

# **Building a Foundation For Unified Grasp of GRC**

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Nov. 16, 2012

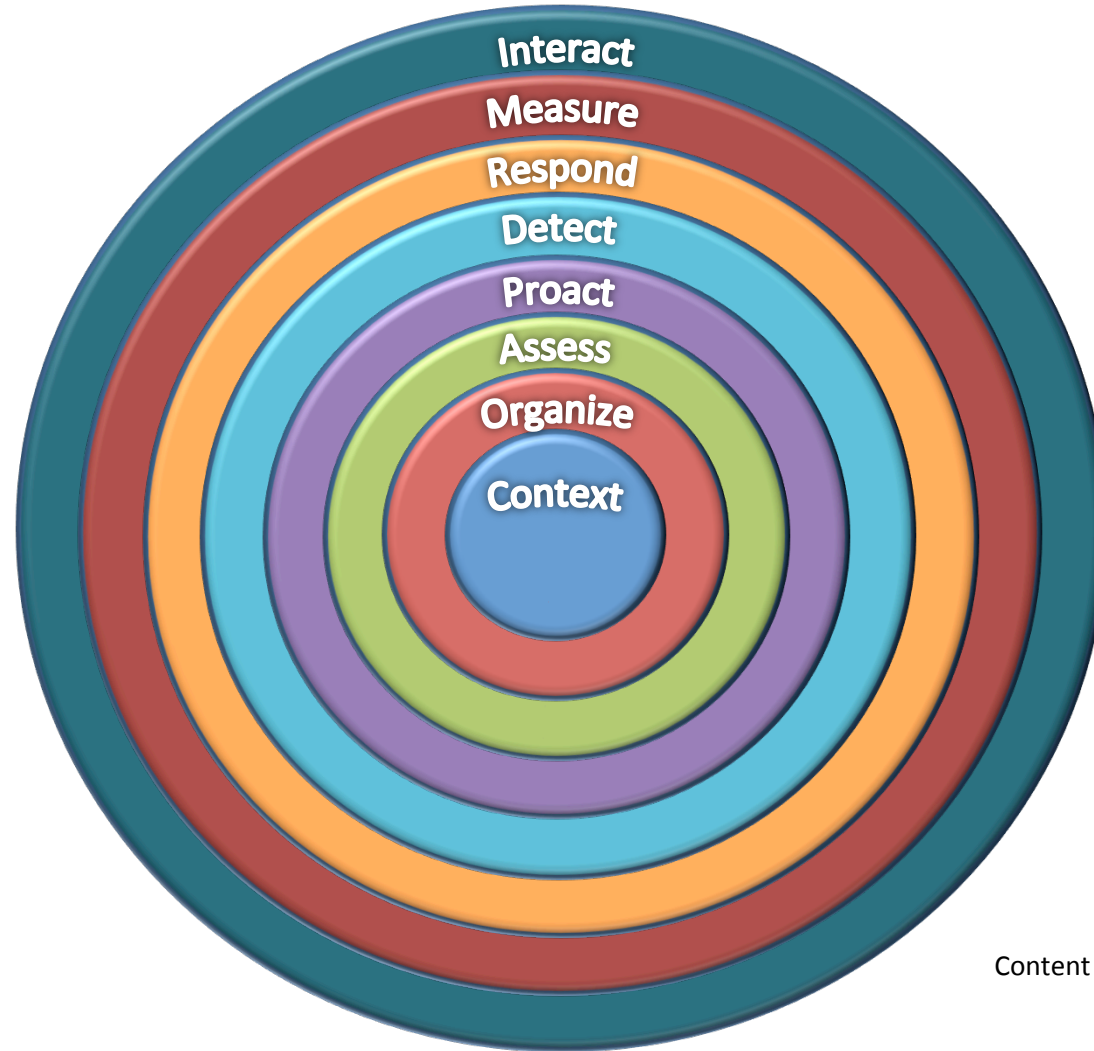
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# I wish it was this easy



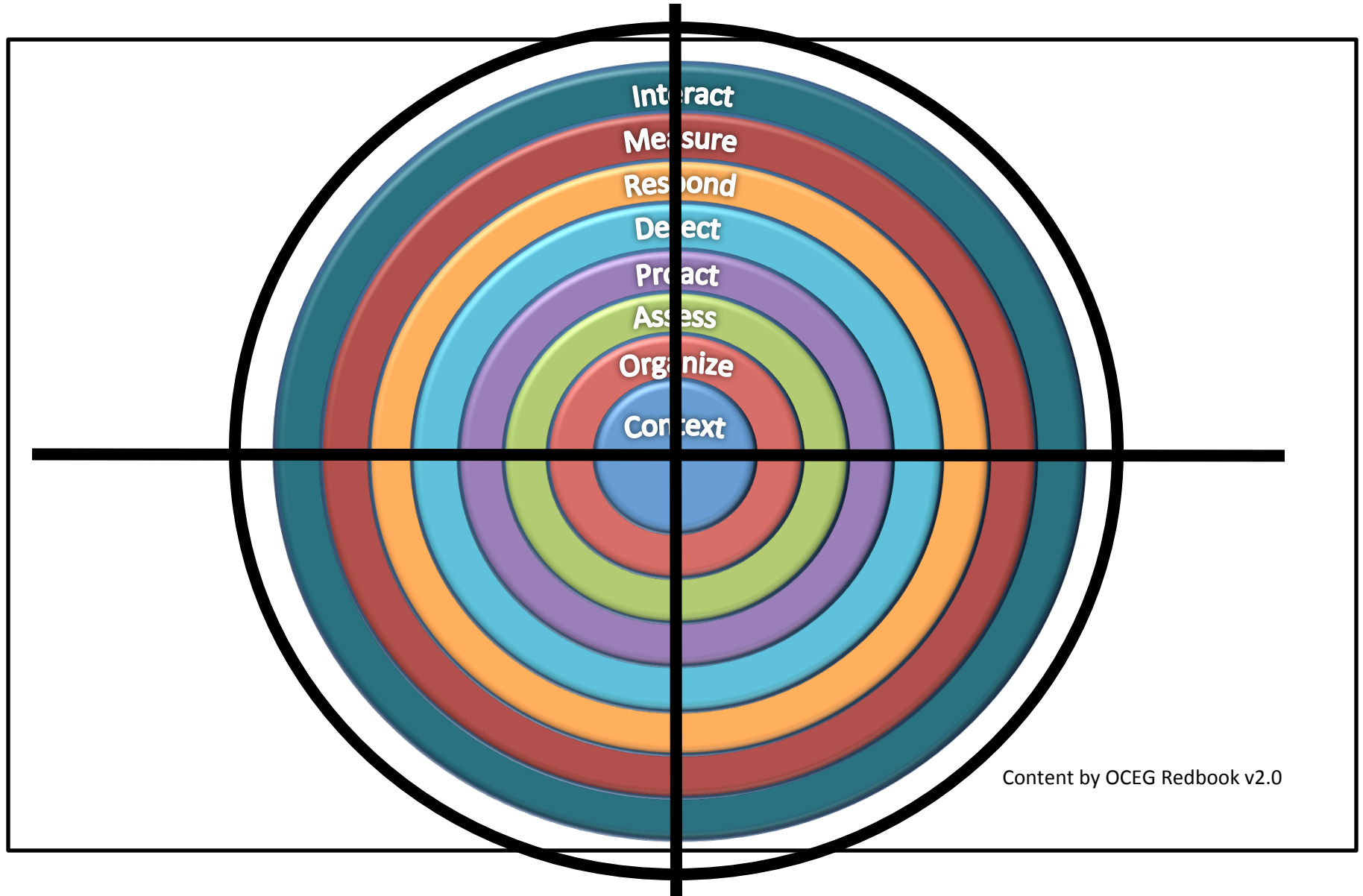
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# From culture to action to automation



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# Continual Alignment



# Global Challenges

## 2011 Corruption Perceptions Index

The Corruption Perceptions Index (CPI) measures the perceived level of corruption in the public sector. A larger number corresponds to the lower corruption level in the country.

In 2011, Russia's CPI slightly improved against 2010: last year Russia was rated with 2.1 CPI (154 of 178)

**Denmark**  
2nd place

**Sweden**  
4th place

**Finland**  
3rd place

PCI  
**2,4**

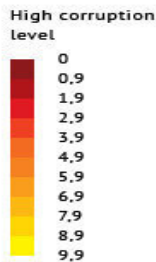
**Russia**  
143rd place (of 182)  
(rated equally with Azerbaijan, Belarus, East Timor, Comoros, Mauritania, Nigeria, Togo and Uganda)

**Haiti**  
175th place

**Iraq**  
175th place

**North Korea**  
182nd place

**Myanmar**  
180th place



**Sudan, Turkmenistan, Uzbekistan**  
177th place

**Somalia**  
182nd place

**Afghanistan**  
180th place

**Singapore**  
5th place

**New Zealand**  
1st place

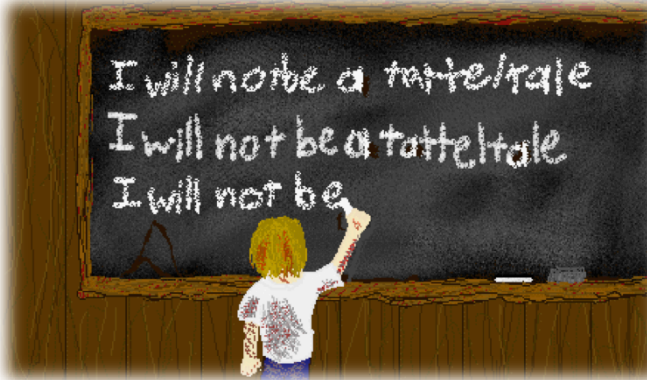
SOURCE: TRANSPARENCY INTERNATIONAL

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# Change is Difficult



"I'm *not* being a tattletale! —  
I'm being a reliable source!"



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# Fear of retaliation is No. 1 challenge



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# Reward desired behavior



» Cash Rewards



» Vacations



» Acknowledgement

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# **Building a Foundation For Unified Grasp of GRC**

**Tim Strong**  
*Managing director,  
Duff & Phelps*

Nov. 16, 2012

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# *Foundation for a Unified Grasp of GRC*

## **How we see it working in organizations**

- Unified vision, direction, and approach is infrequent
- GRC programs and solutions are often event-driven
- Event-driven reactive solutions can be the facilitator
- Avoid hodgepodge solutions

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## **Avoiding the hodgepodge**

- Issue-driven and high-profile/risk areas
- Program initiation
- Solution implementation
  - Process and technology

hodge·podge  *noun* \ˈhāj-,pāj\

**Definition of HODGEPODGE**  +1 

: a heterogeneous mixture : **JUMBLE** <a *hodgepodge* of styles>

 See [hodgepodge](#) defined for English-language learners »  
See [hodgepodge](#) defined for kids »

**Examples of HODGEPODGE**

- <the exhibit was a *hodgepodge* of mediocre art, bad art, and really bad art>

**Origin of HODGEPODGE**

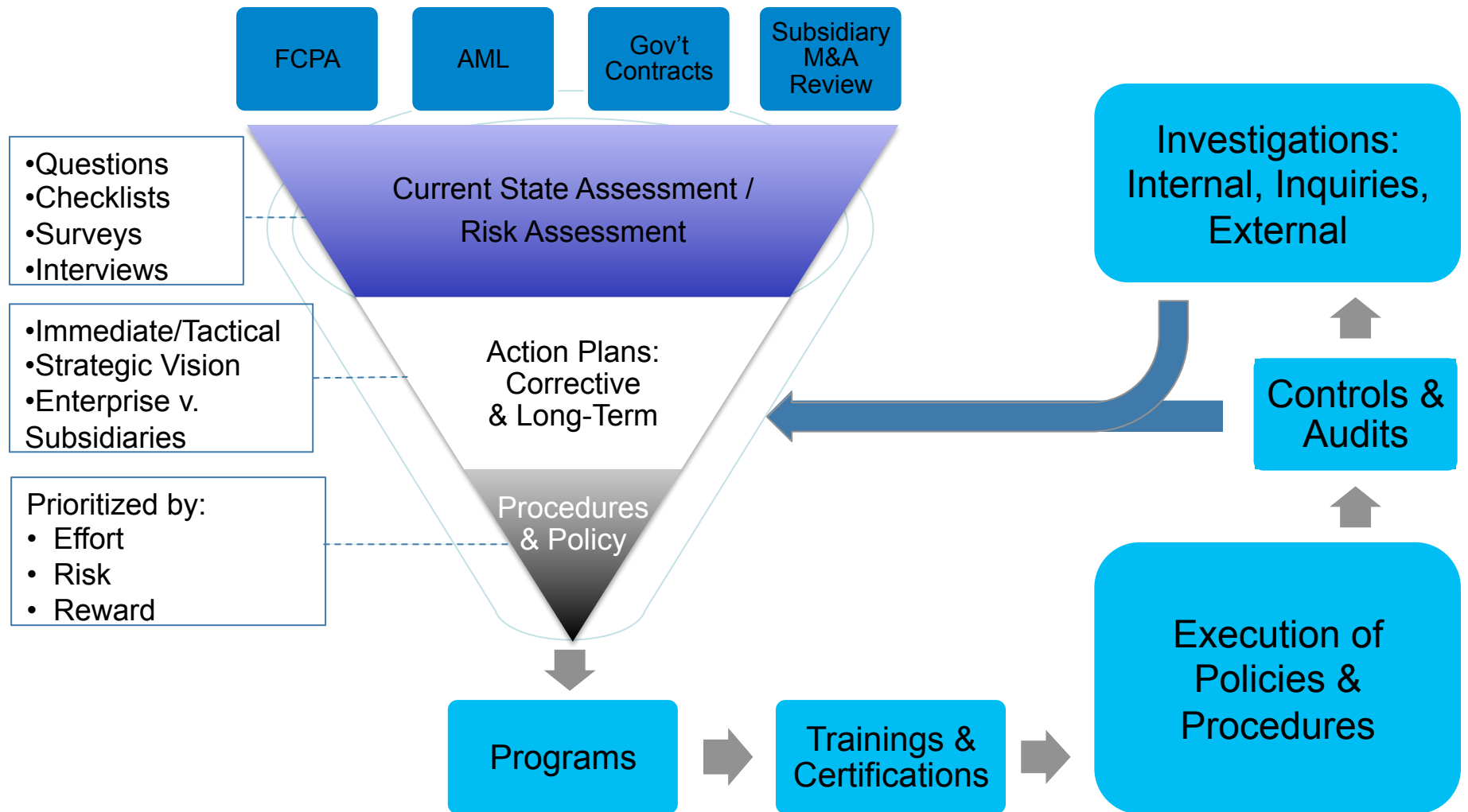
alteration of *hotchpotch*  
First Known Use: 15th century

**Related to HODGEPODGE**  m-w.com

**Synonyms:** agglomerate, agglomeration, alphabet soup, assortment, botch, clutter, collage, crazy quilt, farrago, gallimaufry, grab bag, gumbo, hash, miscellany, hotchpotch, jambalaya, jumble, jungle, litter, macédoine, medley, mélange, menagerie, miscellanea, mishmash, mixed bag, montage, motley, muddle, olio, olla podrida, omnium-gatherum, pastiche, patchwork, patchwork quilt, potpourri, ragbag, ragout, rummage, salad, salmagundi, scramble, shuffle, smorgasbord, stew, tumble, variety, welter

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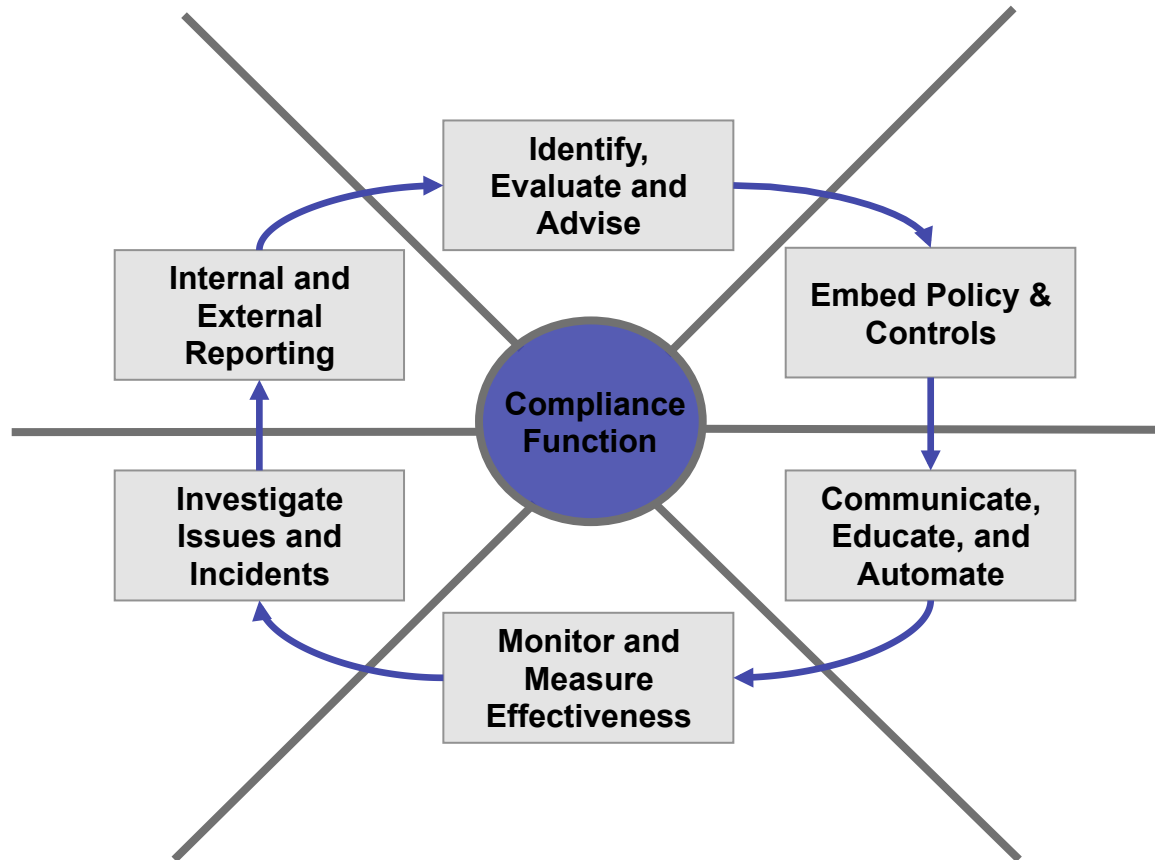
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# *Foundation for a Unified Grasp of GRC*

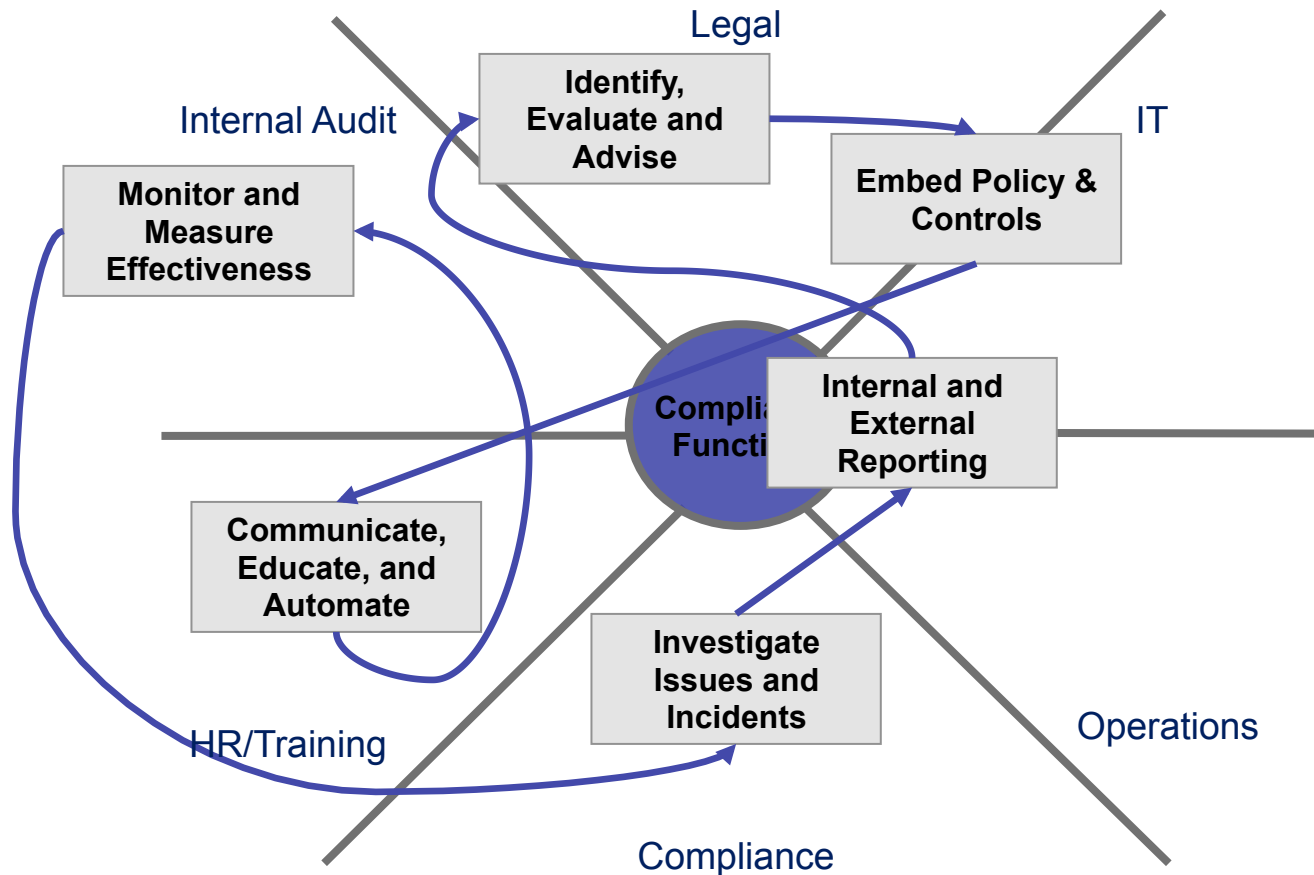
## Centralized Framework - Ideal



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## Decentralized Framework - Reality



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# Sample FCPA Checklist

FCPA Internal Control Checklist			Date: <input style="width: 100px;" type="text"/>					
Business Unit:			Risk Expert:					
<input style="width: 200px;" type="text"/>			<input style="width: 200px;" type="text"/>					
Country:			Local Contact:					
<input style="width: 200px;" type="text"/>			<input style="width: 200px;" type="text"/>					
Business Unit CCO:			PMO Contact:					
<input style="width: 200px;" type="text"/>			<input style="width: 200px;" type="text"/>					
Instructions: Please evaluate each item listed below.								
RISK MITIGATION ELEMENTS								
#	Organizational Structure	Verified	Review Team Member	Responsible Party	Documents collected	Gaps Identified	Remediation Ideas	Potential Best Practice
100	Compliance officers or other experts							
101	FCPA officer							
101a	Years of experience in FCPA							
101b	Years of experience in Anti-Corruption							
102	Defined reporting escalation channels including hotlines, human resources or compliance officers							
	Policy and Procedures	Verified	Review Team Member	Responsible Party	Documents collected	Gaps Identified	Remediation Ideas	Potential Best Practice
200	Policies or procedures that deal specifically with:							
200a	Payments to government officials (e.g. stipends, pocket cash, speaking fees, allowances for participating in any [Insert Company] or Non-[Insert Company] activity)							
200b	Lobbying Government Officials or retaining lobbying or law firms to lobby on behalf of your business							
200c	Hiring Government Officials or their Family Members							
200d	Political contributions							

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# Sample FCPA Checklist

200e		Charitable contributions							
200f		Asset Recovery payments							
200g		Facilitation Payments							
200h		Standard terms and prices of insurance policies offered to governments, government owned/controlled entities, and Government Officials							
200i		Payment of claims for policies held by governments, government owned/controlled entities, and Government Officials							
200j		Engaging agents and brokers who conduct business on behalf of [Insert Company] in connection with governments, government owned or controlled entities, and/or Government Officials							
200k		Seeking or maintaining government or regulatory approvals or licenses, or resolving disputes (e.g., taxes) with Government Officials							
200l		Documentation of policy and procedure updates							
200m		Periodic certification of FCPA compliance from vendors, agents, brokers, and consultants							
201	Related policies:								
201a		Written policy for anti-corruption in addition to or as a supplement to [Insert Company's] Global Anti-corruption policy							
202	Standardized anti-corruption contract provisions relating								
202a		Agents, brokers, vendors, contractors and consultants or other business or joint venture partners that have potential to interact with government officials							
202b		Transactional documents (e.g., M&A, private equity)							
202c		Vendor onboarding							

# Sample FCPA Checklist

	Communications	Verified	Review Team Member	Responsible Party	Documents collected	Gaps Identified	Remediation Ideas	Potential Best Practice
300	Communication from the CEO to the business leaders regarding anti-corruption programs and/or policies							
301	Communication from the business leaders to the staff regarding anti-corruption programs and/or policies							
302	Frequent communication (quarterly, etc) about anti-corruption policies within the organization							
303	Communication from local FCPA officer to staff (e.g.. posted signs, emails, etc.)							
	Training	Verified	Review Team Member	Responsible Party	Documents collected	Gaps Identified	Remediation Ideas	Potential Best Practice
400	Written training policy							
400a	Incorporation of regulation and business practices updates to policy							
401	Training sessions and materials							
401a	Board of Directors/Manager training							
403b	Completion reports							
403c	Integration with performance review							
403d	On boarding							
404	All compliance officers have been trained on FCPA and anti-corruption policies							
	Tools & Technology (Detailed Books and Records)	Verified	Review Team Member	Responsible Party	Documents collected	Gaps Identified	Remediation Ideas	Potential Best Practice
500	Defined workflow for submission, approval and payment process:							
500a	Cash							
500b	Gifts and Entertainment							
500c	Training							
500d	Travel							
504c	All facilitation payments provided to directly or indirectly to government officials							
504d	Payments made to agents commissions, bonuses, reimbursements							
504e	Payments made to consultants and third parties							

# Sample FCPA Checklist

	Due Diligence (Partner due diligence)	Verified	Review Team Member	Responsible Party	Documents collected	Gaps Identified	Remediation Ideas	Potential Best Practice
600	Written third-party due diligence procedures							
600a	Professional services firms							
600b	Private Equity Investments							
601e	Applicable Anti-Corruption laws							
601f	Definition of Government Official							
601g	Termination							
601h	Certifications							
602	Standardized due diligence process							
	Business Unit Controls	Verified	Review Team Member	Responsible Party	Documents collected	Gaps Identified	Remediation Ideas	Potential Best Practice
700	List the business units and/or third party intermediaries who interact with government officials on the company's behalf							
701	Business unit documentation of implemented controls							
	Audit (Program Testing and Monitoring)	Verified	Review Team Member	Responsible Party	Documents collected	Gaps Identified	Remediation Ideas	Potential Best Practice
800	Annual risk assessment performed							
802	Effectiveness of business unit controls monitored and reported							
803	Written Audit protocols and procedures with an FCPA							
804	Routine FCPA Audit schedules							
805	Defined reporting procedure (who, how, and where)							
806	Compliance gaps monitored with a remediation plan							
	Investigations	Verified	Review Team Member	Responsible Party	Documents collected	Gaps Identified	Remediation Ideas	Potential Best Practice
900	Violation reporting process and protocols							
901	Procedures for escalating acts of non-compliance to BU CCO and Global Anti-Corruption Officer (or his/her regional designee)							
902	Written investigation protocols and process							
903	Defined anti-corruption investigation team							
904	Investigation forms							
904a	Allegation report							
904b	Delegation letter (privilege)							
904c	Investigation report							
904d	Discipline log							

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# Sample AML Checklist

**AML Internal Control Checklist** Date:

Business Unit:  Risk Expert:

Country:  Local Contact:

Business Unit COO:  PMO Contact:

Instructions: Please evaluate each item listed below.

#	Organizational Structure	Verified	Review Team Member	Responsible Party	Documents Collected	Gaps Identified	Remediation Ideas	Potential Best Practice
<b>I. General Policies</b>								
1	Has the company issued a clear statement of policies in relation to money laundering?							
	Did the company provide a copy of this statement to the appropriate agencies?							
2	Has this statement been communicated in writing to all management and relevant staff and reviewed on a regular basis?							
3	Does the company review these policies on a regular basis?							
4	Has the company issued relevant instruction manuals setting out procedures for:							
	Account opening							
	Customer identification							
	Record keeping							
5	Does the company have a compliance officer who is responsible for day-to-day compliance with the company's prevention of money laundering policies?							

Checklist adapted from IRS, SEC, NASD, IMOLIN, Egyptian Financial Services Authority

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# Sample AML Checklist

	Are all suspicious transactions required to be reported to him or her? Does (s)he report all suspicious transactions to the appropriate agencies?						
6	Do the policies of the company include that the manager responsible for anti-money laundering affairs, the "AML Compliance Officer" (or any outside independent party) shall conduct independent testing to determine the level of the effectiveness of these policies?						
7	Does the company have written guidelines on what constitutes a suspicious transaction? Do these guidelines comply with requirement of the law, executive regulations, and AML rules?						
	How does the company ensure that staff is aware of the guidelines referred to above?						
8	Does the company provide training courses to assist staff in their execution of 7 above?						
	Do these courses meet the suggested criteria for staff education packages set out by the agency's Money Laundering guidance notes?						
9	Does the company keep a copy of the staff training manuals, the names of the trainees and their managerial levels?						
10	Have policies on money laundering been communicated to overseas branches and subsidiaries?						
11	Does the company apply same procedures on the employees' accounts?						
II. Verification of identity							
	Has the company established appropriate identification procedures for all persons and entities conducting business with it? These should include:						
12	Ensuring that the company's new account opening form and customer financial profile form are designed properly to include all required information						

Checklist adapted from IRS, SEC, NASD, IMOLIN, Egyptian Financial Services Authority

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# Sample AML Checklist

13	Ensuring completion of account opening forms signed by branch manager							
14	Obtaining the following information in respect of personal customers:							
	True name							
	Correct permanent address							
	Date of birth and nationality							
	Risk tolerance							
	Nature of activity							
15	Ensuring that it attempts to establish the "true" identity of the customer by reference to reputable sources such as:							
	Personal customers:							
	Reliable personal introductions and/or personal interviews							
	Checking against original and official identification documents of applicants seeking to open accounts (e.g. national identification card, passport, military service ID, driver's license)							
	Obtaining details of customer's nature of activity							
	Obtaining official documents authorizing persons that the customer entrusts to deal in his or her accounts							
	Corporate customers:							
	Certificate of Incorporation or certificate to trade							
	Official documents authorizing natural persons to deal in the accounts and their personal information							
	Where the company is registered abroad attention should be paid to the place of origin documents and the background against which they are produced.							
16	Ensuring that the name and permanent address of the customer are properly verified through a secondary source to establish the "true" identity of the customer (e.g. by reference to recent utility or charge bills, confirmation of identity from other financial institutions, as appropriate)							

Checklist adapted from IRS, SEC, NASD, IMOLIN, Egyptian Financial Services Authority

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# Sample AML Checklist

17	Ensuring that the company did not open accounts or deal with prohibited persons or entities pursuant to applicable legal rules and regulations in line with what is received from competent authorities in this respect							
18	Ensuring that it has a good understanding of how the customer will generate deposits through:							
	Discussions with directors							
	Analysis of financial information							
	Other inquiries as appropriate							
19	Where accounts are on "hold mail" status, are arrangements made for customers to review statements at least once a year? Did the company justify the reasons of holding customers' mail at the company?							
20	Ensuring that the company did open accounts for clients who deal with unknown money, or under unreal or false names							
III. Record Keeping								
21	Has the company established appropriate record keeping and retention of records policies and procedures in respect to relevant information in any of its customer accounts, to cover as a minimum:							
	Beneficial ownership of the account (where intermediaries are involved)							
	Volume and nature of the transactions in the account							
	Origin and destination of funds							
	Identity of the persons involved in a transaction							
22	Does the company retain the following according to the indicated periods?							
	Account Opening Records - 5 years after ending dealing with a client or after closing an account, as the case may be							
	Account Ledger Records - 5 years after ending dealing with a client or after closing an account, as the case may be							
	STR's Records - 5 years or until the final ruling is issued, whichever is longer							

Checklist adapted from IRS, SEC, NASD, IMOLIN, Egyptian Financial Services Authority

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# Sample AML Checklist

23	Does the manager responsible for Anti-Money Laundering affairs (AML Compliance Officer) keep the related files in a private and safe place? Does (s)he also separate it from other files that are not related to AML activities?							
IV. Recognition of Suspicious Transactions								
24	Does the company routinely produce reports to highlight accounts, which may be being used for the laundering of money and other suspicious activity? These reports would include:							
	Account activity reports, which highlight those with "excessive" activity							
	"Large" transactions or "cash in and out" reports which are able to identify large (more than \$100,000) or unusual deposits, withdrawals, selling, or buying, particularly those involving cash							
	Unusual destination reports to highlight unusual sources and destinations of funds.							
25	Does the company have policies and procedures to ensure that accounts identified in IV-24 above are properly followed							
26	Are activity levels on "hold mail" accounts subject to regular review?							
V. Conclusion								
27	Are you satisfied with the adequacy of policies and procedures related to anti-money laundering? Do these policies and procedures comply with the requirements of the law, its executive regulations, and agencies' rules?							
28	According to your level of satisfactions, do you recommend that the company should be re-inspected again?							
	If yes, should it be within 1 week, 2 weeks, one month or other?							

Checklist adapted from IRS, SEC, NASD, IMOLIN, Egyptian Financial Services Authority

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# Thank you

Nov. 15, 2012

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