Project: *Corporate Counsel – Legal Service Providers*

Integrity Interactive:
Compliance And Ethics Training In Full Focus

*The Editor interviews **Steve Lauer**, Integrity Interactive Corporation.*

Editor: Steve, would you provide our readers with something about your background and experience?

Lauer: I spent six years in private practice and then, in the mid 80s, I went in-house for the first time. I spent over thirteen years as an in-house lawyer for several real estate organizations, the last of which was the commercial real estate investment units of the company now called Prudential Financial.

I left Prudential in 1997 to start a consulting practice. Since then, I've worked for a variety of law departments on various aspects of managing a company's legal service, such as litigation management and outside counsel management. I also spent over two years as deputy editor and publisher of *The Metropolitan Corporate Counsel.*

Earlier this year, Integrity Interactive approached me after they'd created the new Integrity Research Group. The mission of that group – to assist the company's clients to stay ahead of developments in the areas of ethics and compliance – represented a very farsighted approach that intrigued me. I joined as Director of Integrity Research several months ago.

Editor: How did you become involved with ethics and compliance training?

Lauer: My first significant experience with compliance came up during my tenure with Prudential. For seven years, I was the in-house environmental lawyer for the commercial real estate investment units of the company. I devised and implemented environmental compliance procedures within the context of the company's real estate operations.

In my consulting practice later, compliance became a more centralized focus of the projects I handled for law departments.

While those projects were not compliance projects per se, their relationship to the clients' compliance efforts was increasingly clear.

During my tenure with your paper, I observed a continuing and growing focus on compliance, especially after enactment of Sarbanes-Oxley in 2002. By joining Integrity Interactive, I've made compliance my full focus, especially the training related aspects of an effective compliance program.

Editor: Please tell us about Integrity Interactive. Its origins. Its evolution.

Lauer: Some of the principals of Integrity Interactive, especially Kirk Jordan, have been involved in compliance since the early '90s. Kirk formed Compliance Systems Legal Group in 1992 after he had acquired an expertise in assisting companies develop good compliance programs. In 1999, Kirk and the other founders of the company began to develop compliance training that would be delivered over the Internet. That delivery method enabled Kirk and the others to offer a more complete training solution for companies with multiple locations, especially those with international operations.

Editor: And your particular role?

Lauer: As I mentioned, the basic mission of the Integrity Research Group is to assist our clients to stay "ahead of the curve" with respect to developments regarding ethics and compliance programs. In order to provide that assistance, we will conduct research, prepare "white papers," analyze ethics and compliance developments and prepare material for those clients based on that research and analysis. I participate in all those activities.

Editor: How have Integrity Interactive's product lines changed in recent years?

Lauer: We've seen our relationships with

our clients become closer and more collaborative over the years. Those clients have, in many instances, requested that we develop additional courses or services that will enable their compliance programs to remain effective.

An example of a new service is our recently introduced Integrity WebLine™. That service is a Web-based means by which our clients can enable their employees and others to submit issues or concerns, or even complaints, regarding financial, accounting or other issues. That capability addresses expectations of Congress (in Sarbanes-Oxley), the United States Sentencing Commission (in the recent changes that it adopted for the federal Sentencing Guidelines) and the stock exchanges (in their listing requirements).

Editor: The corporate scandals in recent years, and Sarbanes-Oxley and the regulatory regimes that derive from it, have had a dramatic impact on your company's business. Will you tell us how Integrity Interactive has responded to what has been referred to as the crisis in corporate governance?

Lauer: Those scandals, of course, were the impetus for the enactment of Sarbanes-Oxley, and they form the backdrop for many other recent developments in the area of corporate governance. For example, in 2003 the Justice Department issued what is called the Thompson memo, setting out what United States Attorneys should weigh when considering whether a corporate compliance program should be deemed "effective" under the Sentencing Guidelines. The focus in that memo on how well a company's program reflects an appropriate "tone from the top" clearly reflects the impact of those scandals. Courts certainly will determine sentences under the Sentencing Guidelines in light of those scandals.

We at Integrity Interactive have long advocated that companies be sure to have clear support at the most senior levels of the

organization when they set up their compliance programs. Accordingly, we work with our clients to establish the foundation for the program and to integrate the correct message from senior management when we design the online training that our program delivers to a client's employees.

Anyone who reviews the recent changes to the Sentencing Guidelines, the new listing requirements of the stock exchanges, the SEC's regulations, the Justice Department's views and other developments (even including the *Caremark* case in 1996) will recognize that not only are corporate directors in the spotlight as never before, but they face new responsibilities, and potential liabilities, with which they are unfamiliar. We are now developing tools that are appropriate for delivery to senior management and members of the board of directors of a corporation.

Editor: How does the company go about educating the senior management of corporate America, and particularly corporate counsel, about the need for effective ethics and compliance training?

Lauer: At Integrity Interactive, we are focused on helping our clients understand how to meet the expectations created by those developments in corporate governance in concrete terms. For our clients, our tools include direct presentations, our annual client conference, online dialogues, white papers and a continuing exchange of views and ideas between our clients' compliance and training personnel and our Compliance Services representatives and our Account Managers. All of us at Integrity Interactive, not just the Integrity Research Group, work with our clients closely in that regard.

Potential clients hear from us in a variety of ways also. In addition to the usual presentations that we make on a one-on-one basis, we write articles for many different publications (including, of course, *The Metropolitan Corporate Counsel*), make presentations at various conferences and industry meetings and work with various organizations that are active in or have an interest in this field.

Editor: Is there a distinction to be drawn between ethics training and compliance training, or are they part of one equation?

Lauer: I believe that the line between the two is less crisp than it might have been a few years ago. The Sentencing Commission has virtually eliminated that distinction in the changes to the Sentencing Guidelines, which now call for "the promotion of an organizational culture that encourages ethical conduct and a commitment to compliance with the law." This compares with the prior language, which spoke of "an effective program to prevent and detect violations of law."

More and more people recognize that compliance training alone is too confining. An ethics program, on the other hand, is more pro-active and empowering. Rather than telling the employees what standards of behavior exist in laws and regulations, ethics training provides them a framework within which to approach the myriad decisions that they must make on a day-to-day basis, along with tools such as reference materials and names of individuals to contact with questions or issues. With effective ethics-based training, the employees are better able to deal with numerous issues that likely will arise that compliance training cannot anticipate.

Editor: Determining what works, what is "effective," is a subjective process. How does Integrity Interactive go about defining what is effective for corporate America?

Lauer: Integrity Interactive, of course, is not the arbiter of what constitutes an "effective ethics and compliance program." The true test of a company's efforts in that regard will be the aggregate views of a number of audiences, both internal and external to the organization. In the worst case, of course, that might be a judge called upon to pronounce sentence after a guilty verdict.

We at Integrity Interactive are developing a "best practice" for a corporate ethics and compliance program. That "best practice" will evolve as developments dictate, and it will inform our advice to our clients on an ongoing basis.

Editor: Would you tell us about the connection between compliance training and the organizational sentencing guidelines that go back to the early 1990s?

Lauer: When the United States Sentencing Commission issued the Sentencing Guidelines for Organizational Defendants in 1991, it listed seven elements of an "effective" compliance program. One of those elements was the effort to communicate effectively its standards and procedures to all of its employees. The Commission identified training as an example of how an organization might communicate those standards and procedures. In the changes to the Sentencing Guidelines that it approved in April 2004, the Commission made it clear that training is a necessary part of a compliance program, rather than one of multiple possible means of communicating those standards. Another change adopted in April expands the scope of such a program by reinforcing the need to cover ethics in addition to compliance. For companies that had not realized it previously, then, ethics and compliance training cannot be omitted from compliance efforts if they want their programs to be viewed as effective under the Guidelines or simply consistent with the developing "best practice" in this area.

Editor: To what extent does Integrity Interactive try to tailor its services to particular groups of people, e.g. senior management, middle management, financial executives, and so on?

Lauer: When our Compliance Services representatives work with clients, they assist those clients to design appropriate curricula for their employees. While some courses, such as a code of conduct course or "Mutual Respect," might be appropriate for all employees, others are tailored to the risk factors inherent in different types of activities and job functions. Their collaborative analysis of a client's employee population results in a series of risk-based curricula for particular groups of employees.

While Integrity Interactive has advocated such a risk-based approach for years, the Sentencing Commission endorsed such an approach in the April 2004 changes to the Guidelines. The training that must comprise an element of a compliance program must be, in the Commission's words, "appropriate to such individuals' respective roles and responsibilities."

Editor: What about the future? Are there new products and services in the pipeline? Where do you see the needs at this point?

Lauer: The offering for members of a corporation's board of directors, which I briefly described before, represents an important addition to our services for our clients. I believe that it should provide considerable value to the individuals who, as directors, face such new and unanticipated responsibilities in the post-Enron era.

I expect that Integrity Interactive will provide a more and more consultative service to its clients as time goes on. The field of corporate ethics and compliance program will grow ever more complex in the years to come. Our work with multiple clients enables us to identify the practices that work.