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Developing an Effective Compliance Monitoring Program

Danielle Herrick, CCEP

Biography

Danielle Herrick, Principal, is Americas Compliance Leader for Administration and Outsourcing at Mercer. In this role, Danielle ensures proper compliance support is provided to Mercer's various administration and outsourcing businesses in Canada, Latin America and the United States. She is responsible for implementing a comprehensive compliance monitoring review program, developing and maintaining policies and procedures, managing incidents, conducting periodic risk assessments and participating in various management and compliance committees.

Danielle has been with Mercer since January 2006 and has over 10 years of human resources and compliance experience. Prior to being awarded the role of Americas Compliance Leader for Administration and Outsourcing, Danielle was Americas Compliance Monitoring Leader where she managed compliance monitoring and risk management activities for all Mercer businesses in the region. Before coming to Mercer, Danielle served in various compliance roles for Fortune 500 companies. Her responsibilities included such activities as vendor management, contract negotiations and ERISA, Sarbanes-Oxley and HIPAA Privacy & Security compliance.

Danielle has a Bachelor of Arts in sociology from the State University of New York at Oswego and a Master of Business Administration from Saint Joseph's College of Maine. She is a Certified Compliance and Ethics Professional, a licensed life and health agent, has received her Certification in Control Self-Assessment (CCSA) and is a Senior Professional in Human Resources (SPHR).

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- Overview
- Evidencing return on investment
- Elements of an effective compliance monitoring program
- Helpful tips
- Questions

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Overview

Overview

Federal Sentencing Guidelines

§8B2.1. Effective Compliance and Ethics Program

(a) To have an effective compliance and ethics program, for purposes of subsection (f) of §8C2.5 (Culpability Score) and subsection (c)(1) of §8D1.4 (Recommended Conditions of Probation - Organizations), an organization shall—

(1) exercise due diligence to prevent and detect criminal conduct; and

(2) otherwise promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.

Such compliance and ethics program shall be reasonably designed, implemented, and enforced so that the program is generally effective in preventing and detecting criminal conduct. The failure to prevent or detect the instant offense does not necessarily mean that the program is not generally effective in preventing and detecting criminal conduct.

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Return on Investment

Return on Investment

- Making a business case
  - Develop a formal proposal
  - Consider using existing staff and resources
  - Plan to test pilot the program
- Evidencing return on investment
  - Through reporting (improved monitoring results)
  - Better audit results
  - Decrease in the number of incidents (errors, regulatory violations/fines, etc.)
  - Increased program efficiency (possibly decreased cost) over time

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Elements of an effective compliance monitoring program

Key Elements

- A compliance monitoring program should be formal and include the following key elements:
  - Agreed upon scope and strategy
  - Standard tools and templates
  - Reporting
  - Training and communications
  - Continuous improvement

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Scope & Strategy

- There are multiple approaches that can be taken when implementing a monitoring program
  - Risk based
    - A deep dive into the controls identified for top or key risk areas
  - Reviewing compliance with all policies and procedures
    - A cursory review for compliance with all policies and procedures
  - Combination risk based and all policies and procedures
    - A cursory review for compliance with all policies and procedures and a deep dive into the controls identified for top or key risks

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Scope & Strategy, cont'd.

- Challenges for complex and/or multinational organizations
  - Organizational challenges
  - Cultural differences
  - Language barriers
  - Different regulatory environments
  - Program costs

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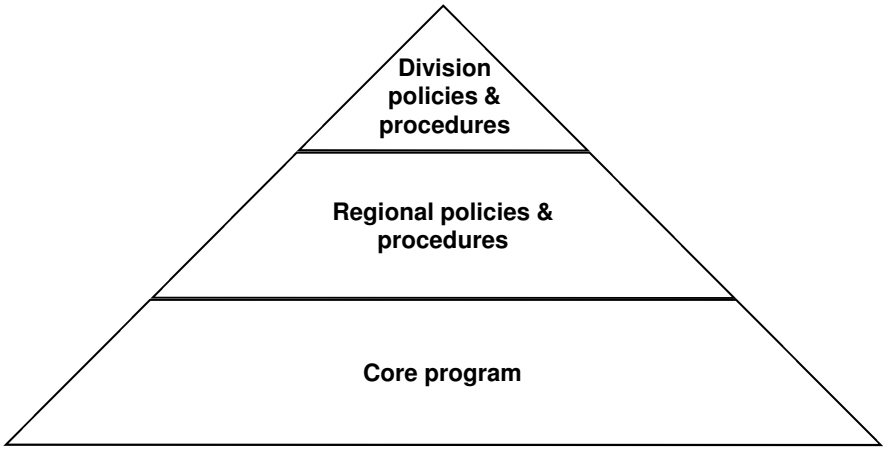
Scope & Strategy, cont'd.



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Scope & Strategy, cont'd.

Employee Interview	To determine employee knowledge of and compliance with various policies, procedures and standards.
Facility Review	To determine compliance with data privacy & security and other facility requirements.
File Review	To review hard copy documentation (e.g., meeting notes, phone records, contracts, etc.).
System Review	To review electronic records, system access or programming.
Procedural Review	To review adherence to written procedures through colleague shadowing.

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Scope & Strategy, cont'd.

On-site		Remote
▪ A consideration for paper heavy organizations ▪ Increased access to key personnel ▪ Improved visibility ▪ Ability to conduct facility reviews ▪ Opportunity to provide 'live' post review training	**VS.**	▪ Works well for automated environments ▪ May provide more flexibility ▪ Efficient for subject matter reviews across multiple locations ▪ Reduced cost (e.g., travel)

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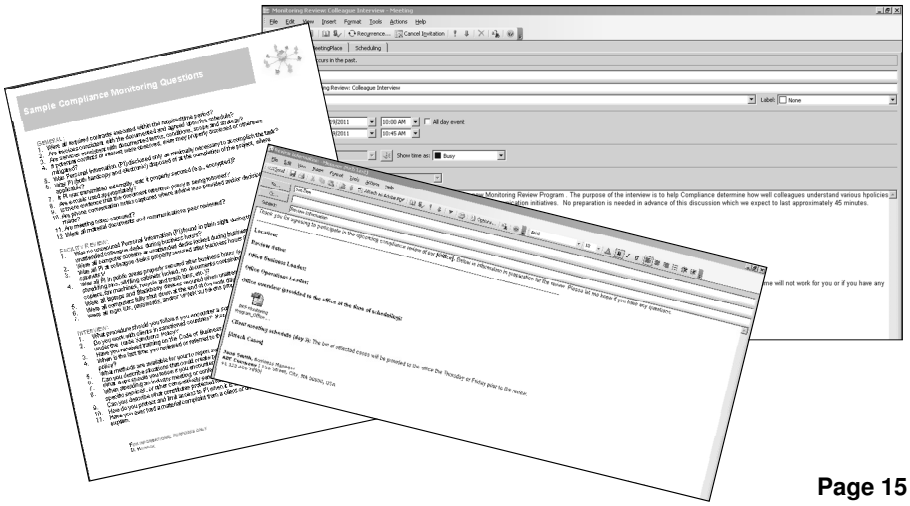
Tools & Templates



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Tools & Templates, cont'd.

Sample tools and templates for consideration:

- Closing meeting invite template
- Compliance reviewer guide
  - Compliance reviewer training
  - Dashboard template
- Data sample calculation worksheet
- Data sample template
- Employee deficiency notification
- Immediate action items template
- Interview invite template
- Pre-review meeting template
- Pre-review preparation instructions
- Post-review thank you note
  - Post-review training deck
  - Quality review checklist
- Report template
- Review questionnaires
- Review schedule
- Standard operating procedures (SOP

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Tools & Templates, cont'd.

Develop/ review compliance monitoring program

Confirm annual monitoring schedule

Review preparation

Schedule colleague interviews

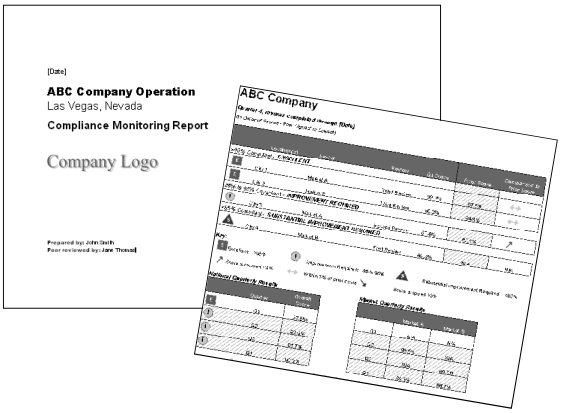
Confirm review logistics

Distribute final report

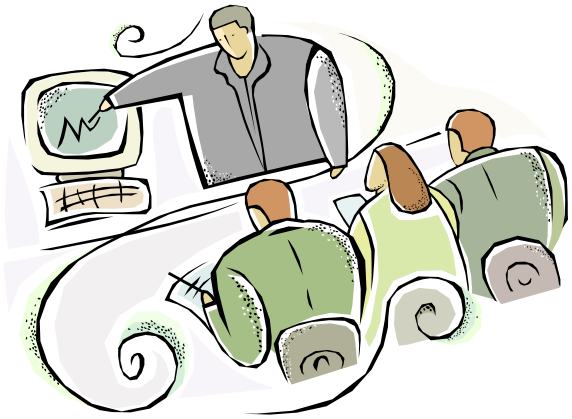
Q4	January	3-weeks prior	2-weeks prior	1-week prior	Review	2-weeks after
Develop scope and create tools and templates		•Prepare data sample •Conduct pre-review meeting			•Conduct review •Document findings •Hold closing meeting	

Reporting

- Office/division level reporting
- Quarterly reporting
- Global/zone/market level reporting
- Compliance & risk committee reporting



Training & Communication



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Continuous Improvement

- Once a program has been established, small changes rather than sweeping changes should occur over time to:
  - Meet changing business needs
  - Address a shifting risk environment
  - Coordinate with regulatory changes
  - Improve program efficiency
- Small improvements in the program are less likely to cost a significant financial investment or radical process changes

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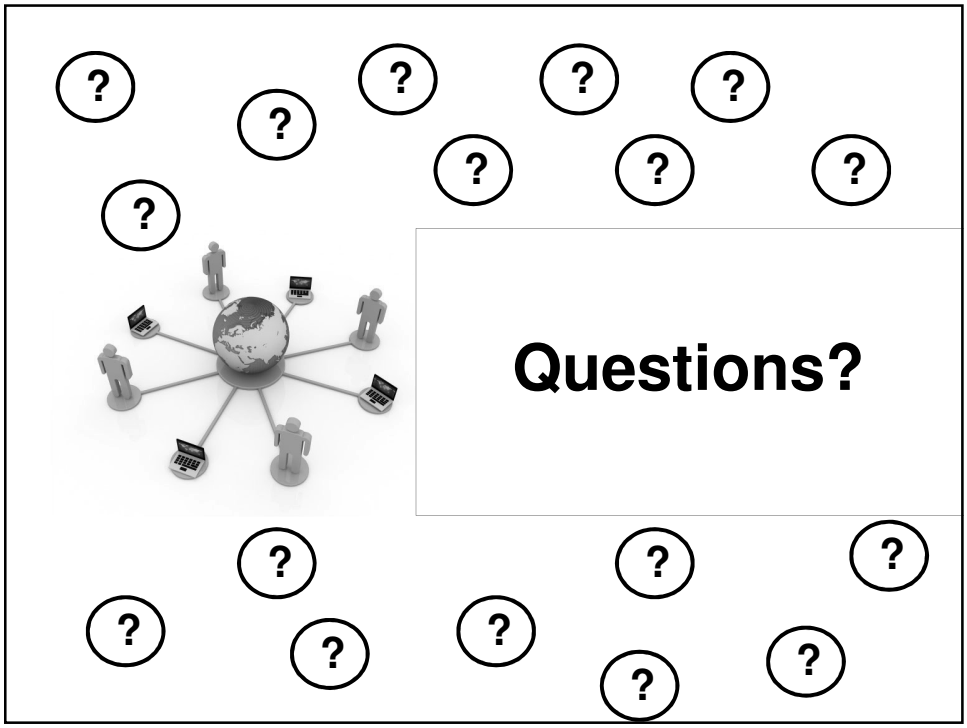
Helpful Tips

Tips

- Start with a core program
- Ensure those performing the review are well trained and have the necessary tools and templates to be successful
- Communicate results in a formal manner
- Utilize results to improve other compliance programs (e.g., training and communications, risk management, etc.)
- Follow-up on action items identified during the review
- Review the compliance monitoring program annually
- Consider having internal audit review the effectiveness of the monitoring program


Questions?