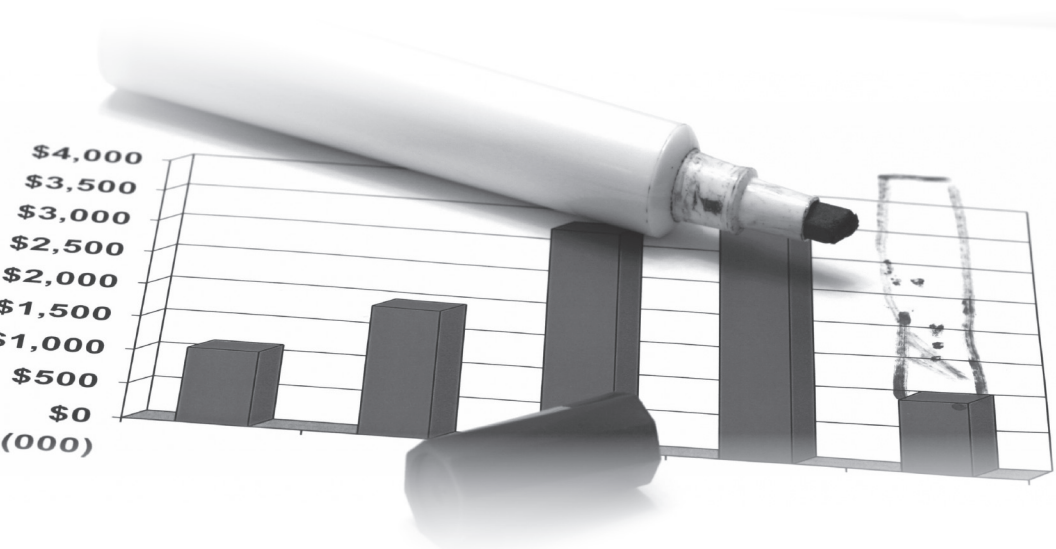


The Economy, Compliance, and Ethics

*A survey by the Society of Corporate Compliance and Ethics
and the Health Care Compliance Association*

February 2011



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Background

Since 2008 the compliance and ethics profession has faced a remarkably volatile world. Economic turmoil has led to feelings of job insecurity by many both within and outside the profession. With that insecurity, many believe, has come an increased risk of fraud and other wrongdoing.

At the same time, pressures from governments have increased dramatically. Health care reform has led to significant changes in that industry, while the Dodd-Frank Act could portend changes to compliance in all industries. Enforcement actions as a result of the Foreign Corrupt Practices Act have led to unprecedented fines. And governments outside of the US have been more aggressive in the anti-corruption area as well. The OECD, notably, has been encouraging its member nations to adopt legislation supporting compliance programs in organizations.

Meantime, back in the US, recent settlements reflect what appears to be a desire by enforcement authorities to move compliance outside of the general counsel's office.

To assess the state of the compliance and ethics profession, the Society of Corporate Compliance and Ethics and the Health Care Compliance Association jointly fielded an annual survey among compliance and ethics professionals. The goal is to determine the state of budgets, relative feelings of job security, management support and the environment for risk.

Executive Summary

An improving economy has been accompanied by greater feelings of security by compliance professionals. Budgets and staffing are more likely to have increased than decreased, and it appears that this trend will continue into 2011. This may be why feelings of job security have also increased.

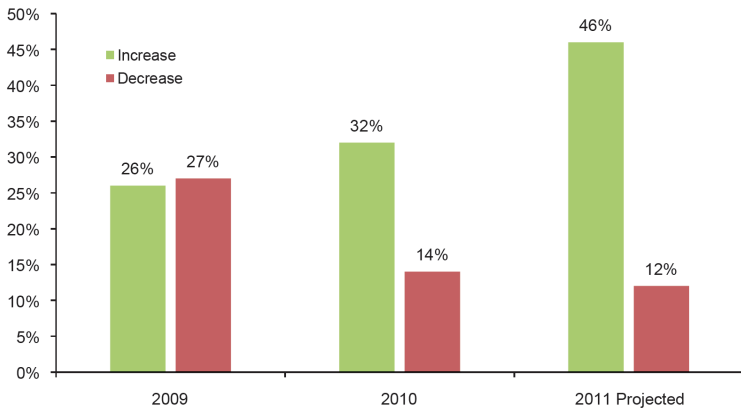
Yet, all is not well. A small but still notable minority of compliance officers believe that their management sees compliance and ethics as a detriment to the business. In addition, the overwhelming majority of compliance professionals continue to feel that continued economic insecurity is keeping the risk of a compliance failure higher than it would normally be.

Key Findings

- **Compliance budgets continued to lean toward the positive side in 2010, with more compliance professionals reporting an increase over 2009 than a decrease.** An increase was reported by 32% of survey respondents, compared to just 14% reporting a decrease. At the same time, though, it's worth noting that this left 54% reporting no change in their budget at a time of increased regulation.
- **This is the second year in a row in which budgets were more likely to increase than decrease. In addition the percentage of companies showing an increase is growing.** As noted above, 32% of respondents reported an increase in compliance spending in 2010. That compares favorably to just 26% in 2009. As importantly, while 27% reported a decline in spending in 2009, by 2010 the number was a much lower 14%.

- **Looking to 2011, the compliance and ethics community is generally optimistic.** 46% of survey respondents expect their budgets to increase in 2011, and just 12% are expecting a decline. That, too, reflects an improvement over last year's survey in which 21% expected a decline in budget.

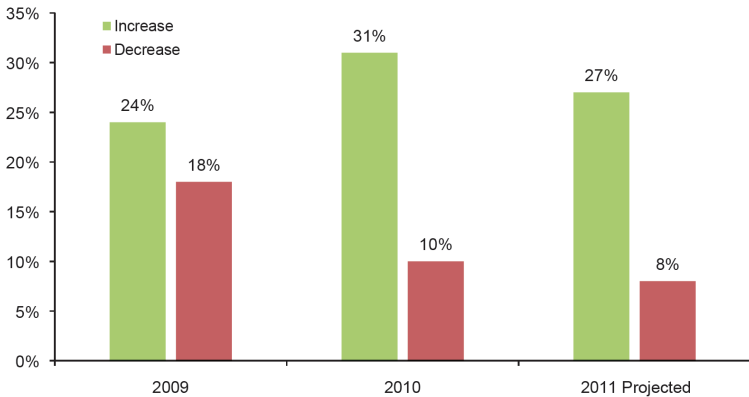
Change in Budget



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- **In the area of staffing, the numbers were also positive.** 31% reported an increase in compliance and ethics team staffing over 2009, with just 10% reporting a decrease. That is both positive overall, and compares favorably to the 18% who went into 2010 expecting an increase.
- **With increased budgets comes expectations for increased staffing in 2011.** Among survey respondents 27% expect an increase in staffing, up from 18% who felt the same a year ago. Only 8% expect staffing to decline, compared to 13% last year.

Change in Staffing



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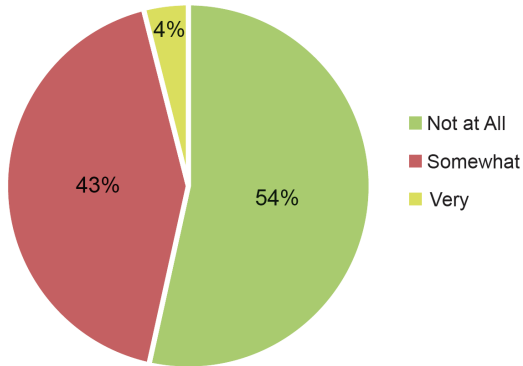
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- **Rising budgets have been accompanied by a rising confidence level in personal job security.** 54% of respondents reported that they are “not at all” concerned about losing their job as a result of the economy. That is up from 44% in 2009 and 2008.

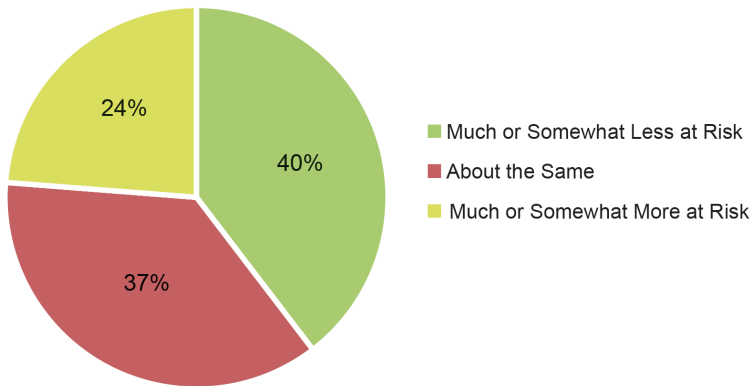
Concerned About Losing Your Job?



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- **In terms of relative security — how secure is their job vs. others in their company — the compliance and ethics professionals generally feel relatively safe. 37% felt their job was at risk about the same as others, and another 40% felt that it was less at risk. This compares to 33% and 42% a year earlier.**

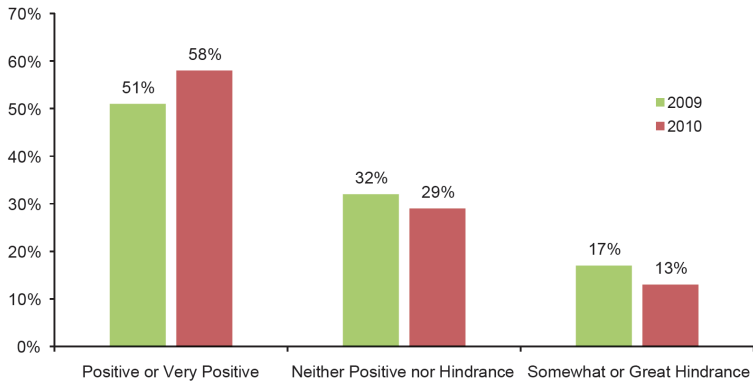
Relative Risk of Losing Their Job Vs. Others



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- **The increase in budgets and staffing may reflect rising perceptions of the value of the compliance program.** In 2010 58% of respondents reported that senior management in their organization views compliance as a “somewhat positive” or “very positive” asset in helping the organization through the current economic conditions. That’s up from 51% at the end of 2009 and 49% at the end of 2008. Still, it is disquieting to see that 13% reported that management sees compliance as a hindrance.

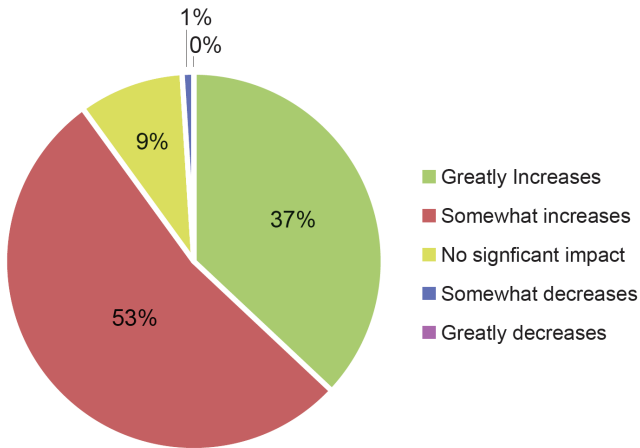
Management Perception of Compliance



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- **Also disquieting is the continued fear that the economy increases the risk of compliance and ethics failures.** 90% of respondents felt that the economy somewhat or greatly increases this risk. The figure is unchanged from a year earlier, despite what many would argue is an improving economic picture.

Impact of Economy on Risk of Compliance Failure



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Conclusions and Implications

- **While it is good to see that budgets and staffing are increasing as the economy begins to move forward, there may be a growing gap between new regulatory initiatives and the resources available to meet them.** Dodd-Frank, healthcare reform and the UK Bribery Act all are putting pressure on organizations to increase their compliance efforts. If budgets and staffs do not grow as much as the demands, the opportunity for compliance failure will grow. In addition, regulators may take a dim view of companies that experience a compliance failure after not increasing their compliance resources.
- **Given the lack of severance for compliance and ethics professionals, greater feelings of job security are a welcome sign.** The October 2010 survey “The Evolving Role of the Chief Compliance and Ethics Officer” revealed that more than 70% of chief compliance and ethics officer do not have any severance. This lack of a safety net, combined with the high risk nature of many compliance positions, can lead to great anxiety for compliance professionals. Data now indicating that economy-related anxiety is decreasing is a welcome sign.
- **The business community needs to remain on high alert for compliance failures.** While the overall economic picture may be improving, it is still at a stage in which those responsible for leading efforts to prevent, find and remediate wrongdoing see a very high risk for improper behavior.

Methodology

Survey responses were solicited during November and December 2010 from compliance and ethics professionals in the database of the Health Care Compliance Association and Society of Corporate Compliance and Ethics. Responses were collected and analyzed using Zoomerang, a web-based third party solution. More than 400 responses were received from private and public companies as well as non-profits.