

Governance Update

Governance Committee – Open Agenda Item 5

November 17, 2011

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Protecting Information

Corporate Strategic Objective

- ❑ **Maintain strong governance, risk management, and compliance framework.**



Governance Goal

- ❑ **Maintain compliance with required statutes and regulations in daily business operations.**
 - **Re-launch Privacy Office and partner with business units to protect private and confidential information.**
 - **Identify, evaluate, report, and mitigate privacy issues.**
 - **Align efforts with compliance model**

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Compliance model alignment:*

Clear Written Standards, Policies, & Procedures

- Privacy related Corporate policies and procedures
- External website
- Information notice
- Copyright Clearinghouse

Effective Training, Communication, & Awareness

- Periodic education & awareness all levels
 - Privacy
 - Confidentiality
 - Copyright
- Tone at the top

**Compliance model resource: USSG Ch. 8 Part B2.1(b)*

Protecting Information

Consistent Monitoring, Evaluation, & Reporting

- Privacy Hotline
- Data leakage protection
- Periodic event and response reporting

Risk Assessment, Response, Continuous Improvement, & Auditing

- Collaborative risk assessments
- Process mitigation
- Gap closure

APPENDIX

1. Corporate Policy Status
2. Compliance Model Quality & Effectiveness Reference

Corporate Policy Portfolio

Policy Type	# Policies			
	Beginning Inventory	Retire/ Combine	New Policies	4Q 2011
<i>Governance</i>	8	1	1	8
<i>Ethics Compliance & Fraud</i>	4	2	7	9
<i>Operations</i>	50	38	2	14
<i>Human Resources</i>	20	9	2	13
<i>Budget & Fiscal Mgt</i>	21	12	3	12
<i>Information Technology</i>	6	3	1	4
<i>Safety & Business Continuity</i>	12	9	1	4
TOTAL	121	74	17	64

- 47% portfolio reduction (on target). Eliminated obsolete policies and procedure based policies.
- 44% revised; 36% in active draft; 20% scheduled for 4Q review (on target).
- Eight policies supporting Code of Conduct completed.
- 17 new policies created to close gaps or to reflect business changes.
- Annual review process initiated 30-days prior to revision date.

MINIMUM STANDARDS & ELEMENTS: Effective Compliance & Ethics Programs

Element	Quality & Effectiveness Questions
<p>OVERSIGHT, ACCOUNTABILITY & RESOURCES Board and senior management must be engaged in the design, implementation and maintenance of compliance & ethics programs.</p>	<p>What is the role of the Board? Are the directors independent? Is a high-level individual responsible for reasonable assurance of the effectiveness of compliance and ethics programs? Are specific individuals responsible for day-to-day compliance and ethics operations? <i>and</i> Do these individuals have adequate resources to run their programs? <i>and</i> Do these individuals have direct access to the Board? <i>Corporate culture</i> : Does it permeate through the organization that compliance is everyone's responsibility? How is information about compliance and ethics performance and wrongdoing communicated to the Board? Have measurable, reasonable, and attainable goals been set? Can/has the organization lived up to its policy? <i>Corporate governance</i>: Are there benchmarks for certain activities? How did the program catch wrongdoing? <i>Mitigation</i>: Are there programs for proactive prevention and aggressive detection/action?</p>
<p>STANDARDS OF CONDUCT, POLICIES, & PROCEDURES Establish standards and procedures to prevent and detect criminal conduct.</p>	<p>Is the compliance and ethics infrastructure embedded in the culture? <i>and</i> Does compliance and ethics actively affect front-line personnel? Are the compliance and ethics programs periodically reviewed? Does the Code of Conduct (CoC) set the standard of what is expected? Is the CoC reviewed periodically? Does the CoC include examples and guidance? Does the CoC speak to diverse employee groups? Is the CoC widely available? Is there an acknowledgement of receipt and understanding? Are Corporate Policies periodically reviewed for currency and relevancy?</p>

Sources: 2010 Federal Sentencing Guidelines Manual USSG Ch 8 Part B §8B2.1;

Quality Effectiveness Questions Adapted from 2008 presentation "Corporate Experience with Deferred Prosecution Agreements" by R. Gruner, J.D.

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MINIMUM STANDARDS & ELEMENTS: Effective Compliance & Ethics Programs

Element	Quality & Effectiveness Questions
<p><i>EFFECTIVE TRAINING, COMMUNICATION, & AWARENESS</i> Take reasonable steps to communicate periodically the standards, procedures and other aspects of its compliance and ethic programs by conducting effective training programs and disseminating role-based appropriate information.</p>	<p>Is training interactive? Is training tailored to specific roles and responsibilities? How is comprehension gauged? Is training aligned with the Code of Conduct? Is the CoC widely available? How and how often is information about its compliance and ethics programs communicated to the organization?</p>
<p><i>CONSISTENT MONITORING, EVALUATION & REPORTING</i> Take reasonable steps to assure compliance and ethics programs: Are followed through monitoring and auditing ;and Publicized systems are in place which allow anonymous and confidential reporting of potential or actual criminal conduct.</p>	<p>What systems are in place to prevent/detect employee wrongdoing? Are transactional controls in place? Is there on-going risk assessment, analysis and mitigation? Are there benchmarks which trigger audits? Has a third-party vendor been engaged for reporting suspected wrongdoing? Does the venue for reporting suspected wrongdoing offer confidentiality and anonymity, and provide reporting without fear of retaliation?</p>
<p><i>CONSISTENT ENFORCEMENT, DISCIPLINE, & INCENTIVES</i> C&E program must be consistently promoted and enforced through appropriate incentives and disciplinary measures.</p>	<p>Is disciplinary action taken? What kind and is it consistent? Are there systems in place to report wrongdoing to law enforcement? How are relatively minor infractions handled? Incremental sanctions? <i>Incentives:</i> What positive actions have been identified and rewarded? Has the organization elevated rewards for ideas/suggestions adopted for detection/prevention of criminal conduct to the same visibility as those for increasing bottom-line financial performance?</p>

MINIMUM STANDARDS & ELEMENTS: Effective Compliance & Ethics Programs

Element	Quality & Effectiveness Questions
<p><i>DUE CARE IN DELEGATING AUTHORITY</i> Use reasonable efforts to exclude from substantial authority in the organization any individual whom the organization knew or should have known through the exercise of due diligence, engaged in past illegal or unethical conduct.</p>	<p>Are there effective background checks in place? Are there effective processes in place to identify and act upon potential conflicts of interest in fact or appearance?</p>
<p><i>RISK ASSESSMENT, RESPONSE, CONTINUOUS IMPROVEMENT, & AUDITING</i> When criminal conduct has been detected, an organization must: a) respond appropriately; b) take reasonable steps to prevent and detect similar conduct; and c) make necessary modifications to its C&E program.</p>	<p>Lessons learned - Did a review and analysis of what went wrong take place? When wrongdoing is detected, is an analysis done to determine how it was detected? Did policies/procedures change after conduct detected? Are there audits of the effectiveness of remediations?</p>

Effective programs shall:

*Exercise due diligence to prevent and detect criminal conduct; and
Promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.*