Session Goals

- Learning about challenges of building a global compliance program in a time of increased oversight
- Case Study: FHI 360’s worldwide compliance program
- Sharing examples demonstrating quick and effective mechanisms in responding to compliance and oversight needs

Questions for the audience

1. What does compliance mean to you?
2. Do you have any challenges or success stories from your compliance program that you can share?
3. Do you have any suggestions for other topics of interest that could be included in this presentation?
ABOUT FHI—What does the 360 stand for anyway?

In 2011, the teams of experts from Family Health International and Academy for Educational Development came together to create FHI 360.

Timeline

FHI grew from a contraceptive research project begun at the University of North Carolina at Chapel Hill, becoming an independent, nonprofit organization in 1975. Since then FHI’s work expanded beyond family planning into other areas of reproductive health research, HIV/AIDS prevention, and other health and development challenges. In June of 2011 FHI signed an asset purchase agreement for FHI to acquire the programs, expertise and other assets of AED. The acquisition created FHI 360, enabling FHI to expand its evidence-based approach to a broader set of social challenges.

FHI 360 Today

AED originally focused on providing technical assistance related to higher education management in the US, later expanding into other areas of international development, including education reform, civil society, and health. In December of 2010, USAID suspended AED from being awarded new federal service contracts following investigations of the agency’s expenditures in Pakistan and Afghanistan. In March of 2011 AED announced its intent to pursue a single, qualified acquirer, and settled on FHI after an extensive review and exploration process.
Today FHI 360 is a nonprofit human development organization dedicated to improving lives in lasting ways by advancing integrated, locally driven solutions. Our staff of over 4,000 includes experts in health, education, nutrition, environment, economic development, civil society, gender equality, youth, research and technology — creating a unique mix of capabilities to address today’s interconnected development challenges. FHI 360 serves more than 60 countries and all U.S. states and territories.

### FHI 360 Today

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<tr>
<th>FHI 360</th>
<th><strong>Mission</strong></th>
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<tr>
<td>Mission</td>
<td>Science of Improving Lives</td>
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<tr>
<th>FHI 360</th>
<th><strong>Employees</strong></th>
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<td>Employees</td>
<td>4,089</td>
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<tr>
<th>FHI 360</th>
<th><strong>Total Support and Revenue</strong></th>
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<tr>
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<td>$650+ million (estimated)</td>
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OCIA established 2011 (Office of Compliance and Internal Audit (OCIA))

**Staff in OCIA:**

- Audit
- Compliance
- Enterprise Risk Management
- Risk assessment
- Investigations
- Advisory services

### WHY COMPLY? The current state of compliance

![Diagram showing the current state of compliance]

The current state of compliance...
In Compliance News...

- 212 companies and individuals suspended or debarred from Federal work for fraud during Iraq reconstruction.
- Former Contractor Employee caught trying to ship back $250,000 in cash from kickbacks to U.S.
- Ex-state Department Contract Specialist, Husband Charged in $60 million Contract Scam.
- Senate passes provision to provide a stronger force of inspectors general.

In Compliance News...

- A finance manager in India submitted falsified receipts for medical expenses.
- Six local staff in Botswana made unauthorized exit payment to themselves.
- A Nigerian employee created fake quotations from non-existent vendors and consistently used one vendor from whom he allegedly received kickbacks.
- Sub-recipient provided falsified supporting documentation in Papua New Guinea.
- A project director selected an outside organization as a sub-recipient for a project in Liberia, without disclosing his relationship as the Board of Director at the outside organization.
- In Ghana, a consultant contract was entered without appropriate selection and justification.

Effective compliance program rescues organizations from FCPA Prosecution – Lesson learnt from the US Sentencing Guidelines.

What does compliance mean to FHI 360?

"We’re going to parachute in and do a surprise audit, but I want to keep the whole thing low key."
FHI 360’s Office of Compliance and Internal Audit (OCIA)

- An independent, objective function outside of the management structure;
- Managed by the Chief Compliance Officer;
- Reports to the Audit Committee of the FHI 360 Board of Directors with an administrative reporting line to the CEO;
- Preventative, proactive & training based – focus on personal responsibility at all levels;
- Internal sourcing through leverage of FHI 360 finance, contracts, procurement, field offices, programmatic staff, where independence is not compromised;
- Direct access and open communication across authority lines to both executive leadership and the Audit Committee.

Organizational Structure & Reporting Lines

OCIA constitutes approximately 4% of FHI 360 overhead

OCIA Organizational Chart
OCIA's Communication Strategy

A strong communication strategy has been essential in raising the profile of compliance. FHI 360’s OCIA implemented the following:

1. Increased awareness of the team’s existence, roles, responsibilities and avenues to contact the team
2. The compliance team establishes a level of trust within the operational structure
3. Building confidence in the compliance program (internally and externally)

End Goal

OCIA Standards

Quick Response or "First Responders" 0 USD threshold for investigations

Zero Tolerance

Maintaining Independence  Separation between Compliance and Investigations

Key Activities

Internal Audit
- Risk-based internal audits
- Annual audit plan
- Special audits (time keeping, intercompany transfers, unallowable costs)
- Coordination with Compliance, Program Finance, and Field Finance Staff
- Subcontract to audit firms, when appropriate, to supplement internal resources

Compliance
- Risk-based Compliance Reviews
- Compliance education and training compliance matters
- Assist country management with procurement and ensure adherence to compliance
- Guidance and advice on compliance matters
- Assist country management with technical review/skills assessment of finance staff (both HQ and field based)
- Follow up on observations
- Conduct monitoring
- Conduct ad hoc technical assistance
- Provide project assistance

Investigations
- Manage complaints hotline (web based and telephone) and complaint referral (compliance@fhi360.org)
- Conduct demand-driven investigations related to topics of fraud, abuse or misuse
OCIA Scope in FY 2013

Operating Premise: Keep high risk countries visited each year AND rotate remaining countries for audit desk reviews and compliance reviews.

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<th>Functional Area</th>
<th>High Level Goal</th>
<th>Details</th>
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| Audit Goal      | 65% of revenue  | • 75% of our resources on international projects  
|                 |                 | • 25% of our resources on domestic projects and enterprise-wide functions |
| Compliance Goal | 60% of countries (34 countries will be covered) | • 60% of our resources on international projects  
|                 |                 | • 40% of our resources on domestic projects |
| Investigation Goal | Keep other activity level the same (while investigation activities will be based upon actual cases received) | |
| Other           | Increased involvement in 3rd party audits, compliance related training, ERM, etc. | |

OCIA Activity

Since 2011, OCIA has conducted or commissioned almost 200 reviews and visited 50 countries

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