Revamping investigations

Future of ethics & compliance

kpmg.com
Contents

Introduction 2
People and skills 3
Processes and data analytics 4
Technology 6
Key questions 9
Introduction

The future of Investigations—Proficiently conduct prompt, cost effective, and objective investigations that get to the root cause of matters, and leverage data analytic tools to further reduce costs and streamline investigative processes. Organizations today are focused on refining their investigation efforts to achieve greater:

1. **Efficiency**
2. **Risk coverage through quality control (QC) reviews**
3. **Communications**
4. **Proactive and predictive capabilities**
5. **Integration**
6. **Effective challenge**
7. **Agility in the staffing model**

While internal investigations are an essential tool in responding to ethical misconduct and wrongdoing, regulators and stakeholders are increasingly expecting these investigations to help prevent and detect misconduct through diagnosis of systemic weaknesses in control and risk trends.

For this vision to be possible, an organization’s investigation processes must be more firmly integrated into the broader risk management and control environment than they typically are today.

As part of this effort, organizations should establish enhanced collaboration and enterprise-wide reporting channels, including with Human Resources, Corporate Security teams, Risk, Legal, Internal Audit, and Technology. Automation upgrades can also enable organizations to aggregate data more easily and provide a more formalized feedback loop and integrated view of potential misconduct. Achieving these changes will propel investigation functions into a more strategic and central role in the control structure, enrich the advisory support provided to the business, and facilitate more robust and consistent risk reporting to the Board of Directors.

In starting this journey, stakeholders should develop a unified and strategic vision for their investigations mandate, roles, and responsibilities that the investigation function will have in the future. To achieve this vision, adjustments to an organization’s people, processes, and technology are often needed. By focusing on these three components of change, organizations can develop a robust plan that will lay the foundation for a more integrated, and automated, investigative approach.

### People and skills

Roles and responsibilities often have to shift for the investigations function to further integrate into the control environment and become a strategic adviser and communicator of potential systemic risk across the organization. There are crucial steps to assess based on the future mandate of the function, the roles and responsibilities that will be needed, existing gaps in skill sets, and development of a plan to bridge gaps.

### Processes and data analytics

Changes to processes and data analytics are often prerequisites to achieving a more holistic view of ethical and misconduct risks based on investigations. The processes of the investigation function(s) may need to be adjusted to facilitate greater collaboration, create feedback loops, ensure escalations, and effectively challenge the business. Processes for culling data analytics and reporting them are also essential and help to assess trending ethics and misconduct risks and investigate root causes across case files and allegations.

### Technology

Technology is foundational to cultivating an integrated view of ethical and misconduct risks from investigations and tracking mitigation efforts and action plans. Common applications include case management tools or aggregated dashboard reporting from existing tools. Automated metrics and data analytics can also be implemented. In addition, machines can scour data to identify patterns and trends and provide an organization with predictive analysis.
People and skills

Staff must possess a skill set and talents that correlate to the Organization’s investigative mandate, and its goals. Therefore, as a first step organizations should assess where they already have the necessary skills and knowledge, and where further augmentation is needed, either through hiring, transfers, rotations or tailored trainings.

Rotations and transfers, for examples, are valuable ways to help address the lack of available resources in the marketplace. Internal employees bring invaluable knowledge of the organization and its culture. For the employees, rotations to an investigation function can serve as a stepping stone on their career path, providing valuable insights into the organization as well as increased visibility to leadership and different businesses and functions. Of additional value are training to plug gaps in employee knowledge and skills as well as a more regular cadence of communications to reinforce training. Notably, training and communication can help employees adapt to changing ethics and misconduct risks over time, with variations in red flag indicators. They are also valuable to assist employees in learning new interview tactics, recognizing pressure tactics to obscure the extent of misconduct, and recognizing other root causes that may be in play during an investigation.

Investigative functions to further integrate into the control structure and risks management efforts, organizations may also wish to consider augmenting their teams to include data scientists or analysts, risk managers, auditors, individuals with exceptional communication skills, and strategic thinkers. It is also increasingly important to have staff that possess an ability to assess and evaluate issues critically, including potential root causes of ethical lapses or misconduct. Additional key skills that can round out an investigation unit include the following:

— Greater abilities to apply knowledge of patterns, typologies, and red flags to new types of ethical violations or misconduct
— Ability to investigate root causes
— Analytical skills
— Comfortability with technology and with data, including foundational ways to work with data and use queries
— Strong writing skills
— Strong judgment
— Cultural fluency
— Ability to multitask and be efficient
— Detail oriented, yet capable of seeing the big picture
— Comfortable raising issues, asking for help, and probing for complete information
— Ability to apply the organization’s risk tolerance to investigative work.

Action items

1. Develop a vision for the roles and responsibilities needed to support future compliance investigations.
2. Conduct a staff assessment of the function to evaluate existing skills and knowledge bases.
3. Consider whether and where training can help to enhance staff skills and knowledge and where rotations can be utilized.
4. Evaluate residual gaps in skills and knowledge.
5. Establish plans for hiring, rotations, and additional adjustments to the investigations function.
6. Determine if “Surge Resources” can help you manage investigation case loads with the right skills and background.

© 2019 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. NDPPS 835288
Processes and data analytics

Organizations continue to struggle with accessing available and accurate data from their Investigations that can enable them to become more proactive in responding to compliance risks and become more predictive in identifying emerging and trending risks. Although organizations often generate tons of electronic data during investigations, the availability or accuracy of the data can be limited. For example, investigation data may not be captured in a structured format within an investigative file, may not be consistently captured, or may even have been incorrectly entered.

The inability to access investigative data across the enterprise can obscure or even incorrectly reflect the materiality of risks and trends and whether a type of misconduct is systemic. Organizations may be inadvertently operating outside their risk tolerances or be exposing themselves to reputational and/or financial risk without leadership realizing it. For this reason, leaders are increasingly demanding a single lens of risks and controls, including ethical and misconduct indicators, through further data aggregation. This buttresses their ability to more effectively oversee risk management efforts and understand the control environment from a macro level.

Technological advances are great enablers to data sharing and aggregation. This includes culling data currently available in supporting documentation (such as PDFs or Word documents) into predetermined data points. Once the data is in a recognized and consistent format, it can inform new multidimensional metrics that are often quite valuable in observing risks and trends. In addition, certain data remediation exercises can be performed using technology for a fraction of the cost. With a greater range and depth of accurate data available for metrics and analytics, organizations can become more predictive and proactive in addressing trending risks and as an input in evaluating the compliance environment.

Certain process enhancements can support a more integrated investigations approach, including:

**Collaboration:** It is important to build into the investigative process specific points at which consultation with other functions should occur. Consultation and collaboration can create a more robust investigative process, allowing aggregate risk factors to be identified and reflected in the case file as well as providing valuable insights on trends and indicators.

**Root-cause analyses:** Organizations should implement root-cause analysis (or postinvestigation analysis) to identify patterns in investigations and changes that may reflect on compliance effectiveness, organizational culture, or risks. Importantly, this step also creates a feedback loop on learnings and provides insights on the scope of misconduct or risks.

**Monitoring and tracking systemic issues and risks:** Organizations should also implement a sustainable process to monitor and track control changes based upon root cause analysis. Organizations should also establish formal tracking of these root cause issues and identify specific parties with responsibility for addressing them, with due dates and dependencies set forth.

**Surveys:** Organizations can also implement formal compliance review or integrity surveys to seek to understand what the results show about employee, vendor, and supplier perceptions of the investigative process and where further enhancements can be rendered. These surveys may reveal organizational awareness of the investigative process, the culture associated with investigations, and whether employees are encouraged to report issues.

### Action items

<table>
<thead>
<tr>
<th></th>
<th>Identify investigative metrics needed across the enterprise and determine if any data opportunities for enhanced process efficiency and automation exercises are needed first in order to garner such metrics.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Conduct root-cause analysis of investigations, across all types of investigations and channels for a more holistic view of the source of ethics and misconduct risks.</td>
</tr>
<tr>
<td>2</td>
<td>Enhance the formal communication channels in place across the organization for investigations. This should include with Human Resources, Security, Legal, and others for more seamless handoffs, and aggregation of risk knowledge and trend analysis.</td>
</tr>
<tr>
<td>3</td>
<td>Craft data analytics on investigation processing times, and root cause analysis. This will help the organization to identify efficiencies in the investigative process and enable better targeting of remediation efforts.</td>
</tr>
</tbody>
</table>
Results of KPMG’s 2019 Ethics and Compliance Survey*

Top ethics and compliance activities to enhance in 2019:

- **65.5%** Investigations (including hotlines)
- **65%** Monitoring and testing
- **31.8%** Reporting and/or data visualization/dashboards
- **31.8%** Data analytics (including compliance and conduct analytics)
- **31.8%** Regulatory change management

Key finding on Investigations and Issues Management

A centralized investigative unit exists, and structured coordination with other groups such as HR, Internal Audit, General Counsel, Corporate Security, etc., occurs based upon documented protocols.

The organization reports, at least annually, on investigation metrics to the Board, providing quantitative data that is aggregated enterprise-wide, to help the Board assess risks, including systemic risks and ethics and compliance effectiveness. Metrics also include root cause analysis or post investigative analysis.

*The 2019 KPMG Ethics and Compliance survey captured the viewpoints of over 200 Compliance Officers across all industries.
Technology

Technology is a foundational tool in investigations and its role will become even more prominent in the foreseeable future. Technology facilitates the aggregation of investigative data from disparate systems and provides more comprehensive risk knowledge, including risk trends. Organizations are also increasingly implementing technology to automate repetitive investigative tasks.

Technology enables organizations to move beyond these rule-based typologies and consider a multitude of risk factors. Technology is also being deployed to build statistical models that analyzes data and calculates a likelihood for either closure or escalation of the investigation. Then, a priority level can automatically be assigned to the case based upon defined parameters, and triage of the cases can occur based upon perceived materiality. In addition, cognitive technology can be deployed to identify patterns that represent new and emerging risks.

On a more basic level, some organizations are automating the process of compiling initial due diligence records into the investigative file from other internal databases or servers and record-retention processes. Automation of external due diligence is also occurring more frequently.

In all of the above examples, technology and automation help to streamline the investigative process while also providing more valuable insights regarding the organization’s ethical and misconduct risks. Yet organizations must continue to ensure they are comfortable with the technology implemented to support their investigations, the overall compliance risk management efforts, the internal personnel maintaining the systems, and the data therein and the statistics derived.

Action items

1. Determine how you can use technology to further support the investigation process by enhancing efficiencies, effectiveness, and overall compliance risk management efforts.

2. Assess the competitive cost of not implementing new technology.

3. Evaluate options and determine investment priorities over the next 12–24 months.

4. Determine how to further integrate your investigation efforts through enhanced case management capabilities.

5. Use technology to streamline and better track hand offs of investigations and identify bottlenecks.

6. Utilize NLP and automation to cull through investigative documentation more efficiently and to enable real-time triaging of investigations and complaints.

© 2019 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. NDPPS 835288
Elevating compliance investigations
1. How are we currently aggregating investigative data from disparate functions for a more holistic view of misconduct and compliance risks?

2. Can we further standardize our investigation processes enterprise-wide?

3. How can we further integrate investigation activities into our overall compliance risk management efforts to better evaluate trends and become more predictive?

4. Based upon a skills assessment, what adjustments to the composition of our investigations function should be implemented?

5. What adjustments, if any, are needed to the technology infrastructure that support investigations?

6. What data and analytic capabilities do we need to become more predictive?

7. How are we measuring the anticipated benefits we wish to gain from enhancing our investigations?
Contact us

Amy Matsuo
Principal, Advisory
Regulatory and Compliance Transformation (R&CT) Solution Global and National Leader
T: 919-664-7302
E: amatsuo@kpmg.com

Guido Van Drunen
Principal, Advisory R&CT Technology, Media, and Telecommunications Lead
T: 408-367-7592
E: gvandrunen@kpmg.com

Anthony Monaco
Partner, Advisory R&CT Government Lead
T: 718-344-1241
E: amonaco@kpmg.com

Regina Cavaliere
Principal, Advisory R&CT Healthcare and Life Sciences Co-Lead
T: 973-912-5947
E: rcavaliere@kpmg.com

Michael Lamberth
Partner, Advisory R&CT Insurance Lead
T: 804-241-2795
E: mlamberth@kpmg.com

Todd Semanco
Partner, Advisory R&CT Financial Services Lead
T: 412-232-1601
E: tsemanco@kpmg.com

Dan Click
Managing Director, Advisory R&CT Consumer, Retail and Industrial Manufacturing Lead
T: 313-230-3240
E: dclick@kpmg.com

Brent McDaniel
Managing Director, Advisory R&CT Energy Lead
T: 214-840-2979
E: bmcdaniel@kpmg.com

Jennifer Shimek
Principal, Advisory R&CT Healthcare and Life Sciences Co-Lead
T: 973-912-6167
E: jshimek@kpmg.com

Acknowledgements: authored by Amy Matsuo, Brent McDaniel, and Nicole Stryker with contributions from Karen Staines, Phil MacFarlane, and Elizabeth Byrum.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

kpmg.com/socialmedia

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particulars situation.

© 2019 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved. The KPMG name and logo are registered trademarks or trademarks of KPMG International. NDPPS 8015288