Bringing Compliance to the Classroom

Higher Education Compliance Conference
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THE OHIO STATE UNIVERSITY
OFFICE OF UNIVERSITY COMPLIANCE AND INTEGRITY

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Session Objectives

Outline practical methods for student engagement in Compliance – and Compliance engagement in the academy

• Provide students with practical learning experience and diverse regulatory opportunities across university
• Engage compliance personnel in teaching and learning
• Demonstrate engagement to college and unit stakeholders

Identify synergies between academic and compliance activities

• Leveraging a course to extend institutional compliance framework with compliance partners
• Testing compliance programmatic elements in the classroom
• Students (and teaching/learning) as change agents
Context: Current State at OSU

Practicum Course
- Modified clinical course focusing on experiential learning
- Focus on compliance assessments and projects using guided team approach
- 10-12 students/semester

Externships
- Specific, for-credit semester assignments
- Leverage regulatory interest areas (health care, athletics, IT, export controls) supported by central office
- ~4 students/semester (and expanding)

Additional Outreach
- Compliance-related research (3 students, ongoing)
- “Compliance Academy” for partners
- Regular training and communication (e.g., Academic Affairs’ annual training for new academic leaders)

Getting a compliance practicum up and running

Establish course trajectory
- Identify school (business, law, public policy)
- Teach a traditional compliance course
- Pilot compliance assessments with partners

Identify potential projects
- Discrete, limited time commitment, no immediate deadline; well-defined

Create interest
- Identify students through an open house
- Introduce partners to practicum early; offer practicum as opportunity; acknowledge time commitment

Solicit feedback
- Survey students and partners
- Show how feedback improves framework

Use course to build framework and extend program
Practicum Course Elements

Segment 1: Foundations (6 class hours)
- Sentencing Guidelines, DOJ Guidance, etc.
- Grounding on compliance program elements
- Regulator’s perspective and enforcement decision-making
- Skill development
  - Compliance heuristics, ethics and values, concern reporting, process mapping
  - Governance, compliance toolkit, behavioral economics

Segment 2: Simulations (4 class hours)
- Targeted, problem-focused presentations
  - Based on GE business segments
  - Risk management and strategic oversight
  - Ensure proactive approach and team focus

Segment 3: Program assessments (16 class hours)
- Compliance program assessments in university units
  - Review and integration of overall course objectives

Compliance Practicum Heuristics

1. Why, then What, then How
- Why: orient to values and mission; culture drives behavior
- What: compliance program components; requirements
- How: leadership and governance; behavioral economics; tools; change management mindset

2. Start with Values
- Align to university and college values
- Use course values to build (and demonstrate) compliance team values

3. Align to the Mission of the Institution
- If an institution’s only goal was to make money, risk (and prevention) would only be explained in terms of money
- Universities (and most companies) have more goals than making money
- Don’t assume the mission is clear

4. Establish and Maintain Credibility
- Show process and evidence; “own the facts” (expertise credibility)
- Demonstrate wins, even if small, to reflect progress (credibility as change agent)
- To earn credibility, behaviors must model values

5. Process Orientation and Problem Solving Approach
- Adopt a process view; design and document processes
- Define process ownership and demonstrate continuous process improvement
- A proactive, helpful approach: “We solve problems!”
6. Accountability Depends on Metrics and Incentives
   - You cannot change what you do not measure
   - Keystone metric: how to best (and most simply) measure the change
   - Concern reporting: the best metric for an integrity culture
   - Focus on the incentives that drive (or reinforce) metrics

7. Keep it Simple
   - Seek to simplify processes and consolidate controls
   - Risk acceptance demands understanding, which requires simplicity
   - Frame and agree on the problem; identify the realistic “ideal solution”; frame steps to achieve that solution

8. Take the Regulator’s (and the Public’s) Perspective
   - Myopia usually leads to bad decisions; think like a regulator
   - Newspaper test: imagine the decision or result in the headlines

9. Put People First
   - Relationships matter; take each person as they are
   - Organizational culture often mirrors individual behavior
   - A “process” is an organizational “habit” – learn habit formation

10. Every Crisis Offers Opportunities
    - Corrective actions and feedback loops: learn from mistakes!
    - Positive change results from problems: “squeaky wheels” and “burning platforms”

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**Example: Course Values**

Develop values for course by collaboratively integrating university and college values

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**OSU Mission and Values**

**Mission Statement**

The mission of the college is to preserve and develop the university’s traditions of teaching, research, and service.

**Values**

- Excellence
- Diversity of people and ideas
- Access and affordability
- Innovation
- Collaboration and interdisciplinary learning
- Integrity, transparency, and trust

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**Moritz College of Law Mission and Values**

**Mission Statement**

The mission of the college is to preserve and develop the university’s traditions of teaching and scholarship.

**Values**

- Legal ethics
- Professionalism
- Service to the community
- Judicial integrity
- Academic excellence
- Diversity of people and ideas
- Access and affordability
- Innovation
- Collaboration and interdisciplinary learning
- Integrity, transparency, and trust

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**Course Compliance: Objectives and Values**

**Course Objectives**

- Values Statement: Mission
- Values
- Objectives
- Course Learning Values

**Course Learning Values**

- Individual Contributions and Commitments
- Participation in teaching
- Contribution to compliance
- Avoidance of regulatory violations
- Development of ethical and professional skills

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**Method of developing values for course models approach towards ethics and organizational governance**
Example: Course Values

Regulatory Compliance: Objectives and Values

Course Objectives

Vision Statement:
Explore the legal, ethical, and policy foundations of compliance: the effort to translate statutory mandates into compliant organizational and individual behavior.

Three objectives:
1. Enable students to identify and proactively address potential compliance issues;
2. Develop the practical problem-solving skills needed to respond to compliance failures; and
3. Provide students with the theoretical and practical tools necessary to advocate on behalf of a company under investigation for a regulatory violation.

To meet these objectives, the course employs both simulations and field work, working directly with individuals responsible for meeting regulatory requirements.

Course Learning Values

Individual Contributions and Commitments
Students are expected to prepare for and attend class.

Team Contributions and Commitments
Participation in building and evaluating peer presentations also is an essential class element, as acting as a mock management team or board is intended to model corporate governance practices.

Client Contributions and Commitments
Participation in compliance assessments in university units is a critical component of the practical learning objectives of the course. Students therefore are expected to accommodate unit employees’ schedules, to be respectful, flexible and professional towards peers and unit employees, and to maintain confidentiality appropriately.

Example: Measuring Integrity Culture

Modeling – and measuring – concern reporting

Class use of “Comments Envelope”
• Anonymous concerns collected each class
• All concerns answered
• “Corrective actions” implemented
• Models necessary elements of concern reporting process

Educational Outcomes

• Alignment of academic value (raising questions) and integrity value (raising concerns)
• Tracking of types of concerns
• Noting outliers & reversion to mean
• Establishing baseline and changes
Example: Process Orientation and Problem Solving Approach  
Every problem offers an opportunity

The “Concern”
• Anonymous concern raised in Comments envelope regarding availability of course materials
• Law school bookshop released materials late in costly packages for all courses (including this one)
• Students had no input into format/methodology

The “Problem”: no feedback or input in process
• Professors make content decisions
• Assistants collect materials
• Registrar collects materials from assistants
• Printer creates course binders
• Students purchase course binders

The Approach
• Define the problem
• Determine the most realistic “ideal solution”
• Determine the cause of the problem (here: process failure)
• Apply the applicable problem-solving tool (here: process mapping)

Basic Process Mapping
Map process of developing and distributing course materials

Educational Outcomes
• Demonstration of crisis response and problem-solving methodologies
• Integrating multiple course concepts (concern reporting; compliance problem-solving; control definition; process mapping)
• Modeling compliance officer mindset
• Reinforcing sense of class as “team” and a part of a broader organization with multiple functions and hierarchies
Practicum Course Elements

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Simulations: Overview

- Selection of non-Higher Education model as contrast
- GE: diverse business with significant compliance focus
  - 11 major enforcement actions since 1961
  - Major recent regulatory and reputational crises
    - PCBs in Hudson
    - GE Capital bailout and regulatory conversion
- Company strategy
  - Industrial versus financial business
  - International areas
  - Key industrial segments
  - Regulatory burden of a diversified multinational
    - FCPA (all business segments)
    - NRC (GE Energy only)
- Compliance governance
  - Mirrors corporate structure
  - Rests on common code of values (“The Spirit & the Letter”)
  - Places mandate on leaders at all levels
Simulations: Outline and Expectations

• The legal and compliance implications of a critical business initiative (invention, new market, acquisition) contemplated by business unit, for which senior management approval is required. Can be an ongoing activity (e.g., existing desalination plants in Saudi Arabia) or new product/ market – focus on regulatory and compliance impacts of the business initiative critical to strategic success of business unit.

• FCPA analysis: In light of GE’s SEC settlement of Oil for Food FCPA allegations in 2010; the recent trend in increased FCPA settlements; and GE’s acquisition of Alstom (a foreign firm with its own bribery risk issues) – describe critical FCPA risks for the business unit based on its operations, and proposed compliance remedies.

• Expectations: Three-student teams contribute as CEO, General Council, and Chief Compliance Officer; 7-minute oral presentations with opportunity to provide short written overview (single-page document or 5 slides); focus on analysis of strategy and issues

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Compliance Program Assessments

Compliance framework
- Simple program model
- Maps to Sentencing Guidelines
- Aligns to institutional hierarchy
- Leveraged throughout university

Maturity Assessment
- Measures program maturity
- Provides baseline and ongoing metric
- Identifies key gaps for prioritization

Foundation: Definitions of “Optimized” State of each Element

Benefits for Students:
- Immediately applies framework to practical example
- Leverages GE simulation to show how leaders engage in each program element
- More detailed knowledge assists in subsequent assessment of each element

Benefits for Colleges/Units:
- Consensus-driven discussion of long-term compliance goals
- Format articulates objective for unit leader
- Elements can be customized for programs with unique elements (e.g., HIPAA breach reporting)

<table>
<thead>
<tr>
<th>Compliance Area</th>
<th>Optimized Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership Engagement</td>
<td>A governance process exists to ensure ongoing ownership and reporting that links responsible units to the university and the Board. Additionally, university leaders take responsibility for ensuring integrity to colleges and units and understand their legal and policy obligations, and take responsibility for owning their compliance risks.</td>
</tr>
<tr>
<td>Regulatory Inventory</td>
<td>The program performs a regular, standardized risk assessment of its regulatory requirements. As a result of that assessment, the program develops and updates compliance plans to ensure ownership and proactive mitigation planning. Risk assessment and compliance plans are updated annually to reflect internal operational and external regulatory changes and the effectiveness of prior planning efforts.</td>
</tr>
<tr>
<td>Risk Assessment &amp; Planning</td>
<td>Policies exist that accurately reflect all legal requirements. These policy requirements are clearly and effectively communicated to all relevant personnel. In order to keep the program up to date, there is a streamlined structure to review, approve, and update policies as well as a comprehensive inventory of all of the policies.</td>
</tr>
<tr>
<td>Policies</td>
<td>Training content reflects requirements, training is delivered to appropriate personnel, training is effective, and the training tool is streamlined. A function exists to ensure assignment and completion of all training. A function exists to measure effectiveness of training.</td>
</tr>
<tr>
<td>Testing &amp; Monitoring</td>
<td>Operational controls are in place where required, key controls are identified. Controls are automated when possible and appropriate. Comprehensive testing standards and protocols are in place to ensure prioritized testing of controls around compliance requirements. Operational owner facilitates self-testing or monitoring as approved by appropriate leadership. Findings are reported and responded to appropriately, to include necessary control improvements. Testing, monitoring, analysis, and reporting are automated when appropriate.</td>
</tr>
<tr>
<td>Issue Response &amp; Remediation</td>
<td>Issues are assessed on a standardized materiality scale. Issues and corrective actions are reported to the Board, senior leadership, and other appropriate leaders to support accountability and necessary corrective actions. Root cause analyses are performed when appropriate. Findings (investigation, testing, audit) are reviewed for systemic issues and materiality.</td>
</tr>
</tbody>
</table>
Assessment: Evaluation of Each Program Element

How assessments are performed
- Students teams with operational owners and compliance partners
- Structured interviews to understand college/unit’s specific risks/regulations
- Draft document for review in person
- Identify actions and next steps, including opportunities for specific work (e.g. protocol or training development)
- Present to findings to risk owner and class to share observations

Key outcomes
- Students
  - "Real world" interactions and development of professional skills
- College/Unit
  - Establishes baseline and priorities
  - Supports ongoing action plans
- Compliance Partners
  - Provides resources and initiative
  - Templates for reporting
  - Extends compliance framework

Assessment: Reporting and Metrics

Benefits for Tailored Programs:
- Can add specific regulatory detail [e.g., HIPAA program requirements, below]
- Provides unit-level baseline and ongoing measurement for annual planning and reporting

Benefits for Compliance Program
- First step towards building a compliance testing and monitoring program
- Can be supported by specific control testing
- Common assessment enables cross-unit tool development and best practice sharing

Framework | Communication | Controls and Testing | Issue Response
---|---|---|---
Optimized | | | |
Managed | | | |
Defined | | | |
Repeatable | | | |
Initial | | | |

Current status/Next Steps

|= FY2015 Assessment = Current Status=|
### Program Assessments: Ongoing Planning

<table>
<thead>
<tr>
<th>Compliance Area</th>
<th>Current Status</th>
<th>Next Steps</th>
<th>FY2018</th>
<th>FY2019 Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership Engagement</td>
<td>Until governance structures are well established, institutional norms are well established, but have not yet been tested.</td>
<td>The governance of the institutional norms is well established.</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Regulatory Inventory</td>
<td>Regulatory inventory exists for key requirements in Asthetics and other units.</td>
<td>Standards Review Committee will review the inventory and update if necessary.</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Risk Assessment &amp; Planning</td>
<td>ASTMIX Compliance performs an annual risk assessment.</td>
<td>Standards Review Committee will perform an institutional control risk assessment.</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Policies</td>
<td>Impermissible Communication Guideline was completed in FY2016.</td>
<td>The Standards Review Committee will solicit feedback to educate the relevant populations about the Impermissible Communication Guideline.</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Education</td>
<td>In-person training is being completed by Coaches, Asthetics Staff and Other Unit Staff</td>
<td>Options for training Faculty and Residents are being reviewed. Additionally the Standards Review Committee is testing at sea to track education for staff.</td>
<td>○</td>
<td>○</td>
</tr>
<tr>
<td>Training &amp; Monitoring</td>
<td>The specific requirements for monitoring institutional control were first presented in December 2013. Now that the Guidelines have been approved, the Committee can begin to look at testing.</td>
<td>The Standards Review Committee will identify key controls and ways to test those controls.</td>
<td>●</td>
<td>○</td>
</tr>
<tr>
<td>Issue Response</td>
<td>The specific requirements for monitoring institutional control were first presented in December 2013. Now that the Guidelines have been approved, the Committee can begin to look at issue response.</td>
<td>The Standards Review Committee will solicit an issue response related to the Impermissible Communication Guidelines and related unit risks.</td>
<td>●</td>
<td>○</td>
</tr>
<tr>
<td>Remediation</td>
<td>The specific requirements for monitoring institutional control were first presented in December 2013. Now that the Guidelines have been approved, the Committee can begin to look at remediation.</td>
<td>The Standards Review Committee will solicit an issue to implement and track remediation.</td>
<td>●</td>
<td>○</td>
</tr>
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</table>

#### Detailed discussion of gaps in each element
- Help university leaders better understand risks
- Common template enables dashboards and integrated reporting
- Supports building consistent, core compliance processes

#### Ongoing Planning
- Assists college/unit to prioritize and plan next steps
- Practicum team can assist college/unit with specific projects
- Helps identify opportunities for cross-unit focus and planning
- Assists collaboration in compliance teams

### Next Steps

**Continue course/educational development**
- Move to every semester; apply for clinical status
- Expand beyond law students
- Extend and increase externships
- Build research opportunities

**Using course lessons for compliance program**
- Integrating compliance assessments into regular reporting
- Leveraging toolkit for Medical Center (development of “tailored programs” managed by separate departments)
- Expanding Compliance Academy (monthly learning program for compliance partners)
Questions?

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