Collision Avoidance: Managing and Monitoring Conflicts of Interest and Conflicts of Commitment

June 3, 2014

Agenda

► Conflicts of Interest/Conflict of Commitment – A Hot Topic
► What is a Conflict of Interest? Conflict of Commitment?
► Assessing Risks Regarding Conflicts of Interest/Commitment
► Monitoring & Auditing the Program
► Analytics & Other Testing
► Key Questions
► Contacts
► Appendices
Conflicts of Interest – A Hot Topic

► Why are Conflicts of Interest an Issue Today?
► Conflicts of Interest in the News

Why are Conflicts an Issue?

Conflicts of Interest in the News

► SAC Capital Advisors – Securities & Investment Banking – Began 2012, Guilty Plea 2013
   • Eight (8) employees either pleaded guilty to insider trading or convicted at trial.
   • $1.2 Billion Penalty
   • The SEC labeled the company as “the breeding ground for illegal trading”.
   • The company changed its name and will now be called Point 72.

► Quantek Asset Management LLC – Securities & Investment Banking – 2012
   • Securities & Exchange Commission
   • Fine: $3.1 million
   • Deceiving investors into believing executives had personally invested in a Latin America-focused hedge fund
   • Misled investors about certain related-party transactions involving its lead executive and former parent company.
Conflicts of Interest in the News

- Insurance & Brokerage – Settled 2011, Suit filed 2004
  - 15 issuers and brokers including AIG, The Hartford and Travelers
  - Fine: $36.8 million
  - Brokers and insurers fabricated bids to make buyers believe accounts were shopped around for the best deal
  - Insurers hid some of the contingent commissions and fees paid to brokers

- Goldman Sachs – Securities & Investment Banking – Settled 2012
  - $20 million is fine total
  - Goldman Sachs advised El Paso Corp on a $20 billion sale to Kinder Morgan while having a multibillion-dollar stake in Kinder

- Los Angeles City Council – Government & Politics – Filed 2013
  - Councilman voted on settlement in favor of Clear Channel Outdoor while holding stock in its parent company
  - Councilman also participated in a vote involving Home Depot while owning over $2,000 in Home Depot stock
  - An investigation by the L.A. Ethics Commission has been requested

- University of Texas at Austin’s Energy Institute – Higher Education – Settled 2012
  - UT Professor Charles W. Gasior issued a report stating there was no link between fracking operations and water contamination while receiving $1.5 million annually as compensation while on the board of a drilling company
  - Dr. Raymond Orbach has resigned as head of the Energy Institute

- Icahn Targets Silicon Valley Directors’ Club Activist Investor Accuses eBay Directors of Conflicts for Holding Seats at High-Tech Rivals – WSJ Feb 24, 2014
  - Mr. Icahn said two long-serving directors, venture capitalist Marc Andreessen and Intuit Inc. founder Scott Cook, were conflicted because of other business interests
  - Marc Andreessen has investments in startups that compete with eBay’s PayPal unit and was part of an investor group that bought a majority stake in Skype from eBay in 2005...

In Higher Education

Student Loans

- Loan Scandal Escalates
- Cuomo Takes Aim at Federal Regulators and Education Department in Senate Hearing on Student-Loan Scandal
- Hopkins Aid Officer Was Paid More by Lenders Than Disclosed; Hopkins Official Paid by Lenders Was Seen as a Stickler
- Student Loan Probe Expands to Include Alumni Associations; U-Md., Bowie State Groups Affected
In Higher Education

► Admissions conflicts of interest echo student loans
► U.S. Medical Schools Still Vulnerable to Financial Conflicts of Interest
  ► Research centers are uneven in monitoring ties that might harm study volunteers
► Law school dean involved in possible conflict of interest
► B-School Payola: Recruiters Give Cash for Students
► U. of California Campus Benefits From Referring Students to a For-Profit College
► Many Study-Abroad Offices That Use Outside Providers Receive Financial Support From Them, Survey Suggests

What is a Conflicts of Interest?

► Conflicts of Interest Definitions
► Why Conflict of Interest Matters
► Corporate Relationships
► Common Rules & Regulations
► Why Conflict of Interest Matters
► Common Types of Conflicts
Conflicts of Interest Definitions

How General Bodies Define it

- Any relationship that is or appears to be not in the best interest of the organization. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.  
  - Institute of Internal Auditors (IIA)
- A real or seeming incompatibility between one's private interests and one's public or fiduciary duties.  
  - Black's Law Dictionary
- A conflict between the private interests and the official responsibilities of a person in a position of trust  
  - Merriam-Webster

Conflicts of Interest Definitions

How Entities May Define It

- Situations in which financial or other personal considerations may directly and significantly affect, or have the appearance of directly and significantly affecting, an employee's professional judgment in exercising any UTMB duty or responsibility or in the conducting or reporting of research.  
  - University of Texas Medical Branch (UTMB)
- A conflict of interest occurs when an individual's private interest interferes in any way – or even appears to interfere – with the interests of the corporation as a whole. A conflict situation can arise when an employee, officer, or director takes action or has interests that may make it difficult to perform his or her company work objectively and effectively.  
  - Section 303A - NYSE Corporate Governance Rules

Conflict of Commitment

- A conflict of commitment can be said to exist when a member of the University community has a relationship that requires a commitment of time or effort to non-University activities, such that an individual, either implicitly or directly, cannot meet the usual obligations to the University. In addition, the distribution of a faculty member's effort among, for example, research, teaching, committee responsibilities, and outside consulting may raise issues of conflict of commitment.  
  - Duke Faculty Handbook 5.2.2.2
Conflicts of Interest Definitions
How We Define It

A potential moral hazard that occurs when a person or organization has competing or multiple interests from its prime directive or responsibility within an organization. Conflicts of Interest may or may not be associated with direct financial benefit for each party and therefore may be difficult to recognize, monitor, manage or uncover in an isolated or recurring environment.

Conflict of interest as virus

...conflicts of interest can be thought of as the viruses that threaten the organization's wellbeing. As in the microbial world, these viruses come in a vast array of constantly mutating formats, and if not eliminated or neutralized, even the simplest virus is a mortal threat to the body.

Carlo V. di Florio
Director, Office of Compliance Inspections and Examinations
October 2012 speech to National Compliance Officers

What makes COI Compliance so Difficult

► Human nature
► Range of activities in which it can arise
► Lack of unified and comprehensive law
Why Conflicts of Interest Matter
Regulatory Expectations

► A conflict of interest increases risk of bias or poor judgment because of an obligation or commitment to two or more competing interests
► Erodes trust and tarnishes public image
► Government regulators expect organizations to assess their exposure to the risk of conflict of interest

Common Rules & Regulations

► Must adequately disclose actual and potential conflicts of interest to the all applicable third parties.
► Cannot use/make false claims and statements to consumers for the purposes of influencing and increasing sales activity.
► Cannot give or offer to give bribes to foreign government officials and must maintain transparent accounting records so as not to conceal the payment of bribes.
► Cannot engage in contracts or any other activities that would result in an anticompetitive business environment within a particular area of trade.
Common Types of Conflicts

- General financial interest
- Interest in customer or supplier
- Gift and entertainment
- Interested fiduciary transactions and self-dealings
- Competing with organization
- Usurping organization opportunities

Common Types of Conflicts

- Offer of employment by customer, supplier or competitor
- Overt Bribe or Kickbacks
- Subtle "Bribes"
- Influence
- Privileged Information

Case Study: Big State U

1. What are significant risks?
2. What strengths and weaknesses of current system in terms of addressing these risks?
3. What recommendations to address any identified significant weaknesses?
4. How would you roll out your modifications to the campus?
Assessing Risks Regarding Conflicts of Interest

- Assessing the Risks
- Integrated vs. Specific
- Performing a Risk Assessment
- Risk Assessment Factors
- Sample Questions for Management & Directors

Assessing the Risks

- Mere presence of a conflict of interest is not per se improper, unlawful or unethical
- Failure to identify and appropriately address conflicts of interest can result in unlawful, improper or unethical conflict with consequences to organization and the individual
  - Past scandals demonstrate need for proactive approach
  - Recognize and disclose (transparency is key)
  - Focus on how to respond adequately within particular context
  - Zero tolerance is not always desirable and not typically required
  - Document and demonstrate compliance efforts
- There is no one-size-fits all approach
Integrated vs. Specific

Enterprise/Integrated or specific risk assessment?

► Specific Approach – identify high risk areas for conflict of interest
► Enterprise/Integrated Approach – part of the overall company risk assessment process

Performing a Risk Assessment

► Objectives
  ► Integrate into existing risk assessment processes
  ► Identify key risk areas
  ► Gather sufficient information for making sound policy decisions
  ► Assist in designing effective compliance policies and processes (i.e., select appropriate risk response)
► Considerations
  ► Regulatory considerations
  ► Organizational requirements/objectives
  ► Higher level employees are generally at a higher risk
  ► Indicators identified from Helpline/Hotline calls
  ► Consider agents and vendors
  ► Consider what can reasonably be accomplished
  ► Recurring in nature annually

Risk Assessment Factors

► What are the duties that could be impacted by conflicts of interests?
  ► Fiduciary duties to the company and clients
  ► Other relationships of trust where does one rely on the good faith and disinterestedness of your employees and agents?
► What about agents and other third parties? What is the harm they could cause your organization?
► Consider opportunity and motive for conflicts
► Consider industry concerns
Sample Questions for Management & Directors

1. Have any of the key executives or Board Members been associated with other organizations in the past and what was the nature of those organizations and relationships?
2. Were key members of management promoted from within the organization or recruited from the outside?
3. Have any key members of management had past regulatory or legal problems, either personally or with organizations they have been associated with?
4. Have there been significant changes in the makeup of management or the Board of Directors?
5. Has there been a high turnover of management and/or Board members?
6. Do any members of management or the Board have criminal backgrounds?
7. Other issues related to the backgrounds of key members of management or the Board of Directors.

Monitoring and Auditing the Program

- Incorporating Best Practices
- Monitoring and Auditing
  - Monitoring the Resolution & Disclosure Processes
  - Monitoring Techniques
  - Monitoring for Undisclosed Conflicts
  - Auditing the Program & Process
  - Auditing for Compliance - Gifts
Incorporating Best Practices

- **Culture**: Create a culture of ethical behavior
  - Implement an ethics policy that is communicated to employees (training, newsletters, etc.)
  - Reward behaviors in line with the ethics policy and discipline violators
- **Resolution**: Ensure processes allow necessary personnel to address and resolve conflicts of interest
- **Training**: Train department leaders on fraud and conflict of interest risks in the company, industry, and region
- **Monitoring & Auditing**: Review the program for employee compliance and program applicability and effectiveness

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Monitoring & Auditing

**Monitoring the Resolution Process**

- Comprehensive Disclosure and Resolution Summary
  - Report provided to each entity head and entity compliance officers
  - Enables monitoring compliance to resolutions at the entity level

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Monitoring & Auditing

**Monitoring the Disclosure Process**

- Track Completion of Disclosures
  - Participation Reporting
  - Weekly system statistics during annual process
  - Entity statistics
  - Individuals who have not responded

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**Sample System Statistics Report**

<table>
<thead>
<tr>
<th>Category</th>
<th>Completed</th>
<th>Not Completed</th>
<th>Total</th>
<th>Percent Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Members</td>
<td>7</td>
<td>2</td>
<td>9</td>
<td>77.8</td>
</tr>
<tr>
<td>Officers</td>
<td>10</td>
<td>5</td>
<td>15</td>
<td>50.0</td>
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<tr>
<td>Management</td>
<td>102</td>
<td>92</td>
<td>194</td>
<td>62.6</td>
</tr>
<tr>
<td>Managers</td>
<td>11,287</td>
<td>3,356</td>
<td>14,643</td>
<td>78.4</td>
</tr>
<tr>
<td>Employees</td>
<td>59,121</td>
<td>10,752</td>
<td>75,833</td>
<td>77.9</td>
</tr>
<tr>
<td>Grand Total</td>
<td>70,527</td>
<td>19,098</td>
<td>90,443</td>
<td>67.3</td>
</tr>
</tbody>
</table>
Monitoring & Auditing

Monitoring the Resolution Process

► Track Acceptance/Adherence to Resolutions
► Acceptance Reports
► System Statistics
► Entity Statistics
► Individuals who do not accept resolution

<table>
<thead>
<tr>
<th>Sample System Statistics Report</th>
<th>Number</th>
<th>Percent Accepted</th>
<th>Accepted</th>
<th>Not Accepted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Member</td>
<td>4</td>
<td>12.50</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Committee Member</td>
<td>16</td>
<td>42.01</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Contracted Physician - Administrator</td>
<td>18</td>
<td>85.71</td>
<td>14</td>
<td>4</td>
</tr>
<tr>
<td>Employee</td>
<td>132</td>
<td>90.91</td>
<td>120</td>
<td>12</td>
</tr>
<tr>
<td>Officer</td>
<td>10</td>
<td>70.00</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Physician Involved</td>
<td>19</td>
<td>73.68</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td>Vendor / Contractor</td>
<td>2</td>
<td>100.00</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Overall Total</td>
<td>284</td>
<td>78.92</td>
<td>161</td>
<td>43</td>
</tr>
</tbody>
</table>

Monitoring & Auditing

Monitoring Techniques

► Building notification triggers into expense and gift reporting when thresholds are reached
► Develop trend and exception reports of entertainment data
► Require close review and accountability of expense reports by managers with approval authority
► Review helpline/hotline reports for calls alleging conflicts of interest, and questions concerning conflict policies
► Review information from employee exit interviews for allegations of conflict of interest
► Periodically question vendors and suppliers (they should be required to notify you of potential conflicts)

Monitoring & Auditing

Monitoring for Undisclosed Conflicts

► Random and targeted “audits” of expense reports
► Random and targeted audits of disclosures — board members, executives and key employees
► Interviewing and surveying the workforce
► Perceptions of work environment and willingness to report misconduct
► Awareness and understanding of conflict of interest policies and training received
► Including vendors/suppliers in a certification and disclosure process
► Proactive data analysis as part of fraud risk management activities
► Joining and analyzing disparate data sets, external data
Monitoring & Auditing
Auditing the Program

Evaluate the code of conduct and conflict of interest policies
► Have unique industry risk been identified?
► Is it clear to whom the code and policies apply (board, graduate students, contractors)?
► Does the code explain why conflict of interest is important?
► Does it address appearance as well as actual conflicts?
► Are dollar limits and thresholds appropriate?
► Who owns the communication of conflict of interest policy? How are they communicated? Is the timing appropriate?

Monitoring & Auditing
Auditing the Program

► Interview individuals responsible for the process
  ► Ethics and Compliance
  ► Legal
  ► Internal Audit
► Interview individuals in high risk areas
  ► Procurement
  ► Contracting
  ► Financial Aid
  ► Human Subjects

Who reviews disclosures and to whom are results reported?

Monitoring & Auditing
Auditing the Program

Evaluate the Conflict Disclosure Process
► How often is reporting and updating required?
► Is it clear that there is a duty to report independent of the completion of form or report?
► Is this required of appropriate level?
► Are questions clear to those completing the form?
► Interview respondents to get feedback
► Is there documentation that disclosures were reviewed and investigated?
► Were reported and identified conflicts resolved pursuant to organizational policy?
Monitoring & Auditing
Auditing the Program

► Validate certifications and training attendance
► Evaluate data collected from questionnaires:
  ► What is the overall response rate? Are there functions or subject areas that are deficient?
  ► What are the most common types of conflicts reported?
  ► Any consequences for those who did not complete the form?
  ► Who failed to disclose a conflict later identified?

Monitoring & Auditing
Auditing for Compliance - Gifts

The Gift Giver
► Review expenditures, T&E reports in sensitive areas
► Audit employees with highest expense reporting
► Random spot audits of expense reports

The Gift Receiver
► Trace and validate the receipt of funds (grants, gifts, etc.) for appropriate use
► Review pre-approvals and waivers for consistent application
► Ask suppliers to confirm that payments have not been made, or gifts given to employees.

Analytics & Other Testing

► Three Segments to Test
► Social Network Analytics
► Emotive Tone Analysis
► Fuzzy Data Matching
► Named Entity Recognition
► Investigator Tool Set
Three Segments to Test

Employees  Board of Directors  The Company

Forensic Data Analytics (FDA)

- How are companies using forensic data analytics (FDA) to mine big data to aid in anti-fraud and anti-corruption compliance?
- Leading companies are leveraging FDA to provide:
  - New insights, leading to more focused investigations
  - Better root cause analysis
  - More effective fraud risk management
- Advanced technology trends:
  - Data visualization
  - Statistical analysis
  - Text mining
  - Big data processing capabilities
- Findings suggest many organizations use some data analytics, but are not employing the more advanced FDA methods
Forensic data analytics maturity model
Beyond traditional “rules-based queries” – consider all four quadrants

Example: analyzing sensitive keywords for potentially improper payments

- Payment descriptions can be quite powerful when cross-referenced with payment activity. These free-text fields can be found in:
  - Accounts payable transactions
  - Cash disbursement journal entries
- Keyword phrases, such as “help fee”, “problem resolution” and “facilitation pay” were searched among payments data and linked to payment locations by country.
  - Brazil example: the phrase “problem resolution” was authorized by an employee in the amount of approximately US$7,500.
  - China example: the phrase “load up fee” was mentioned in the amount of approximately US$4,000 in payments.
- Accounts payable visualization of free-text descriptions facilitates quicker analysis of the data to potentially identify corrupt payments.
- EY maintains a library of thousands of these sensitive terms in over two dozen languages. We encourage companies to build similar libraries that also take into consideration:
  - Industry terms
  - Cultural idioms
  - Company-specific jargon

Accounts payable visualization of free-text descriptions
Spotting potentially improper payments

This example leverages an accounts payable monitoring dashboard to spot patterns and anomalies. It includes drill-down capabilities that allow one to pick any country, vendor name or other field and drill down into the transaction details.

Industrial Services

- In its investigation of alleged improper payments to foreign government officials, a Fortune 500 company used FDA in multiple countries to identify key risk areas.
- For example, in one country, the project team reviewed 3,000 transactions in detail and used the results to build a statistical, predictive model that examined a further 800,000 transactions to find "more like" the original sample.
- This analysis identified a further 14,000 statistically similar transactions, representing over US$8 million in potentially improper payments.
- The number one most statistically significant variable used to predict a potentially improper payment was when the phrase "special treatment pay" was used in the free-text field description of the payment entry.
- This variable, combined with other statistically significant variables, provided targeted transactions to the investigation team to help them focus their field work.

Success factors for FDA integration

- Companies need to look at a broader set of risks, incorporate more data sources, use better tools (move away from just end-user, desktop tools) and move to real-time or near-real time analysis and increase data volumes.
- By embracing these potential areas for improvement, organizations should deliver a more effective and efficient compliance program that is highly focused on the key fraud risk areas, and see improved quality and return on investment (ROI).
- To build a successful FDA program and progress toward integrating all four quadrants in the FDA maturity model, while achieving a positive ROI, companies should consider five success factors.
Social Network Analytics

The Problem:
Interviews, Org Charts and Ownership structures may not be complete, current, or reflect human behaviors.

The Solution:
Social graph extraction using communication patterns to infer the strength of different relationships between people.

- Comprehensive - no relationship is ever locked
- All relationships are graded, highlighting key relationships that reflect how companies do business.

Social Network Analytics
Employee Risk Analytics

- External Domain Analysis
  - Identify and characterize communications outside the company
- Closest Actor Analysis
  - Identify an employee’s closest associates
- Centrality Analysis
  - Identify the most influential people in an organization
- Family & Friends Analysis
  - Identify communications between an employee and external family/friends

Other Analyses

- External Domain Analysis
  - Identify and characterize communications outside the company
- Closest Actor Analysis
  - Identify an employee’s closest associates
- Centrality Analysis
  - Identify the most influential people in an organization
- Family & Friends Analysis
  - Identify communications between an employee and external family/friends
Emotive Tone Analysis

In this example, the emotional sentiment of stock traders is plotted over time with a significant spike in "derogatory" communications (red) and "cursing" (green) in the months of October and November 2011. Further drill down analytics can be performed by the analyst to look into select individuals and their respective communications.

Fuzzy Data Matching

Uncovering Conflicts in Structured Data

- Employee Consultants
- Direct Payments
- Friends & Family Program

Anomaly: In this case, it was found that Douglas Lipton (third from bottom), a $60k per year employee, was also billing the company over $700,000 in PR Consulting fees. (Names have been changed). This was a clear conflict of interest.

Named Entity Recognition – Identifying People & Entities in Unstructured Data
Investigator Tool Set

- Similar document detection
- Keyword expansion
- Conceptual searching
- Submit selected concepts
- Categorization
- Clustering
- Non-responsive
- Emotive tones

- Language identification
- Email domains
- Key actors
- Aliases
- Friends and family members
- Discussions
- Responsive

- Personal concerns (ethics)
- Personal privacy
- Company confidentiality

- Sampling results
- Precision and recall
- Keyword context

Key Questions to Consider

- Policy
  - What is your conflict of interest policy?
  - How does your conflict of interest policy compare to others?
  - What are the issues?
  - How are employees trained in the policy?

- Process and disclosures
  - Is the policy reviewed and updated annually?
  - Who is responsible for implementing and disclosing the policies?
  - How is the policy enforced?
  - How effective is the policy?

- Monitor and test
  - Using targeted analytics, can we detect key patterns?
  - Are conflicts of interest identified?
  - Does the process include peer review?
  - Are the results monitored and tracked?
  - Are similar conflicts prevented in high-risk areas?

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Appendices

► Resources for Conflicts of Interest
► Creating a System to Reduce & Respond to Conflict Risks
► EY: “Big risk require big data thinking” – Global Forensic Data Analytics Survey 2014

Resources for Conflicts of Interest

► American Institute of Certified Public Accountants (AICPA)
► Society of Corporate Compliance and Ethics (SCCE)
► Ethisphere Institute
► Ethics & Compliance Officers Association (ECOA)
► Ethics Resource Center (ERC)

Creating a System to Reduce & Respond to Conflict Risks

► Culture
► Resolution
► Training
Culture

- Policy Development
- Code of Conduct
- Gift & Entertainment Policies
- Disclosure Certification and Reporting
- Pre-Approval and Waivers

Culture
Policy Development

Concepts for developing standards

- Specificity versus Flexibility
  - Code of Conduct/Ethics for stating general principles to guide the program, yet address specific risk areas
  - More specific policies for more detailed guidance in high risk areas yet still broad enough to provide flexibility
- Principles-based versus bright line rules
  - Principles: case-by-case application to facts and circumstances
  - Bright line rules: provide specific rules
- Zero tolerance for conflict situations?
- Benchmarking with industry peers

Culture
Code of Conduct - Example

University of Texas

- Fundamental Business Rules
  - “Integrity and Respect are the foundational values of UT.”
  - “Values provide perspective in the best of times and the worst.”
  - “The fundamental business rules for all UT employees are: Don’t Lie, Don’t Cheat and Don’t Steal.”

- Conflicts of Interest
  A conflict of interest is anything that might cause an individual’s private interest to interfere in any way or even appear to interfere with the interests of UT. A conflict situation can arise when an employee’s actions or interests make it difficult to perform company work objectively and effectively. It is anything that might deprive UT of an employee’s
Culture
Gift & Entertainment Policies

“Dancing with Porcupines”

► When is a Gift Truly a Gift?
► Is it better to give than to receive?
► Why do we give gifts and provide entertainment?
  ► Foster goodwill and enhance personal business relationships
  ► Strengthen the organization's business relationships
  ► Encourage community relationships
  ► Can be an expected social courtesy
► Ultimately we want to win business because of our products or service or price, and not because of gifts; yet we give gifts and provide entertainment so the recipient will like us and do business with us.

Culture
Gift & Entertainment Policies

► Tailor your policy to the needs of your industry and organization
  ► Relevant laws and regulations
  ► Industry and marketplace practices
► Benchmark with peers
  ► Request codes and policies, obtain those publicly available
  ► Interview impacted employees
► Develop a policy that minimizes the likelihood of a violation
  ► Provide resource for questions and obtaining required approvals
  ► Identify specific prohibitions
  ► Determine and communicate gift thresholds

Culture
Gift & Entertainment Policies

► Defining acceptable gifts and entertainment
  ► Dollar values, thresholds
  ► Nominal, customary, inexpensive, reasonable and appropriate
  ► Infrequent, annual limit
► Requiring approval
  ► In excess of set limit or for all gifts
  ► Gifts to government officials (FCPA)
► Gift disclosure and record keeping
  ► Approval versus reporting
  ► All gifts or those over a defined value
Culture
Disclosure Certification and Reporting

► Certifications
► Used by organizations for select (mostly high-level) or all employees
► Provide employees opportunity to report
► Typically require employees to certify that they have read and are familiar with the conflicts of interest policy (and code of conduct)
► Certify they are not aware of any violations of the policy

► Questionnaires
► Request employees to supply information and respond to more detailed questions, not just certify
► Large organizations use Web and electronic systems to manage the process and data

Culture
Pre-Approval & Waivers

Different Models
► Centralized approval (C&E Office, Legal, Governing Body)
► Likely to have more consistency
► Certain level of independence
► Safety in numbers when decisions by committee
► Local Manager/Supervisor Level
► Require written approvals
► Provide avenues for the manager or supervisor to ask questions, seek guidance, or obtain another level of approval

Resolution

► Basic examples of potential resolution options
► Remove the “interest” before participating in a decision or continuing in your role; e.g., selling stock, promptly returning a gift, terminating outside activity
► Recuse yourself from the decision and avoid participating in or otherwise influencing the decision

► Discipline dimensions for conflicts of interest violations
► Fairness: perception by workforce, regulators, and public
► Rigor: effectively addressing the conflict issue
► Deterrence: discourage and prevent future misconduct
Resolution

Standard Statements

► Strive to apply consistent judgment and decisions when similar situations/activities are disclosed
► Standard resolution statements are developed by category
► Conduct further investigation where necessary
► Finalize individual resolution statements

Resolution

► Review disclosures and proposed resolutions with entity leadership and entity compliance officers
► Present disclosures and proposed resolutions for review and approval to:
  ► Corporate Compliance Committee and/or
  ► Board and Compliance Committee

Training

Employee Knowledge is Prevention

► Ongoing company-wide compliance education and awareness
► New employee orientation, management training, and executive seminars
► Interactive, scenario-based training covering asset misappropriation, vendor management, IP, non-retaliation, record management, network security, etc.
► Codes of conduct
  ► Procurement and Vendor Codes of Conduct
► Annual disclosure statements
► Appropriate disciplinary action for violators

Employee knowledge of proactive detection process in itself is prevention