



The University of Southern California Compliance and Ethics Program

Mission Statement

The mission of the University of Southern California (USC) is the development and enrichment of the human mind and spirit through teaching, research, artistic creation, professional practice and public service. The USC 2004 Strategic Plan includes initiatives that support this mission while confirming our core values: (1) freedom of inquiry; (2) respect for others and a commitment to service; (3) informed risk-taking; and (4) adherence to ethical conduct as set forth in the USC Code of Ethics.

The USC Compliance and Ethics Program is intended to further the university's mission and strategic plan by (1) helping USC faculty and staff employees understand and comply with applicable laws, rules, regulations; (2) preventing and detecting violations of law, regulations and university policy; and (3) promoting ethical conduct as articulated in the USC Code of Ethics.

Elements of an Effective Compliance Program

The following principles have been recognized as important elements for an effective compliance program¹:

- Effective compliance oversight, including the designation of a compliance officer to oversee compliance efforts;
- Periodic risk assessments;
- Ethical standards, policies and procedures to prevent and detect violations of law;

¹ Federal Sentencing Guidelines for Organizations

- Effective training and education of ethical standards, policies and procedures;
- Internal monitoring and auditing;
- Reasonable due diligence to confirm that the institution does not delegate substantial discretionary authority to individuals who the organization knows or should know, are likely to engage in illegal conduct;
- Maintaining lines of communication, including an anonymous reporting mechanism for employees to report possible compliance issues without fear of retribution;
- Prompt investigation and appropriate corrective action to prevent similar offenses when detected;
- Enforcement of standards and policies through well publicized disciplinary guidelines; and
- Periodic evaluation of the effectiveness of the compliance and ethics program.

USC's Implementation of an Effective Compliance Program

The university's compliance and ethics program has adopted the principles stated above and has tailored them to address USC's unique organizational structure and operational risks.

Compliance Oversight

USC Audit and Compliance Committee

The USC Audit and Compliance Committee is responsible for the oversight of the university compliance and ethics program in accordance with the Audit and Compliance Committee charter, which is reviewed annually.

The Committee is responsible for reviewing:

- The Compliance Officer's reports regarding the effectiveness of the university's compliance with ethical, legal and regulatory requirements, which includes the Code of Ethics as well as the implementation of the elements of the compliance program, listed above.
- Results from investigations and material compliance reviews as well as the corrective action taken;
- Procedures relating to the USC Help and Hotline.

USC Compliance Officer

The Associate Senior Vice President for Compliance is responsible for establishing a university-wide compliance program to prevent, detect and respond to violations of law and to foster a culture that promotes integrity and ethical behavior. This position provides regular reports to the Audit & Compliance Committee and USC senior management regarding the ongoing implementation of the university's compliance program.

The Associate Senior Vice President, Compliance reports directly to the Senior Vice President, Administration and the Audit and Compliance Committee of the Board of Trustees.

Compliance Structure

The USC Office of Compliance has two operating principles:

1. Building/maintaining an effective compliance program in high risk compliance areas that impact multiple units/functions on campus but that do not otherwise fall within the responsibilities of a specific office or function.
2. Coordinating with/assisting units that have or are responsible for a specific compliance function to ensure that they have the resources and expertise to meet their compliance obligations.

With respect to the first operating principle, the compliance office directly manages and devotes staff and resources to compliance functions that include: healthcare (hospitals and providers), research, data privacy, conflict of interest, portions of the Affordable Care Act, and regulations relating to export controls and international collaborations.

With respect to the second operating principle, the compliance office collaborates with various offices to assist them with their compliance obligations. These offices include: Financial Aid, Department of Public Safety, Office for Protection of Research Subjects, Environmental Health & Safety, Transportation Services, Student Disabilities, Office for International Services, among others.

University Compliance and Ethics Committee

This Committee is responsible for providing advice and recommendations in connection with the university compliance program, which include (i) assisting in identifying and prioritizing compliance risk areas, (ii) establishing a university compliance framework to assess and monitor compliance implementation across functions; (ii) reviewing education, policies and procedures and (iii) assisting with monitoring and implementing corrective action, as appropriate.

The University has established other ad hoc and standing committees that address various compliance issues. The compliance committees serve as a resource to the compliance program and to the offices and units that participate in the committees through collaborative efforts to implement and maintain consistent and appropriate elements of an effective compliance program and provide feedback on proposed initiatives. Examples of committees charged specifically with assisting in the implementation of the compliance program, include:

- Enterprise Risk Management Committee
- Healthcare Compliance Liaison Committee
- Hospital Compliance Committee
- Information Risk Committee
- HIPAA Security Working Group
- Research Administration Compliance Committee
- Employee Relations Committee
- Research Safety Oversight Committee

Risk Assessments

Audit Services and Compliance conduct an extensive risk assessment every two years, which helps to inform the audit and compliance plans. In addition, Audit Services, Compliance and Risk Management conduct compliance reviews, risk assessments and reviews of internal controls in specific areas that have been identified internally or externally as emerging risks.

For each identified compliance risk area, the following elements are considered:

- Are there policies/standards in place that explain what is required of university faculty and staff to follow the applicable rules?
- Have the faculty and staff received training? How often? Using what methods?
- Are there process/systems improvements that can be made to embed compliance into the operations of the unit?
- Are there appropriate incentives in place to encourage compliance and ethical behavior?
- How is the university ensuring that faculty and staff know and are following the applicable rules? What monitoring is in place? Does this area warrant involvement by Audit Services?
- Can other resources be leveraged, such as Audit Services, Human Resources, General Counsel and Risk Management?
- Are there any compliance violations that require investigation? What corrective action or disciplinary action, if any, may be necessary?

- Does senior management need to be engaged to address identified gaps in a specific compliance program or initiative?

Standards, Policies and Procedures

USC's Code of Ethics sets forth the standards of conduct for all university faculty and staff employees. As set forth in the USC Code of Ethics, ethical behavior is predicated on two main pillars: a commitment to discharging our obligations to others in a fair and honest manner, and a commitment to respecting the rights and dignity of all persons. All members of the university community are expected to adhere to these standards.

University policies expand on the principles describes in the Code of Ethics and clarify the roles and responsibilities of university faculty, staff and other employees. University policies must be reviewed and approved by the Office of General Counsel and issued by the Senior Vice President for Administration and/or the Senior Vice President of Academic Affairs and Provost.

University policies include:

- Conflict of Interest in Professional and Business Practices
- Accounting and Auditing Complaint Reporting
- Record Management
- Protecting Minors
- Authority to Sign Contracts and Agreements
- Misappropriation of Assets
- Discrimination, Harassment, Sexual Harassment and Sexual Assault
- Reporting Wrongdoing
- Research Misconduct
- Cooperation with Compliance Investigations
- Faculty Handbook
- USC Staff Hiring and Employment Policies

A list of all university policies can be found at <http://policies.usc.edu/>.

Education and Training

Timely and effective communication, education and training are necessary to ensure that the faculty, staff, students, agents and third parties understand the applicable laws, regulations and university policies that apply to them. Recognizing that communication must be frequent and varied in order to be effective, the university provides education and communication in a variety of methods, including through formalized or mandatory

education programs that may be in-person and/or web-based; newsletters, memoranda, forums, presentations, and through committee participation and development.

The university offers Trojan Learn, an online learning management system, which includes various online education programs, including compliance training. Keck Medical Center provides online training through Health stream. USC's research training finder identifies training obligations and opportunities for researchers and their staff at: <http://sc-ctsi.org/training-matrix/>.

Internal Monitoring and Auditing

The Office of Compliance coordinates with USC's Office of Audit Services to conduct regular university risk assessments, which assist in identifying potential risk areas for further review. In addition, the compliance committees assist in identifying and prioritizing compliance risks for review and monitoring. The university also conducts specific monitoring and audits relating to particular high risk areas, including healthcare, research, athletic compliance, financial aid, information security and environmental health and safety, among others.

The following are considered in determining areas to monitor and audit:

- USC's enterprise risk assessment
- Government audits/investigations and/or media scrutiny
- Internal compliance reviews, audits and investigations
- New laws or regulations
- Issues raised by various compliance committees
- Identified compliance areas with high financial or reputational risk.

The Office of Audit Services conducts independent reviews of university operations in the areas of risk management, internal controls, and governance processes by evaluating financial, operational, and information systems. Audit Services prepares a formal audit plan every two years, which is adjusted regularly to account for identified information.

In addition to Audit Services and the Office of Compliance, there are a number of university units with responsibility for monitoring compliance in particular areas. Examples include:

- Athletic Compliance
- Financial Aid
- Environmental Health and Safety
- Office for Protection of Research Subjects
- Department of Public Safety (CLERY Act compliance)

- Office of Equity and Diversity/Title IX
- Human Resources Administration
- Department of Contracts and Grants
- Sponsored Projects Administration
- Business Services

Employment and Third Party Screening

The University conducts background checks and other appropriate employee and third party screening to assist in preventing delegation of authority to inappropriate individuals. Applicable screenings include U.S. Department of Health and Human Services Office of Inspector General List of Excluded Individuals/Entities, General Services Administration Excluded Party List System and/or the Specially Designated Nationals and Entities.

Lines of Communication

University faculty, staff and student employees are encouraged to raise concerns directly with their supervisor, chair or dean. In addition, several departments on campus are charged specifically with investigating compliance matters (e.g., Human Resources Administration, Office of Equity and Diversity, Office of Compliance, Audit Services, Office of General Counsel).

The university has established the USC Help and Hotline in order to encourage faculty, staff and students to seek guidance regarding their compliance responsibilities. The Help and Hotline can be used to report good faith suspected violations of laws, regulations and university policy confidentially and without fear of retribution in the event individuals are not comfortable reporting a concern directly to their supervisors. Callers also may report concerns anonymously.

The USC Help and Hotline number is 213.740.2500. Concerns also can be raised via website at: www.mycompliancereport.com.

The Help and Hotline is communicated to university faculty, staff and students in various ways, including via USC policies, website links, compliance materials, posters, memoranda, among others. USC's "Know the Code" is distributed regularly, including at hire and includes information about USC's Code of Ethics and the Help and Hotline.

Investigations and Corrective Action

Faculty, staff and other employees are encouraged to report concerns of potential violations or other offenses promptly to their respective supervisors and/or the appropriate

departments that are charged with investigating those complaints. Those departments include:

- Human Resources Administration
- Equity and Diversity
- Audit Services
- Office of Compliance
- Vice President for Research
- Office of General Counsel
- Athletic Compliance

USC's policy on Reporting Wrongdoing informs faculty, staff and students about where they can raise concerns depending on the type of issue being raised.

<http://policy.usc.edu/reporting-wrongdoing/>.

Faculty, staff and students are obligated to comply with compliance-related monitoring and investigation findings as set forth in USC's policy on Cooperation with Compliance Investigations. Recommendations for employment actions are brought to Human Resources Administration and/or Faculty Affairs depending on whether faculty or staff members are impacted. <http://policy.usc.edu/cooperation-with-compliance-investigations/>.

Employers are not allowed to retaliate against employees who provide confidential information in good faith regarding possible illegal activities in the workplace. Employers are not allowed to retaliate against an employee for refusing to participate in an activity that would result in a violation of a state or federal statute, or a violation or noncompliance with a state or federal rule or regulation.

Enforcement

When an instance of non-compliance has been determined, the university will develop and implement a corrective action plan to prevent similar occurrences. Corrective action could include any of the following: (1) additional training and education; (2) changes in policies and procedures; (3) further audit and monitoring; (4) disciplinary action; and (5) reporting and disclosures to the relevant government and administrative agencies, as appropriate. Recommendations for employment actions are brought to Human Resources Administration and/or Faculty Affairs depending on whether faculty or staff members are impacted. <http://policy.usc.edu/cooperation-with-compliance-investigations/>.

In addition, USC's HIPAA Mitigation and Sanctions policy provides standards for applying employment sanctions for privacy violations. <http://policy.usc.edu/files/2014/07/PAT-607-Mitigation-and-Sanctions.pdf>.

Effectiveness Evaluations

The university will conduct periodic evaluations of the effectiveness of the compliance and ethics program and make appropriate modifications, as appropriate. Internal Audit periodically conducts a third party independent review of the program to evaluate program effectiveness.

Revisions to the Ethics and Compliance Program

This USC Ethics and Compliance Program is intended to be a flexible document that is adaptable to changes in regulatory requirements. The Audit and Compliance Committee will review this document on a regular basis to ensure that it remains current and effective.