

The background of the slide features a close-up, artistic photograph of several interlocking metal gears. The gears are rendered in a soft, golden-brown color with a slight blur, creating a sense of motion and complexity. The lighting highlights the metallic texture and the circular patterns of the teeth.

**ICPA 6th Annual Conference – “2009 Compliance Conference”
Anaheim, CA
March 10, 2009**

***Export Control Compliance:
Are you a Corporate Partner or Pariah?***

**Margo B. Hammar
Director Legal Compliance for Export Control and National Security
Verizon Communications, Inc.**

Export Control Compliance – What do you have to have in place?

The Bureau of Industry and Security (BIS) details the elements they believe comprise an effective Export Management and Compliance Program:

- **Management Commitment**
- **Continuous Risk Assessment of the Export Program**
- **Formal Written Export Management and Compliance Program**
- **Ongoing Compliance Training and Awareness**
- **Cradle to Grave Export Compliance Security**
- **Adherence to Recordkeeping Regulatory Requirements**
- **Internal and External Compliance Monitoring and Periodic Audits**
- **Internal Program for Handling Compliance Problems and for Reporting Export Violations**
- **Completing Appropriate Corrective Actions in Response to Export Violations**

Export Control Compliance – Moving from Compliance Program “Theory” to “Practice”

BIS further details how those elements translate into your Export Control Compliance Program:

- (1) A clear statement of corporate policy communicated to all levels of the firm involved in exports and reexports, traffic, and related functions, emphasizing the importance of compliance;**
- (2) Identification of positions (and maintenance of current list of individuals occupying the positions) in the company and consignee responsible for compliance with the requirements of the export control procedure;**
- (3) A system for timely distribution to consignees and verification of receipt by consignees of regulatory materials necessary to ensure compliance with the EAR;**
- (4) A system for screening transactions to prevent violations of orders denying export privileges under the EAR;**
- (5) A system for assuring compliance with items and destination restrictions, including controls over reexports by consignees and direct exports to consignee customers;**
- (6) A compliance review program covering the company and extending to all consignees;**

Export Control Compliance – Moving from Compliance Program “Theory” to “Practice”

BIS further details how those elements translate into your Export Control Compliance Program:

- (7) A system for assuring compliance with controls on exports and reexports of nuclear items and to nuclear end uses described in §§ 742.3 and 744.2 of the EAR;**
- (8) An on-going program for informing and educating employees responsible for processing transactions involving items subject to export control licenses addressing applicable regulations, limits, and restrictions of the license;**
- (9) A program for recordkeeping as required by the EAR;**
- (10) An order processing system that documents employee clearance of transactions in accordance with applicable elements of the company’s internal control plan;**
- (11) A system for monitoring in-transit shipments and shipments to bonded warehouses and free trade zones;**
- (12) A system for notifying BIS promptly if the company knows that a consignee is not in compliance with terms of the export control license;**
- (13) A system to screen against customers who are known to have, or are suspected of having, unauthorized dealings with specially designated regions**

Export Control Compliance – Moving from Compliance Program “Theory” to “Practice”

What do you need:

Executive Management establishing written export compliance standards for the enterprise, and the designation of senior organizational officials, within the business units, with overall responsibility for export control compliance.

How do you accomplish:

- **Exhibited through your Code of Business Conduct**
- **Emphasized in your International Business Handbook**
- **Demonstrated in your employee training**
- **Reflected in your reporting to your Board of Directors**

What do you stress:

- **Your company’s policy and position on compliance**
- **What will and will not be tolerated as acceptable behavior**
- **How compliance specifically affects your company**

Export Control Compliance – Moving from Compliance Program “Theory” to “Practice”

What do you need:

Continuous Risk Assessment of the Export Program

How do you accomplish:

- **Visible through informal or desk audits**
- **Implement during routine Self Assessments**
- **Realize through partnering with Internal Audit and developing export control audit modules for all audits they perform**
- **Forge partnerships with any group that can stop transactions or business because of violations**

What do you stress:

- **Linkages between Export Control Compliance and the business function performed**
- **Movement of compliance into the realm of an Internal Audit finding which carries a different weight than other investigative findings.**

Export Control Compliance – Moving from Compliance Program “Theory” to “Practice”

What do you need:

Formal Written Export Management and Compliance Program

How do you accomplish:

- **Clearly state boundaries and lay out expectations**
- **Drive down to the business unit level to allow for market niches and idiosyncrasies**
- **Update manuals quarterly to catch changes in structure, reporting or law**
- **Use of Attestation Process has departments “sign on the dotted line” and commit to compliance**

What do you stress:

- **Movement of Export Control from an 11th Hour consideration to further upstream in the approval process**
- **Compliance with Export Control regulations prevents reductions in revenue streams because of penalties and fines**

Export Control Compliance – Moving from Compliance Program “Theory” to “Practice”

What do you need:

Ongoing Compliance Training and Awareness

How do you accomplish:

- **Make Export Control part of the Corporate Compliance Training Module**
- **Advertise and Preserve your brand through employee communications**
- **Conduct frequent Self-Assessments on various departments within the enterprise**
- **Make Export Control part of any legal review and opinion**

What do you stress:

- **How Export Control impacts that specific unit’s functions**
- **Full examination of Export Control impacts at the time of project inception to avoid approval rewind**

Export Control Compliance – Moving from Compliance Program “Theory” to “Practice”

What do you need:

Cradle to Grave Export Compliance Security

How do you accomplish:

- Determine where “gates” belong
- Locate where approval and review processes already exist
- Find out who controls contracts with outside vendors and suppliers
- Develop a virtual network of contacts
- Lock down a partnership with Legal and Security
- Automate when possible

What do you stress:

- Dollars and Approvals: Travel, Mail room, HR, Funding of Programs, Legal, IT, Contractors and Vendors, “Go to Market” processes, and Ordering
- Put Export Control on the everyone’s checklist

Export Control Compliance – Moving from Compliance Program “Theory” to “Practice”

What do you need:

Adherence to Recordkeeping Regulatory Requirements

How do you accomplish:

- **Make sure Export Control retention guidelines are part of your corporate retention program**
- **Have record keeping requirements attested to annually by affected business functions**
- **Have Internal Audit investigate record keeping and retention compliance**

What do you stress:

- **Record Keeping is a federal requirement**
- **Know what the record keeping requirements are and how they impact a specific organization or function**
- **Make sure a “package” concept is used where all documentation, e.g., sales documents, emails, meeting notes etc. are retained along with other materials associated with the export control transaction**

Export Control Compliance – Moving from Compliance Program “Theory” to “Practice”

What do you need:

Internal and External Compliance Monitoring and Periodic Audits

How do you accomplish:

- **Visible through informal or desk audits**
- **Implemented during routine Self Assessments**
- **Realized through partnering with Internal Audit and developing export control audit modules for all audits they perform**
- **Work hand in hand with your Security group – they have similar concerns**

What do you stress:

- **Linkages between Export Control Compliance and the business function performed**
- **Movement of compliance into the realm of an Internal Audit finding which carries a different weight than other investigative findings.**

Export Control Compliance – Moving from Compliance Program “Theory” to “Practice”

What do you need:

Internal Program for Handling Compliance Problems and for Reporting Export Violations

How do you accomplish:

- **Work with the owners of your company ethics line to handle incident reporting and referral**
- **Develop an internal compliance log that details the issue, departments involved, remediation action taken, disciplinary action taken as well as whether reported to federal agencies**
- **Outline your investigative process with response time frames**

What do you stress:

- **Nothing is too small or insignificant**

Export Control Compliance – Moving from Compliance Program “Theory” to “Practice”

What do you need:

Completing Appropriate Corrective Actions in Response to Export Violations

How do you accomplish:

- **Link into your Board of Directors incident reporting process**
- **Leverage your Security investigation functions**
- **Ensure you go back to your Export Control manual and internal functions to remediate and modify to prevent future occurrences**

What do you stress:

- **Respond to all queries**
- **You will engage appropriate departments to ensure a complete investigation and remediation**