Background

The following elements of an effective compliance program come from the Federal Sentencing Guidelines, but also are incorporated into federal and state regulations and administrative guidance. Regulators evaluate the effectiveness of an institution’s compliance efforts based on whether the following are in place:

- Culture, Governance and Compliance Oversight
- Compliance Risk Identification and Assessment
- Policies, Standards and Systems
- Education, Training and Outreach
- Monitoring, Auditing and Program Evaluation
- Investigations, Corrective Action and Enforcement

The USC Compliance and Ethics Program Governance and Standards (“Program Governance”) provides consistent standards and establishes accountabilities for meeting the elements of an effective compliance program as described above. The goal is to provide reasonable assurance to the Audit and Compliance Committee of the Board of Trustees (“Audit and Compliance Committee”) and senior management that core compliance management practices are in place throughout the decentralized university, not to centralize compliance management.

Roles and Responsibilities

- The role of the Audit and Compliance Committee is to provide program oversight and to review:
  - Reports from the Office of Compliance 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;
  - Reports from the University Compliance and Ethics Committee (the “Committee”) regarding core management practices in place;
  - Results from compliance investigations as well as the corrective action taken; and
  - Procedures relating to the USC Help and Hotline

- The role of senior management is to:
  - Set the “tone at the top” to foster a culture of ethical conduct and compliance with law;
  - Provide adequate resources for effective compliance and ethics operations; and
  - Review regular reports on the compliance program status and emerging issues in order to provide appropriate oversight and guidance
The role of **Internal Audit** is to:
- Partner with Office of Compliance, General Counsel, and Risk Management to confirm there is a process to identify, assess, prioritize and manage compliance and ethics risks;
- Partner with the Office of Compliance and coordinate with Risk Management to conduct risk assessments;
- Coordinate with the Office of Compliance, Risk Management, and General Counsel regarding mitigation of identified compliance risks;
- Conduct subject matter specific compliance and risk-based audits as determined in the annual audit plan; and
- Conduct periodic program assessments of the overarching compliance and ethics program.

The role of **Risk Management** is to:
- Partner with the Office of Compliance, General Counsel, and Internal Audit to confirm there is a process to identify, assess, prioritize and manage compliance and ethics risks;
- Coordinate with Office of Compliance and Internal Audit to conduct risk assessments; and
- Coordinate with the Office of Compliance, Internal Audit, and General Counsel regarding mitigation of identified compliance risks.

The role of **General Counsel** is to:
- Partner with the Office of Compliance, Internal Audit, and Risk Management to confirm there is a process to identify, assess, prioritize and manage compliance and ethics risks;
- Consult with the Office of Compliance, Internal Audit, and Risk Management to identify compliance leaders for new or emerging compliance risk areas;
- Coordinate with the Office of Compliance, Internal Audit, and Risk Management regarding mitigation of identified compliance risks; and
- Address legal issues that may arise from non-compliance activities in various compliance areas.

The role of the **Office of Compliance** is to:
- Provide periodic reports to the Audit and Compliance Committee and senior management about the content and operation of the university compliance program, including information about compliance and ethics risks, compliance management, program effectiveness and implementation, investigations and remediation of violations of the Code of Ethics and or other laws/regulations;
- Review and track the designation of Compliance Leads, described below;
- Provide assistance, as needed and appropriate, to Compliance Leads in connection with their respective compliance risk areas;
- Ensure that there is a comprehensive charter for the compliance program and the Committee;
- Maintain the Compliance Program Governance and Standards and perform periodic assessments of compliance areas against the Program Governance;
• Coordinate with Risk Management, Internal Audit, and General Counsel regarding mitigation of identified compliance risks;
• Partner with Risk Management, General Counsel, and Internal Audit to confirm there is a process to identify, assess, prioritize and manage compliance and ethics risks;
• Coordinate with Risk Management and Internal Audit to conduct risk assessments;
• Ensure that significant compliance issues are adequately identified and tracked to completion; and
• Develop program reporting and communication protocols to ensure that compliance risks are identified and tracked across the university.

➢ The role of the Compliance Lead is to:
  • Be the subject matter expert for a particular compliance risk area;
  • Assist in identifying and prioritizing compliance risk areas for the university;
  • Establish standards to monitor and assess compliance program implementation across the compliance program elements as set forth below;
  • Implement compliance standards established and agreed to by the Committee as appropriate to their respective compliance risk area(s);
  • Engage with key stakeholders in areas of the university impacted by laws and regulations in their risk area(s);
  • Participate in compliance program evaluations;
  • Assist with implementing corrective action, as appropriate; and
  • Share best practices across compliance risk areas.

The following describes the (i) respective roles and standards for the Office of Compliance (“OOC”) and the Compliance Leads for each of the basic elements of an effective compliance program as described in the Program Governance; and (ii) methods/evidence to assess progress in implementing the standards set forth in the Program Governance.
1. **Culture, Governance and Compliance Oversight**

**Standards**

- The Office of Compliance:
  
  a. Maintains the Compliance Program Governance and may perform periodic assessments of compliance areas against the Program Governance;
  
  b. Ensures that significant compliance issues are adequately identified and tracked to completion across the university;
  
  c. Shares best practices and lessons learned across compliance areas; and
  
  d. Develops Program Governance reporting and communication protocols to ensure that compliance risks are identified and tracked across the university

- Compliance Leads:
  
  a. Participate on the Committee;
  
  b. Implement or coordinate the implementation of the Program Governance for the compliance areas for which they are responsible;
  
  c. Engage with impacted business owners to implement the applicable compliance program elements; and
  
  d. Escalate to the business owners' leadership and the OOC if business owners challenge the applicability of requirements to their area

**Examples of Methods/Evidence to Monitor Progress**

- *Meeting attendance*
- *Updated Program Governance*
- *Documents reflecting key compliance contacts (e.g., inventory of business owners responsible for specific compliance activities)*
- *Committee charters, membership lists or meeting agendas for any risk area specific compliance committees*
- *Reports from Compliance Leads to key administrators, deans*
- *Compliance and culture related communications from senior leadership*
2. Compliance Risk Identification and Assessment

Standards

➢ The Office of Compliance:

a. Develops and maintains a compliance and ethics risk universe for the University;

b. Confirms there is a process to identify, assess, prioritize and manage compliance and ethics risks (in conjunction with Audit Services, General Counsel and Risk Management);

c. Presents, as needed, new compliance requirements that may impact multiple risk areas;

d. Obtains periodic updates from the Compliance Leads on top compliance risk areas, as requested; and

e. If new or emerging compliance risk areas are identified with no owner, undertakes steps to designate a compliance leader as described in the Roles and Responsibilities section in conjunction with the appropriate Compliance Leads and/or functional area.

➢ Compliance Leads:

a. Participate in the compliance risk assessment process described above;

b. Assign accountability for identifying laws, regulations, and standards for the compliance risk area;

c. Communicate significant new and emerging compliance and ethics risks to the OOC and the Committee as they emerge;

d. For top risks identified in the risk assessment process, engage with impacted business areas to determine how to manage/mitigate the risk and advise OOC on the management/mitigation plan as requested;

e. Maintain a catalog or listing of top compliance risk categories for the compliance area with identification of role/party accountable for the program in those areas; and

f. Work with departments and functions to implement processes to address new or changed regulations

Examples of Methods/Evidence to Monitor Progress

• Catalog of the University’s risk universe (OOC)
• Catalog of compliance requirements for top risks
• Documents reflecting key compliance contacts (e.g., inventory of business owners responsible for specific compliance activities)
• Process for identifying new or changed compliance requirements and assigning accountability
• Compliance risk assessment results
• Management/Mitigation plans (e.g., allocation of resources) tied to top risks
• Agendas or meeting minutes from meetings with operational units that reflect discussions/action plans regarding identified compliance risks
• Metrics for tracking the top risks have been effectively mitigated over time

3. Policies, Standards and Systems

Standards

➢ The Office of Compliance:
  a. Assists in developing policies, procedures and system improvements, as requested by the Compliance Leads and/or business owners; and
  b. Conducts periodic monitoring of policies to ensure that they are being followed.

➢ Compliance Leads:
  a. Inventory applicable policies/procedures for their respective compliance risk area(s);
  b. Maintain applicable policies and procedures for their respective compliance risk area(s) in accordance with Policy Management requirements;
  c. Confirm policies and procedures are in place, as needed, to address compliance requirements and identify any materials gaps in needed policies/procedures;
  d. Assist in distributing policies to impacted employees, as needed; and
  e. Engage with business leaders to integrate compliance requirements in business operations and systems.

Examples of Methods/Evidence to Monitor Progress

• List of core policies maintained by Compliance Leads
• Policy employee acknowledgements, if applicable
• Process for updating/revising policies
4. **Education, Training and Outreach**

**Standards**

- **The Office of Compliance:**
  
  a. Assists in developing education and outreach, as requested by compliance leads and/or business units;
  
  b. Periodically provides high-level messages regarding context for the Code of Ethics and its relevance to emerging topics; and
  
  c. Develops an annual compliance and ethics communication plan, in conjunction with the Compliance Committee, which includes targeted messaging from senior leaders that highlight the University’s commitment to compliance and ethics, tied to events or milestones (e.g., gift-giving around the holiday season, leadership messages when new research grants are awarded, etc.).

- **Compliance Leads:**
  
  a. Ensure that impacted employees within their compliance area receive training and education regarding the compliance requirements or applicable policies in their area, as necessary based on risk; and
  
  b. Assist in developing education and training, as necessary or applicable.

- **The Compliance Committee:**
  
  a. Serves as a forum for sharing best practices for training and communication; and
  
  b. Develops an annual compliance and ethics communication plan, in conjunction with the OOC, which includes targeted messaging from senior leaders that highlight the University’s commitment to compliance and ethics, tied to events or milestones (e.g., gift-giving around the holiday season, leadership messages when new research grants are awarded, etc.).

**Examples of Methods/Evidence to Monitor Progress**

- List of compliance trainings and targeted employees (by role/title/department)
- Training/education communication plans
- Compliance-related communications over the last 12 months
- Process for tracking training distribution, participation, and completion
- Metrics for training effectiveness over time (e.g., YOY number of sessions and participation/completion rate)
- Resolution process for non-compliance and failing to complete training requirements
5. **Monitoring, Auditing and Program Evaluation**

**Standards**

- The Office of Compliance:
  - a. Reviews the Program Governance on a periodic basis;
  - b. Assesses topic based compliance programs against the Program Governance;
  - c. Assists in developing monitoring plans to be implemented by compliance leads and business units, as requested;
  - d. Updates the Program Governance according to changes in business or operations, new compliance risks, enforcement guidance, and/or feedback from the Committee and senior management; and
  - e. Evaluates the use of data analytic techniques to identify risks and/or outlier transactions or activities; prioritizes areas where data analytics would benefit the most, and requests resources accordingly in consultation with Compliance Leads.

- Compliance Leads
  - a. Create and maintain monitoring plans commensurate with risk levels in conjunction with business owners;
  - b. Participate in the assessment of their respective compliance programs;
  - c. Develop and oversee the process for responding to external/government monitoring requirements, as needed; and
  - d. Notify the OOC and the business owners’ leadership regarding any external/government audits or assessments conducted.

**Examples of Methods/Evidence to Monitor Progress**

- Reports of compliance program audits and internal audits of compliance activities
- Annual report to the Audit and Compliance Committee and the Cabinet
- Self-assessments of compliance areas
- Documentation of monitoring reviews
- Documentation of data analytics to monitor compliance
- Key compliance program metrics for assessment and continuous monitoring
- Compliance dashboards and monitoring reports or systems
- Metrics for monitoring policy and procedure effectiveness
6. Investigations, Corrective Action and Enforcement

Standards

➢ The Office of Compliance:
   a. Coordinates with HR, General Counsel and Compliance Leads to ensure that investigations are conducted in accordance with university policy;
   b. Reports material compliance investigations to the Audit and Compliance Committee and senior leadership, as applicable;
   c. Develops guidelines for Committee members to escalate certain compliance and ethics issues to the OOC or the Committee (e.g., remediation plans not being carried out, recurring non-compliance, etc.);
   d. Escalates issues to senior leadership and the Board in accordance with established guidelines;
   e. Tracks compliance-related cases in CIRS;
   f. Manages a help and hotline; and
   g. Monitors the implementation of corrective action plans in response to cross-cutting compliance and ethics issues in conjunction with Compliance Leads, as applicable.

➢ Compliance Leads
   a. Ensure that adequate compliance area resources are available for investigations, including subject matter expertise for their compliance area;
   b. Are responsible for working with applicable operational areas on remediation and tracking corrective action to closure;
   c. Escalate certain high risk, material compliance and ethics issues to the respective business owners’ leadership and the OOC (e.g., remediation plans not being carried out, recurring non-compliance, etc.); and
   d. Notify the OOC and the business owners’ leadership regarding any ongoing investigations and the procedures undertaken to resolve the underlying issues.

➢ The Compliance Committee
   a. Ensures that each office, department, or function that conducts investigations has protocols and investigator training programs;
   b. Discusses trends and themes from investigations; and
   c. Discusses corrective action plans, including metrics of implementation progress and effectiveness.
Examples of Methods/Evidence to Monitor Progress

- Escalation protocols and investigation procedures
- Case management process and database
- Summary statistics of investigations performed and the corresponding response and case closing rate
- Training materials and attendance logs for key investigatory personnel
- Reports to the Audit and Compliance Committee and the Cabinet
- Corrective action protocols and processes
- Periodic reports of monitoring the implementation of corrective action plans in response to compliance issues
- Periodic reports of improvement plans in response to compliance issues