

CEP

MAGAZINE

A PUBLICATION OF THE SOCIETY OF
CORPORATE COMPLIANCE AND ETHICS



**CFIUS: Compliance with a
National Security Agreement**
(P20)

Making audit your best friend
(P24)

**Cyberattacks in a global supply
chain: How compliance officers
can mitigate risk** (P28)

**So different and so alike:
Internal audit and
compliance** (P32)

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INFORMATION MANAGEMENT, AVIS BUDGET GROUP

**DRIVE THE CHANGE
IN YOUR ORGANIZATION** (P14)



SCCE



“ It is up to us to drive change in the conversations with our organization. ”

See page 14

COMPLIANCE & ETHICS PROFESSIONAL

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February 2019

Columns

- 1 **Letter from the CEO**
by Gerry Zack
- 19 **Empirically speaking**
by Brian K. Lee and Dian Zhang
- 23 **Conversations on culture**
by Steve Priest
- 27 **Kaplan's court**
by Jeffery M. Kaplan
- 31 **The view from Nickel City**
by Jennifer Kennedy
- 37 **How to be a wildly effective compliance officer**
by Kristy Grant-Hart
- 58 **The last word**
by Joe Murphy

Features

- 14 **Meet Jacki Cheslow**
an interview by Adam Turteltaub
- 20 **CFIUS: Compliance with a National Security Agreement**
by Michael Rose and Steve Siemborski
The second of a three-part series examining foreign investment regulations.
- 24 **Making audit your best friend**
by Sam Abadir
Collaboration with auditors can pay off for your organization and department.
- 28 **[CEU] Cyberattacks in a global supply chain: How compliance officers can mitigate risk**
by Matan Or-EI
Mitigate cyberattack risk through a detailed vendor risk management plan.
- 32 **[CEU] So different and so alike: Internal audit and compliance**
by Mónica Ramírez Chimal
Compliance prevents, internal audit detects, and both can achieve more together.

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A person's hands are holding a white tablet. The tablet screen displays a dark blue world map on a light blue background. Various logistics-related terms are placed over different regions of the map, each with a small teal dot indicating a location. The terms include: SHIPPING (North America), TRACKING (Europe), SERVICE (Asia), INVENTORY (North America), FULFILLMENT (Europe), CARGO (Africa), LOGISTICS (Asia), ORDER (South America), EXPORT (Africa), IMPORT (Africa), and WAREHOUSE (Asia). A finger is pointing at the 'WAREHOUSE' label in Asia. The background is a blurred warehouse interior with high ceilings and industrial lighting.



CYBERATTACKS IN A GLOBAL SUPPLY CHAIN: HOW COMPLIANCE OFFICERS CAN MITIGATE RISK

by Matan Or-El



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Whether or not a company has vendors that it's been working with for years, an audit should still be performed for every supplier. The level of risk will depend on the nature of the relationship with the vendor; for example, a vendor with full access to a company's IT system will carry more risk than a vendor without credentials. The audit should be thorough and dig deep enough to understand whether suppliers' actions are aligned with the company's security best practices and any legal policies. Even where there is an established relationship of

trust and respect between supplier and client, this is a vital step in the process that could cause damage if overlooked.

Verify the vetting process

Compliance and ethics officers must ensure an airtight vetting process. Paper audits are not practical, because they require lots of manual work, are time-consuming, and are already obsolete by the time the audits are received. The vetting process has to include more than just one audit in a calendar year or initially when the relationship began. It has to be an ongoing process that is reviewed daily, which means the paper process has to be dispensed with, and automation has to be instituted. The latest technologies are not only able to monitor the security posture of third-party vendors continually; they can also alert teams to a change in that security posture, if it occurs.

This approach allows companies to streamline their processes and fast-track vendors as needed instead of struggling through months to verify partners.

Knowing your partners is essential. Each relationship should be reviewed and categorized according to the type and criticality of the data they are able to access and the pathway to it. Identifying the riskiest vendors is vital to define a well-prioritized mitigation road map. The security team can then determine how best to marshal their resources.

Continuous monitoring is critical and can be done automatically by scanning a partner's digital assets against potential threats. This type of test is known as the hacker's view, because it looks for all the same vulnerabilities that a hacker would search for to get into a network.

Screening the connections made through servers is essential to spot anomalous traffic that is sending information to a hacker's command-and-control servers. This ongoing scanning does not require any action on the part of third-party vendors and can be performed quickly and efficiently.

Leave zero room for interpretation

It may be tempting to assume that a supplier's definition of security is the same as yours. After all, the mere term itself packs a big punch and should certainly warrant a need for best practices. However, every organization and vendor operate differently, and the idea of security may just as well vary from one team to the next. It's important to leave zero room for interpretation. A full, digital risk management plan, complete with best practices and protocols that can be conveyed to the vendor, should be in place. Even the simplest security procedures should be spelled out, such as requiring the encryption of all data sent to and received from a vendor, as well as data stored on backup tapes, external hard drives, and laptops.

It's important to require vendors to adhere to not only the top security practices, but also to digital privacy regulations as well. With the UK's General Data Protection Regulation, along with a myriad of others in the US, oversight of these regulations is crucial. One misstep from a vendor could cost the host company a great deal in terms of fines and reputation.

Companies should spell it out in detail along with any consequences in any contract. Although most standard contracts provide the typical requirements, there is also flexibility that can be had with

written clauses regarding liability in the event of data or regulation breach. This might mean visiting a supplier on site to find out the exact details surrounding any potential breach. Such an investigation could involve determining what has been stolen, how the breach occurred, and the authority to work directly with the vendor to mitigate similar risks moving forward. A full mitigation plan, including step-by-step procedures following an event, should be created and given to vendors and partners to agree to at the beginning of the relationship.

Companies should also have an open-door policy that suppliers can use to raise any red flags or potential concerns throughout the relationship.


Each relationship should be reviewed and categorized according to the type and criticality of the data they are able to access and the pathway to it.

Supply chain attacks are inevitable

Supply chain attacks are the new normal, as companies like [24]7.ai, Ticketmaster, Lord & Taylor, and many others have unfortunately discovered. Currently, there is no single foolproof method of keeping hackers at bay, which

means that compliance and ethics officers must be prepared for a breach or another type of

attack to occur and have detailed plans for responding. Much like a fire drill, compliance and ethics

officers should run through procedures with the security team so they can prove that the company did everything possible to stop an attack, mitigate damage, and inform customers. 

Endnotes

1. CrowdStrike, "Securing the supply chain," July 2018, <http://bit.ly/2Qpf11L>
2. KPMG, "Digital Supply Chain—the hype and the risks," February 2018, <http://bit.ly/2B8p3JW>

Takeaways

- ◆ Compliance and ethics officers must work toward mitigating the risk of cyberattacks in the global supply chain by creating a detailed vendor risk management plan.
- ◆ The vetting process for each vendor must be thorough; time spent vetting can be greatly decreased when companies choose to automate the process.
- ◆ An audit should be performed on every vendor before and throughout the business relationship on a continuous basis.
- ◆ Companies should ensure that each vendor is also compliant with best practices and legal policies and is aware of liabilities and consequences of not adhering to those rules.
- ◆ Companies should reduce the data they share with suppliers to what suppliers require, rather than unlimited data access.

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