



FlashGlobal

Global Compliance Audit

Understanding the Critical Importance of FCPA and Export Management Compliance



THE CRITICAL IMPORTANCE OF COMPLIANCE

When embarking on the promising and exciting endeavor of international expansion, many companies make the all-too-common mistake of addressing trade compliance only as an afterthought, or overlooking it altogether, resulting in costly infractions and operational inefficiencies.

Under the Foreign Corrupt Practices Act (FCPA) and Export Administration Regulations (EAR), noncompliance — even when inadvertent — can have severe consequences, including:

- ▶▶ FCPA anti-bribery penalties of up to \$100K for individuals and \$2M for companies.
- ▶▶ FCPA accounting penalties of up to \$5M for individuals and \$25M for companies.
- ▶▶ EAR criminal sanctions of up to \$1M, \$250K per violation or 2x amount of transaction.
- ▶▶ Prison sentences of 5 to 20 years.
- ▶▶ Inclusion on the Denied Parties List and loss of export privileges.
- ▶▶ Disbarment and cross-disbarment.
- ▶▶ Loss of investor funding.
- ▶▶ Harm to company and brand reputation.



PREVENTING COMPLIANCE INFRACTIONS



FlashGlobal

As a leading provider of end-to-end service supply chain solutions, Flash Global (Flash) has long understood the critical nature of compliance and has dedicated the necessary time, strategy, and manpower needed to protect its customers.

As a continuation of this commitment, Flash developed a multi-pronged global compliance audit program, with a focus on FCPA and export management controls, to validate their existing efforts and identify enhancements to take their already rigorous standard of trade compliance management to the next level.

“It’s imperative that we protect our customers and exercise due diligence to ensure we are ethically sound in all transactions. We are always striving to improve and find new methods of managing our global network, and through our extensive global compliance audit we have established new protocols to fine-tune our best-in-class trade and compliance program.”

– Sam Mikles, President and CEO of Flash Global

AUDIT PROCESS & PROCEDURE

TRAINING AND TESTING

The risk of compliance violations is not only tied to the actions of an organization's employees, but to all participants the company involves in its international operations — which is why Flash's compliance audit program requires all employees, partners, and contractors to undergo compliance training and testing surrounding FCPA and export management controls. FCPA compliance training includes an in-depth review of the following topics to educate participants on the federal, state and local laws and regulations that apply to their activities, as well as how to detect and report unusual or suspicious transactions:

- ▶▶ FCPA Overview
- ▶▶ Anti-Bribery Provision
- ▶▶ Prohibited Recipients
- ▶▶ Corrupt Payments
- ▶▶ Red Flags
- ▶▶ Case Examples
- ▶▶ Penalties – Criminal and Civil
- ▶▶ Collateral Consequences
- ▶▶ Permissible Payments
- ▶▶ Caution in Dealing with Agents
- ▶▶ Due Diligence
- ▶▶ Whistleblower
- ▶▶ Accounting/Recordkeeping
- ▶▶ Helpful Contacts/Information



Attendees are then required to pass a compliance quiz to serve as proof of attendance and comprehension of training material, as well as complete and sign a questionnaire in which they verify they have read and understand Flash's Anti-Corruption Policy, and have been compliant in all trade practices and execution within the past year.

Completion of the compliance training, quiz, and questionnaire outlined above is required as part of Flash's onboarding process, and is repeated annually to ensure the accuracy and retention of information.

AUDIT PROCESS & PROCEDURE

EXTERNAL PARTNER AUDIT

In order to ensure a complete and unbiased analysis, an external audit team of FCPA/export management forensic and legal experts was formed to perform an in-depth review of global network partners. Partners were strategically segmented into high, medium, and low risk countries as defined by Transparency International's Corruption Perceptions Index, to allow the audit team to accurately address the specific compliance pain points held by each of these groups.

The external partner audit was comprised of the following components:

- ▶ PricewaterhouseCoopers background checks on the company and principals (both current and prior).
- ▶ Interviews with key stakeholders involved with trade and compliance activity, conducted in the interviewee's language.
- ▶ An audit of a minimum of three years of financial records maintained by Flash and the network partners.

If no reasonable explanation could be provided for any questionable findings that arose from the audit procedures outlined above, partners ran the risk of dismissal from Flash's partner network.



RECORD KEEPING

AND DOCUMENTATION

Flash maintains copies of all records and communications, including training and testing materials, memoranda, emails, audit reports and other information that documents the implementation and operations of its global compliance audit for a minimum of seven years.

Further, the internal Flash finance department strictly enforces a no-tolerance policy for undisclosed or unrecorded funds or assets to be maintained, ensuring that corporate books and records accurately and fairly reflect all transactions and dispositions of funds or assets.



MEASURING SUCCESS



Flash attained its goal KPI of 100% compliance in its audit, reporting no network violations among 53 network partners across 63 countries – which accounts for all partners who have or are providing trade and compliance services with Flash. Compliance management is also included on the Flash Executive Dashboard and is measured by tracking the proper onboarding of network partners, employees, and contractors, and the ongoing management of each of these groups in accordance with the requirements of the global compliance audit.

To further mitigate risk and ensure the integrity of its network, Flash conducts ongoing operational audits of network partners. These audits increase in frequency based on the sensitivity of the services being performed and the volume of imports and exports conducted.

Flash's compliance department also conducts an internal audit of its program every two years, following the recommendations from an external consulting firm, to identify any potential gaps or inconsistencies in its compliance or financial procedures.

KEY CLIENT CONSIDERATIONS

Flash strives to raise customers' awareness of the importance of compliance, and how it directly relates to brand protection by integrating compliance education as a fundamental component of the client onboarding process, and providing regular updates on compliance policies and procedures during quarterly business reviews.

It is imperative to choose a transparent, knowledgeable supply chain partner that can provide documented proof of its compliance capabilities, as a growing number of service providers are unable to keep pace with the increasing complexity of today's compliance regulations. In fact, many operate without any auditing system in place, putting operations at risk.

For more information on Flash, FCPA compliance or export management, email fcpacompliance@flashglobal.com





FlashGlobal

333 Route 46 West • Suite 200
Mountain Lakes, NJ 07046 USA
P: 1.866.611.7874
www.flashglobal.com

