

Abridged

DEFINITIVE GUIDE TO

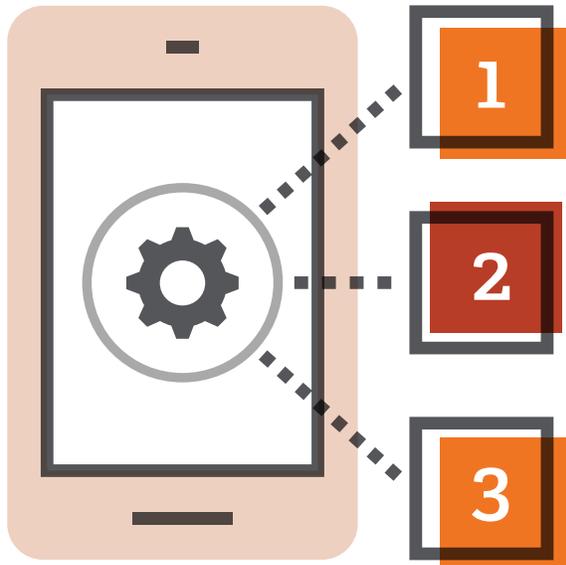
COMPLIANCE PROGRAM ASSESSMENT



The essential step to starting or improving your compliance program

This version of our Definitive Guide to Compliance Program Assessment is your first-step resource to help your organization evaluate and improve its ethics and compliance program through industry evidence and insights.

Why Is Compliance Program Assessment Important?



A strong ethics and compliance program improves organizational culture, protects corporate reputation and enhances employee engagement. When an ethics and compliance program is lacking, an organization could be exposed to significant risk. To ensure compliance programs meet ongoing best practices, assessments and regular reviews are necessary, valuable and expected by numerous internal and external parties, including government agencies.

Your ethics and compliance program is an ecosystem of moving parts. New laws and regulations, new lines of business, new geographies and mergers and acquisitions become part of a growing enterprise your compliance ecosystem must support. This requires those in charge of the system to regularly revisit and assess their risk and priorities to make necessary adjustments that ensure an effective compliance program.

Simply put:

An ethics and compliance program assessment is a comprehensive evaluation of how your program:

- » Measures up against organizations with similar size, industry and footprint
- » Meets globally recognized industry accepted standards
- » Helps close gaps in risk mitigation and defines improvements in a prioritized manner via a multiyear work plan to achieve your organization's desired level of program maturity

Basic Definitions

As you work through your program assessment, use these basic definitions to effectively communicate the program characteristics you are working on as well as ensure all those who review the assessment share a common language.



Program Effectiveness

Did we take the right actions?



Program Efficiency

Did we execute them well?



Program Improvement

Has organizational learning been put into action?



Demonstrated Value

Do we have proof points by stakeholder?

Key Goals of Compliance Program Assessment

Ensure key, fundamental program elements are in place (e.g., a hotline and incident management system)

Evaluate the effectiveness of program implementation

Measure impact on organizational culture, including employee awareness of, and engagement with, the program

The Importance of Culture

Along with assessing for external factors, a robust program must account for an important internal variable – human behavior. Even with strong policies and compliance procedures in place, employee behavior presents the highest risk for your compliance program. It is difficult to know if your efforts are truly changing behavior, fostering ethical practices and reducing risk without assessing effectiveness at the individual employee level. A robust quality assessment will help you understand the impact your current ethics and compliance program is having on employees as well as the overall corporate culture.

Does your organization have an effective compliance program assessment? This handy checklist will help you see how you rate.

- Has your organization developed a well-defined risk profile?
- Does your organization have an Employee Ethics Committee?
- Has your organization identified unique organizational gaps with specific guidance needs to be provided to employees?
- Does your organization have a communications plan for policy awareness and training?
- Does your organization use a tracking system for all reports and issues received?

 [View the Full Definitive Guide to Compliance Program Assessment](#)

ASSESSMENT

Prepare for an Assessment that Produces Actionable Results

There are many things to consider in preparation for an ethics and compliance program assessment. The first, however, should be determining who will authorize it. A program assessment that is requested and authorized by your board of directors carries the most weight both internally and externally. Program assessments that are authorized by senior management or the general counsel's office, and provide board-level visibility and support, are also effective.

Along with authorizing, consider who will manage the assessment. It is likely this responsibility will fall to the senior compliance executive. But in some cases, the assignment may be given to another department like Audit or Legal.



Attorney-Client Privilege?

Regardless of who is authorizing or conducting the assessment, there is an additional consideration: whether or not it should be conducted under attorney-client privilege. A benefit of doing an assessment under the direction of an attorney is knowing that any performance or documentation gaps uncovered can be examined and addressed with less fear that the results will be discoverable in legal proceedings. On the negative side, working under and maintaining privilege means that communication of the assessment findings and recommendations must be rigorously controlled, usually limited to those with a "need to know."

How Do You Define Effectiveness?

This is the age-old question with an answer that will vary by audience. What is important to employees may differ from what is important to regulators or your board. Before you begin your assessment, take the necessary steps to define a definition of *effectiveness* that supports your program and its goals.

As you set the goals of your program assessment, consider how effectiveness will be determined in regard to the following categories: awareness, behavior change, risk control, resources, regulatory compliance and program progress.

How Do External Parties Define Effectiveness?

There is no single standard that suits all situations or organizations; however, various guidelines and frameworks are aligning on a similar set of standards with varying levels of emphasis on program components such as anti-bribery and corruption. The timeline below shows examples of governmental and international guidance.

	Federal Sentencing Guidelines (FSG)	Medicare 7-Elements	FSG Revisions	UK Bribery Act	COSO Revision	DOJ Evaluation					
1986	1991	1992	1999	2002	2004	2010	2011	2012	2013	2015	2017
Defense Industry Initiative		COSO	Sarbanes Oxley Act	Dodd-Frank	FCPA Guidance	DOJ Compliance Counsel					

When assessing your program, it may be most useful to start with these three guiding measures for a well-rounded program: U.S. Federal Sentencing Guidelines 8B2.1; COSO Framework’s 17 Principles of Effective Internal Control; and the recently released U.S. Department of Justice Evaluation of Corporate Compliance Programs.

U.S. Federal Sentencing Guidelines for Organizations

The guidelines state, in part, that to have an effective compliance and ethics program, an organization shall: *“Exercise due diligence to prevent and deter criminal conduct; and otherwise promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.”*

COSO Framework’s 17 Principles of Effective Internal Control

The COSO Framework highlights 17 principles within five internal control components designed to *“improve organizational performance and oversight and to reduce the extent of fraud in organizations.”*

U.S. Department of Justice Evaluation of Corporate Compliance Programs

The DOJ evaluation provides *“common questions that we may ask in making individualized determination”* to effectively accommodate a company’s unique risk profile and the solutions it uses to reduce its risks.

Who Determines Effectiveness?

How you define *effective* should take into account for whom you are defining it. An effective compliance program can mean different things to different stakeholders. For your program to truly be considered effective, it must hold up to a number of varying perspectives. Consider the perspectives below as you define *effective* for your program:

- » Federal Sentencing Guidelines
- » Ethics officer
- » Employees
- » Senior management
- » Board of directors
- » Customers/Suppliers
- » Shareholders
- » U.S. Attorneys

What Proves Effectiveness?

Effectiveness is captured through data-driven information. This information is the evidence you can cite to prove your program’s effectiveness objectively. Use the materials listed below as your guide to identifying the information you will assess to prove your program’s effectiveness in the eight essential components of a compliance program.

Materials to Collect from Your Management Systems

<p>Policy Management</p> <ul style="list-style-type: none"> » Code and policy attestations » Incidents of non-compliance » Code of Business Conduct » Mission and values statement » Incentive documentation » Standards and procedures 	<p>Ecosystem Management</p> <ul style="list-style-type: none"> » Benchmarking with peers » Employee surveys » Employee focus group data » Exit interview feedback » Performance evaluation/ appraisal instruments (from HR) » Internal audits » Organizational structure » Quality metrics » Responses to issues found 	<p>Incident Management</p> <ul style="list-style-type: none"> » Retaliation reports and findings » Helpline call tracking, trending and benchmarking HR statistics » Investigations data
<p>Third-Party Risk Management</p> <ul style="list-style-type: none"> » Risk assessments » Third-party audits 		<p>Training Program Management</p> <ul style="list-style-type: none"> » Executive communications » Legal actions » Training evaluations

IMPLEMENT & MEASURE

Assess the Eight Essential Components of an Effective Program

1. Risk Assessment

A risk assessment is key to developing your organization's risk profile. Your risk profile is an evaluation that identifies the unique risks your organization may face given its industry, geography and employee population.

2. Oversight, Structure & Leadership

Your program needs both appropriate oversight to protect from risk and commitment from leadership to drive behavior and culture. Therefore it is essential to inform and engage your senior management and board of directors in your program and its goals.

3. Standards, Policies, & Procedures

Your policy assessment identifies that your organization has a code of conduct as well as standards and procedures in place that ensure compliance with internal values as well as applicable governmental laws, rules and regulations.

4. Alignment with HR Practices

The efforts of your HR department and your compliance program should be complementary. Proper assessment of your program will ensure HR and compliance policies never conflict in what is expected or required of employees.

5. Communications & Training

A strategic communications plan and training program keeps employees informed and tested on the policies they are responsible for knowing. A regular and effective communications plan will ensure employees are aware of policies, managers know their responsibility to respond to raised issues and lessons learned are consistently used to improve culture.

6. Reporting & Response

Your compliance assessment will evaluate your reporting process to ensure employees can easily and comfortably report issues. It will also assess your program's process to respond to and resolve those reports.

7. Monitoring & Assessment

Evaluate the effectiveness of your assessment process itself. This is an opportunity to work with your internal audit team as well as other subject matter experts who can provide insight to the mitigation of risk, or lack thereof, from program efforts.

8. Culture

There is always some variance between what your organization has communicated and what employees believe to be true. Your program assessment will evaluate the methods in place to drive culture and the effectiveness of those efforts to change behavior.



Systematize Your Assessment

When evaluating each program component, we recommend using a simple three-tiered system for grading each area: green, yellow and red.

- » **Green** indicates best practices are being met with robust processes in place
- » **Yellow** indicates the component is in process or partially meeting best practices
- » **Red** indicates not yet meeting best practices or needs attention

Sample Assessment Checklist

Program Component			
Oversight, Structure & Leadership			
Is the board of directors knowledgeable about the content and operation of the ethics program?			
Does the board exercise reasonable oversight of the implementation and effectiveness of the program and the organization's culture?			
Does the organization have a high-level person and a person with day-to-day responsibility assigned to manage the program? Is there a defined relationship with the board of directors?			
Is the board (or a committee thereof) accessible to individuals with day-to-day responsibility including meeting with them in executive sessions?			
Does the board (or a committee thereof) receive timely reports of significant issues and investigations involving the company or any elected officers?			
Does senior leadership understand and exercise their responsibilities to create and maintain a culture that supports compliance with the law and ethical conduct?			
Is there an Ethics Committee or Council of company management that receives information from the high-level person or the person with day-to-day responsibility and also provides practical input into the program?			
If appropriate, are there committees or councils designated to ensure that ethics initiatives are appropriately deployed in regional areas where significant differences in requirements or culture could leave certain risk areas unaddressed?			
Have ethics responsibilities been assigned to line management? Are they knowledgeable about the content and operation of the ethics program?			

 [View the Full Definitive Guide to Download a Comprehensive Assessment Checklist](#)

REPORT & IMPROVE

Package & Share Your Assessment in a Way that Is Meaningful

Report

After you have completed your program assessment and benchmarking, it is time to report your findings. Although the raw data may be very helpful to you and your team, the larger audience of your results will benefit from an intuitive packaging of your findings. To do this, the results from your assessment should tell a story that demonstrates the effectiveness of your program and how it applies to the mission and values of your organization as well as its strategic operating plans.

A Story of Effectiveness

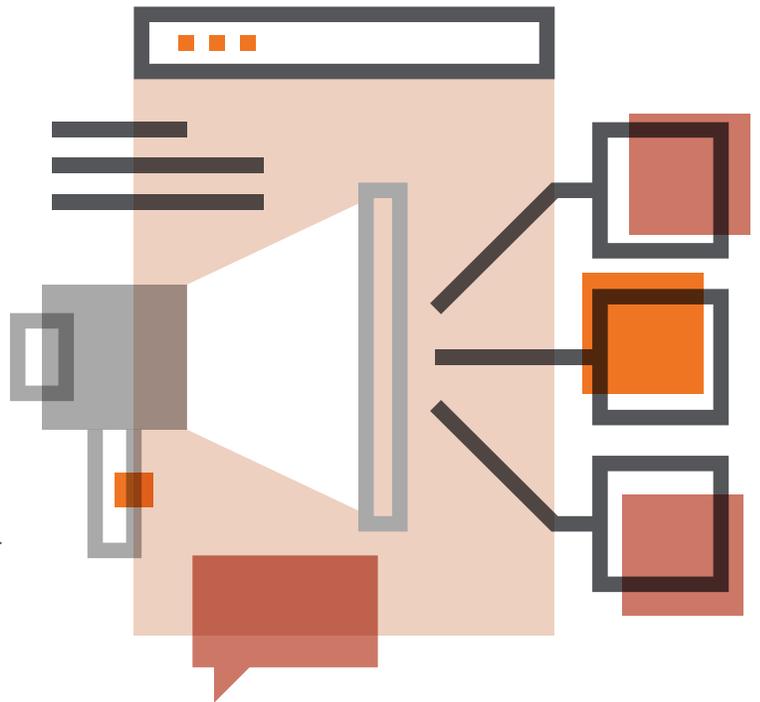
Use the data you collected from your assessment and the insights you derived from benchmarking to anchor your story in evidence, while adding in the more abstract observations and attitudes as the cultural manifestations of that data.

Presenting Your Effectiveness Story

When presenting your findings to your larger audience, which should include your board, CEO and senior management, take the time to make it compelling.

Your presentation should:

- » **Follow an executive summary.** Key findings of your assessment should be highlighted clearly before diving deeper into more granule details.
- » **Be consistent.** The look, feel, format and data used for reports should be consistent so your audience can easily make connections between your data points.
- » **Be strategic.** The report should support or explain gaps in the compliance program's and company's strategy.
- » **Provide context.** Avoid supplying data without context supporting its inclusion. Seize the opportunity to explain how KPIs are being reflected in the data.
- » **Drive toward outcomes.** It is helpful to your board, CEO and senior management to understand how your compliance program assessment ties into program goals and outcomes.





CONCLUSION

Assessment is part of your compliance program's necessary life cycle for improvement. We work in an ever-evolving landscape of risk that requires compliance professionals to identify the gaps their programs have today, and may have tomorrow. Your program effectiveness as a whole is based on the effectiveness of each one of its parts. So, ensure your assessment is broad as well as in-depth. Program assessment is not a check-the-box exercise. It is just as important as creating a company culture and mitigating risk.

Remember, if your assessment is thorough and effective, you will have identified weaknesses in your program and vulnerabilities for risk. Don't be discouraged by your work to highlight these areas for improvement. Your program and your organization will be better for it once you make the necessary adjustments for a robust and effective ethics and compliance program.



[Download the Full Definitive Guide to Compliance Program Assessment](#)

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NAVEX Global's comprehensive suite of ethics and compliance software, content and services helps organizations protect their people, reputation and bottom line. Trusted by 95 of the FORTUNE 100 and more than 12,500 clients, our solutions are informed by the largest ethics and compliance community in the world.