

## Continuing series: Your duty #5, making sure your compliance process fits your firm

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A core responsibility of a chief compliance officer's job is to put in place compliance policies and procedures that match the firm's risks. You can see this in the description of a CCO's 5<sup>th</sup> duty from **Gene Gohlke**, associate director of the **SEC's** Office of Compliance Inspections and Examinations:

*Ensures that the steps in the firm's compliance process - risk identification, establishing policies and procedures and implementing those policies and procedures - are appropriate and are undertaken timely by staff of the firm to whom those functions have been assigned.*

This comes from [Gohlke's recitation of 24 CCO job duties](#). This latest installment of our continuing series (**IA Watch**, August 23, 2010) hands you real-world best practices to help you achieve this expectation. Many of your peers recommend you use a [compliance calendar](#) to help satisfy this duty.

The annual calendar for risk assessment at **Wells Capital Management** (\$251B in AUM) in San Francisco includes items to be checked on a monthly, quarterly, semi-annual and annual basis. Testing for each item should be completed by the deadlines, and then the compliance department gets 45 days to issue a report about it, says CCO **Mai Shiver**. The IT system accepts all these data, as well as remedial actions and cost estimates if the problem weren't addressed.

### Match compliance headings to policies

If the department misses a deadline, it simply gets pushed back, she says. Too many delays can frustrate compliance staff and cause them to "wind up not using the calendar," warns **Vicki Hogan**, president of **NorthPoint Compliance** in Red Bank, N.J. Her time-saving tip is to insert headings (e.g., books and records, trading, etc.) in your compliance calendar and list the policies and procedures that tie back to each heading and where they can be found in your compliance manual.

Add into your calendar's spreadsheet when issues were resolved, recommends **Krista Zipfel**, CEO/president of **Advisor Solutions Group** in Newport Beach, Calif. Another approach is to use forms to document exceptions to your policies. The forms also would indicate the dates an issue was discovered and resolved. This technique would demonstrate the timeliness inherent in Gohlke's description. "The CCO should be reviewing that type of documentation to see that things are being addressed in a timely manner by the appropriate people," Zipfel advises.

Exceptions to your policies should be resolved, and be sure to check next year that the issues no longer pose a problem, suggests **Michelle Kennedy** of **Compass Compliance Services** in Greenwood, S.C.

### The pros and cons of delegating compliance work

Gohlke's comment alludes to delegating compliance tasks. It's smart, especially in a smaller firm, to spread compliance duties around. But if you do, follow up. Too many CCOs tend to "over-delegate and not" check back in a timely manner on completion of the tasks, finds **Nancy Lininger** with **The Consortium** in Camarillo, Calif.

Another risk you can encounter when delegating is being considered a supervisor of the person to whom you're delegating, points out **Ann Oglanian**, president of **ReGroup** in San Francisco. This could technically open you up to a failure to supervise charge, if things go badly. An alternative is to work through the person's supervisor, so the delegation winds through that supervisor and not you.

The job often necessitates delegation. **Donna Courtney**, CCO at **Brown Capital Management** (\$2.5B in AUM) in Baltimore, relies on the firm's director of administration to perform many back-office compliance tasks, such as reconciling accounts, billing and performance. The director produces a report that Courtney includes in her annual review.

Each month the bookkeeper at **Rembert Pendleton Jackson** (\$553M in AUM) in Falls Church, Va., prepares a list of clients by state so Deputy CCO **Knut Rostad** can ensure the firm isn't brushing up against thresholds for state registration. "Just like clockwork on the first of the month" the report arrives, he says.

Administrative staff also can handle transaction reports and the collection of employees' forms, notes Hogan.

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