

## **Using the Octagon: Lozier's Eight Steps to Further Your Compliance Program**

In an article published in the July 29, 2011 issue of the Houston Business Journal entitled "*Eight Steps to a More Effective Anticorruption Compliance Function*" Chris Lozier, Principal at UHY Advisors in Houston and Manager of the FCPA - Foreign Corrupt Practices Act - Anti-Corruption Compliance Group on LinkedIn, wrote about the gaps that companies are finding in their compliance programs. To help remedy these gaps Lozier discussed eight key steps he believes that companies can take immediately to establish a more effective anti-corruption compliance program. They are as follows:

1. Identify the requirements of anti-corruption laws in all the countries in which your company does business. This is critical in understanding the key differences in requirements that your company may be facing. A clear example is the differences in the FCPA and the UK Bribery Act, which does not have an exempt for facilitation payments and extends liability to private, commercial bribery.
2. Publish a statement from senior management. This demonstrates a strong company commitment to a robust compliance program. This statement must leave no doubt that pursuing "business as usual" will not be tolerated and that employees or business representatives will no longer be associated with the company. This statement should be reinforced with strong training for relevant company employees and any third parties which represent the company.
3. Using the information that you developed in Point 1, update your company compliance program to a more comprehensive global anti-corruption policies that extend past the FCPA. If your company is subject to the UK Bribery Act, not only should you revisit the issue of facilitation payment as discussed in Number 4 below, but remember that here the US is the foreign jurisdiction and all conditions that your company places on business outside the US should be included inside the US as well.
4. If your company is outside of the United Kingdom, you should revisit the issue of facilitation payments. While the FCPA does allow facilitation payments, the UK Bribery Act does not. Additionally, several respected international organizations such as the Organization for Economic Development (OECD) have advocated for the end of such payments. The end of facilitation payments is most likely coming so your company should be ready for this change,
5. Perform an updated, detailed and defensible anti-corruption risk assessment. This risk assessment should include such factors as geographic risk, level of interaction your company has with government officials, industry risk, extent of third party representation and review the results of any previous audits or assessments to determine their effectiveness.
6. Identify, categorize and list parties that represent the company and those vendors in the Supply Chain which provide services involving a foreign governmental official and

implement a risk based due diligence program. Your due diligence will be influenced by this categorization.

7. Provide or update an effective means for anonymous reporting, such as a hotline. With the implementation of the Dodd-Frank whistleblower provisions, a company must have a robust internal reporting system. It is therefore in the best interest of your company to have an effective hotline and response system in place.
8. Perform reviews to assess the effectiveness of your internal compliance program. This should include testing of your internal controls and the examination of transactions. You should have, at a minimum a full FCPA compliance audit every two years, but your company should also perform an annual assessment on selected portions of your compliance program as well.

While Lozier's 8 steps are not comprehensive they certainly are a good start and excellent reference point from which you can assess your company's program, determine where any gaps might be and move to remedy those deficiencies.

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