Measurement and Assessment of Your Compliance and Ethics Program

Ann M. Florkowski
AVP, Global Compliance, ACE Group Holdings

Don Griffith
Vice President & Compliance Counsel, Corporate Compliance, MassMutual Financial Group
U.S. Sentencing Guidelines

The organization shall take reasonable steps—

to evaluate periodically the effectiveness of the organization’s compliance and ethics program.
Assessment ≠ Monitoring/Auditing

• Auditing and monitoring is an element of a compliance and ethics program that relates to the controls in place to ensure compliance
  – Ask questions like “Is this particular control adequate?”
  – Tested controls can be used as part of management performance plans

• Measurement and assessment relate to the effectiveness of the elements of the overall program
  – Ask questions like “Is auditing and monitoring capturing what we think is important?”

• Assessing effectiveness = the big picture
What your program has achieved, and where are the opportunities for improvement?

Overall Achievements

• Increased awareness and effectiveness of ethics and compliance program through periodic assessments
  – Better understanding of employee knowledge and perceptions of ethics and compliance culture
  – Enhanced reporting/better informed senior management
  – Added comfort that the program is in line with benchmarks
What your program has achieved, and where are the opportunities for improvement?

How achieved

- Global self assessment
  - CCOs of each subsidiary/business line worked with their staff to prepare comprehensive self-assessment following standard elements of an effective compliance/ethics program
  - Follow-up meetings to develop action plan to address desired outcomes

- Global ethical culture survey
  - Establish base assessment and compare with benchmarks of over 100 other companies

- Annual domestic assessment of ethics/compliance as part of broader engagement survey
  - Several ethics/compliance questions incorporated into HR-sponsored annual engagement survey
What your program has achieved, and where are the opportunities for improvement?

How achieved

- **Regional Annual Business Plans**
  - RCOs for each global region prepare a ‘business plan’ for each year
  - Contents of the compliance business plans are driven by risk assessments and strategic initiatives
  - Monitored and reviewed with Global Compliance quarterly
  - Evaluated at YE
  - Ongoing improvement
  - Keeps compliance progress and targets top of mind

- **Global Risk, Control & Compliance Survey**
  - Establish base assessment and compare with benchmarks of other companies
  - Every 3 years to a random group of employees globally, across all businesses, managers and staff
  - Used to determine & drive long term strategy
What your program has achieved, and where are the opportunities for improvement?

Opportunities for Improvement

• Increase communication around employee ability to speak up without fear of retaliation

• Increase focus on manager training when employees raise concerns
The benefits of both short and long-term assessments

Short-term/continuous assessments
• Ability to spot trends and adjust accordingly & quickly
• Aid in periodic reporting/metrics
• Ongoing/increased awareness of ethics and compliance program

Longer-term assessments
• Align with risk assessment
• Aid in strategic planning
• Benchmark against others
How assessments can help you plan where your compliance program will go next

Assessments aid in the planning process:

• Identify need for additional controls, monitoring, training, etc.
  – Can be used in conjunction with risk assessments

• Enable you to see the “big picture”
  – How are you doing compared to benchmarks?

• Aligns goals with broader goals of the organization
  – Do your program’s goals support the organization’s strategic goals?
Tools

• Employee surveys
  – Assess employee perceptions and awareness
  – Can be either internally developed or through use of outside vendor
    • Vendor surveys have the benefit of providing benchmark information, but limit your ability to tailor questions
  – Can be ongoing or single events

• Self-Assessments
  – Helps to identify program’s strengths and weaknesses and prioritize actions
    • Perhaps better to measure maturity rather than “check-the-box”
    • Provides additional documentation of “periodic” assessment
Tools

• **Metrics, metrics, metrics**
  – Effort vs. Result focused
    • Both can be useful
      – Effort (e.g., # of hotline calls, number of training courses completed, codes of conduct certified)
      – Result- (e.g., # of substantiated hotline calls, # of substantiated customer complaints, % of employees who fear retaliation for speaking up, anonymous vs. identified callers)
    • Results focused metrics tend to be harder to establish/track
    • Can measure each element of your program against both effort and results

• **Reporting**
  – Meaningful reports (from compliance/business units to CCO, as well as from CCO to management/board) can be useful assessment tools
    • Mine for data/metrics/trends
    • Document ongoing oversight