

## IMPLEMENTING A COMPLIANCE COMMITTEE

The authors studied one company (the name of the company and its corporate counsel have been kept anonymous, but it has annual revenues of approximately \$1.6 billion and 30,000 employees) that overhauled its compliance program. Its experience provides a useful case study of how to address the risks discussed above. The enhancements included the addition of a compliance committee and an expansion of the corporate code of conduct. In addition, the company hired third-party vendors to oversee its whistleblower program and employee compliance training program.

Because of the revised U.S. Federal Sentencing Guidelines, the company also wanted to ensure adequate documentation of the effectiveness of its corporate compliance program in the event of an investigation. Therefore, it was necessary to track employee training, the results of investigations of complaints of alleged corporate misconduct, disciplinary measures taken to address corporate misconduct, and steps taken to prevent the recurrence of corporate misconduct. The company's code of conduct was also updated to explicitly address the above improvements.

A corporate compliance committee, consisting of top-level management, was created with several immediate purposes in mind. First, the company wanted to provide a mechanism to communicate to other subsidiaries of the company any compliance gaps found at the subsidiary level, as well as the steps taken to correct them. By requiring subsidiaries to report weaknesses to a centralized corporate compliance committee, the company can ensure that any identified weaknesses are addressed in all subsidiaries across the company.

A second role of the committee is to provide additional oversight of the employee ethics hotline (beyond that of corporate counsel). The committee is charged with determining if the employee hotline is actually effective. It examines whether employees are using the hotline, whether a paper trail is created to document investigations of complaints, and whether procedures are implemented to address any weaknesses brought to the company's attention through the hotline. A third assignment of the committee is to ensure that adequate background investigations are being performed on all employees and associated companies (e.g., vendors, distributors, consultants, joint venture partners). The company has a high-risk exposure of being debarred from government contracts (a key revenue source) if it is found to be employing or otherwise dealing with individuals who have ever been convicted of a crime. The committee can implement procedures to be certain that all subsidiaries are performing adequate background checks.

Last, the company is considering entering a new and more heavily regulated industry. It wants to ensure that adequate compliance programs are in place to meet the requirements of the stricter regulations before entering the new market. The compliance committee can be assigned the task of ensuring that the company is ready for the expansion and ready to handle the additional regulation.