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The Honorable Brian Benczkowski
Assistant Attorney General for the Criminal Division
U. S. Department of Justice
950 Pennsylvania Avenue, NW
Washington, D.C. 20530-0001

RE: U.S. Department of Justice Criminal Division Guidance Document
Evaluation of Corporate Compliance Programs

Dear Mr. Benczkowski:

The Institute of Internal Auditors (IIA) recently reviewed the Department of Justice (DOJ) Criminal Division's updated Guidance Document, "Evaluation of Corporate Compliance Programs." We applaud the DOJ's recognition of the key role of an adequately resourced, independent and professional internal audit function to ensure the effectiveness of corporate compliance programs. As stated in Section B, prosecutors should evaluate whether "internal audit functions [are] conducted at a level sufficient to ensure their independence and accuracy, as an indicator of whether compliance personnel are in fact empowered and positioned to effectively detect and prevent misconduct."

We encourage the DOJ to recognize that any evaluation of the "independence and accuracy" of the internal audit function must begin with a determination as to the level of conformance with The IIA's International Professional Practices Framework (IPPF). The IPPF organizes authoritative guidance promulgated by The IIA. Conformance with the principles and *Standards* set forth in mandatory guidance is required and essential for the professional practice of internal auditing. Mandatory guidance is developed following an established due diligence process, which includes a period of public exposure for stakeholder input. Conformance with the mandatory components of the IPPF is globally recognized as the foundation of an independent and effective internal audit function.

However, we do want to clarify the differing roles of "compliance personnel," as internal audit and the compliance function are unique as described in the globally recognized "Three Lines of Defense Model." The current model provides an effective way to enhance communications on risk management and control by clarifying essential roles and duties. As described in the attached IIA Position Paper, "The Three Lines of Defense in Effective Risk Management and Control," the compliance function is in the second line of defense, with limited independence and

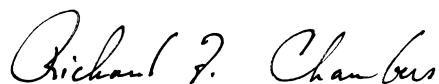
aligned to report primarily to management. Internal audit is the third line of defense, with greater independence and aligned to report directly to the governing body. There should be proper coordination among the separate lines to foster efficiency and effectiveness and each line should be supported by the appropriate policies and role definitions.

It should be noted that The IIA, in collaboration with specialists in governance and risk management, is doing an extensive review of the Three Lines of Defense, weighing the concept's strengths, application, and usefulness toward ensuring its continued relevance in today's operational climate. The focus is around coordination and collaboration, and on alignment and integration of the approach used across the model. IIA Global Chairman Naohiro Mouri recently stated: "There is a shared responsibility and accountability for the execution and assurance of governance, risk management, and internal control. Our aim is not to replace Three Lines of Defense or invent a new model, but to ensure it can accommodate the nuances and dynamics we see across different organizations, so that they may leverage and learn from each other more effectively and strategically." Based on the input received during this review, an updated position paper will be presented for public comment in the near future. There are not expected to be changes to the fundamental difference described between the internal audit and compliance functions.

Finally, we noted that one of the resources utilized in updating the DOJ's Guidance Document is OECD's 2009 "Good Practice Guidance on Internal Controls, Ethics, and Compliance." Last month, The IIA submitted its comments to the OECD on its 2009 "Recommendation of the Council for Further Combating Bribery of Foreign Public Officials in International Business Transactions" (copy attached). In that letter, we stressed that the critical role that internal audit plays in detecting and deterring bribery and corruption is absent from both the main recommendation and its Annex II, the "Good Practice Guidance on Internal Controls, Ethics, and Compliance," referenced in the DOJ Guidance Document. We provided our recommended changes to both.

Again, we congratulate the DOJ for its recognition of the importance of an adequately resourced, independent internal audit function in the evaluation of corporate compliance. If you have any questions about our comments or would like to discuss further, please contact Kathy Anderson, The IIA's Managing Director of North American Advocacy. Ms. Anderson can be reached at kathy.anderson@theiia.org or 407-937-1291.

Sincerely,



Richard F. Chambers, CIA, QIAL, CGAP, CCSA, CRMA
President and Chief Executive Officer
The Institute of Internal Auditors

Attachments

The Institute of Internal Auditors (IIA) is the internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications. Established in 1941, The IIA today serves more than 200,000 members from more than 170 countries and territories. The association's global headquarters are in Lake Mary, FL. For more information, visit www.theiia.org.