

# Starting a Compliance Program from Scratch

***Bill Brown***  
*Chief Compliance Officer*  
Knights of Columbus



**COMPLIANCE WEEK 2012**

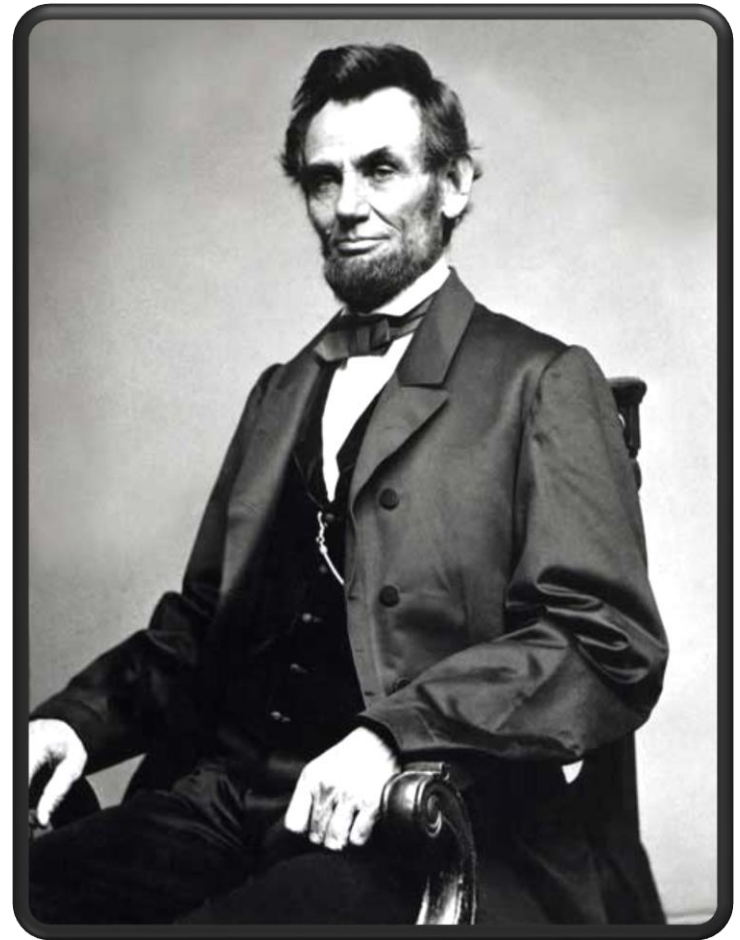
# *Starting a Compliance Program from Scratch*

## *Background: Knights of Columbus*

- Founded in 1882 by a parish priest in New Haven, CT
- Now an \$18 billion international insurance organization
- 2010: \$155 million in charitable donations, 70 million volunteer hours
- Special Olympics, Disaster Relief, Healing Haiti's Children, Coats for Kids, Wheelchair Mission

## *Starting a Compliance Program from Scratch*

"If we could first know where we are, and whither we are tending, we could then better judge what to do, and how to do it." (Abe Lincoln, 1858)



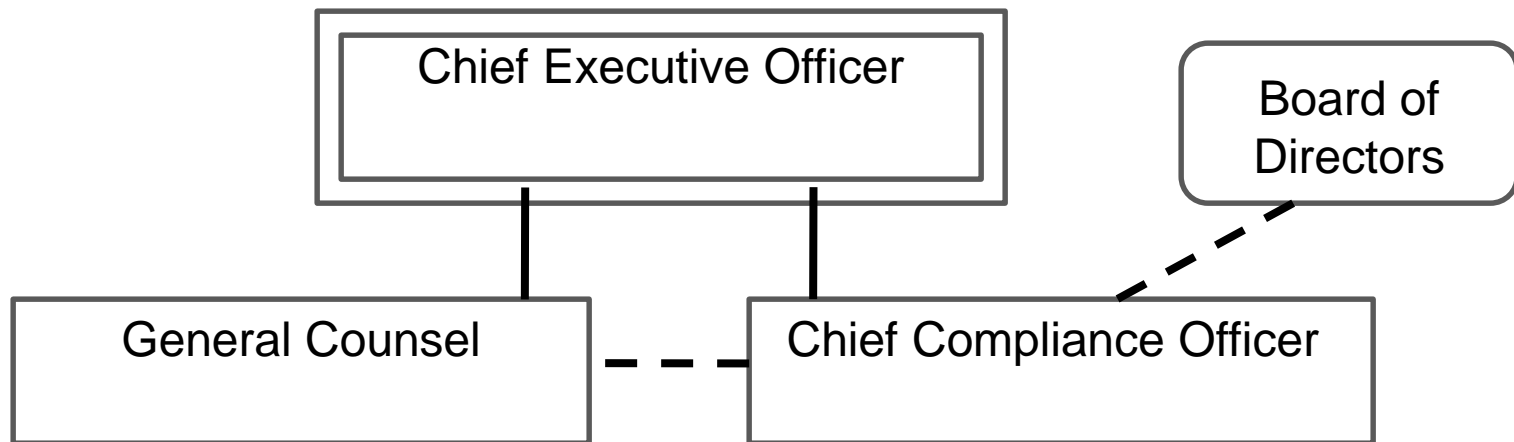
# *Starting a Compliance Program from Scratch*

## *Compliance and Ethics (C&E) Mission*

- Develop a first class C&E program designed to:
  1. ensure compliance with applicable laws and regulations,
  2. prevent, detect and deter misconduct, and
  3. promote and sustain a strong culture of ethics in keeping with our high standards and core values of integrity, professionalism, excellence and respect.

# *Starting a Compliance Program from Scratch*

## *Reporting Structure*



# *Starting a Compliance Program from Scratch*

## *Reporting Structure*

- Direct report to CEO, operate out of legal department
- Quarterly report to audit committee
- Annual report to board of directors
- Chairman of legal/compliance risk committee

# *Starting a Compliance Program from Scratch*

## *Legal/Compliance Risk Committee*

- Direct report to CEO and general counsel
- Comprised of compliance, legal, security, and privacy
- Work closely with key business leaders including HR, audit, communications, and IT
- Promptly review and assess reports of illegal, unethical or irregular conduct
- Promotes compliance, accountability and effective risk management across the organization

# Implementing an Effective Centralized Compliance Program From the Ground Up

*“Taking it from a Project to a Sustainable Program”*

John L. Hairston, Chief Compliance Officer  
Bonneville Power Administration  
Portland, Oregon

Compliance Week  
June 4-6th, 2012  
Washington D.C.





# Overview

- BPA demographics & public responsibilities
- Drive for operational excellence leads to independent compliance function
- BPA's approach to program development
  - *U.S. Federal Sentencing Guidelines; culture of compliance*
- Alignment with leading practices
  - *Success; Room for Improvement; Lessons Learned*
- Taking compliance to the next level

# BPA

- Established in 1937
- Markets power at cost from 31 federal dams and 1 nuclear plant – over one-third of electricity used in PNW
- Markets transmission services – owns 75% (15,000 miles) of the high-voltage lines in PNW
- Protects, mitigates & enhances fish & wildlife in the Columbia River Basin
- 300,000 square mile service area – includes WA, OR, ID, and Western MT
- Self-funding federal agency within DOE. Sets rates to recover costs.
- \$3.5 billion in annual revenues
  - 750 million transmission
- 3000 employees
- Headquarters in Portland, OR



## 2005 - Changing Times Lead to Changes for BPA

- New regulatory requirements
- Need for a risk based approach to compliance and governance
- Redundant organizations within BPA
- Seeking 'operational excellence'
- Create clear accountability
- A need for independent evaluation
- Access to top management

## Drive for Operational Excellence Leads to Independent Compliance Function

- 2006 – BPA approves governance model of centralized and standardized compliance and reporting in order to:
  1. Establish a ‘One BPA’ approach
  2. Support continuous process improvement
  3. Build strong, collaborative compliance relationships across the enterprise
  4. Create a single source for compliance support, resources and information
  5. Select BPA’s first chief compliance officer

# BPA's Approach to Building a Compliance Program

Foundation of BPA's governance & compliance program: The U.S. Federal Sentencing Guidelines

- *Leadership, oversight & chain of command*
- *Process & procedures/written standards*
- *Communication & training*
- *Monitoring & auditing*
- *Reporting/investigation*
- *Enforcement & discipline*
- *Response & prevention*
- *Evaluation*
- *Risk assessment*

# BPA's Approach to Building a Compliance Program

## A Culture of Compliance

- A successful culture of compliance is when BPA employees understand the compliance obligations of the company and their own work group, have the tools they need to comply, and willingly comply with those obligations as a normal part of business operations
- BPA Culture of Compliance Strategies Include:
  1. Leverage: Capitalize on existing culture & values (commitment to integrity and ethics)
  2. Planning: Identify, assess and prioritize compliance and regulatory issues, minimizing audit exposures and findings
  3. Define roles, responsibilities and performance expectations for governance organization and leadership
  4. Create opportunities for clear and frequent communication – at all levels (transparency)
  5. Use technology to embed compliance in work processes improving operational efficiency and effectiveness

## Results – Alignment with Best Practices

- In 2011 BPA evaluated its compliance program against leading practices using data from a past Ernst & Young survey and LRN research
- Much of the U.S. Sentencing Commission's guidelines are covered in the survey and research data
- Purpose was to identify areas of alignment with leading practices and where gaps in BPA's program exist
- Overall, BPA scored in the 75<sup>th</sup> percentile
- Results indicate success in the implementation and maturity of BPA's compliance and governance program

# Lessons Learned from Building a Compliance Program from the Ground Up

- There is no one-size-fits-all governance model or framework
- Build your governance framework around your mission and leverage your culture, people, traditions and history
- Employ fair and transparent and appropriate systems
- Get the right people involved, implement logical governance structure
- Have clearly defined roles and responsibilities
- Active use of risk management is the key to early detection of possible “events” and mitigation



# Taking Compliance & Governance to the Next Level

- Continue to seek appropriate “tone at the top”
- Develop a business case for governance and compliance
  - Grow trust and respect via visibility, competence and adding value to the business
- Focus measurement less on activities and looking back. Instead, develop program elements that help you get out in front of potential issues and problems
- Actively enlist the support and active involvement of leaders and business partners across the enterprise
- Become part of the national stage to influence rules and regulations that may impact your business

# Questions?

?

# Starting a Compliance Program From Scratch

***Deborah Penza***  
*Chief Compliance Officer*  
*Watson Pharmaceuticals Inc.*

**COMPLIANCE WEEK 2012**

# Starting a Compliance Program From Scratch

## Code of Conduct

- What it is, and what it isn't
- Hierarchy of corporate documents

# **Starting a Compliance Program From Scratch**

## **Code of Conduct**

- Principles-based vs. policy-based Code
- Avoid legalese, and ensure the Code is written at the appropriate reading level for your employee population

# **Starting a Compliance Program From Scratch**

## **Code of Conduct**

- In addition to general topics, be sure to address identified risks specific to your organization and industry
- Include a discussion on non-retaliation and employees' obligation to report potential violations

# **Starting a Compliance Program From Scratch**

## **Code of Conduct**

- Who will review and approve the Code?
  - Executive team
  - Board of Directors
- How often?

# **Starting a Compliance Program From Scratch**

## **Code of Conduct**

- Other considerations to make:
  - Paper vs. electronic
  - Language translations
  - Works Council approvals