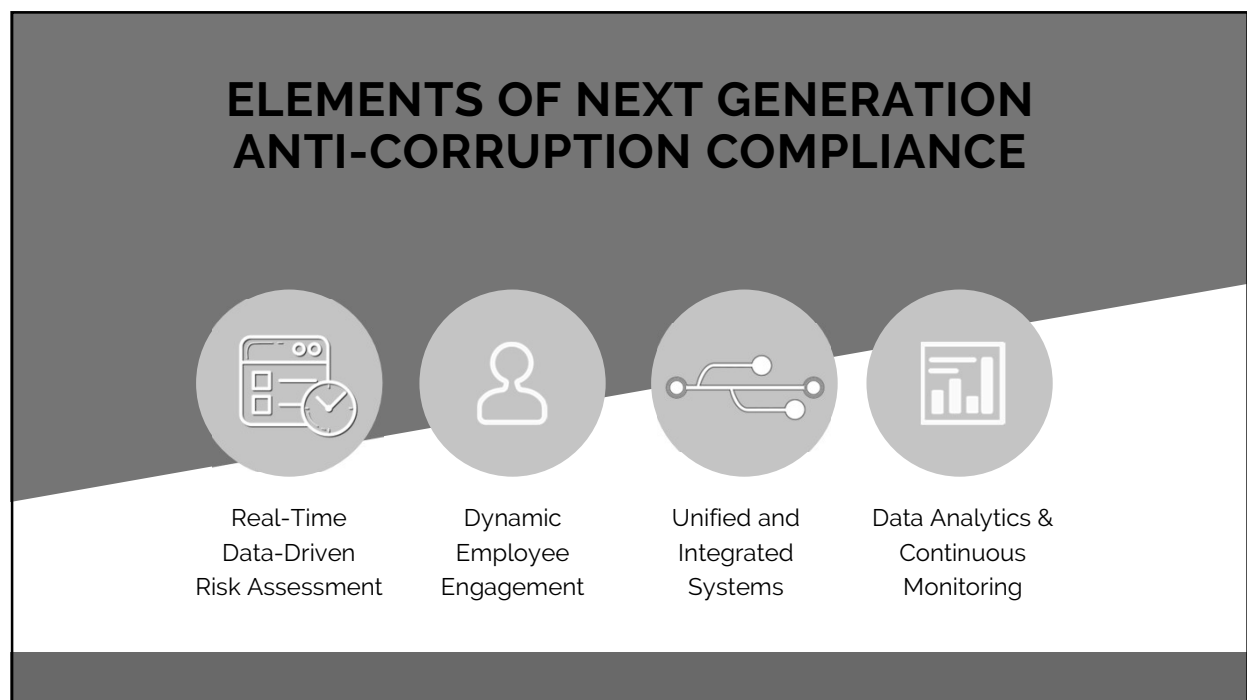**GEOSPATIAL BY EMPLOYEE RISK**

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ELEMENTS OF NEXT GENERATION ANTI-CORRUPTION COMPLIANCE

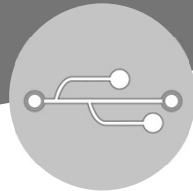| Real-Time Data-Driven Risk Assessment | Dynamic Employee Engagement | Unified and Integrated Systems | Data Analytics & Continuous Monitoring |

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ELEMENTS OF NEXT GENERATION ANTI-CORRUPTION COMPLIANCE

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DOJ 2019 Guidance: Training & Engagement

"Prosecutors, in short, should examine whether the compliance program **is being disseminated to, and understood by, employees in practice** in order to decide whether the compliance program is 'truly effective.'"

Considerations include:

• "What, if any, guidance and training has been provided to **key gatekeepers in the control processes** (e.g., those with approval authority or certification responsibilities)?"

• "[W]hether the company has relayed information in a manner **tailored** to the audience's size, sophistication, or subject matter expertise. Some companies, for instance, give employees **practical advice or case studies to address real-life scenarios**,"

• "Have supervisory employees received **different or supplementary training**?"

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EMPLOYEE ENGAGEMENT

FIRST GENERATION

- Generic E-Learning Modules

- Infrequent (Annual)

- Multiple/Siloed Processes/Forms

- Paper Based

NEXT GENERATION

- Dynamic Functional Training

- Point-in-Time and Embedded in Company Processes

- Automated and Accessible on Desktop and Mobile

- Multilingual

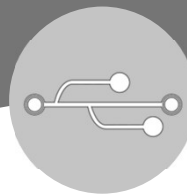- Real-time data and reporting

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ELEMENTS OF NEXT GENERATION ANTI-CORRUPTION COMPLIANCE

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DOJ 2019 Guidance: Unified and Integrated Systems

Prosecutors should examine whether "policies and procedures. . . ensure the compliance program is **well-integrated into the company's operations and workforce**."

Considerations include:

- Has "the company's third-party management process. . . **been integrated into the relevant procurement and vendor management processes**?"

- "In what specific ways are compliance policies and procedures **reinforced through the company's internal control systems**?

- "What mechanisms exist to ensure that the contract terms specifically describe the services to be performed, that the **payment terms are appropriate**, that the described contractual work is performed, and that **compensation is commensurate with the services rendered**?"

Enforcement Case Studies: Anheuser-Busch InBev (2016); Walmart (2019)

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UNIFIED & INTEGRATED SYSTEMS

FIRST GENERATION

- Siloed Diligence and Pre-Approval Disconnected from Vendor Master & Payment Systems

- Work-around payment processes

NEXT GENERATION

- Unified Cross-Risk Approvals, from Vendors to T&E and COI

- Integration of approval with vendor master, P2P and T&E systems

- Hard controls to validate approvals

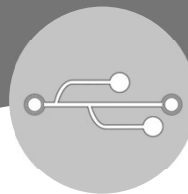- Identifying and closing work-around payment processes

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ELEMENTS OF NEXT GENERATION ANTI-CORRUPTION COMPLIANCE

Real-Time Data-Driven Risk Assessment

Dynamic Employee Engagement

Unified and Integrated Systems

Data Analytics & Continuous Monitoring

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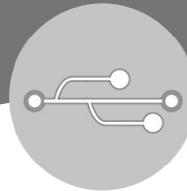
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DOJ 2019 Guidance: Data Analytics & Continuous Monitoring

"Prosecutors should likewise look to whether a company has taken 'reasonable steps' to "ensure that the organization's compliance and ethics program is followed, including **monitoring and auditing**"

Considerations include:
- "[W]hether the company engaged in **ongoing monitoring of the[ir] third-party relationships**,"

- "**How often does internal audit conduct** assessments in high-risk areas?" "What **testing of controls**, **collection and analysis of compliance data**, and interviews of employees and third-parties does the company undertake."

- "Has there been sufficient staffing for compliance personnel to **effectively audit, document, analyze, and act on** the results of the compliance efforts?"

- "What types of audits **would have identified issues** relevant to the misconduct? Did those audits occur and **what were the findings**?"

Enforcement Case Study: Microsoft (2019); **Compliance Program Case Study**: Credit Suisse (2017)

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DATA ANALYTICS & CONTINUOUS MONITORING

FIRST GENERATION

- Manual and Infrequent audits

- Judgmental samples

- Weak feedback loop for findings

NEXT GENERATION

- Automated Monitoring with Technology

- Real-Time/Continuous on ALL spend

- Clear documentation of resolution

- Machine Learning to continuously improve monitoring engine

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Next Generation Continuous Monitoring

Risk Engine

Monitoring Review & Remediation Workflow

Risk Insights

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RISK-RANKING EVERY SPEND ITEM

NAME ▾	COUNTRY ▾	ENTITY ▾	NATURE ▾	VALUE ▾	RISK SCORE ▾	
Santos International	Brazil	AB123	Services	$6,000	4.9	VIEW
David Brydon	Canada	XY456	Meals			
David Brydon	Canada	XY456	Entertainm			
Susy Stagge	United States	BY310	Meals			

RISK ENGINE SUMMARY

Strong	Moderate	Weak
1	1	0

RATING	ANALYSIS FOCUS	ANALYSIS NAME
Strong	Conflicts of Interest	Vendor & Employee
Moderate	Anomaly	Round Dollar

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WITH A WORKFLOW & AUDIT TRAIL

Sections

Risk Engine Results

Follow-Up

Remediation

History & Comments

‹ BACK TO TRANSACTIONS

Transaction #1234567   [Awaiting Remediation]   ‹ ›

Cycle 14 — as of 3/01/2019

Remediation Steps ⓘ   —

Type	Owners	Last Modified	Due Date	Remediation Step Status	
Control Enhancement	Jonathan Joseph	6/30/19	6/29/19	Open Past-Due	+
Policy Enhancement	Jonathan Joseph	6/21/19	6/30/19	Open	—

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Next Generation End-to-End Risk Management

Dynamic Training and UX	Data-Driven Risk Assessment	Pre-Approval/ Due Diligence	P2P, ERP and T&E Integration	Spend Monitoring
Intuitive and Embedded	*Continuous and Integrated*	*Unified Cross-Risk with Best-in-Class Technology*	*Integration via API*	*Automated and Continuous on All Spend*
Dynamic and Functional Training Embedded in Processes	Risk Insights Informed by Pre-Approvals, Monitoring and Investigations	Third-Party Due Diligence Gifts & Hospitality Conflicts of Interest Sponsorships/ Donations	P2P (Purchase Req.) ERP (Vendor Master) T&E (Expenses)	Continuous Monitoring Using Sophisticated Algorithms and ML Validation of Pre-Approval Data with Spend Data

Continuous Risk Feedback Loop

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Questions?

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