

# Building a Consistent Investigations Process

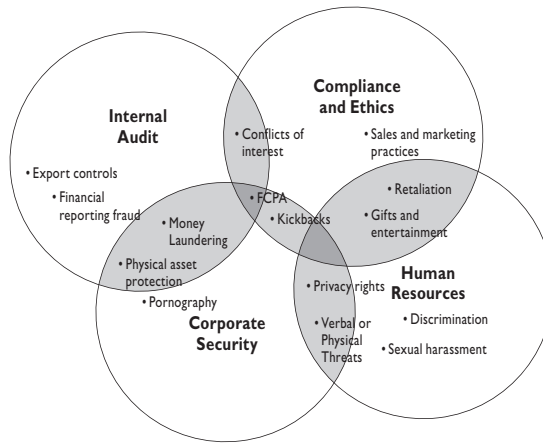
## The Challenge

CCEOs find it difficult to create and enforce a consistent investigations process across the business. Working across a large business and in collaboration with other stakeholders, such as HR and Internal Audit, CCEOs struggle to develop processes that ensure consistent treatment of allegations. Flaws in the execution can significantly reduce employees' trust in corporate commitment to fairness and result in reduced morale and productivity in the workplace.

### THE DANGERS OF A FRAGMENTED APPROACH

**Companies Build High-Level, yet Uncoordinated Investigations Processes, Leading to Inconsistencies in the Treatment of Concerns and Enforcement of Disciplinary Actions**

Investigation Issue Owners and Activities across the Enterprise  
Illustrative



Consequences of Fragmented Investigations Process

- Inconsistent Enforcement of Disciplinary Action
- Lengthy Cycle Time for Case Resolution
- Loss of Employee Trust in the Fairness of the Process

Figure 1:  
The Dangers of a Fragmented Approach

## The Root Cause

The corporate investigations process involves different stakeholders with different interests and skill sets. Representatives from HR, Internal Audit, Legal, Compliance, and the businesses all have a stake in the process and do not always work in harmony to ensure consistent outcomes.

## The Conventional Wisdom

Most companies have developed guidance to ensure that investigations and disciplinary actions are standardized, yet these guidelines remain very broad, leaving much room for different interpretations and in addition, the treatment of many allegations and enforcement of disciplinary actions are never reported to corporate compliance and ethics.



Building a Consistent Investigations Process

Key Insight

Vaco\* builds a decision-focused matrix to ensure a uniform investigations process, providing guidelines for the businesses to help them respond to violations promptly and consistently. The matrix indicates clear penalty parameters for potential violations and guidance for escalating issues to appropriate parties, including Human Resources, Corporate Security and Legal. The matrix created the foundation for a much more transparent and consistent investigations framework across the company and was communicated to all employees.

Case in Point:  
Vaco Corporation

A DISCIPLINED APPROACH TO NONCOMPLIANCE  
To Drive Consistent Enforcement of Disciplinary Actions While Ensuring Timely Escalation of Critical Issues, Vaco Provides Business Unit Guidelines for Responding to Noncompliance



Vaco's Ethics and Compliance Responsibility Matrix\*  
Excerpt

Nature of Event or Violation	Business Units	Corporate Security	Internal Audit	Office of General Counsel	Human Resources	Other	Ethics Office	PENALTY GUIDELINES			
								1st Offense		2nd Offense	
Abuse of Ethics Help Line (or other reporting process to intentionally harass another employee or file knowingly false information)	Notified	Secondary		Secondary—as required	Secondary		Primary	Min	Max	Min	Max
Accounting Irregularities and other accounting, internal accounting controls, or auditing matters	Notified			Secondary—GC		Chief Accounting Officer/Secondary Audit Committee as appropriate	Notified	B	D	D	D
Alcohol/Drug/Substance Abuse in Workplace	Notified	Secondary; primary if illegal activity involved			Primary			B	D	D	
Antitrust/Fair Competition	Notified	Secondary		Primary			Notified	B	D	C	D
Board Membership	Notified			Secondary		Corp. Secretary—secondary	Primary	A	C	C	D
Bribery (nongovernmental)	Notified	Secondary		Primary			Notified	C	D	D	
Competitive/Business Intelligence	Notified	Secondary		Primary			Notified	A	C	C	D
Confidential Information (inappropriate disclosures or other breach of confidentiality that affects the Corp)	Notified	Secondary—as required		Secondary	Primary		Notified	A	D	C	D
Conflict of Interest	Notified				Secondary	Immediate Manager	Primary	Notified	A	D	C
Copyright Issues (including software piracy)	Notified			Primary				A	C	C	D
Counterfeiting/Gray Market Activity	Notified	Primary		Secondary			Notified	C	D	D	

All investigations are overseen by the Ethics and Compliance Office.

For certain violations with resulting legal or regulatory consequences, issues are escalated by the Ethics and Compliance Office to the Audit Committee.

Penalties are intended to accommodate the severity and circumstances of the violation:  
 • **Penalty A**—Written Record (e.g., warning letter, notice of mandatory training, or documented record of events and corrective action)  
 • **Penalty B**—Written Warning plus Mandatory Training  
 • **Penalty C**—Written Warning, Mandatory Training, and Removal from Present Position or Function as appropriate  
 • **Penalty D**—Termination from Employment

Individuals are notified based on their functional responsibility and significance of the violation:  
**Primary:** Individual with lead investigative and/or decision-making responsibility relative to the investigation  
**Secondary:** Individual who should also be notified and will assist with the investigation as appropriate  
**Notified:** Individuals who will be notified for allegations or violations that may arise via other functional areas rather than through the Ethics and Compliance Office  
**As required:** Individuals who will be notified as required to perform a thorough investigation or to determine an appropriate course of action; this note emphasizes the need to bring in other subject-matter experts

Source: Vaco Corporation; Compliance and Ethics Leadership Council research.

How the Compliance and Ethics Leadership Council Is Helping Members Improve Allegation Reporting and Investigations

Upcoming Events—Peer-to-Peer Networking	Tailored Support	From Our Archives
Fall 2008 Peer Group on Investigations Management	CEL C Cultural Diagnostic to Assess Reporting Concerns	Vaco's Investigations Matrix Tool
Promoting Ethical Leadership Teleconference Walk-through of new manager self-service portal	Implementation Toolkit: Conducting Internal Investigations	Altria's Dispelling Employee Myths case study
	Benchmarking Alleged and Substantiated Complaints	Case studies on Encouraging a Speaking-Up Culture

\* Vaco Corporation is in the computer service and hardware industry with more than \$15 Billion in 2007 revenue.

