

USU Compliance Systems Development Plan

The overarching objective of the USU Compliance Office is to provide a system-wide infrastructure for compliance activities that will provide affirmative answers to the three questions posed by the Department of Justice in its *Evaluation of Corporate Compliance Programs*:

1. Is USU's compliance program well-designed?
2. Is the program being applied earnestly and in good faith – is it being implemented effectively?
3. Does USU's compliance program work?

The underlying components in the DOJ evaluation align closely with the COSO Internal Controls Framework and the US Federal Sentencing Guidelines for Organizations. An outline of the principles involved in DOJ's evaluation is included as an Appendix to this document.

Top 5 compliance objectives

The following five objectives have been identified to move USU toward a comprehensive compliance program:

- **Assess the University's Values and Ethical Culture, and Articulate the Mission and Vision of USU Compliance**
- **Increase Compliance & Ethics Messaging**
- **Establish Infrastructure for USU's Speak-up Culture**
- **Establish Operating and Reporting Structures**
- **Assess USU Compliance Program Elements to Implement an Appropriately Targeted Program**

Each area will be summarized below, and referenced back to DOJ's evaluation criteria.

Assess the University's Values and Ethical Culture, and Articulate the Mission and Vision of USU Compliance

DOJ articulates in its section on "Policies and Procedures" the following:

Any well-designed compliance program entails policies and procedures that give both content and effect to ethical norms and that address and aim to reduce risks identified by the company as part of its risk assessment process. As a threshold matter, prosecutors should examine whether the company has a code of conduct that sets forth, among other things, the company's commitment to full compliance with relevant Federal laws that is accessible and applicable to all company employees.

A Code of Conduct establishes a clear benchmark against which members of USU's community can measure their own performance and that of others. It is a statement of USU's ethical attitude, tailored to its culture and identity. USU's Code of Conduct should include expectations for actions of employees and other stakeholders within the institution. It should also state management's responsibility to enforce the code. During the coming year, it is suggested that USU:

Establish a working group for the Code of Conduct, develop a plan for drafting and implementing the Code

- Contribute to the formulation of USU Values, possibly including Principles of Stewardship, Principles of Scholarship and Principles of Collaboration, to be added to USU Principles of Community
- Complete and implement the Code of Conduct incorporating USU values, and provide for attestation

Establish foundational statements of the mission and vision of the Compliance Program at USU

- Formalize a compliance mission and vision, and a charge for University Compliance
- Implement a university-wide Compliance Framework (to be developed with the Compliance Working Group)

Increase Compliance & Ethics Messaging

The DOJ calls for universities to provide adequate assurance that:

policies and procedures have been integrated into the organization, including through periodic training and certification for all directors, officers, relevant employees and where appropriate other agents and business partners.

In addition to training, which is a hallmark of an effective communications plan, USU should also build a robust communication regime, including digital and face-to-face delivery.

During the current year, USU will launch the Compliance website with pages related to 1) The Compliance Matrix, 2) the reporting hotline, 3) contact information, 4) and an “About Us” narrative and organization chart.

During the upcoming fiscal year, we will add a page to the website for the Code of Conduct.

In collaboration with appropriate management representatives, create a communication plan, to include compliance and ethics education and training for:

- Code of Conduct
- Compliance Matrix
- The Compliance Framework, and developing unit-specific compliance programs
- Non-retaliation
- Reporting responsibilities

Establish infrastructure for USU’s Speak-up Culture

DOJ’s guidance for creating a well-designed program, included under the heading of “Confidential Reporting Structure and Investigation Process,” remarks:

Another hallmark of a well-designed compliance program is the existence of an efficient and trusted mechanism by which employees can anonymously or confidentially report allegations of a breach of the company's code of conduct, company policies, or suspected or actual misconduct.

During the current year, USU is implementing its reporting hotline in conjunction with Navex Global, using their EthicsPoint system.

During FY21, we will plan to form a Misconduct Reporting Working Group to finalize and implement a Misconduct Reporting policy and related procedures which will formalize reporting of misconduct and non-compliance and provisioning of investigations.

Establish operating and reporting structures

Consideration of the second basic question in the DOJ Evaluation guidance revolves around appropriate implementation of the compliance systems. Topics include "Commitment by Senior and Middle Management," "Autonomy and Resources," and "incentives and Disciplinary Measures."

Among the most effective ways USU will strengthen its implementation process during the coming fiscal year will be establishing the Policy Office. This unit will help with outreach to senior and middle management, will help to create policies and procedures that are written and implemented consistently across the system, and will ensure that policies and procedures include appropriate guidance for incentives and disciplinary measures related to compliance with regulations and policy.

We will also aim to pilot an annual compliance report this year in preparation for compliance presentations to the Audit & Compliance Committee of the Board of Trustees. The report will aggregate data from EthicsPoint, Maxient, and ServiceNow systems with input from Equity, Internal Audit, Public Safety and others as appropriate to provide a systemwide perspective on compliance issues throughout the University.

Assess USU Compliance Program Elements to Implement an Appropriately Targeted Program

Instructors associated with the Society for Corporate Compliance and Ethics (SCCE) concur that organizations will be best served when they first assess and implement infrastructure, as outlined in this plan, for a compliance program. Only then is an organization in a position to effectively assess its risks. However, DOJ's first listed area of emphasis with regard to establishing a well-designed program is reliance on risk assessment to set compliance priorities. The university's compliance program should, according to the DOJ, be "designed to detect the particular types of misconduct most likely to occur in a particular [organization's] line of business" and "complex regulatory environment." One important step taken by USU has been the development of the Compliance Matrix, which will provide a sound basis for assessing USU's risk-based needs within the compliance program. Other program-building priorities have been outlined above. The building out of the Compliance Matrix was instructive in several ways. One lesson learned is the need to marshal subject matter experts during the development of the Matrix.

In FY21, establishing a Compliance Working Group (CWG) is recommended to assist in design and implementation of USU's program. In the future, this group will be able to play a crucial role in defining and assessing compliance risks and making sure our compliance programs are risk-based. Composition of the committee could include subject matter experts from HR, General Counsel, Data Protection, Research, Student Affairs, Equity, Internal Audit, IT, Clinical Compliance, Athletics and Advancement. The CWG would be well-positioned to consider and prioritize additional activities outlined by DOJ concerning the overall design of the compliance program including "Policies and Procedures," and "Training & Communication."

Structural Policies that could be among those considered by the CWG would be:

- Non-retaliation
- Anonymous reporting and anonymous surveying
- Non-retention of sanctioned third-parties and individuals
- Compliance monitoring assistance; and
- Program improvement, including consistent incentive and discipline practices and benchmarking guidance
- Training Requirements for Employees, Students and Volunteers

Conclusion

The above objective, goals and related discussion provide a plan for work beginning in FY21 for the coming fiscal year. At the end of the year, the USU Compliance Program will be built out to a sufficient degree to begin to assess compliance risks across the system. The risk assessment process will undoubtedly mature over time, but with the completion of USU's initial design and implementation in the areas of: Control Environment, Risk Assessment, Policies and Procedures, Training and Communication, and Monitoring Activities, USU will be prepared to improve its systems through continuing risk management and compliance systems assessment and improvement.

Each of the outlined goals is achievable, and with the assistance of members of the proposed Compliance Working Group, USU will be able to accelerate its efforts to solidify its compliance activities. A primary objective in future years will be to increase the reach of the compliance program so that it reaches effectively across all campuses, locations and functional areas.

Objectives for USU Compliance (followed by FY21 goals)

Assess the University's Values and Ethical Culture, and Articulate the Mission and Vision of USU Compliance

Establish a working group for the Code of Conduct, develop plan for drafting and implementing the code

Establish foundational statements of the mission and vision of the Compliance Program at USU

Increase Compliance & Ethics Messaging

During the upcoming fiscal year, we will add a page to the website for the Code of Conduct

In collaboration with appropriate management, create a communication plan, to include compliance and ethics education and training

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Establish Operating and Reporting Structures

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We will also pilot an annual compliance report this year in preparation for compliance presentations to the Audit & Compliance Committee of the Board of Trustees.

Assess USU Compliance Program Elements to Implement an Appropriately Targeted Program

In FY21, establishing a Compliance Working Group (CWG) is recommended to assist in design and implementation of USU's program. In the future, this group will be able to play a central role in defining and assessing compliance risks and making sure our compliance programs are risk-based.

US DOJ Evaluation of Corporate Compliance Programs Topical Summary (issued April 2019)

We recognize that each company's risk profile and solutions to reduce its risks warrant particularized evaluation.... There are, however, common questions that we may ask in the course of making an individualized determination. As the Justice Manual notes, there are three "fundamental questions a prosecutor should ask:

1. *Is the corporation's compliance program well designed?*
2. *Is the program being applied earnestly and in good faith? In other words, is the program being implemented effectively?*
3. *Does the corporations compliance program work in practice?*

I. Is the corporation's Compliance Program Well Designed?

- A. Risk Assessment
 - Risk Management Process
 - Risk Tailored Resource Allocation
 - Updates and Revisions
- B. Policies and Procedures
 - Design
 - Comprehensiveness
 - Accessibility
 - Responsibility for Operational Integration
 - Gatekeepers
- C. Training and Communications
 - Risk-based Training
 - Form/Content/Effectiveness of Training
 - Communications about Misconduct
 - Availability of Guidance
- D. Confidential Reporting Structure and Investigation Process
 - Effectiveness of the Reporting Mechanism
 - Properly Scoped Investigations by Qualified Personnel
 - Investigation Response
 - Resources and Tracking of Results
- E. Third Party Management
 - Risk-based and Integrated Processes
 - Appropriate Controls
 - Management of Relationships
 - Real Actions and Consequences
- F. Mergers & Acquisitions
 - Due Diligence Process
 - Integration in the M&A Process

Process Connecting Due Diligence to Implementation

II. Is the Corporation's Compliance Program being Implemented Effectively?

- A. Commitment by Senior and Middle Management
 - Conduct at the Top
 - Shared Commitment
 - Oversight
- B. Autonomy and Resources
 - Structure
 - Seniority & Stature
 - Experience & Qualifications
 - Funding & Resources
 - Autonomy
 - Outsourced Compliance Functions
- C. Incentives and Disciplinary Measures
 - Human Resources Process
 - Consistent Application
 - Incentive System

III. Does the Corporations Compliance Program Work in Practice

- A. Continuous Improvement, Periodic Testing, and Review
 - Internal Audit
 - Control Testing
 - Evolving Updates
 - Culture of Compliance
- B. Investigation of Misconduct
 - Properly Scoped Investigation by Qualified Personnel
 - Response to Investigations
- C. Analysis and Remediation of Any Underlying Misconduct
 - Root Cause Analysis
 - Prior Weaknesses
 - Payment Systems
 - Vendor Management
 - Prior Indications
 - Remediation
 - Accountability