

SCCE Compliance 101, Second Edition

1 What Is a Compliance Program?

There are many definitions of a compliance program. On a very basic level it is about education, prevention, detection, collaboration, and enforcement. It is a system of processes, policies and procedures, and controls that are developed to ensure compliance with all applicable rules, regulations, contracts and policies governing the actions of the organization. A compliance program is not merely a piece of paper or a binder on a shelf; it is not a quick fix to the latest hot problem; it is not a collection of hollow words. A compliance program—an *effective* compliance program—must be a living, ongoing process that is woven into the fabric of the organization which demonstrates commitment to the values and ethics of the organization as well as compliance with applicable laws and regulations. An effective program assists individuals within the organization to be aware and understand the expectations to do the right thing.

Who Needs a Compliance Program

- Private Businesses
- Publicly Traded Companies
- Non-Profit Organizations
- Government Agencies
- Educational Institutions
- Others

So, why do we need yet another formal program—this time on compliance? Perhaps a little historical perspective is in order. In the 1970s and early 1980s the U.S. Department of Defense was paying exorbitantly high prices for supplies. You may remember the news stories (and the late-night talk show jokes) about \$200 hammers and \$500 toilet seats. June Gibbs Brown was the Inspector General (IG) for the defense department at that time. Under her influence, the defense industry suppliers developed voluntary self-regulatory guidelines, called the Defense Industry Initiative, designed to help eliminate waste and bring prices into line. (See the website www.dii.org.)

An effective compliance program safeguards the organization's legal responsibility to abide by applicable laws and regulations. Other important potential benefits include the ability to:

- Demonstrate to employees and the community the organization's commitment to good corporate conduct
 - Detect and prevent criminal and unethical conduct
 - Create a centralized source of information on industry regulations
 - Develop a methodology that encourages employees to report potential problems without fear of retribution or retaliation
 - Develop procedures that allow the prompt, thorough investigation of alleged misconduct
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- Initiate immediate and appropriate corrective action
- Reduce the organization’s exposure to civil damages and penalties, criminal sanctions, and administrative remedies, such as program exclusion.

While the cost and the time involved may seem daunting, the cost of not having a compliance program could be higher. A U.S. official has allegedly been quoted as saying, “an organization can pay on the front end, or they can pay on the back end with fines, penalties and potential jail time.” Compliance is not cheap! “In sum, compliance programs make good sense—both good common sense and good business sense. Compliance programs help prevent companies from committing crimes in the first place. Even if they fail to do so, partially successful compliance programs may help companies qualify for leniency. Either outcome easily warrants your companies’ efforts to adopt and strengthen compliance programs.” ^[1] An effective compliance program is a sound investment.

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