21st Century Data and Detection

Implementing a World-Class Global Continuous Monitoring Program to Detect FCPA and Kickback Risks Before They Become Systemic

Speaker Bios

Parth Chanda
CEO
Lextegrity

Odell Guyton
Managing Director,
Klink & Co. Inc
SCCE Co-Founder
ELEMENTS OF A CONTINUOUS COMPLIANCE MONITORING & ANALYTICS PROGRAM

- Appropriate Scoping and Governance
- Data Collection and Feeds
- Analytics & Visualizations
- Timely Follow-Up & Remediation
The DOJ's 2019 **Evaluation of Corporate Compliance Programs** guidance requires the following considerations:

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 corporation's compliance program **work** in practice?"

The DOJ's 2018 **Selection of Monitors in Criminal Division Matters** guidance requires the following considerations in determining whether a monitor is needed:

- "whether the corporation has made **significant investments in, and improvements to**, its corporate compliance program and **internal control systems**"

- "whether remedial improvements to the compliance program and internal controls have been **tested** to demonstrate that they would **prevent or detect similar misconduct** in the future."
DOJ 2019 Guidance: Data Analytics & Continuous Monitoring

Prosecutors should likewise look to whether a company has taken 'reasonable steps' to 'ensure that the organization’s compliance and ethics program is followed, including monitoring and auditing.’

Considerations include:

• ‘Whether the company engaged in ongoing monitoring of their third-party relationships.’

• ‘How often does internal audit conduct assessments in high-risk areas?’ "What testing of controls, collection and analysis of compliance data, and interviews of employees and third-parties does the company undertake.”

• ‘Has there been sufficient staffing for compliance personnel to effectively audit, document, analyze, and act on the results of the compliance efforts?”

• ‘What types of audits would have identified issues relevant to the misconduct? Did those audits occur and what were the findings?”

APPROPRIATE SCOPING

• HCP Spend
  □ Fee for Service
  □ Food & Beverage
  □ Travel & Lodging
  □ Other ToVs

• Third Party Spend and Order-to-Cash
  □ Procurement Spend across categories
  □ Distributor Margins

• Employee T&E
  □ Non-HCP meals and travel expenses
APPROPRIATE GOVERNANCE

• Appropriate SOPs
  - Refresh Cycle
  - Data Integrity
  - Review Parameters

• Appropriate Resourcing
  - Internal Audit
  - Compliance
  - Local Market Resources
  - Outside advisors

• Auditing of Monitoring Program

ELEMENTS OF A CONTINUOUS COMPLIANCE MONITORING & ANALYTICS PROGRAM

- Appropriate Scoping and Governance
- Data Collection and Feeds
- Analytics & Visualizations
- Timely Follow-Up & Remediation
ELEMENTS OF A CONTINUOUS COMPLIANCE MONITORING & ANALYTICS PROGRAM

- Appropriate Scoping and Governance
- Data Collection and Feeds
- Analytics & Visualizations
- Timely Follow-Up & Remediation

DATA COLLECTION & FEEDS

- Automated API Feeds wherever possible
  - T&E API (e.g., Concur)

- Automated or Manual Periodic Extracts
  - ERP
  - P2P
  - Transparency Data

- Rely on a unified Data Model
ELEMENTS OF A CONTINUOUS COMPLIANCE MONITORING & ANALYTICS PROGRAM

- Appropriate Scoping and Governance
- Data Collection and Feeds
- Analytics & Visualizations
- Timely Follow-Up & Remediation
ANALYTICS & VISUALIZATIONS

• Rely on Libraries of Fraud Risk Algorithms
• Make Algorithms Configurable and Dynamic
• Integrate Machine Learning to Improve Risk Scoring
• Layer on Robust Visualizations to Explore Data

Next Generation Continuous Monitoring

Risk Engine → Monitoring Review & Remediation Workflow → Risk Insights

Enterprise Data → Risk Scoring Algorithm → Statistical Policy Machine Learning → Risk Engine Settings
RISK-RANKING EVERY SPEND ITEM

<table>
<thead>
<tr>
<th>NAME</th>
<th>COUNTRY</th>
<th>ENTITY</th>
<th>NATURE</th>
<th>VALUE</th>
<th>RISK SCORE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santos International</td>
<td>Brazil</td>
<td>AB123</td>
<td>Services</td>
<td>$6,000</td>
<td>4.9</td>
</tr>
<tr>
<td>David Brydon</td>
<td>Canada</td>
<td>XY456</td>
<td>Meals</td>
<td></td>
<td></td>
</tr>
<tr>
<td>David Brydon</td>
<td>Canada</td>
<td>XY456</td>
<td>Entertain</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Susy Stagge</td>
<td>United States</td>
<td>BY310</td>
<td>Meals</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

RISK ENGINE SUMMARY

<table>
<thead>
<tr>
<th>RATING</th>
<th>ANALYSIS FOCUS</th>
<th>ANALYSIS NAME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong</td>
<td>Conflicts of Interest</td>
<td>Vendor &amp; Employee</td>
</tr>
<tr>
<td>Moderate</td>
<td>Anomaly</td>
<td>Round Dollar</td>
</tr>
<tr>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

ELEMENTS OF A CONTINUOUS COMPLIANCE MONITORING & ANALYTICS PROGRAM

- Appropriate Scoping and Governance
- Data Collection and Feeds
- Analytics & Visualizations
- Timely Follow-Up & Remediation
ELEMENTS OF A CONTINUOUS COMPLIANCE MONITORING & ANALYTICS PROGRAM

- Appropriate Scoping and Governance
- Data Collection and Feeds
- Analytics & Visualizations
- Timely Follow-Up & Remediation

TIMELY FOLLOW-UP & REMEDIATION

- Clear documentation of follow-up and resolution
- Clear audit trail of changes in risk settings
- Machine Learning to continuously improve monitoring engine based on findings
- SOPs should define clear owners for remediation and SLAs
### Questions?

<table>
<thead>
<tr>
<th>Type</th>
<th>Owners</th>
<th>Last Modified</th>
<th>Due Date</th>
<th>Remediation Step Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control Enhancement</td>
<td>Jonathan Joseph</td>
<td>6/30/19</td>
<td>6/19/19</td>
<td>Open Past-Due</td>
</tr>
<tr>
<td>Policy Enhancement</td>
<td>Jonathan Joseph</td>
<td>6/21/19</td>
<td>6/30/19</td>
<td>Open</td>
</tr>
</tbody>
</table>