

# The Evolving Role of the Chief Compliance and Ethics Officer

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

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## Introduction

For more than fifteen years the role of the compliance and ethics officer has been growing. What was once an area of responsibility for a few individuals has grown to a full-fledged profession. The Health Care Compliance Association (HCCA) and Society of Corporate Compliance and Ethics (SCCE), the sponsors of this research, alone count more than 8,000 members.

Recent changes to the US Sentencing Guidelines are elevating the importance of the compliance officer even higher. Under provisions that went into effect on November 1, 2010, organizations may now receive a reduction in fines and other penalties even if senior executives are involved in the wrongdoing. However, to obtain that reduction “individuals with operational responsibility for the compliance and ethics program [must] have direct reporting obligations to the organization’s governing authority or appropriate subgroup thereof.”

This latest change provides governmental encouragement for the compliance office to have a direct line to the board, elevating the importance of the compliance professional. Yet, this also raises the risks for compliance officers. They may appear to senior leadership to be a potential challenge to their control of what the board sees.

At the same time, there has been a growing movement, led in many ways by the US government, to move compliance out of the general counsel’s office and make it a separate function. Such has been the case with several high profile settlements.

To assess the impact of these forces have had on the compliance office, and the protection being afforded to the compliance officer, the SCCE and HCCA jointly fielded a survey of compliance and ethics professionals. The research focused on the protection accorded through severance agreements. It also examined where in the organizational chart the compliance office is located.

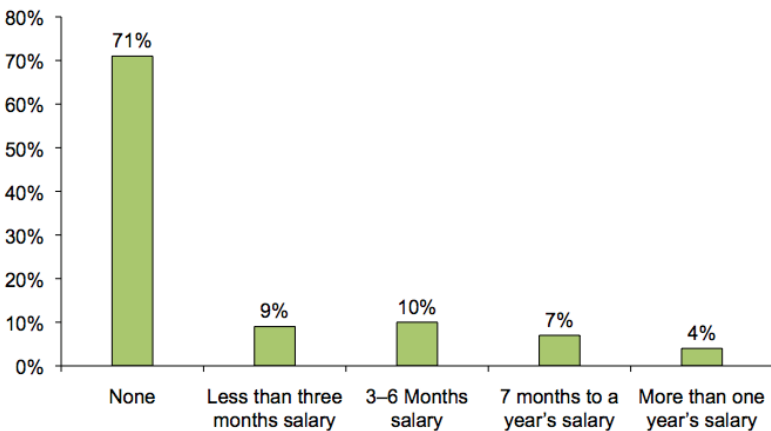
## Executive Summary

Very few compliance professionals have severance packages of any size. This despite the fact that their position may put them in positions in which they might either resign or be terminated. In addition, the research found that, generally speaking, compliance is already housed outside of the general counsel's office. In those organizations where it is currently a part of the GC's office, there are typically no plans to move it elsewhere.

## Findings

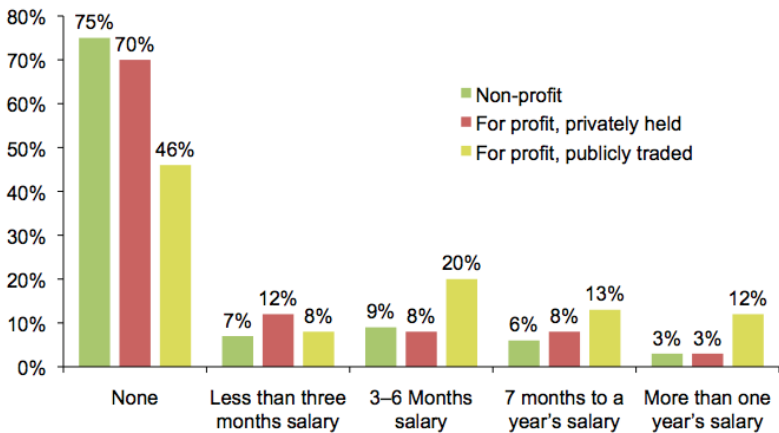
- **Despite the increased emphasis on compliance and the growing understanding of the risks of the compliance role, compliance officers enjoy scant protection when it comes to severance.** Of the more than 800 Chief Ethics and Compliance Officers (CECO) surveyed, 71% have no severance package. Of those who did have a package, roughly one third had just three months or less of severance.

### What kind of severance package do you have?



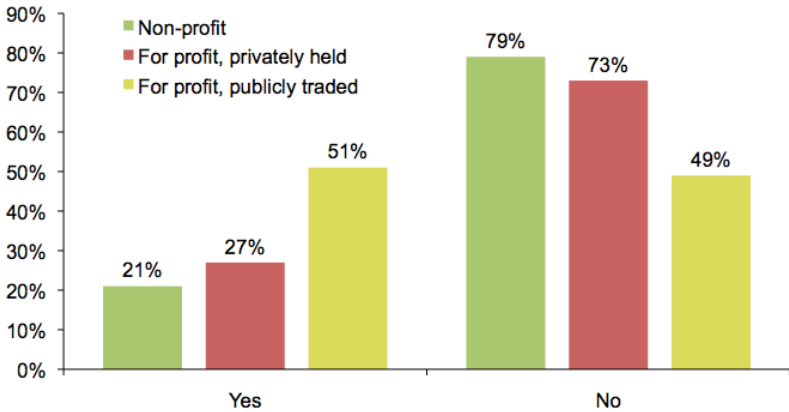
- **The story was very different, though, for those working at publicly traded companies.** 54% of respondents from publicly traded companies reported having a severance package, compared with 25% at non-profits and 30% at privately-held organizations.

### Severance package by type of organization



- **For about a quarter of companies, the compliance program is housed in the General Counsel's office, but here, too, the company type and industry played an important role.** Overall, 26% of respondents reported that compliance was housed in the GC's office, but for non-healthcare companies the figure was 42%, compared to just 20% for healthcare. Likewise, publicly traded companies were much more likely to make compliance a part of the GC's office, with 51% reporting this as the structure.

**In your organization, is compliance a part of the general counsel's office?**



- **Just because the compliance function was located in the GC's office did not necessarily mean the CECO was also the GC.** Only about one quarter of those who reported that compliance was located in the GC's office also reported that the CECO was the GC (26%) as well.

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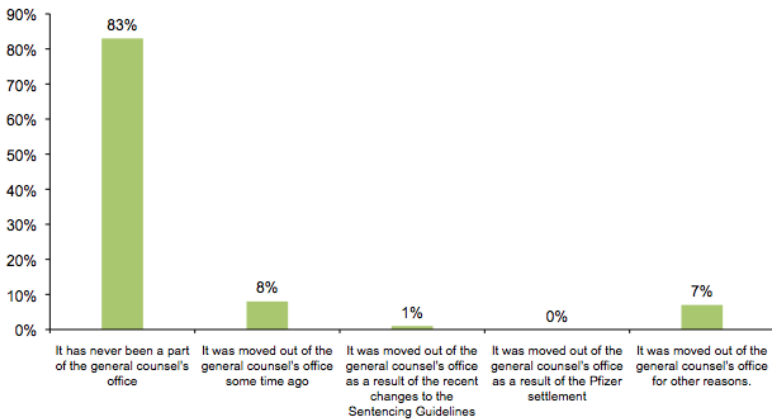
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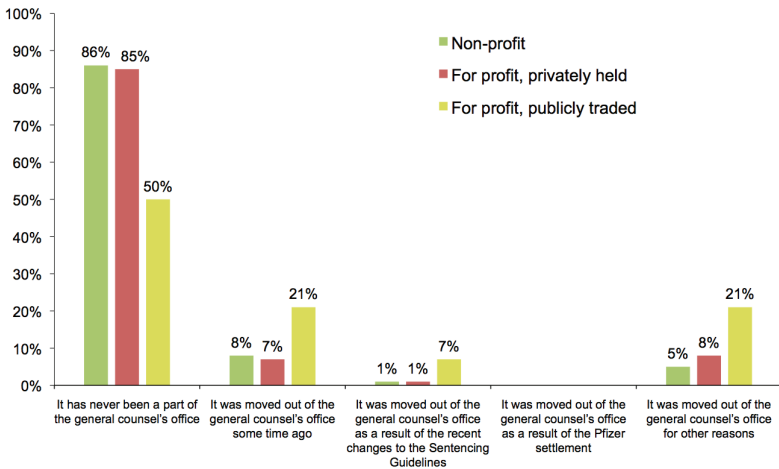
- **Despite a growing consensus that compliance should be independent from the GC’s office—and despite several settlement requiring it—companies that run compliance out of the GCs office generally plan on continuing to do so.** 93% of them report that they have no plan to move compliance.
- **For those companies where compliance is NOT a part of the GC’s office, the separation is not a recent phenomenon.** 83% of those surveyed reported that compliance had never been a part of the GCs office, and another 8% reported that it had moved out of it that office some time ago.

### Why is compliance NOT a part of the general counsel’s office?



- **For publicly traded companies only one half reported that compliance had never been a part of the GC's office.** This is a much lower percentage than either non-profit or privately held organizations. And, for publicly traded companies in which compliance had moved out of the GCs office, several reported it had done so because of a corporate integrity agreement.

### Why is compliance NOT a part of the general counsel's office?





## Conclusions and Implications

- **To act in a truly independent manner, more compliance and ethics professionals will need severance packages.** Serving as a Chief Compliance and Ethics Officer requires a great deal of integrity and the willingness to ferret out wrongdoing wherever it may occur. That can, at times, include taking on senior executives and challenging well-established business practices. This puts the CECO at risk for termination, or may call for him or her to resign. The lack of adequate severance packages leaves compliance and ethics professionals at great risk should their integrity and the company's plans collide.
- **Despite several indications that the US Government is not pleased with compliance officers reporting to the general counsel, there seems to be little movement to change the organizational chart.** Companies that have compliance reporting to the general counsel appear content to let things remain as they are.

## Methodology

Survey responses were solicited during September and October 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. A total of 810 responses were received.