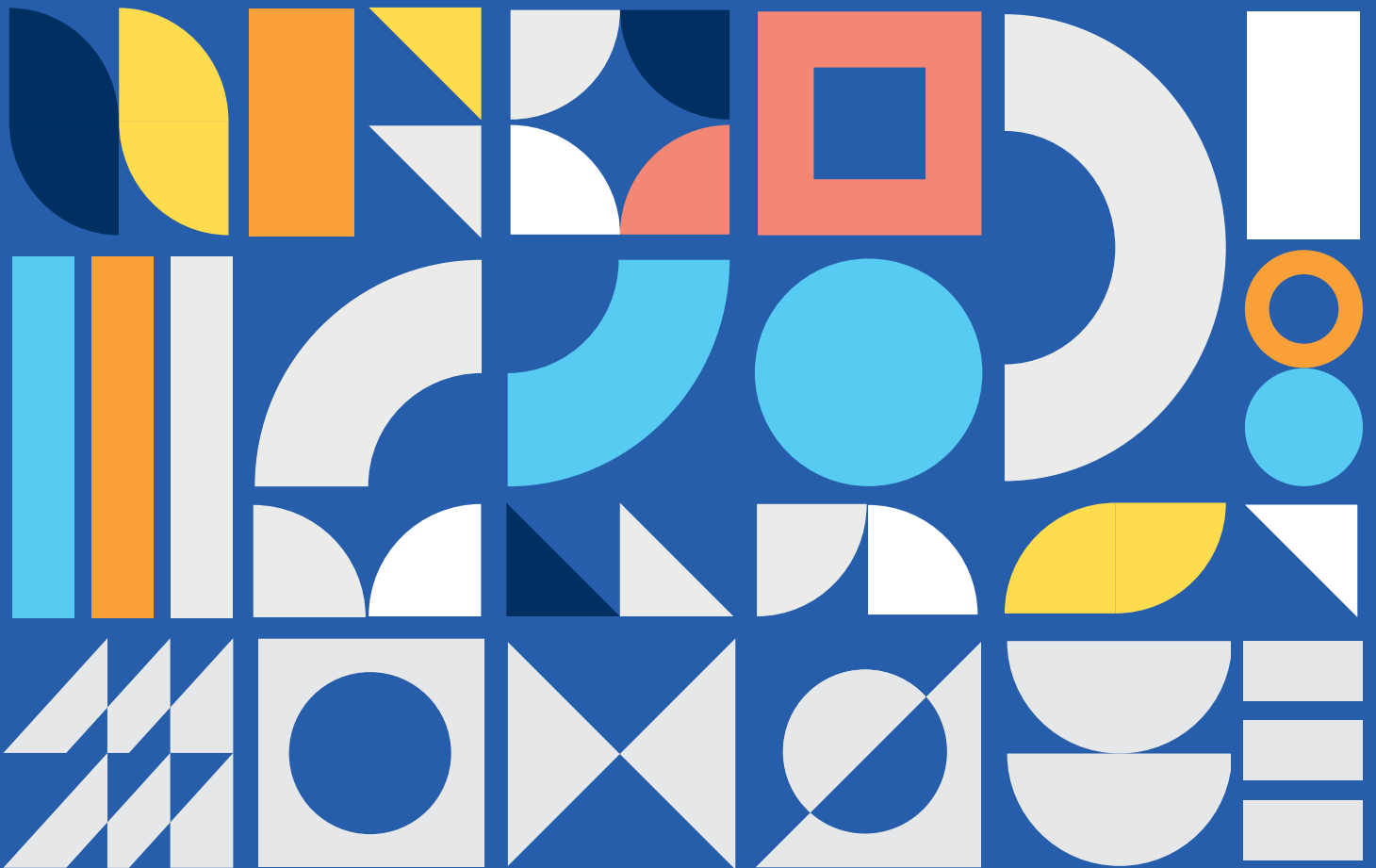


2024 BENCHMARKING STUDY:

# Testing & Monitoring and Data & Systems



**RADICAL COMPLIANCE**  
SHARP THINKING ABOUT COMPLIANCE, AUDIT, AND RISK



**Rethink**  
Compliance

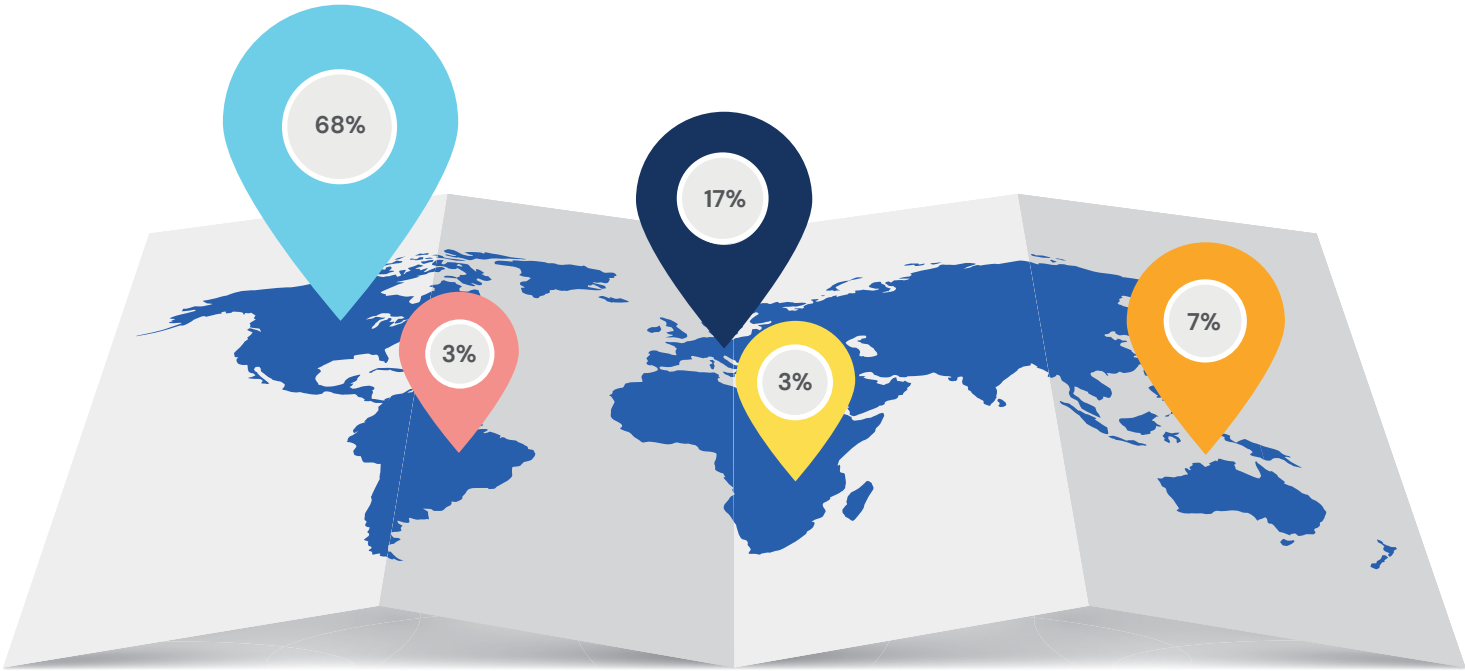


At Rethink Compliance (Rethink), we are dedicated to empowering real change — for our clients, in our industry, and in our clients' workplaces. Every day, we talk with equally dedicated compliance practitioners who emphasize the importance and value of benchmarking.

Our partner in this study, Radical Compliance, is a blog and weekly newsletter that aims to give the best news and analysis to corporate compliance professionals. Together, we hope this report will give you the understanding you need to achieve a goal we all support: building the best, most effective corporate compliance programs possible.

We are grateful to the more than 200 individuals who completed our survey. Their contributions were essential to making this a robust and meaningful report for the compliance and ethics industry. We hope you find it useful for evaluating and shaping your program.





► **Headquarters** — Respondents were truly global. Sixty-eight percent (68%) work at an organization headquartered in North America, 17% in Europe, 7% in APAC, 3% in Central/South America, and 3% in Africa.

200+ PARTICIPANTS

E&C professionals from a wide variety of organizations and industries participated in the survey.

<\$500M–\$15B+

The survey included responses from organizations with annual revenues under \$500 million (about 26%) to over \$15 billion (about 17%).

<1000  
employees

29%

>25,000  
employees

22%

46/54

Public/Nonpublic

Respondents were split nearly evenly between public (46%) and nonpublic organizations (54%).



Representatives of a wide variety of industries responded, including pharmaceuticals (11%), technology/software (11%), healthcare provider (9%), banking/financial services (8%), and industrial manufacturing (8%).

Small organizations (under 1,000 employees) made up over a quarter of responses. There were more than 5,000 employees at nearly half of the respondents’ organizations.

## Executive Summary

Rethink's Ethics & Compliance (E&C) Program Framework recognizes that Testing & Monitoring and Data & Systems are key components of an effective E&C program. Our goal for this study was to provide E&C professionals with analysis on how organizations are testing and monitoring their E&C programs, including what actions they are undertaking and how frequently they are doing so. The study also aims to highlight how E&C professionals collect and leverage data from internal systems to assess and improve the effectiveness of their E&C programs.

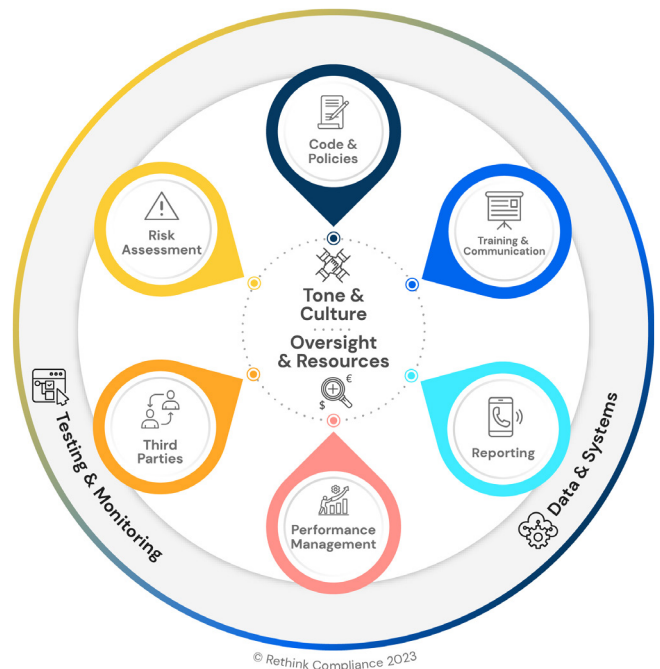
Overall, most respondents to our survey need to expand their E&C testing and monitoring activities to align their E&C programs more closely with guidance from the U.S. Department of Justice (DOJ) and other regulators. Additionally, respondents must expand their access to the data and systems in their organizations needed to conduct these testing and monitoring activities.

Positive observations from this study include:

- Seventy-nine percent (79%) of respondents test and/or monitor E&C controls on some level.
- Sixty-three percent (63%) of respondents use Key Performance Indicators (KPIs) to help monitor their E&C programs.
- Sixty-five percent (65%) of respondents audit their E&C processes.

Now for the bad news:

- Only 32% of respondents indicated they test and/or monitor E&C controls on an ongoing basis.
- Only 22% of respondents indicated that they have sufficient budget and resources to test and/or monitor important E&C controls.
- Only 17% of respondents conduct audits of their disciplinary processes.
- Only 19% of respondents indicated that most of their high-priority E&C controls are tested and/or monitored using data from systems.
- Only 31% of respondents said they were confident that their organization has the ability to capture and preserve all business communications as necessary for investigations or litigation.



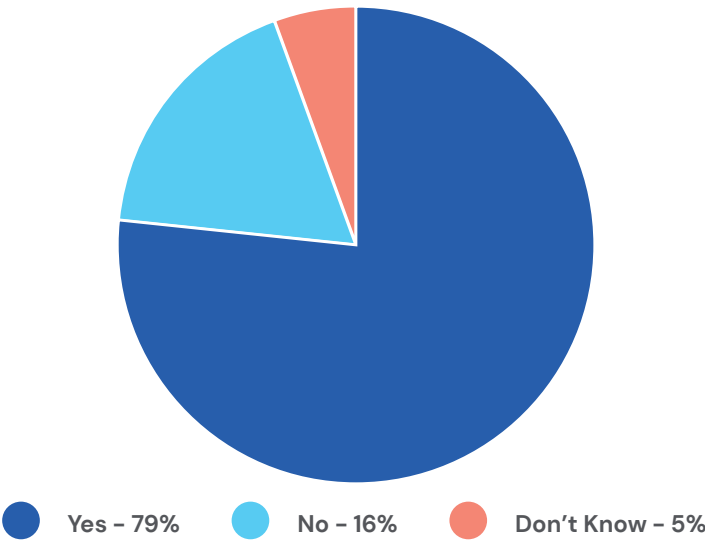
# Why Study Testing & Monitoring?

Testing and monitoring can help confirm whether E&C controls are functioning as intended and identify increasing areas of risk. Moreover, regulators expect E&C programs to improve over time; effective testing and monitoring can assist in identifying E&C controls that need improvement to boost the overall performance of the E&C program.

Regulators (principally the DOJ and the Office of Inspector General of the U.S. Department of Health and Human Services) use many terms to describe various types of testing and monitoring activities, such as “routine,” “ongoing,” and “timely.” Based on the results of our study, most organizations would be wise to expand their testing and monitoring activities to meet these standards.

In positive news, most organizations (79%) test and/or monitor E&C controls on at least some level.

Does your organization conduct testing and/or monitoring of ethics and compliance (E&C) controls?



That said, only 32% of respondents indicated that they test and/or monitor E&C controls on an “ongoing” basis. More respondents (33%) indicated they test and/or monitor controls on a “planned” basis, and another 10% said they test and/or monitor E&C controls on an “ad hoc” basis. Given how frequently some compliance risk profiles change (and regulatory expectations for testing, too), **organizations that test and monitor on a “planned” or “ad hoc” basis should look to modernize their approach.**

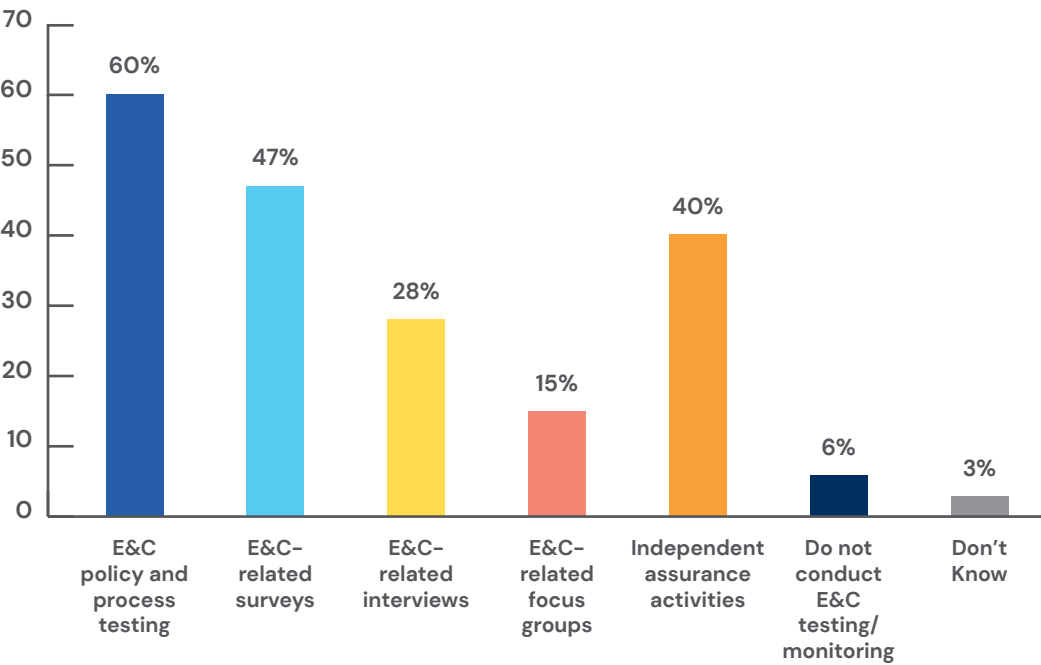


Only 22% of respondents indicated that they have sufficient budget and resources to test and/or monitor important E&C controls; 35% said the E&C department does not have the time or resources to test and/or monitor E&C controls, and 41% said the E&C department could benefit from additional budget or resources to test and/or monitor important E&C controls.

This data clearly demonstrates a point most E&C professionals already understand:  
**E&C programs need more resources to test and monitor their programs effectively.**

Most organizations (60%) test whether policies and procedures are consistently followed. Additionally, 40% of respondents conduct independent assurance activities, such as third-party assessments of the E&C program. To undertake these testing and monitoring activities, nearly half (47%) of respondents conduct E&C-related surveys, although fewer respondents (28%) conduct E&C-related interviews, and fewer still (15%) conduct E&C-related focus groups.

Which of the following E&C controls testing and/or monitoring activities does your organization conduct?



Most respondents (55%) indicated that their E&C departments were most likely to work with Internal Audit, Finance, and/or other internal control groups to test and/or monitor E&C controls. Thirty-five percent (35%) of respondents also leverage external third-party resources to test and/or monitor E&C controls, while 33% test and/or monitor E&C controls without the assistance of other teams.

# Using KPIs to Monitor Compliance

Like the study’s overall testing and monitoring results, most of our respondents (63%) use KPIs to help monitor their E&C programs. That said, it’s clear that respondents could use additional data points to assess the effectiveness of their E&C programs and related controls.

The KPIs cited most often by respondents were “Training completion rates” (91%), “Reports of misconduct – location and number” (86%), “Reports of misconduct – types” (79%), “Investigations – time to close” (68%), “Anonymous vs. non-anonymous reporting” (66%), “Reports of misconduct – intake method” (64%), “Reports of misconduct – substantiation” (62%), and “Employee survey results” (60%).

Compliance officers should tread carefully here. The above KPIs are all worth tracking, but they tend to measure how busy compliance programs are, which is not the same as how effective programs are. **E&C teams would do well to expand their use of KPIs to include those designed to measure the effectiveness of their E&C programs, such as tracking the consistent application of disciplinary action or tracking retaliation claims.**

Which of the following KPIs does the E&C department monitor?



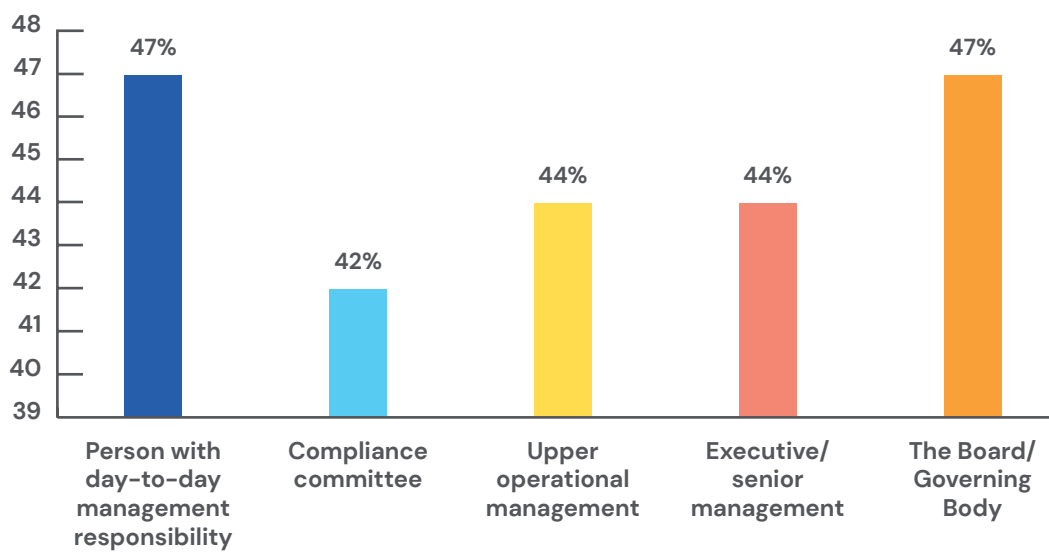
Most respondents who establish KPIs set, measure, and monitor those indicators at the enterprise level (67%); far fewer organizations set them at the business unit (29%) and department (27%) levels. Only a handful respondents (10%) set, measure, and monitor KPIs at the individual level (10%).

Enterprise-level KPIs obviously have their value, but the further down within an organization you can establish your KPIs, the more your KPIs will help to identify new or evolving areas of risks, where your program is less effective, and where you need to focus your resources. It’s also no secret that regulators expect individual performance evaluations to include E&C-related KPIs; including E&C factors in performance metrics will cause employees to think about their actions and motivations before it’s too late.

## Reporting on Monitoring & Testing Results

Unsurprisingly, the people most likely to receive the results of the testing and/or monitoring of E&C controls are the executives with day-to-day management responsibilities for E&C (47%) and the board of directors (47%). Others who often receive E&C control testing results include upper operational management (44%), an executive or senior management committee (44%), and a compliance committee (42%).

Who receives the results of testing and/or monitoring of E&C controls at your organization?



Given those findings, E&C departments might benefit from further broadcasting the results of their testing and monitoring efforts across their organizations. Doing so could help E&C departments demonstrate their successes, help operating management prioritize their own compliance efforts, and amplify the need for additional budget/resources where needed.



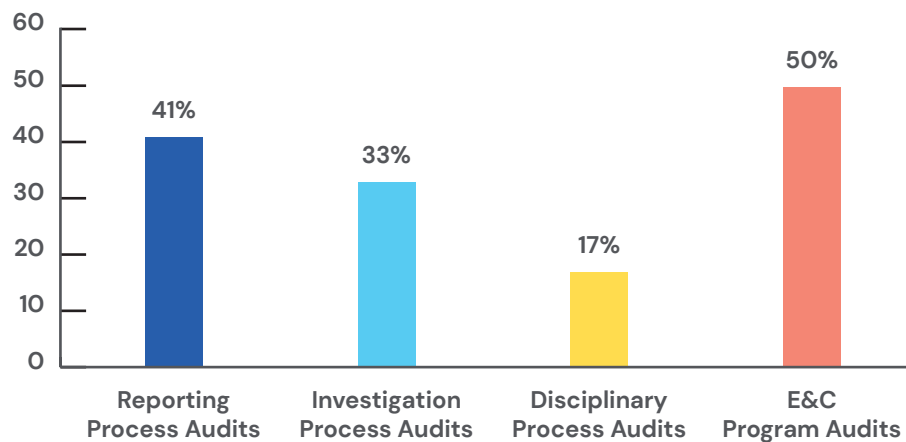
# Auditing

Monitoring, testing, and auditing are related but distinct aspects of an E&C program. While these activities can mean different things for different industries, organizations, or professionals, all three are used to assess the effectiveness of an E&C program and its controls:

- **Monitoring** activities assess data to identify any changes or trends that require further assessment.
- **Testing** is an effort to assess whether or not a control is working as intended.
- **Auditing** invariably involves some type of testing and other types of evaluation by someone with specific audit expertise or certifications. Auditing is also often conducted by an independent group or third party.

Compared to the number of respondents who test and monitor their E&C controls (79%), fewer respondents audit their E&C processes (65%). As with testing and monitoring, it appears organizations would benefit from additional auditing and assessment of their E&C processes and programs. Fifty percent (50%) of respondents indicated they conduct audits on the E&C program, 41% of respondents indicated they audit their reporting processes, and 33% of respondents indicated they audit their investigation processes. Very few respondents (17%) conduct audits on their disciplinary processes. Forty-eight percent (48%) of respondents conduct E&C-related audits on a stand-alone basis, while 31% conduct E&C-related audits as part of a larger audit process.

Which audits of important E&C processes are conducted at your organization?



A majority of respondents (53%) indicated that Internal Audit or a similar assurance function conducts E&C-related audits. Only 31% said that external resources conduct E&C-related audits.

Most respondents (61%) indicated their E&C departments are involved with their organization’s audit process to at least some extent, with 44% participating in at least some audits as experts and 38% participating in the audit planning process.

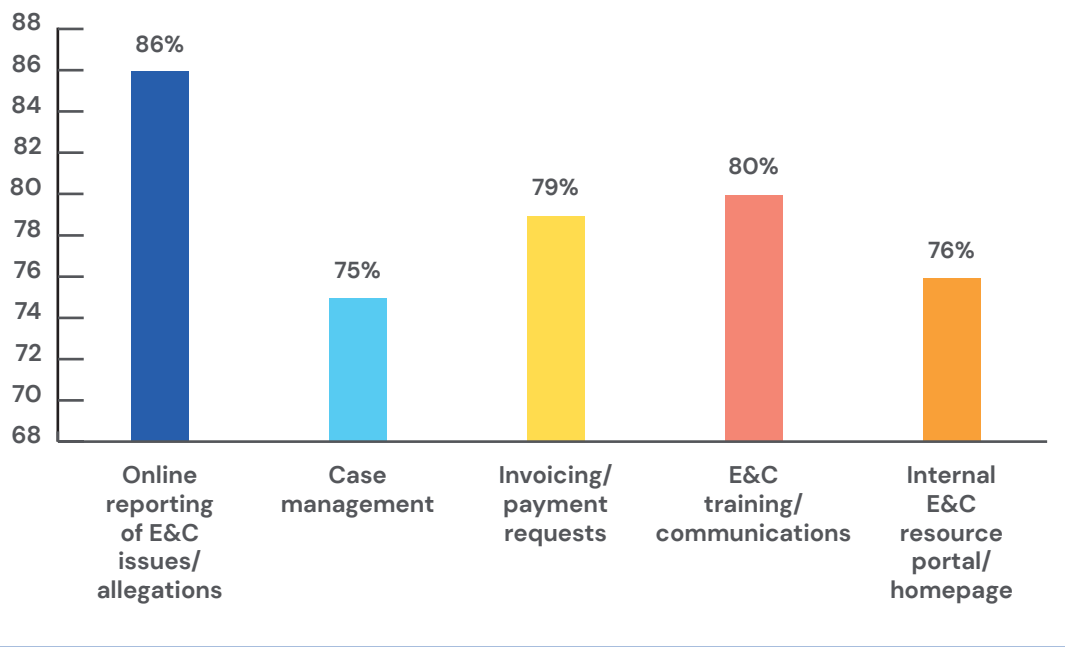
## Data & Systems

Regulators expect organizations to use data and systems to manage and execute their E&C programs effectively. This means E&C departments require access to all relevant data to enable them to track and assess E&C control performance and key risk indicators.

Our study, however, suggests that **most E&C functions need more access to a broader set of E&C-related data**. Respondents said they are doing well leveraging the data and systems that E&C departments generally “own,” but not as many respondents are leveraging data and systems outside of their direct control. This is a continuing and concerning trend, as regulators will look poorly upon an organization during an investigation or audit if they identify relevant data sources that are available to, but not leveraged by, the E&C function.

A majority of respondents said they use some type of system or software to manage various processes/controls (see chart below).

How does the E&C department leverage systems/software to manage processes or controls related to:



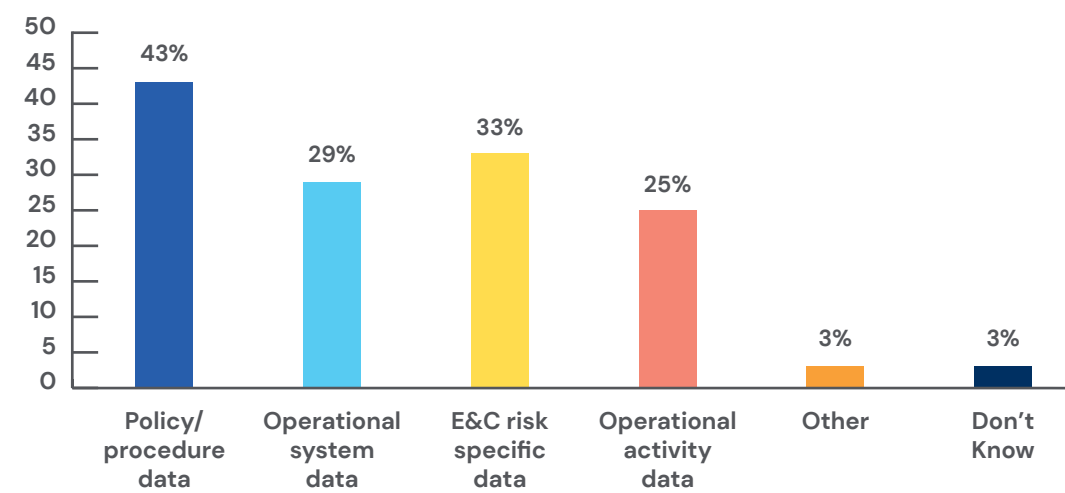
None of that is surprising; the responses align with the E&C program elements respondents have the most success in testing and monitoring.

Only 19% of respondents, however, indicated that most of their high-priority E&C controls are tested and/or monitored using data from systems. An additional 29% said that some of their high-priority E&C controls are tested and/or monitored using data from systems. Please see the chart below for additional detail regarding how E&C departments leverage systems/software to manage processes or controls.

How does the E&C department leverage systems/software to manage processes or controls related to:					
TOPIC	EMBEDDED IN LARGER SYSTEM	STANDALONE SYSTEM	USE A MANUAL PROCESS	NO SYSTEM OR PROCESS FOR THIS	DON'T KNOW
Online reporting of E&C issues / allegations	28%	58%	8%	4%	2%
Case management	27%	48%	16%	5%	4%
Policy management	35%	19%	35%	9%	2%
Conflicts of interest disclosures	26%	36%	30%	7%	1%
Gift and entertainment disclosures	23%	27%	29%	19%	3%
Gift and entertainment expenses	36%	27%	21%	13%	2%
Invoicing / payment requests	55%	24%	7%	4%	9%
Contract management	32%	37%	16%	6%	10%
Export controls / sanctions screening	21%	38%	11%	13%	17%
Third-party due diligence and approvals	19%	43%	19%	11%	9%
E&C training / communications	40%	40%	17%	3%	0%
Records management	31%	26%	21%	10%	12%
Vendor / supplier management	38%	29%	17%	7%	9%
Access to and processing of employee communications when appropriate for investigations	31%	29%	27%	5%	8%
Internal E&C resource portal / homepage	51%	25%	11%	11%	2%

A majority of all respondents (55%) said they have access to data related to operational systems (for example, time tracking, invoicing, procurement, travel and expense, or other financial systems) to monitor changes in risk – but when asked more specifically about the types of data to which the E&C department has access for monitoring changes in risk, fewer respondents indicated they had access to data from operational systems. (See chart below.)

To what data does the E&C department have access to monitor changes in risk?



Only 42% of respondents said their E&C department is typically given access to data when requested, and only 28% of respondents indicated that their E&C departments have the same level of access to necessary data, systems, and tools as other business functions at their organizations.

Why is it important to have access to the right data? Because when you have access to the right data, you will have more success testing and monitoring more aspects of your E&C program.

For example, 88% of respondents who said they are typically given access to data when requested also said they test and monitor E&C controls, appreciably higher than the 74% of respondents who are not typically given access to data when requested.

Moreover, those respondents who are typically given access to data when requested can then leverage more KPIs and leverage them more frequently.

Which of the following KPIs does the E&C department monitor?	Do you feel the E&C department has appropriate access to the data it needs to execute your organization's E&C program efficiently and effectively?					
	Most of the time, but the E&C department does have difficulty obtaining certain helpful data.	No. The E&C department does not have access to data generated by others.	Rarely. With a few exceptions, other groups do not share data with the E&C department when asked.	Sometimes. The E&C department is given access to limited data, and many sources of helpful data are not available to it.	Yes, the E&C department is typically given access to data when requested from the appropriate group.	Don't know
Number and location of reports of misconduct or other reporting data	54%	21%	30%	47%	62%	25%
Amount of time to close investigations	40%	14%	20%	36%	51%	13%
Substantiation rates in E&C reporting	40%	14%	20%	39%	43%	0%
Types of E&C-related reports	48%	21%	20%	42%	60%	13%
Training completion rates	62%	29%	20%	47%	62%	50%
Post-training retest rates to gauge retention, comprehension, and effectiveness of training	12%	0%	0%	8%	12%	13%
Code and policy traffic (i.e., click rates and other embedded data analytics in digital infrastructure)	31%	7%	10%	14%	29%	0%
Changes in culture or employee satisfaction survey results	50%	7%	0%	25%	43%	25%
E&C-related disclosures or self reports per a certain number of employees	21%	14%	10%	14%	31%	0%
Consistency in discipline	19%	7%	10%	6%	23%	0%
Anonymous versus non-anonymous reporting of E&C-related issues	44%	21%	10%	36%	50%	0%
Reports by intake method (e.g., open door, hotline call, online report, direct contact with the E&C department, reports to HR)	46%	14%	20%	28%	44%	38%
Retaliation claims and rates, both substantiated and unsubstantiated	29%	14%	20%	22%	33%	0%
Whistleblower versus general population performance management changes and trends (e.g., demotions, salary adjustments, leaves)	23%	0%	0%	8%	16%	0%
Deal risk rankings (i.e., business in high-risk countries and/or with high-risk counterparties versus other business)	25%	0%	20%	11%	17%	13%
Brand sentiment (e.g., external market indicators, social media analysis, customer/vendor satisfaction scores)	6%	0%	0%	6%	2%	25%
Employee attrition rates and/or exit interview/survey data	35%	0%	10%	6%	22%	13%
Other	8%	7%	10%	3%	2%	0%

# Tracking Disciplinary Action Data

We were surprised to see that while most respondents collect data on disciplinary action, it is primarily collected by type of offense or type of discipline; far fewer companies track disciplinary data at a more granular level, such as by department or individual.

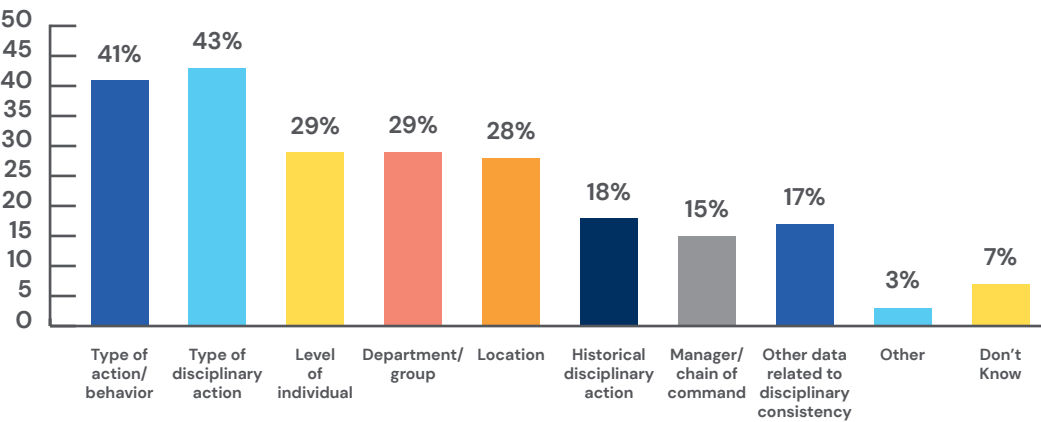
This matters because, for an E&C program to be effective, discipline needs to be applied to everyone consistently — across the whole enterprise, and from top to bottom of the org chart. The only way to know whether standards are being applied consistently is to track and monitor the application of disciplinary action.

On a more practical basis, also remember that the DOJ’s guidelines for effective compliance programs expressly talk about “consequence management” and how companies assure that discipline is handed out appropriately and consistently. For example, in recent enforcement actions against financial firms’ poor management of business communications, numerous settlement orders included demands that the offending firms do better at tracking employee discipline.

Sixty-two percent (62%) of respondents indicated that their organization collects data on disciplinary action. Respondents most frequently track the type of disciplinary action taken (43%) and the behavioral category associated with the disciplinary action (41%).

That still leaves a lot of opportunity to track more details in this important area. For example, only 29% of respondents collect data on an individual’s level and/or department. Only 28% are tracking the location related to the disciplinary action. Even fewer respondents are tracking data on any prior disciplinary action received by the offending party (18%) or the manager/chain of command associated with the disciplinary action (15%). Each of these metrics are critical to understanding where there may be “hot spots” in an organization — and to making good and informed promotion and performance management decisions.

Which of the following disciplinary data does your organization collect?





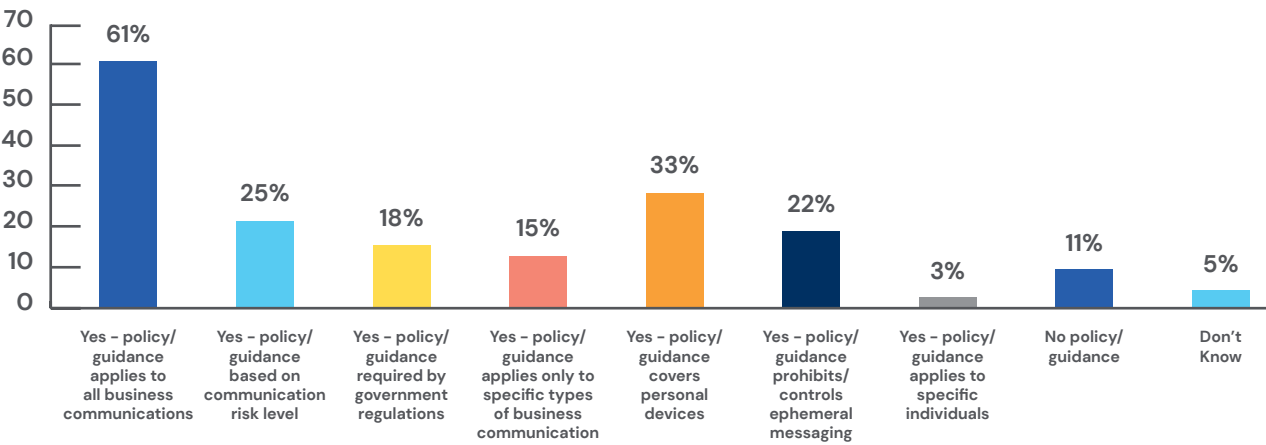
Respondents most typically use data related to disciplinary action for human resource reporting to management (32%) and/or E&C risk monitoring (32%). Again, it appears that organizations have an opportunity to leverage data more effectively. As noted above, few respondents (17%) audit their disciplinary processes. Few respondents also monitor the unbiased application of discipline (21%), use it as a guide for future cases (16%), or use it as a factor in determining incentive compensation/bonuses (14%).

## Tracking Business Communications Data

Given regulators’ recent emphasis on tracking ephemeral messaging and other business communications, we made a point to ask about this specific topic in our study. While most respondents have a policy addressing electronic communications, their ability to capture these communications is not as robust as they would like.

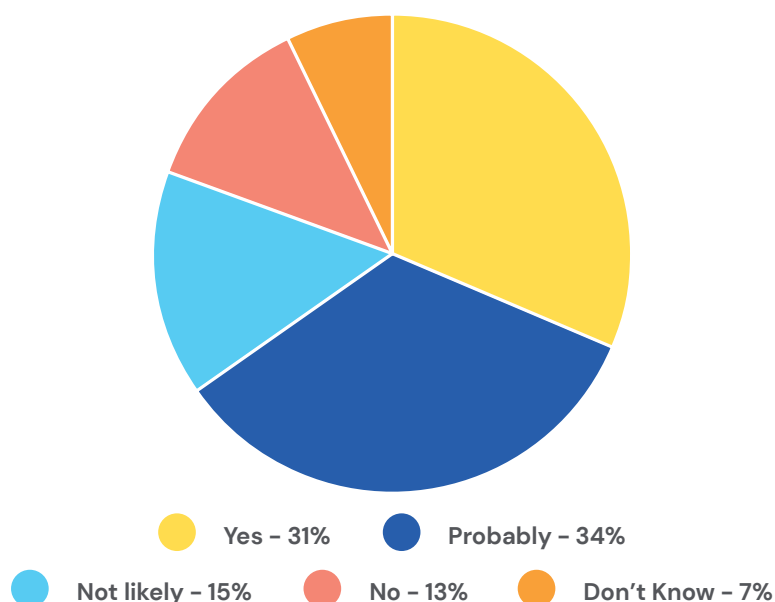
Surprisingly, only 22% of respondents with this type of policy indicated that their policy/guidance prohibits or otherwise controls the use of ephemeral messaging applications (that is, messages on apps that are only available for a short amount of time, on personal apps, or on apps over which the organization has little or no control).

Are there guidelines or a policy at your organization regarding appropriate electronic channels for business communications?



Only 31% of respondents answered “Yes” when asked if they were confident that their organization has the ability to capture and preserve all business communications when needed for investigations or litigation.

Are you confident your organization has the ability to capture and preserve all business communications when needed for investigations or litigation?



## Conclusion

Testing & Monitoring and Data & Systems are foundational elements of any effective E&C program. E&C programs continue to mature as leading practices become more standard and departments gain better access to data for testing and monitoring purposes.

**Most organizations would be well advised to expand their testing and monitoring activities to meet regulators' heightened standards.** This could include expanding the use of KPIs and/or establishing them further down within organizations. E&C departments will also want to expand the use of audits, which can provide independent assurance and will be welcome by boards and regulators alike. These efforts will require more resources and budget for E&C programs, which most respondents to our survey feel they need.

Access to the right data is key to expanding testing and monitoring within E&C programs. E&C teams that are given access to data when requested are more likely to test and monitor compliance controls, including expanded use of E&C KPIs within their organizations. E&C departments should also expand their tracking of data related to both disciplinary action and business communications.