



CENTER FOR BUSINESS ETHICS  
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# CENTER FOR BUSINESS ETHICS

## VERIZON VISITING PROFESSORSHIP IN BUSINESS ETHICS

February 7, 2011

THE CHIEF ETHICS AND COMPLIANCE  
OFFICER: A TEST OF ENDURANCE

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## Center for Business Ethics

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# BENTLEY UNIVERSITY

BENTLEY UNIVERSITY is a leader in business education. Centered on education and research in business and related professions, Bentley blends the breadth and technological strength of a university with the values and student focus of a small college. Our undergraduate curriculum combines business study with a strong foundation in the arts and sciences. A broad array of offerings at the McCallum Graduate School emphasize the impact of technology on business practice, including MBA and Master of Science programs, PhD programs in accountancy and in business, and selected executive programs. Enrolling approximately 4,000 full-time undergraduate, 250 adult part-time undergraduate, 1,400 graduate, and 20 doctoral students, Bentley is located in Waltham, Mass., minutes west of Boston.

THE CENTER FOR BUSINESS ETHICS AT BENTLEY UNIVERSITY is a nonprofit educational and consulting organization whose vision is a world in which all businesses contribute positively to society through their ethically sound and responsible operations. The center's mission is to provide leadership in the creation of organizational cultures that align effective business performance with ethical business conduct. It endeavors to do so by the application of expertise, research, education and a collaborative approach to disseminating best practices. With a vast network of practitioners and scholars and an extensive multimedia library, the center offers an international forum for benchmarking and research in business ethics.

Through educational programming such as the VERIZON PROFESSORSHIP IN BUSINESS ETHICS, the center helps corporations and other organizations to strengthen their ethical culture.



Are businesses typically ethical or unethical? The answer is “yes.” It’s rare that a day passes when we don’t see reports about businesses engaged in some sort of malfeasance. And yet, without question, businesses in general are far more aware of the necessity of good corporate ethics than in the bad old days when business ethics was little more than the brunt of jokes. However, the business world has changed dramatically in the 35 years since the founding of the Center for Business Ethics (CBE), both organizationally and ethically. The size, organizational sophistication, global reach, economic clout, and technological resources that characterize today’s major corporations were nowhere to be found back in the 1970s. And yet, in the midst of all this change, our understanding of the moral dimension of organizations has also become much deeper, stronger, and more nuanced.

We can now see more clearly that, given business’s enormous impact on world affairs, we can ill-afford lax business ethics. We have learned that bad organizations can bring out the worst in good people, just as good organizations can bring out the best. It isn’t enough to hire good people and think that one’s job is done. To put it bluntly, good ethics doesn’t just happen, that is what ethics officers are for! They are the professional guardians of corporate integrity. It is a big, daunting job, but when the history of 20th-century business is written, I believe one of the most important organizational innovations will be the addition of the Chief Ethics and Compliance Officer (CECO) to the C-Suite of corporate leadership.

This is something especially dear to the heart of CBE since the first professional association for ethics officers, the Ethics & Compliance Officer Association, was started in 1991 at CBE. Today, among the legions of ethics officers, one person who stands out with an almost legendary reputation is Patrick Gnazzo. We were honored to have Pat give this year’s Verizon Lectureship in Business Ethics. Listening to it, one immediately recognizes that his reputation is well founded. Pat brings to bear in this one lecture profound insights into business management and leadership along with a timeless wisdom into ethics and a folksy common sense. To the keepers of institutional memory, add this lecture to your archives. It is a treasure.

**W. Michael Hoffman, PhD**

*Executive Director, Center for Business Ethics, and  
Hieken Professor of Business and Professional Ethics  
Bentley University*



Mr. Patrick Gnazzo giving the Verizon Visiting Professorship Lecture in Business Ethics to students, faculty, staff, and friends in Wilder Pavilion, Bentley University.

VERIZON COMMUNICATIONS INC., headquartered in New York, is a global leader in delivering broadband and other wireless and wire-line communications services to mass market, business, government and wholesale customers. Verizon Wireless operates America's most reliable wireless network, serving more than 104 million customers nationwide. Verizon also provides converged communications, information and entertainment services over America's most advanced fiber-optic network, and delivers innovative, seamless business solutions to customers around the world.

A Dow 30 company, Verizon employs a diverse workforce of more than 196,000 and last year generated consolidated revenues of \$106.6 billion.



(From left) W. Michael Hoffman, founding Executive Director, Center for Business Ethics, and Hieken Professor of Business and Professional Ethics, Bentley University; Patrick J. Gnazzo, Former Chief Ethics, Risk and Compliance Officer, CA Technologies and Former Chief Ethics and Compliance Officer at United Technologies Corporation; and Gregory K. Miles, Director, Office of Ethics and Business Conduct, Verizon Communications.



Patrick Gnazzo worked for many years in the private sector as a leader in the corporate ethics and compliance officer movement. At CA Technologies, a \$4.4 billion IT management and software company, he held several positions associated with the management of corporate ethics, including that of chief ethics and compliance officer and chief risk officer. Prior to joining CA Technologies in 2005, Pat served as chief ethics and compliance officer at United Technologies Corporation (UTC) for 10 years. In this capacity, Pat managed more than 260 business practice officers worldwide who oversaw the implementation of the company's ethics and compliance programs for all of its 200,000 employees in 180 countries.

## The Chief Ethics and Compliance Officer: A Test of Endurance

Monday, February 7, 2011

**Patrick J. Gnazzo**

*Former Chief Ethics, Risk & Compliance Officer, CA Technologies and former Chief Ethics and Compliance Officer at United Technologies Corporation*

Thank you Mike, and good afternoon everyone.

I am delighted to be here, and I feel quite honored to have this opportunity to return to Bentley University as the Verizon Professor for Business Ethics and Information Technology. This is probably my 20th visit to your beautiful campus. However, it seems like I'm always here in the winter. I keep wondering if this campus has a permanent bed of snow on the ground or if there might actually be grass in the middle of your courtyard.

Bentley's Center for Business Ethics has been the leader in the field of business ethics and compliance since you founded it in 1976. Your success in promoting ethical behavior in business is noteworthy and most evidenced by the number of ethics organizations you helped spawn, the number of business ethics books and articles you have published, the number of ethics officers this center has trained, and finally, the great ethics lecture series you have been able to bring to Bentley through the generous funding from both Verizon and Raytheon. Thank you and Verizon for this opportunity. I also want to thank the center's staff for their great assistance over the last couple of months. And to the students here today, I look forward to getting to know many of you over the course of this week.

I assume that many of you in this room have little or no experience with an organizational compliance/ethics officer. Well, I was in your shoes 20 years ago when my employer asked me to become United Technologies Corporation's chief compliance officer. Now, 20 years later, I can honestly tell you that being a chief ethics and compliance officer, a CECO, was my most rewarding career experience. Further, I believe deeply that the reason behind why the CECO function was so rewarding to me is exactly the same reason why the CECO function should be important to most of you in this room.

No matter what career you choose after you leave Bentley, an effective CECO will make your job all the more enjoyable. An effective CECO has your back, and he or she will make it easier to say “no” to the inevitable pressure to cut corners or bend the rules. An effective CECO allows employees to devote their energies to being productive rather than protective.

At times in this presentation, I will mention the ethics function and the compliance function as separate functions and then as a combined ethics and compliance function. For a number of reasons, the strong opinion among my colleagues is that the function should not be split, most notably because the combined function has the power to help an organization do the most good. I agree with that position and have had the combined responsibilities at both of my former organizations.

There are, however, conflicting views that surround combining the two functions, into what we in the community now call the CECO: the chief ethics and compliance officer. I hope that at the end of this session, you will agree with me that there are very compelling arguments in support of the CECO function as an organizational department head participating in management decisions alongside the other functional department heads such as the chief legal counsel and the chief financial officer.

The CECO is a relatively new function in corporate America. By new, I mean the function is only about 20 years old. I’m sure 20 years may seem like a long time to many of you in this room, but it is a comparatively short time when you consider that the Dow Jones Industrial Average Index started in 1882 and that 1790 is considered the year that the investment market was born.<sup>1</sup>

I first became involved with compliance in 1986, when my company, United Technologies Corporation (UTC), considered joining a group of defense contractors in an organization named the Defense Industry Initiatives, referred to today as DII. By way of background, DII<sup>2</sup> was founded by 32 large companies doing business with the U.S. Department of Defense. UTC, one of these 32 defense contractors, is a \$56 billion corporation with a number of business segments, including Otis Elevator, Carrier Air Conditioning, Sikorsky Helicopter, Pratt & Whitney Jet Engines, Hamilton Standard, and UTC Fire and Security. In 1986, UTC was the seventh-largest defense contractor and employed over 200,000 individuals, of whom only 90,000 were U.S. citizens.

These 32 defense contractors, UTC included, decided to form the DII organization for two reasons. First, they believed that they needed to establish compliance programs within their organizations to better prevent the kinds of fraud that

were appearing in the national news almost daily. In fact, the catchphrase in the media at the time, was that “fraud, waste and abuse” was a major problem in the defense industry. The reputation of defense contractors was so bad during this period, that public polling surveys had defense contractors ahead of used car dealers and Congress as organizations they least trusted. To emphasize this last point, at that time my mother read about these bad defense contractors in the *Pittsburgh Press* and, knowing that I worked for UTC, called very worried and asked me, “Are you a crook?” I told her that, having raised me with her values, she shouldn’t worry about me going to the dark side. But when the average citizen reads about the government paying \$7,000 for a coffee pot or \$10,000 for a toilet seat, you can understand my mother’s concern. And, therefore, the second reason these defense contractors wanted to form DII was their hope that a public stance promoting solid compliance programs would give both the Department of Defense and the public at large confidence in the defense contractors’ determination to clean up their own house. History has shown that their establishment of compliance programs was the right thing to do for their organizations.

At the time DII was being formed, I was UTC’s associate general counsel (GC), responsible for U.S. government procurement, and as such I was asked to review the requirements for membership in DII. Specifically, I was tasked to advise the CEO on any legal risks with the DII membership requirements. I, as the associate GC for U.S. government procurement, recommended against joining DII. That recommendation may come as a surprise to colleagues in the ethics and compliance community who have known me for 20 years. My role as associate GC, and the recommendation I gave to the CEO, are central to this presentation. My analysis today of the conflict surrounding the CECO position centers on the business judgment behind the CECO’s decisions. A lesser role for the CECO, I believe, impacts the quality of those business decisions and the CECO’s effectiveness in protecting the interests of all the organization’s stakeholders, including employees, shareholders, customers, suppliers and the community.

I recommended against joining DII for two reasons. First, one of the absolute requirements of DII was that all the member companies had to promise they would make a voluntary disclosure of a procurement violation when they discovered it. And second, each company was required to establish hotlines so that employees could report any alleged violations (we attorneys like to put “alleged” in front of anything that sounds bad). These hotline allegations would then require investigation and a voluntary disclosure of the findings to the government.

Obviously any voluntary disclosure could lead to fines and imprisonment of individuals and, under the False Claims Statute, possible debarment (exclusion from

bidding on future U.S. government business) of the corporation for up to three years.<sup>3,4</sup> As an attorney, I believed it was not in the best interest of my organization to voluntarily disclose alleged violations. In other words, it was not in my corporation's best interest to give up its constitutional right against self-incrimination. Further, the very fact that we would be asking our employees to come forward with allegations of wrongdoing, would place my organization in a position of beating the bushes for alleged bad acts when in reality, without the hotline, we might never become aware of an alleged problem, let alone have to report that alleged problem to the government.

Fortunately, the UTC CEO rejected my recommendation against joining DII, not because my analysis was flawed, but because the CEO believed the corporation had a responsibility to give its customers and the public (including my mother in Pittsburgh) confidence that the corporation was not defrauding the U.S. government and its taxpayers. Thus, UTC's membership in DII, as well as that of the other 31 corporations, was made solely on the basis of business considerations, not legal considerations. Interestingly, I can still remember a former GC of Litton Corporation, Norm Roberts, publicly stating at an ABA public contracts event, that he was pleased with the fact that he was able to convince his CEO not to join DII for the same reasons laid out in my recommendation. In his role as the GC, his legal recommendation won out over joining DII for business reasons. Based on my experience over the last 20 years, my CEO's business decision was the right thing to do because he put his customer first.

My presentation today is in four parts:

- First, my definition of business ethics and compliance
- Second, why organizations need a CECO and a discussion of its responsibilities
- Third, the controversy surrounding the position and whether that controversy is preventing the CECO from becoming a permanent fixture in organizations
- Finally, I will end this lecture with some recommendations that I believe would assure the stability of the CECO function and its proper positioning within organizations.

On this point, many organizations establish strong CECO positions after they have been found guilty of some serious criminal violation and are required to have a strong CECO function under the terms of a settlement agreement. This is what happened to my former employer Computer Associates (CA Technologies today). Under the terms of their Deferred Prosecution Agreement (DPA), CA was required to establish a strong CECO position.<sup>5</sup> I was hired in 2005 to fill that

role and, in addition, later became the chief risk officer. I would be happy to discuss deferred prosecution agreements in our follow-on sessions, but suffice to say that CA is no longer under the DPA. After I moved to become the general manager of CA's government business, my former function was split into three with each responsibility reassigned to another function in the company. What happened at CA happens so many times after organizations are no longer required under some mandate to maintain a strong CECO function.

I will now address the definitions of compliance and ethics. I hope these definitions explain why the functions are still having difficulty being integrated into organizational structures on a consistent and universally accepted basis. First, my definition of compliance is adherence to all the laws, regulations, rules and policies governing an organization. And if there is a compliance officer function, it should be responsible for ensuring that all aspects of those organizational requirements are being managed properly. Clearly compliance is an oversight function. Notice that I didn't say that a compliance officer should manage all aspects of compliance in each of the functional areas. The compliance officers should be in a position to give the board of directors, senior management and the shareholders assurances that each of the organization's functional areas is complying with the laws and rules that they are responsible to manage. It should be noted that the U.S. Sentencing Commission in their organizational guidelines concluded that, for an organization to mitigate against maximum penalties, the existence of an identifiable compliance program must have been in place at the time the violation occurred.<sup>6</sup> The assumption is that the violation is more likely an anomaly when an organization has put all the right elements in place to comply with the law.

In an organizational structure, there are many departments and thus many areas of expertise and responsibility. I am going to mention quite a few functions because I believe this will make my point clearer: legal, financial, human resources, manufacturing, information systems, environmental, tax, records management, sales, engineering, community relations, real estate, government relations, communication, marketing and several more depending on the nature of the organization. Each one of those areas is a center of expertise within an organizational structure. Each one of these areas must be responsible for compliance with both external and internal rules, policies and laws affecting their function. So for example, the GC is the expert on antitrust laws and, therefore, is responsible for ensuring that the organization is not violating those laws. Likewise, human resources is responsible for adherence to the Fair Labor Standards Act, and EEOC. Finance is responsible for compliance with Sarbanes-Oxley and the General Accepted

Accounting Principles (GAAP), information systems is responsible for ensuring that there is no unauthorized use of software on the organization's computers, and so on.<sup>7</sup> I could present hundreds of these examples, but more importantly, please note that I have given several examples in which the GC is neither the expert nor responsible in a particular area of compliance. This point is important and will be addressed later when I discuss the conflict over who should be responsible for oversight of organizational compliance.

Thus, I believe that the responsibility of the compliance officer and the compliance function should be one of oversight on behalf of the board of directors. To this point, there is a famous Delaware Chancery case, called Caremark, where the court clearly stated the boards of directors must be knowledgeable of the proper workings of their company's compliance programs.<sup>8</sup> A compliance officer is able to report on the state of compliance through the use of tools such as audits, surveys, interviews and investigations arising out of hotline calls or ombudsmen issues. I would be happy to elaborate on the workings of hotlines, ombudsmen programs and whistleblowers during our follow-on sessions this week.

My definition of business ethics is the establishment of pronounced values and culture for an organization. This goes to the heart of how an organization wants to be perceived by its stakeholders and, yes, even by its competitors. An ethics officer, as part of an organization, is responsible for ensuring that an organization's values are always part of management's thought process at decision-making time. The operating culture of the organization should always play a part in the decisions of the organization, and this responsibility for protecting the organization's culture can be both rewarding and frustrating. It's rewarding because, when an organization acts to preserve its good culture in business dealings, there is an added beneficial effect on stakeholders' positive attitude toward the organization. This is especially true for employees.<sup>9</sup>

However, with the average turnover of CEOs running about four to five years, preserving culture is difficult at best and, sometimes, for an ethics officer, it feels like we are pushing a pencil up a hill with our hands tied behind our back. This can become most challenging when the economy is weak or your products aren't selling and profits aren't meeting Wall Street's expectations.

Here is just one example of how a change in culture can send a mixed message: A CEO of one company encourages employees to email him with their ideas, complaints or concerns, and he works hard to respond to each email personally — even if initially it is to say that he has asked one of his functional areas to investigate

the issue and get back<sup>10</sup> to him within a certain timeframe. The CEO then responds back to the employee with the results of the investigation. This CEO has established his form of an open communication program. Now imagine that he is replaced four years later with a new CEO who might be faced with poor earnings results and was hired to manage a turnaround. The new CEO might not think that the former CEO's form of open communication is the right way to devote his time and energies. In discontinuing the practice, it doesn't necessarily mean he doesn't care about his employees' concerns. But that may be the message received when he asks his staff to just forward the emails to an appropriate department. Understand, I am not saying that every aspect of an organization's culture is good and that every culture should be preserved, but I will tell you that the constant changing of cultures makes violations of law and policy more likely. I say that because when employees understand an organization's values, they will more likely act to protect them than when values and culture are in flux, confused, or even eliminated altogether.<sup>11</sup>

Great organizations have published values and sets of high standards, establishing a culture that makes the organization a positive place in which to work. Having someone responsible for preserving those values and ensuring that those values are considered at the time major decisions are made distinguishes a good organization that complies from a great organization that leads.

The role of perpetuating the culture belongs to management. However, prior to the advent of ethics officers, the connection of culture and compliance was distant or nonexistent. The dual role of the CECO makes compliance stronger because the positive culture reinforces the organization's message of always doing the right thing. "Don't lie, cheat or steal" is a powerful message when combined with a message of good citizenship, including community involvement, philanthropy, environmental leadership, and open employee communication programs.<sup>12</sup>

Organizations with great cultures care about how their stakeholders view them. They manage their companies with an eye toward both internal and external perception, and they want their organization's values and culture maintained and protected. Therefore, when an organization says, "You can rely on the safety of our products," it backs up that statement with action, from design to production. Such action gives an organization a reputation for caring about the safety of its consumers as well as the safety of its employees. An organization that strives for quality as well as safe products, for protecting the environment, and for the safety and well-being of its employees is, in my experience, also an organization that strives to always do the right thing.

The CECO position, therefore, is the logical function to help preserve these values, and should not be separated from the person responsible for compliance oversight. My reasoning is best supported by how an organization promotes and protects an open communication program, such as hotlines, ombudsman programs, or various forms of protected written communications. The protection of employees from retaliation, when using those programs, should fall to an individual who is charged with protecting the culture and is responsible for the oversight of the functional departments' compliance programs. Protecting employees who are asked to come forward with concerns goes a long way in maintaining a positive organizational culture and adhering to the laws controlling the organization's operation.

I want to be very clear on several points. First, organizations are required to obey the law. They can try to maintain compliance, with or without oversight, but if they want to ensure the compliance, oversight needs to be an organizational function. Secondly, you can have a compliance program without an ethics program, but you really can't be an ethical organization without functional compliance programs and a fully empowered compliance oversight function.

A key question central to today's discussion is this: After more than 20 years of recommendations regarding the importance of the ethics and compliance officer from Bentley's Center for Business Ethics and other organizations such as the Ethics Resource Center, the Ethics and Compliance Officers Association, the Society of Corporate Compliance and Ethics, and the Rand Center for Corporate Ethics and Governance report "Corporate Governance, Compliance, and the Impact of Regulation – The CECO Perspective and Role";<sup>13</sup> after the promulgation of the U.S. Sentencing Commission's organizational guidelines, which advised federal judges to take into consideration the existence or the lack of existence of an organization's compliance program before sentencing; after huge corporate scandals such as Enron, WorldCom and the collapse of the home mortgage market; after hundreds, if not thousands, of corporate and individual criminal indictments and convictions; and finally, after legislation such as Sarbanes-Oxley and Dodd-Frank.<sup>14</sup>

Why, with all that has happened during the last 20 years, is there still resistance to the need for and the separate positioning of the CECO function?

I believe there are four reasons. First, the CEO and senior management do not believe the oversight function is necessary because "everybody wants to do the right thing." Everyone wants to do the right thing, but everybody's right thing is

not the same, and even some right things are really not that important. So why do you need an identified compliance function?

When I was growing up, my mother told me a story which was funny at the time but later enlightening as I began to function in my first compliance role. The story is about my grandmother, Mama Maggie, who was a very religious woman who prayed for me and the rest of the world every day. She lived with my family and did all of the cooking, managed our household, and took very good care of my sister and me while my mother worked outside the home. Mama Maggie had the love and respect of her friends and family and was a role model for all of her 11 grandchildren.

She did something else, too. My wonderful, saintly grandmother made and sold wine during prohibition. She sold it to the neighbors, her neighborhood police and firemen, and even to the neighborhood politicians. My grandmother broke the law every time she made and sold her wine. When I asked her why she did something clearly illegal, she told me she did it to put food on her family's table.

Organizations, no matter the size, are made up of human beings. Every one of those human beings has her or his own level of ethics, brought to the organization from their upbringing at home; their place of worship; their community, friends, teachers; and even their first employer.

Think about all the upstanding citizens who passed you or whom you passed on your way to Bentley today – people who were driving over, maybe way over, the speed limit. When deciding to speed, people rationalize that a particular law is not as important as many of the other laws we adhere to every day. Maybe they even had an excuse, "I had to speed because I didn't want to be late for Pat Gnazzo's lecture." Many of today's speeders probably would not condone the employment of child laborers or bribing of a foreign government official. They might, however, throw a candy wrapper out the car window or maybe even do some texting while speeding. These individuals make a personal choice every day as to which particular rules to follow and which to ignore. Organizations with hundreds and thousands of employees need to have rules, policies, and codes of conduct. Without these, the organization opens itself up to uncertain liability, out-of-control expenses, or possible criminal penalties. Employees need to know what is expected of them. They also need to understand that if they want to work for a particular organization, they have to follow the organization's rules, policies, and code of conduct. And I might as well add this now while I'm addressing this need for organizational rules: They need to know that there is someone with the responsibility to ensure that they and everyone else are adhering to those rules.

Similar to my grandmother's reason for breaking the law, here are the three of the most common excuses used when an individual is found to have violated a company policy or broken a law. No need to write these down as you will undoubtedly hear them used many times during your business career:

- "I did it for the organization" (mind you, the organization specifically told its employees not to violate policy or law)
- "I didn't know it was a company policy or a law when I broke it" (no matter that the individual signed a copy of the code of ethics and showed up for the training, and the requirement was called out in both instances)
- And finally, my favorite, "My boss made me do it" (this is the answer that bothers me the most, because after it comes anything from "the boss threatened me" to "the boss winked when I said what I was about to do" to "the boss told me not to tell him or her how I was going to fix the problem").

Another excuse used less often but with equally faulty reasoning, and one that cost my company \$400 million in fines, was "We didn't think you were serious when you said not to violate the antitrust rules." This was said at the same time that they admitted to violating the law, admitted to understanding the law, and admitted to having read and been trained in the code of conduct (which specifically told employees not to break the law). This excuse is worth repeating. "We didn't think you were serious." And I can assure you that they were serious when they said that.

The second reason for the lack of stability in the CECO function is that management and the board of directors do not have a clear understanding of the function's role in the organization. The main reason for this lack of understanding is that many senior managers and boards have little or no experience with a CECO position or what its functions should be managing.

My same grandmother, Mama Maggie, broke her hip at the age of 50 and thereafter walked with a very distinct limp. As I mentioned earlier, my grandmother took care of me during my childhood. What I didn't mention was that one of my nicknames was "Dennis the Menace" and that I was a hyperactive child. My grandmother couldn't chase after me and therefore devised a way to keep me under her control so that I wouldn't hurt myself or get into trouble. When she needed to attend to her other chores, she would tie a long rope around my waist and fasten the other end around the leg of the kitchen table. The rope was intended to limit my activities within a certain range. That limit is much like the kind of limit an organization might attach to an expense policy or a company computer-use policy.

So there was little Patrick, on the kitchen floor, playing within the rope's limits while Mama Maggie was in another room ironing. Needless to say, my grandmother, like an organization, should not assume that the controls and policies in place are sufficient to protect against or prevent bad acts. One day I noticed that my grandmother had mistakenly dropped one of her sewing needles on the floor. Being the kind of imaginative child that many of us were, I picked it up and proceeded to redecorate, that is, badly scratch, a relatively new refrigerator. I can recall hearing Mama Maggie using a lot of new Italian words that day.

The moral of this story is that you can write policies and a code of conduct, you can attempt to add controls limiting a person's ability to break the rules, but human nature being what it is, at times ingenious, you can't conceive of every instance of mischief, let alone devise a plan to prevent every instance. The job of a good compliance officer is to audit programs for flaws, like the fallen sewing needle, investigate violations of policies and then, when necessary, recommend improvements to those policies going forward (like don't sew anywhere near Pat in the future). This is an important CECO function that management and boards of directors need to understand.

The third reason for the lack of a strong CECO function occurs particularly in organizations where management and the board may believe that everybody should be responsible for doing the right thing. This belief, when an organization does get into trouble, usually leads to the senior managers in the organization pointing to someone other than themselves as the one who should have been responsible. Kind of like other duties as assigned after the fact.

I have one final family story. Mercifully, this one is not about my grandmother but about my grandfather, Papa Jim. He was married to Mama Maggie and also lived with us when I was growing up. Every Sunday, Papa Jim would take me to his barbershop and cut my hair. (Think about it: a weekly haircut until I went away to college and then was required to maintain short hair because of ROTC. I had such compassion for the other not-so-cool people in my school.) After my weekly haircut, Papa Jim would give me a quarter to buy penny candy at the five and-dime next door, while he cleaned his shop for the coming week. (Do you have any idea how much candy you could buy with 25 cents in 1954? A lot.) We would then go to his club, the Sons of Villa Rosa, where I would retrieve bocce balls for Papa Jim and his buddies. In turn, they would buy me chips and pretzels and sodas ("pop" for those of us from Pittsburgh). I would eat it all, including the penny candy, while the men played cards. It was always around dinner time when we returned home and I would be so full of junk food that

I would not be able to eat dinner. This would cause my mother to complain vigorously to my grandfather for his lack of control over the amount of junk food I consumed. My grandfather would smile and very calmly tell my mother that it was not his job to teach her son not to ruin his appetite on junk food.

The moral of this story, if you have not already figured it out, is that the compliance officer's function is one of advice, auditing, investigating and reporting. Management is responsible for leading, directing and enforcing the organization's rules, regulations and policies.

So now I have given you some definitions and explained the need for both functions. I discussed the need for ongoing reviews and constant vigilance. And finally I told you who is ultimately responsible for managing compliance within organizations.

Why then is there still a problem in institutionalizing the CECO function? The final and most troublesome reason that the CECO function is not a permanent fixture in many organizations is management's fear that the function will impact their business negatively. I've heard people say that constantly having to think about culture and values "slows down the decision-making process" and ask "isn't it just intuitive anyway?"

At this point, my fellow CECOs are expecting me to say affirmatively that "good ethics and compliance are good for business." I honestly believe that statement to be true, and I look to the collapse of Enron and WorldCom for validation. However, with the survival of the big banks after the mortgage debacle, the strength of Exxon and even BP after the Exxon Valdez and the Deepwater Horizon oil spills, the important message for organizations should be that the lack of goodness can be very costly to the bottom line. I wish I had a family story where good deeds netted huge amounts of money but I don't. I can tell you that when my oldest daughter was very young, she would tell friends that her daddy was paid lots of pennies just to tell people to be good. So at least in my daughter's eyes, good ethics was profitable.

What I find interesting is that many of the individuals I encounter either have no idea what a CECO's duties entail or just believe the function attempts to ensure that organizations "do the right thing." That belief, which in its simplicity is very close to my young daughter's explanation, is both rewarding and unfortunately, the very reason the CECO function is still not firmly ensconced in organizations today.

Please don't misunderstand my comments regarding the CECO function. It has received strong support from many sectors over the last 20 years, and exists at almost all the major corporations as well as many smaller organizations within the U.S. That fact, along with steady international growth, is very positive for the position.

Aside from the rather neutral "I really don't understand the need" kind of reasons I laid out earlier, there is another reason the CECO position has still not solidified itself in many organizational hierarchies. Strong opposition from one segment of corporate America continues to argue against an independent CECO who reports to the CEO and the board of directors. That opposition is, I believe, self-serving. But before I throw stones I need to give you some additional background.

I have been an attorney for 40 years. I was a litigator; I was a deputy GC and, for a short time, an acting GC. In addition, I have held several business positions in two large corporations. I understand what legal departments are supposed to do and I understand what business executives expect from their lawyers.

The reason for my concern regarding the durability of the CECO position after so many years of evolving is that many of my fellow CECOs are not senior executives sitting at the same table with the GC and the chief financial officer. Many of them do not have the independence, authority and access necessary to effectively protect the organization's stakeholders. The CECO, 20 years later, is still receiving major opposition from senior executives who see the CECO as encroaching on their responsibilities, when those responsibilities were never theirs in the first place. This is where I say "I know from where I speak."

The primary advocates of a lesser role for the CECO within an organization are a number of GCs and at least one of their professional organizations, the Association of Corporate Counsel (ACC).<sup>15</sup> Now the problem: When it comes to the word "compliance," senior management and boards of directors take the advice of their law departments, because of one significant event that happened in 1991, when the U.S. Sentencing Commission released its organizational guidelines report. But first you need to understand that a lawyer's reference book called Black's Law Dictionary doesn't even reference the word "compliance" and Webster's Dictionary makes no legal reference anywhere in its definition of compliance.<sup>16</sup> In fact, my dictionary, albeit published back in 1978, doesn't have a definition of compliance as we in the business world use it today, and offers nothing close to the definition I gave you a few minutes ago. The argument that

compliance was and should continue to be the primary responsibility of the office of GC has only come about because of U.S. Sentencing Commission uses the word to describe the types of programs organizations need to mitigate penalties resulting from criminal violations. That reference to compliance has grown from the need for compliance programs in order to prevent criminal activity, to the use of compliance in all aspects of organizational management.

As I pointed out earlier, when I was a lawyer giving advice to the CEO, I operated within a defined set of parameters. The role of CECO, as it has evolved, is clearly outside the defined role and duties of the GC. And I argue that because of these professional and legal responsibilities of the GC, the position of the CECO cannot and should not be under the authority of the legal department. The inherent conflicts that result would prevent the CECO from performing those functions and duties recognized by many and set out by the Ethics Resource Center's position paper "Defining the Role of the Chief Ethics & Compliance Officer (CECO)."<sup>17</sup>

Now I'll throw some stones. I maintain that the only reason the GC wants control of corporate-wide compliance is to control the flow of information that might be damaging to the organization. Oversight is not one of those courses I took in law school.

The reason I believe the responsibility for oversight should be with a separate compliance organization is twofold. First, compliance oversight should not be in the hands of someone who is responsible for managing a compliance function. One law department that did have overall compliance responsibility had the hotline on the GC's desk. Just imagine being an employee aware that the legal department was approving postdating contracts so the company could meet the "Street's" expectations for the quarter. A former GC of CA pled guilty for doing just that while having the employee hotline on his desk.

I maintain that before 1991 and the advent of ethics and compliance organizations and the CECO position, no one group was responsible for overall compliance oversight. I will tell you that individuals with great legal reputations, like Ben Heinemann, the former GC of General Electric Corporation, argued that, not only should a GC have responsibility for compliance oversight but that oversight should be a joint responsibility with the chief financial officer.<sup>18</sup> For those of you who know anything about organizational dynamics, a position reporting to two separate functions is the kiss of death. Remember playing off Mom against Dad, and vice versa, in the hope of tripping them up to get what you want?

I believe strongly that a GC's oversight of corporate compliance is a conflict of interest, at best. Because they have a duty to protect the organization, among the ways they do that is with the "privilege argument," the defense against self-incrimination and in legal actions against whistleblowers. Senator Charles Grassley used some very colorful language in a letter to Tenet Healthcare Corporation's CEO complaining about their GC also being the Compliance Office. The complaint was about the GC defending the company against a whistleblower law suit while being responsible for the compliance program. Grassley said, and I quote, "It doesn't take a pig farmer from Iowa to smell the stench of conflict in that arrangement."<sup>19</sup> GCs responsible for compliance are no more likely to stop bad acts than organizations that have a separate CECO, but the conflict won't subject the organization to what Grassley calls the "stench."

Finally on this point — and not intending to beat a smelly pig — let me point out that lawyers have the right to claim attorney-client privilege, but only the client has the right to waive the privilege. As an adviser to management and the board of directors, I'll note that it may be in the organization's best interest to waive the privilege and make a voluntary disclosure. Let each of us do our job in the best interest of the organization and let the board and management decide how to proceed, as my CEO did in joining DII.

There must be another voice (an equal voice) in an organization that can offer another opinion to the manager, who ultimately must make an important decision. The law department rightfully should be concerned with protecting the organization through legal means, and the human resources department should rightfully be concerned with protecting the rights of the employee. The CECO's role is to guard the organization's culture, the tone that a company has set, and the company's reputation.

For example, a risk manager in one of my former companies saved the organization millions of dollars on negotiated insurance rates when managers before him were far less effective. This risk manager also was very good at getting insurance companies to give him very expensive gifts and free trips to some nice vacation resorts. When the company discovered his penchant for gifts because of a hotline call, the manager admitted to receiving gifts but argued that his performance on behalf of the company was never in conflict based on the millions of dollars he saved. We all were concerned by this individual's actions, but HR was concerned that maybe the "no gifts" policy wasn't as clear as it could be, so we might not be in a position to fire him for cause. The legal department was concerned that

firing the individual instead of allowing him to resign could subject the company to claims of duress and coercion by some of the insurance companies in order to force us to renegotiate rates. I was concerned with our reputation within our subcontractor community. I argued that keeping this individual employed was not the kind of message we wanted to send to our suppliers. We tell our suppliers that we want quality products at reasonable prices with on-time delivery. Accepting gifts from your suppliers could add the cost of those gifts to their supplied goods and services. This additional cost can impact your products' competitiveness.

All three functions had legitimate positions and aired their points to management. Because we might come at an issue somewhat differently, management gets the benefit of a full range of opinions and is better served before deciding what action, if any, to take. Please understand, all three functions care about the negative impact this manager had on our values, but we each drive our major concern in our recommendations to management. I have many of these types of situations stored in my memory bank, as do my fellow CECOs.

It is important to have someone sitting at the table with the rest of senior management, discussing the impact of certain actions on our values. Unfortunately, my experience tells me that if I was not the elephant in the room, values would most likely not make it on the agenda. Just hearing CEOs like Larry Ellison from Oracle tell the HP board of directors that their decision to fire their CEO, Mark Hurd, for questionable activities is "not in the best interests of HP's employees, shareholders, customers and partners" proves to me that some CEOs still don't get it — or worse, don't even want to hear it. What is of even greater concern is that Mr. Hurd walked away with over \$30 million as severance from HP, even after being fired for allegedly lying on his expense reports to cover up his relationship with an HP subcontractor. In my opinion, the severance package was not in the best interests of the stakeholders, and I am reasonably sure it is not how HP will treat lower-level employees caught committing expense report fraud.

What should be done to solidify the CECO the function? I recommend the following:

1. Although the New York Stock Exchange and the NASDAQ currently require all of their members to have a code of ethics, like the one I have here from Enron, they need to amend their rules to require a CECO to help administer the code<sup>20 21</sup>

2. CECOs must have a budget and resources, so as to perform those responsibilities I laid out earlier
3. The CECO must report to the board of directors much like the director of internal audit. Both functions are there to protect the organization's stakeholders
4. The CECO must be part of the board of directors' executive session so that issues can be raised out of management's earshot if necessary
5. The CECO must make in-person reports, preferably to the audit committee of the board at least quarterly and be present at all of the other audit committee meetings
6. The board of directors must approve management's proposed hiring and proposed firing of the CECO
7. The CECO must sit in on the organization's operating, strategic planning and budget committee meetings

These recommendations are in agreement with those of the Rand Institute for Corporate Ethics and Governance, as contained in its publication "Directors as Guardians of Compliance and Ethics within the Corporate Citadel."<sup>22</sup> Experience tells me that all seven of these recommendations are necessary, collectively, to solidify the CECO function. Unfortunately, none of these recommendations will be acted upon universally without some mandate from the Securities and Exchange Commission or Congress.

In conclusion, I have been enriched these last 20 years because of my involvement with the CECO function. I truly believe the position is necessary if publicly held companies care about their stakeholders. That point also goes for not-for-profit organizations that care about their clients and their benefactors. And finally, I would be remiss if I didn't mention the one program that made my CECO function most effective: the ombudsman program and its administration of the hotlines and written reporting mechanisms. A true measure of an organization's integrity is its support of open communication programs for its stakeholders. Only when management truly wants to hear what their employees and other stakeholders are thinking will they have a culture that makes ethics and compliance a priority.

**Here are highlights of Patrick Gnazzo's question-and-answer session with Bentley University students, faculty, and guests.**

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**Citizens United lifted the lid on political contributions from corporations.**

**Do you think political contributions should be part of the compliance policy?**

**PATRICK GNAZZO:** I'm a firm believer in political contributions. A citizen should have the right to free speech and so should corporations. However, political contributions have to be handled properly; they have to be compliant with the law. The rules are very, very strong. You can't force people to make voluntary contributions. PAC political contributions are not company money. They never were company money, and they can't be company money under the law. They are individual contributions and have to be freely given. If I'm coerced, then you have a problem. The compliance officer comes in to ensure that when you're being asked for money, it is on a volunteer basis. If a corporation seriously wants to handle its PAC properly, there's a committee that gets to determine where the money goes. It's not the CEO that determines where the money is going to go. Therefore, you want to make sure that the committee is not a rubber stamp. This is another aspect of what a compliance officer would do. Finally, a political action committee is there to ensure that corporate viewpoints are heard. It would be a big mistake to silence that.

**In your talk you gave a story about your grandmother and how, as a toddler, she used a rope to tether you, but you still managed to get into trouble. Doesn't the rope represent compliance and the fact that the rope failed to keep you from mischief an indication that you needed ethics? So, professionally speaking how much of your time do you spend in compliance versus ethics?**

**PATRICK GNAZZO:** Great question, but I think it's hard to train a three-year old not to pick up a needle. But, I meant to give advice on how managing controls is extremely important. Let me give you one example: One of the mistakes companies often make is to create policy such as one that says "You may not use the company computer for personal reasons." Why? Because from a compliance officer's perspective I would say "How do you expect me to manage that?" When the CEO is sending an email to his son asking how school is, how do you expect me to manage that? The way to manage is to put reasonableness into your controls. You can say to employees, "You can't use email for pornography, or for gambling or for a second business." But if you want to buy a book on your computer from Borders, you're saving me the time and energy it would take for you to leave the company to go buy the book. So, there's got to be a

reasonableness that says, "As long as you are doing your job and you are doing it well, and you're not using the computer for illegal purposes, go ahead and use the computer every now and then for personal reasons." You can tighten your controls to the point where they become ridiculous and can't be managed.

**Can you talk about the process between whistleblowing and a formal response?**

**PATRICK GNAZZO:** Well, that's the role of a good CECO who has the power to do certain things. Good CECOs have to be in a position to insert themselves [into situations].

Let me give you one example: A woman is the administrative assistant for a vice president who is cheating on an expense report to the tune of about \$300,000. The woman is in a terrible position because she is the only one that knows other than the vice president that he's cheating. If she calls him on it, she's going to get fired; if she calls the hotline and her name comes out, she's going to get fired because they're going to do whatever they have to, to get her out of the system. How do you protect someone from that? The best way is to give the CECO the power to do audits. And so if the administrative assistant comes forward and says, "I can't tell you who the person is because if I do I'll be giving myself away," the CECO can say to them, "If you tell me who the person is. I'll protect you by auditing every vice president in that division because that's part of my normal job." This happened to me, and when I did [the audit], I found him and three others who were cheating the company on their expense report. He never knew that she called him on it. But you have to have the ability to do that through audits and being able to call for audits when you need to.

**How does one get to be an ethics and compliance officer and why would you want to get such a position?**

**PATRICK GNAZZO:** It is rewarding work, but you don't want to try to be a chief ethics or compliance officer today at the age of 18, 19, 20, or 21. But there are functional responsibilities [that provide an entry to the field]. The CECO's staff is involved in audits, investigations, training and putting training materials together. They are involved in helping management to make decisions on various aspects on compliance and ethics. Those kinds of staff functions are great ways to get started. But I would, I think some of my chief ethics and compliance officer (friends) will tell you that a little grey hair helps at being able to walk out the door if management doesn't want to do what you think they need to do. We're not talking about walking out of the door because you didn't take my advice on the culture but because management is about to do something that's criminal, and if they don't listen, I will have no choice but to go to the board and then

walk out the door. That's the function we [as ethics and compliance officers] have, that's the position we have to have and the company has to know that — that when you're making a recommendation, there is another option: that you'll walk out the door as you're talking to the board.

Getting into this role is exciting and fascinating. I've had people in my staff functions who are now ethics officers at other companies, which is great to see. It is also a great way to learn about business because [through the ethics and compliance function] you learn about information systems. You get to see a little bit about the environment, international law, manufacturing, and about quality. You get to see all aspects of the company because all aspects of the company are part of the ethics and compliance culture.

#### **What is your perspective on some of the latest legislation regarding financial incentives for whistleblowing?**

**PATRICK GNAZZO:** I've always wanted to work for a company that asks their employees to come forward. I don't want my employees to feel that they have to go outside the system. What happens is that, if you go outside the system, whether you are protected legislatively or not, your career is dead. If you're a whistleblower in a corporation, you may get some money, but no other company is going to ever want to hire you. Why? Because you have this nomenclature associated with you that you are a whistleblower. Is that right? No, but that is the reality. A better system is to have a company say, "We care. We want to hear and we want to fix. That way, nobody ever knows that you're the whistleblower. Whistleblowers will tell you that their careers ended when they were forced to do that. It's unfortunate. It's not right, but that's the reality.

Regarding the legislation, it is needed, but [what we have] is whacko! The Sarbanes-Oxley legislation talks in terms of whistleblowers for financial reasons and then it sends the cases to the Labor Department for resolution. What does the Labor Department know about whistle-blowing or business with respect to financial issues? And so whistleblowers have lost almost every case that they ever brought to the Labor Department. If you're going to make legislation, make it right to protect the whistleblower. Don't put it into the Labor Department where the labor judge is also the judge who is making the decision on labor rates and union complaints. When legislators write this kind of legislation, they don't ask the practitioners who they want to implement it, and then they wonder what's wrong. Sending whistle-blowing cases to the Labor Department doesn't give me any warm and fuzzy feelings at all.

#### **Have you had any experience as an ethics and compliance officer working with labor unions, and if so what kind of role is it?**

**PATRICK GNAZZO:** When this all started with the hotlines and everything, we collectively as ethics officers said to management, "You're never going to get buy-in from the employees if we usurp the responsibility of the union stewards. If we usurp that responsibility, when there are union grievances, the members are never going to come to us because the union won't support us." And so, when we publicly went out with our hotline programs, we publicly said, "This does not take the place of the union bargaining agreements and those things that are part of the union bargaining agreements are not part of the hotline. We got buy-in from most of the unions because of that — because we didn't step on their toes. They have their job and we have ours. We don't get into [their] bargaining [agreements]."

Let me take your question one step further. We ethics officers have heard many times, "Your CEO made X millions of dollars. Isn't that unethical?" My answer is, "My job is not to make that decision. That's up to the marketplace. The board of directors makes that decision. If you don't like it, don't buy shares of stock in that company. But the ethics and compliance officer is not the overseer of union negotiations or company compensation, as long as that compensation has been fairly dealt with by the board of directors and they make their decision based on what they believe are the governance standards of the compensation committees."

#### **What would be a viable option for somebody who works within an organization where the higher-ups don't really care and where there are no systems in place to address ethics and compliance problems?**

**PATRICK GNAZZO:** My answer has two parts. Part one is if I know they are doing something illegal and they really don't care, I would leave because I have to honestly tell you, you didn't spend all this time at Bentley University getting a degree only to find yourself behind bars because you participated in a crime.

But to the second part, if you don't think they care because there's still not enough information out there, tell them they should care. Here's part of the problem: I've heard it so many times: "Everybody wants to do the right thing." Maybe everybody wants to do the right thing but nobody is telling what the right thing is. When a company gets into trouble, what's the first thing management does? They say, "Wasn't that his responsibility or her responsibility?" as they point in another direction.

A third thing we hear over and over again is “You’re really affecting my business.” We often hear, “Good ethics is good business.” I have trouble validating that because I don’t know how to put a price tag on good ethics. However, I will tell you that bad ethics cost you a fortune. It cost you the destruction of a company like Enron. One may look at Exxon after the Valdez accident, BP after Deepwater Horizon, and many banks following the mortgage debacle — all seemed to survive [their ethical lapses]. Yes, but it cost them a fortune. Is it profitable? Is it good? Management still hasn’t come to grips with the question “Is this the cost that I really want to spend my money on?” So I would tell you if I saw illegal acts, I would walk out the door because you have no option there.

**Question: What about actions that are not illegal, but are unethical?**

**PATRICK GNAZZO:** I would always try to talk to the offending party. If you go to HR and complain, the first thing they ask you is, “Did you ever say anything to that individual? Did you ever say anything to your boss?” It is like those times when you have been so nervous about telling your parents about something because you think they’re going to beat you over the head because you’ve done something. When you finally get up the nerve to tell them, they may say, “You really disappointed me but I’ll stick by you.” We have this imaginary thought that people are going to thwart us anytime we say “Do you really want me to do that?” So, I think good ethics officers constantly tell their people “Try and we’ll protect you. We’ll do what we can, but you can try.” You have to ask the question, because the first thing a manager going to say is, “Every staff meeting I say ‘Tell me if there’s a problem’ and nobody opens their mouth because everybody is afraid that if they ask the question the wrong way, they’re going to sound stupid. We, ethics officers, try very, very hard to say to managers, “There are no stupid questions.” You need to understand, as a manager you have more information than other employees. So if a question sounds dumb, it may be because you are better informed. Others may not be so informed. One shouldn’t make them feel little when they ask a question. And if I have to walk out the door, I’ll do it, because I have too much invested in my life.

**Companies do business locally. What do you recommend when your culture and your code of conduct are in contradiction to the laws in the country where you are operating outside of the U.S.?**

Patrick Gnazzo: That’s a great question. Let’s talk about culture first then talk about the law. Culture is different around the world, obviously, so if I have a policy in the company that says “Our [buyers of] supplies cannot accept gifts,”

that means that our head of procurement and everybody who buys from our suppliers cannot accept gifts. That’s a universal policy that has to be measured with culture. So if the culture in Hong Kong is that everybody gives moon cakes to everybody at New Year, then it would be an insult not to accept them. So, if the business practice officer in Hong Kong says, “Pat, this is the culture,” we would make a decision to bend on the culture. We may have a policy of no gifts of cash ever. But if the culture in India for wedding gifts is cash, then we want our business practice officers to talk to us about reasonableness. Is \$100 reasonable? Maybe, if that is what everybody gives. But not \$3,000. So let’s document what the culture is and then let’s bend on the culture. That’s the ethics part.

On the law part, you hear over and over again, “I have to bribe the country officials because they don’t make any money and therefore I have to give them \$50 to get my product off the dock.” You may be able to skirt the problem in the United States with respect to the Foreign Corrupt Practices Act, but there isn’t a country in the world that says, “You may bribe my government officials”. If you find one, I’ll apologize publicly. Every country has laws [that prohibit this]. Some of them are lawless in that they don’t enforce their laws. Here’s the problem: you know they don’t enforce the laws, and you know that the customs officials are asking for a bribe and you give bribes. The bribes start at \$50; then they get up to \$100. When they get up to \$500, you are now committing a crime. When the customs official says to you, “I want \$2,000,” you say “I can’t give you \$2,000” and he says, “I’ll blow the whistle on you.”

Saying “no” the first time was hard. Saying “no” the third time is 10 times more difficult. You put yourself in a position where if they want to enforce the law or, as happened in Egypt or Indonesia and a whole government gets toppled, now you’ve been cooperating with a corrupt government and your people are on the ground. How do you get them out? How do you protect them? Let me tell you, some of the jails overseas are not nearly as nice as our country club jails, complete with TV and weight-lifting equipment. If you value life and your employees, I don’t know how you can do it. It’s just like how do you send them to a country that’s indiscriminately killing people, and then say I want to set up a business because it’s my competitive edge to be in Burma. You can’t do it and expect that you are actually protecting your people.

Thank you.

## Endnotes

- <sup>1</sup> [http://www.nyse.com/about/history/timeline\\_chronology\\_index.html](http://www.nyse.com/about/history/timeline_chronology_index.html)
- <sup>2</sup> Defense Industry Initiative on Business Ethics and Conduct, history of, [www.dii.org](http://www.dii.org)
- <sup>3</sup> False Claims Act (31 U.S.C. 3729-3733)
- <sup>4</sup> Federal Acquisition Regulations, 9.406-4, Period of Debarment
- <sup>5</sup> U.S. against Computer Associates International, Inc., Cr No. 04-837 (ILG), Deferred Prosecution Agreement, pages 10 and 11.
- <sup>6</sup> U.S. Federal Sentencing Guidelines, Chapter Eight, Sentencing of Organizations, Introductory commentary
- <sup>7</sup> The Fair Labor Standards Act of 1938, Federal Equal Opportunity Commission, Sarbanes-Oxley Act of 2002 (Pub. L. 107-204, 116 Stat. 745), General Accepted Accounting Principles (GAAP) developed by the Financial Accounting Standards Board (FASB)
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- <sup>15</sup> Association of Corporate Council (ACC) <http://www.acc.com/advocacy/upload/Overview-USSC-Guidelines-Cb-8-Revs-2010.pdf>
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- <sup>17</sup> “Leading Corporate Integrity: Defining the Role of the Chief Ethics & Compliance Officer (CECO)”, 2007 Ethics Resource Center publication
- <sup>18</sup> Ben Heinemann article, <http://blogs.law.harvard.edu/corpgov/2010/12/26/don%e2%80%99t-divorce-the-gc-and-compliance-officer/>
- <sup>19</sup> Letter from Chuck Grassley to Trevor Fetter, Tenet Healthcare Corp. (Sept. 8, 2003), <http://grassley.senate.gov/releases/2003/p03r09-08.htm>.
- <sup>20</sup> New York Stock Exchange, Listed Company Manual: 303A.10 Code of Business Conduct and Ethics
- <sup>21</sup> NASDAQ Stock Market Rules. Section 5610. Code of Conduct.
- <sup>22</sup> “Directors as Guardians of Compliance and Ethics Within the Corporate Citadel,” *What the Policy Community Should Know*, 2010, Michael Greenberg, Rand, Center for Corporate Ethics and Governance