

**PORT OF SEATTLE**  
**MEMORANDUM**

**TO:** Tay Yoshitani

**FROM:** Workplace Responsibility Team  
Linda Strout  
Craig Watson  
Isabel Safora  
Rosalee Walz  
Joe McWilliams  
Gary Schmitt  
Nancy Blanton  
Michael Reiss, Davis Wright Tremaine LLP  
Lawton Humphrey, Davis Wright Tremaine LLP

**DATE:** April 2, 2009

**RE:** Interim Status Report and Proposed Work Plan Regarding The Port of Seattle's  
Ethics Compliance Practices

---

**I. INTRODUCTION**

This Interim Report outlines for you a preliminary work plan for establishing a comprehensive ethics compliance program at the Port of Seattle. Such a program is directly responsive to one of the eight recommendations contained in the "Special Investigative Committee Report" prepared by Mike McKay and others, dated December 3, 2008. It also will effectuate your commitment to improving the Port's culture both in terms of how employees behave in the workplace toward each other and how they behave as community citizens and stewards of the public's resources. Specifically, in your presentation to the Port Commission on December 9, 2008, you committed to developing a comprehensive workplace responsibility awareness and training program utilizing at a minimum the principles expressed in six existing policies, including: the Ethics Policy for Employees, Ethics Policy for Consultants, Fraud Awareness and Prevention, Anti-Harassment Policy, ICT Appropriate Use Policy and Whistleblower Policy. The work plan includes specific projects and a schedule for establishing an operational compliance program, built upon a new Statement of Values and Code of Conduct, with robust and regular training and communication elements, as well as a structured compliance component with accountability for encouraging and tracking reporting of alleged violations, prompt and fair investigation and consistent and appropriate discipline.

## **II. STATUS REPORT**

At your direction, Linda Strout assembled an internal Workplace Responsibility Team (“Team”) including internal membership identified above. Craig Watson led a selection process for outside legal consultants and selected Davis Wright Tremaine LLP (DWT) to join the Team specifically to assist with legal advice, policy review and development and in surveying “best practice” among private and public employers regarding ethics programs, policies and compliance models.

The Team, including Michael Reiss and Lawton Humphrey from DWT, have met several times to refine the scope of the overall project, discuss the goals to be achieved, identify specific deliverables and establish the work plan.

We present this preliminary work plan in order to ensure that our approach is aligned with your vision for the overall program.

### **III. PROPOSED APPROACH**

#### **A. Four Key Projects**

We have identified four key projects to fulfill the goals of your commitment to the Port Commission: (1) Developing a Statement of Values; (2) Developing an umbrella Code of Conduct and revising the Port's existing workplace responsibility policies to be more reader friendly and to align compatibly with the umbrella Code; (3) Designing appropriate training and communications elements to foster, recharge and support a continuing culture of ethical awareness and behavior; and 4) Developing an easily understood and readily accessible compliance structure appropriate to the Port, with continuing and visible accountability for programmatic review, periodic reporting, investigation and discipline.

The work on each of these four projects will occur in three phases, as described in more detail below Section B. In essence, we will further develop recommendations in Phase 1, make final decisions in Phase 2, and implement the new approach in Phase 3. The Team has made a good start in the development of recommendations as envisioned for Phase I, but again one purpose of this report is to ensure that you are comfortable with the path the Team is pursuing.

##### **1. Developing Core Values**

The Team will start with preparation of a new Statement of Values. This statement would resemble to some degree a set of "Guiding Principles" that actively existed at the Port a few years ago, but has faded from view over time. One author in the field of ethics, Jim Collins, defines such core or fundamental values as: "the essential and enduring tenets of an organization - the very small set of guiding principles that have a profound impact on how everyone in the organization thinks and acts." Value statements help define how people want to behave with each other in an organization and how the organization will value its various stakeholders and the community. They may contain elements of aspiration and inspiration. They should describe actions and beliefs held by most individuals within the organization. The Team's goal is to develop a concise, memorable, compelling statement of such values for the Port. Some examples of core values statements from other organizations are located at **Exhibit A**.

This work will largely be undertaken and completed by the internal Port Team members, with advice from DWT. We also envision gathering input and participation – through a process yet to be developed - from a much broader base of Port employees.

##### **2. Developing Code of Conduct and Refreshed Policies for the Port**

### **a. Developing a Code of Conduct**

A Code of Conduct will serve as the foundation document for the Port's ethics and related workplace responsibility policies. DWT has prepared a preliminary summary of topics for the Team to consider in developing a Code of Conduct located at **Exhibit B**. At the end of Exhibit B are four sample Codes of Conduct from private sector companies, identified as good models for Team consideration. The Team will analyze these and others to determine which elements will work best for the Port. Interestingly, we have not located good examples from other ports or municipal corporations. For this reason, the Team has set an accompanying goal of establishing the Port as an innovator and leader in creating a workable, model Code and integrated policies. The Team envisions that this work will largely be assembled by DWT, and completed through collaboration among the entire Team.

### **b. Revising Workplace Responsibility Policies**

Ultimately, the Port's specific policies should support, align and easily integrate with its Code of Conduct. The policies should be clear and well-formulated, so that they can be easily understood by all employees. They should contain effective and efficient means for surfacing and remedying policy violations. Internal conflicts, ambiguities, overlaps and gaps among and between the policies should be eliminated as much as possible.

The Team has already conducted a first review of the six workplace responsibility policies listed above in the Introduction and has begun to identify such inconsistencies within and among the policies. A few additional policies have been identified as also related to ethics and workplace responsibility and may be added for review. DWT Team members have developed an initial list of issues located at **Exhibit C**. During this Phase, the Team will work to identify policy improvements that can be drawn from best practices in the private and public sector and to ensure that the Port's policies comply with current laws. The Port's policies will be "refreshed," and an effort made to make them more "user-friendly" – with the goal that employees can readily read, comprehend and follow them. This work will be initially undertaken largely by DWT, deemed best able to bring "fresh eyes" to existing Port policies, and completed through collaboration among the entire Team.

## **3. Developing a Model Compliance Program**

The Port should develop a structured compliance program to ensure that employees have clarity about where in the organization they go to raise issues, to seek understanding and information about policies and their application to real life situations, to report suspected violations and to understand the consequences of failing to adhere to the Code of Conduct and related policies. Additionally, Port leadership needs clarity about who in the organization has accountability for the performance of the overall compliance program, including training, monitoring and discipline when necessary.

Work is underway on this element. DWT Team members have prepared a summary of seven components deemed essential for a strong compliance program located at **Exhibit D**. The seven components include a Code of Conduct and clear and effective policies (described above) along with appropriate training and communication (described below). The remaining components include oversight accountability structures and mechanisms for auditing, monitoring, reporting, investigating, and disciplining alleged Code violations. The Team has just begun to evaluate these components in order to develop a recommendation for an overall compliance framework for the Port.

The Team believes that any framework must be tailored to meet the Port's specific needs and resources in order to be sustainable over time. The Team also feels that there is value in keeping an "open mind" regarding the ultimate compliance structure as team work progresses revising policies, developing training programs, and assessing existing reporting, investigation and discipline processes.

For example, prior to selecting a model structure for compliance, it may be useful to better understand some deeper organizational issues that may surface during policy review or development of training and communication plans. Such issues could include the nature and frequency of violations that have arisen in the past across the Port or the frequency of violations specific to certain workgroups; how violations have surfaced in recent years; and how violations are typically addressed. If complaints from a certain Port department are few, it could be important to understand whether that is because a strong departmental compliance focus already exists or because of a lack of awareness of the issues and/or reporting procedures.

As part of the consideration surrounding development of a specific compliance model, it could be valuable to gather input from at least some Port supervisors and managers, asking them to identify points of vulnerability or confusion in the Port's current compliance practices.

The Team envisions that the work to recommend a compliance model will be completed through the joint efforts and collaboration of all Team members.

#### **4. Developing a Communications & Training Program**

Having good policies is an essential component of an effective compliance program but it is not sufficient. Of particular concern to the Team is the fact that the Port has had anti-harassment, information technology, and ethics policies in place for years. Yet there have been recent, unacceptable instances of serious violations. A related concern is that there are known instances where potential violations have not been reported promptly - or were not reported at all. The goal of communications and training programs will be to provide a thoughtful, programmatic approach to ensuring that the policies are understood and assimilated by all Port employees – not just as a

new ethics program model is implemented, but sustainably over time.

The Team envisions that DWT will advise in conceptual design and some development aspects of training and communications plans, but that the final design and implementation of these elements will largely be managed and completed by internal Team members.

## **B. Project Phases.**

The Team recommends that work will proceed in three phases. However, to the extent that deliverables and products can be developed, finalized and implemented independently, the Team will recommend that course, as opposed to waiting until all work is complete.

### **1. Phase One: Offering Recommendations**

Phase One is already underway and is focused on the following specific deliverables: (1) providing a draft Statement of Values; (2) providing a working draft of a Code of Conduct and drafts of revised workplace responsibility policies; and (3) presenting one or more models for a proposed compliance program and structure for the Port to further evaluate. Suggested Deadline: June 15, 2009.

#### **a. Core Values**

The Team has identified strong core value statements from other organizations identified in **EXHIBIT A** and is moving forward with a draft specific to the Port. The Team is considering an appropriate vehicle or plan for employee participation in the process of defining core values and may conduct focus groups or similar engagement during this phase.

#### **b. Code of Conduct and Refreshed Workplace Responsibility Policies**

The Team will prepare a draft Code of Conduct for consideration, taking into account the considerations outlined in **Exhibit B**. DWT Team members have been revising, editing and proposing refreshed policies. Appropriate notice may need to be provided to the representatives of the Port's collectively bargained units for at least some policy changes. At this point, the Team does not anticipate significant hurdles to implementing needed changes.

#### **c. Compliance Models**

The Team has just begun to evaluate different compliance models with an eye toward developing a proposal that best suits the Port's operating structures, resources and goals. For reasons set out more fully in Section III. 3. , reaching a final recommendation regarding an appropriate compliance model, monitoring mechanisms and ultimate accountabilities is not an immediate goal.

## **2. Phase Two: Making Decisions.**

The Team recommends that Phase Two focus on the following specific deliverables: (1) Final Statement of Values; (2) Final Code of Conduct and Policies; (3) final proposed compliance model and (4) proposed communications and training programs to sustain awareness, understanding and compliance over time. Suggested Deadline: September 15, 2009.

### **a. Core Values**

The Team will present a final Statement of Values.

### **b. Code of Conduct and Policies**

The Team will present a proposed final Code of Conduct and proposed final policies.

### **c. Compliance Model**

The team will present a final recommendation for a tailored-to-Port compliance model.

### **d. Communications and Training**

The Team will present proposed communications and training plans.

The Team will review the entire employment life cycle to identify natural opportunities to communicate the Port's compliance philosophy and policies. For example, the Team will review whether certain questions could be included during the hiring process to identify candidates whose ethics and business practices are already naturally aligned with the Port's aspirations. It will examine the Port's New Employee Orientation program to enhance early awareness opportunities and will look at developing additional exit interview questions to uncover compliance concerns of departing employees. The Team will explore and propose options for additional training requirements at regular intervals for all Port employees throughout their tenure, ranging from utilization of computer log-in screen messages, to requiring completion of on-line or classroom training modules as a condition of getting an annual pay increase.

## **3. Phase Three: Implement New Approach**

The focus of this Phase would be on finalizing and implementing the compliance model and resulting process changes, training supervisors and managers on new approaches and implementing the general communications and training program.

## **EXHIBIT A**

### **CORE VALUES (Samples)**

#### **GOAL**

The Port's goal is to develop a short list of compelling values that the Port expects all employees to live by. It should be relevant, memorable, and aligned as closely as possible with what already embodies the Port's spirit.

#### **SAMPLES**

##### **1. Operating Principles (Pitney Bowes - Canada)**

1. We put customers first

2. We live our brand
3. Innovation and risk-taking drive our growth
4. We identify and solve problems
5. We are partners in everything we do
6. Our actions make the difference every day
7. We conduct business with the highest ethical standards

## 2. Guiding Principles (Starbucks)

The following six Guiding Principles will help us measure the appropriateness of our decisions:

- Provide a great work environment and treat each other with respect and dignity.
- Embrace diversity as an essential component in the way we do business.
- Apply the highest standards of excellence to the purchasing, roasting and fresh delivery of our coffee.
- Develop enthusiastically satisfied customers all of the time.
- Contribute positively to our communities and our environment.
- Recognize that profitability is essential to our future success.

## 3. Core Values (Google)

- 1) We want to work with great people
  - \* We hire great people and expect a lot from them
  - \* We create an environment where people can flourish and grow
  - \* We treat people with fairness and respect
  - \* We challenge each other's ideas openly
  - \* We value diversity in people and ideas
  - \* We are a quantitative company that uses data to make decisions
  
- 2) Technology innovation is our lifeblood
  - \* Build the world's best technology and products
  - \* We apply technology and creativity to solve important problems
  
- 3) Working at Google is fun
  - \* We expect our people to know and enjoy each other
  - \* We have a challenging/energetic work environment
  - \* We celebrate our successes and each other's accomplishments - both professional and personal
  
- 4) Be actively involved; you are Google
  - \* Honor commitments
  - \* We openly communicate and trust you with a great deal of information and we expect you to honor our confidentiality
  - \* Understand when you are representing Google and act appropriately

- 5) Don't take success for granted
  - \* Think and act like an underdog
  - \* Be humble with success; don't be arrogant
  - \* Be scrappy and resourceful
  
- 6) Do the right thing; don't be evil
  - \* Honesty and integrity in all we do
  - \* Our business practices are beyond reproach
  - \* We make money by doing good things
  
- 7) Earn customer and user loyalty and respect every day
  - \* Create, enhance and maintain great products and services
  
- 8) Sustainable long-term growth and profitability are key to our success
  - \* Think scale and efficiency
  - \* Every dollar is yours
  - \* Do things that matter
  
- 9) Google cares about and supports the communities where we work and live
  - \* We encourage and enable our people to support local community involvement and expect them to participate
  
- 10) We aspire to improve and change the world
  - \* Aim high; think BIG, take risks
  - \* A healthy disregard for the impossible

## **EXHIBIT B**

### **CODE OF CONDUCT**

#### **GOAL**

The Port's goal is to develop a comprehensive code of conduct applicable to all Port employees that sets forth in a comprehensive manner the ethical, legal and respectful conduct required of Port employees. The code of conduct will address how Port employees are expected to treat each other with respect and how they are also expected to be responsible community citizens and good stewards of the public's resources.

#### **INTRODUCTION**

In today's ethical and political environment, it is increasingly important for every business to demonstrate that they practice, adhere to, and promote ethical and principled business practices. Published codes of conduct are one way to identify these practices and to promote them to the public and to employees. Codes of conduct can assist management to achieve several objectives, including:

- To promote transparent and consistent business practice and ethics in their operations;
- To focus employees' attention on ethical issues relevant to the business;
- To manage and reduce corporate and employer risk and often to provide a defense against liability to employees and third parties by the operation and enforcement of a code of conduct; and
- To enhance the image of the company as a good corporate citizen.

#### **CONTENTS OF A CODE OF CONDUCT**

Typically, corporate codes of conduct act as a repository for the ethical and business practice policies of the company. They generally provide a comprehensive overview of practices that are prohibited and act as a compendium of resources for employees to utilize as questions or issues arise. The code will provide an administrative structure for employees to use to report violations of the code, to raise concerns about practices that may be possible violations or to seek guidance as to what is required in particular instances. The code will contain references to more detailed policy statements, such as might be contained in an employee manual, which are also applicable to employees.

The types of issues typically covered in a corporate code of conduct can include the following:

- Compliance with laws and regulations

- Fair competition/antitrust
- Health and safety
- Harassment and discrimination
- Compliance with Internal Policies and Procedures
- Cooperation with Government and Internal Investigations
- Dealing with Company Assets and Property
  - Use of Company Property
  - Confidential and Proprietary Information
  - Intellectual Property
- No expectation of privacy
- Conflicts of Interest
  - Investments in Customers, Vendors and Business Partners
  - Receiving Gifts
  - Giving Gifts
  - Entertainment
  - Outside Employment
  - Participation in Civic or Political Activities
- Enforcement of Code of Conduct
- Process for waivers of the Code of Conduct
- Mechanism for reporting suspected violations
- Prohibition against retaliation for reporting violations

In addition, the Port's Code of Conduct could include policies with respect to laws and regulations specifically applicable to the Port's business and with respect to the Port's status as a municipal corporation.

The Code of Conduct will be integrated into the compliance structure that the Port adopts.

The Code of Conduct will be consistent with the Port's Statement of Values and other specific policy statements.

## **SAMPLE CODES OF CONDUCT**

We have searched for good samples of Codes of Conduct from other Ports around the country and have not identified any as yet that provide a good model. We have provided with this initial report four samples from the private sector:

### **1. Pfizer**

Pfizer is regarded as having one of the strongest corporate ethics and compliance programs and is held out as a “gold standard” for corporate compliance.

[HTTP://MEDIA.PFIZER.COM/FILES/INVESTORS/CORPORATE/BLUE BOOK ENGLISH.PDF](http://media.pfizer.com/files/investors/corporate/blue_book_english.pdf)

### **2. Google**

Google is considered to be one of the most innovative, modern, companies with respect to employee culture. We have provided its code of conduct as an example.

<http://investor.google.com/conduct.html>

### **3. Alaska Airlines**

We provide Alaska Airlines’ Code of Conduct as an example of an industry-related, local company’s, Code of Conduct that is considered to be very good.

[http://media.corporate-ir.net/media\\_files/IROL/10/109361/corpgov/AAG\\_Code\\_Jan2009revision\\_webV2.pdf](http://media.corporate-ir.net/media_files/IROL/10/109361/corpgov/AAG_Code_Jan2009revision_webV2.pdf)

### **4. Weyerhaeuser**

This is an example of another strong code of conduct.

<http://www.weyerhaeuser.com/pdfs/sustainability/codeofethics.pdf>

## **EXHIBIT C**

### **WORKPLACE RESPONSIBILITY POLICIES**

#### **GOAL**

The Port's goal is to develop a relevant, current, reader-friendly set of core policies that support the Code of Conduct. The policies fall into two categories of workplace responsibility: (1) expectations regarding how Port employees treat each other; and (2) expectations regarding how Port employees are to be good citizens and responsible stewards of public funds.

#### **INTRODUCTION**

The following comments identify initial gaps and overlaps with the policies and suggestions for improvement. The Port's Workplace Responsibility Team will undertake to refine and improve them, working with DWT counsel to draw on best practices from other organizations so that they are refreshed and current.

#### **GENERAL COMMENTS**

The Port's goal is to develop a set of policies that employees will read, assimilate and apply. The current set of policies tends to read like legal regulations and may benefit from a more informal tone. They are generally too long and too procedural. The Port runs the risk that employees will not read them.

##### **1. Anti-Harassment**

The policy overstates what is "illegal harassment", a situation which could pose problems when defending a claim of alleged harassment. We recommend that the harassment policy encourage respectful treatment of co-workers in general, but that is clear about what is unlawful harassment that will not be tolerated.

The "zero tolerance" language should be evaluated. The reality is that not every transgression of the policy will constitute "gross misconduct." Instead, the Port should commit to promptly investigating concerns and taking corrective action, which may include disciplinary action or termination of employees who violate the policy.

On page 2, there is one paragraph that is repeated twice, and is not necessary to repeat them. It is unclear whether this is an error or has been done for emphasis.

There is no complaint procedure specified.

There is no statement that violations of the policy *must* be reported, which can be a useful statement if the Port wants to defend a sexual harassment claim in which the employee was aware of the policy and failed to report concerns.

There is no statement of non-retaliation for those who either make good faith complaints of harassment or who participate in harassment investigations.

## **2. Whistleblower Policy**

The policy is focused on guiding employees in the reporting of activities suspected to be improper governmental action and to pledge no retaliation against employees who complain. It includes information on investigation procedures. It discusses the kinds of policy violations that could form the basis of a complaint, including the Ethics Policy and Fraud Awareness Policy. It does *not* include violations of the harassment policy or any equal employment opportunity policies.

The Port may wish to consider a single policy or procedure that outlines how employees may make complaints of policy violations, that provides a basic overview of how violations will be analyzed and investigated, and that commits to non-retaliation. The Port may also decide that employees have a “mandatory reporting” obligation for certain categories of transgressions.

The Port should evaluate the number of reporting options contained in the Whistleblower Policy. Many options are offered, which can be useful in surfacing concerns. But, the Port will want to ensure that complaints also do not get lodged with people who are not skilled at responding or fail to pass them on.

The policy does not mention the “Fraud Hotline” that we understand the Port has established with a third-party vendor and that is also referenced in the Fraud Awareness Policy. That number should be included as an additional option for complaints.

The policy sets forth tight time frames within which investigations will be completed. This is not necessary and may not be feasible to comply with in every instance.

## **3. Ethics Policies for Port Employees and for Consultants**

This policy should be blended with the Code of Conduct that will be developed. Many of the topics overlap.

It is unclear whether discussion of the Ethics Board is necessary in this policy or should, instead, be discussed in a general policy regarding reporting concerns.

The policy is long. It may be better to develop a Code of Conduct that emphasizes the importance of good judgment and asking for clarification in the event of any concern. You could then include guidelines and examples (such as the gifting policy, employment of relatives, etc) in the form of reference addenda to the policy.

#### **4. Fraud Awareness & Prevention**

We recommend reviewing the definition of “fraud” in the Port’s policy to ensure that it makes the most sense for the Port and is consistent with definitions that may be contained in other policies. This policy has a detailed reporting structure and a separate body for reviewing claims: the “Fraud Response Committee.” The Port will want to address whether having a separate committee makes sense in the context of its overall compliance program or whether it makes sense to channel fraud claims through the same reporting process used for other complaints. The relevant experts could then be engaged to assist with the investigation, such as the Accounting Director, depending on the nature of the alleged fraud.

#### **5. Information Technology**

The policy needs to be expanded to prohibit use of the information technology systems for all forms of unlawful harassment and not just sexual harassment, which is referenced. The Port may wish to feature the “No Expectation of Privacy” language earlier and more prominently in the policy. Do we have/need an intellectual property statement that deals with innovation, etc.?

#### **6. Standards of Performance – HR 18**

The Port should evaluate whether this policy is appropriately bundled with the Workplace Responsibility policies. It has the title “Standards of Performance” but actually does not contain standards of performance. It is more appropriately titled a “Progressive Discipline” policy. It may benefit from some editing of language so that the commitments imposed on the Port in the progressive discipline process are not stated in as mandatory of terms as they presently are.

#### **7. Other Policies**

There are other policies that we also plan to review, as they are related to the above policies. Those include:

- “Employment, Promotion, or Transfer of Close Relatives of Port Employees” (likely overlaps with the present Ethics Policy and can be combined.)
- “Affirmative Action and Equal Opportunity” (often these policies are bundled with the anti-harassment policy.)
- “Title VI Discrimination Complaint Procedure” (should be similar complaint and investigation procedure as with harassment complaints.)
- “Participation in Governmental and Political Activities” (may overlap with Ethics policy and conflicts of interest concepts.)

**EXHIBIT D**  
**COMPLIANCE MODEL**

**GOAL**

The Port’s goal is to develop a compliance model that supports enforcement of the Code of Conduct. The compliance model will ensure that the Port exercises due diligence in detecting and preventing unlawful, fraudulent, and/or unethical conduct and promotes an organizational culture that encourages ethical conduct and a commitment to compliance with the law and with the Port’s new Statement of Values.

**INTRODUCTION**

The following seven minimum steps outline the framework of any effective compliance model. The Port’s Workplace Responsibility team, will evaluate and recommend the best approach to each step in light of the Port’s existing structures, resources, employee base, size of organization, past challenges and best practices drawn from other organizations.

**SEVEN MINIMUM STEPS**

**1. Code of Conduct**

The Code of Conduct (referenced in **Exhibit B**) is the foundation of the compliance model. The Code of Conduct will be supported by related policies and procedures, which are discussed separately in **Exhibit C**. The rest of the compliance model is designed to support enforcement of Code of Conduct and the related policies.

**2. Oversight**

- **Chief Compliance Officer**. A high-level person (or persons) should be vested with ensuring the effectiveness of the program. This change need not necessarily result in new head count, but there needs to be a person (or persons) vested with the authority for managing the Port’s compliance program. This typically includes the designation of a “Chief Compliance Officer.” The compliance officer should report to the CEO.
- **Local/Department Compliance Officers**. It is important to consider what support structure needs to be in place to enhance the effectiveness of the compliance officer. This may include a compliance committee. It may include designated managers that have subject-matter expertise relevant to compliance issues, such as financial auditors, lawyers and human resources. Specific individuals should be delegated day-to-day operational responsibility for assisting with the compliance program. It could be helpful to have local/department compliance officers within each of the Port’s Divisions, particularly given the geographically disperse nature of the operations.

- Ethics Board. The Workplace Responsibility Team will explore the effectiveness of the current “Ethics Board” and make recommendations on whether a different model makes sense

### **3. Hire/Promote Employees Who Embrace Compliance**

The Port will want to evaluate its hiring, promotion, and compensation processes to ensure that it hires, promotes and appropriately compensates employees who help foster a culture of compliance. Stated in the negative, protections should be in place to ensure that the Port avoids hiring, promoting, or over-compensating those who engage in illegal, fraudulent, or unethical conduct or conduct inconsistent with the Port’s compliance program.

### **4. Training and Education**

The Port will want to communicate periodically and in a practical manner the compliance program’s standards and procedures to all levels of the organization. This commitment requires effective communication. Providing practical guidance is the key to creating greater awareness and compliance. Possible communication and training models will be developed that draw on core values, leader competencies, management responsibilities and the established code of conduct.

### **5. Auditing, Monitoring, and Reporting Mechanisms**

- Monitoring & Auditing. The Port will want to establish a system to evaluate periodically the effectiveness of its compliance program including monitoring and auditing. Monitoring uses the control systems, as designed and implemented by management, to direct and correct day-to-day operations. Monitoring is most effective when it is in real time and broad in scope. Auditing generally consists of retrospectively testing the established monitoring systems to ensure that they are functioning. For audits to be credible, auditors need a degree of independence.
- Reporting Systems. The Port will want to have in place and publicize a system (including mechanisms that allow for anonymity or confidentiality) whereby employees and agents may report or seek guidance regarding potential or actual criminal conduct without fear of retaliation. This approach also involves identifying and reporting people who are not following the compliance program. There should be hotlines and numerous ways and contacts through which employees and vendors may report or ask about issues. The Port should give thought to which issues should have mandatory reporting versus those that warrant permissive reporting.
- Triage/Evaluation of Complaints. The Port will want to develop a system for efficiently reviewing complaints and determining an appropriate course of

action. The Port's experience with its present Ethics Hotline is that it gets many complaints that, on their face, do not rise to the level of an ethics issue. There is an initial impression that the "Fraud Hotline Committee" may not be serving a useful function in actual practice.

## **6. Promotion and Enforcement of Compliance Program**

The Port will want to have consistently applied sanctions for violations and incentives for compliance. The keys are having sanctions that are strong enough to deter wrongdoing and that are fairly and consistently applied throughout the organization.

## **7. Appropriate Response**

The Port will want to respond appropriately and responsibly to suspected or actual violations, with an eye toward preventing similar further conduct. It will want to have sound processes for investigating complaints or suspicions, stopping violations, disciplining wrongdoers, and promptly fixing the wrongs done.