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**EASTON-BELL SPORTS**



Riddell



**CREATING A MORE EFFECTIVE  
OVERSIGHT FUNCTION**

**COMBINING THE INTERNAL AUDIT AND  
COMPLIANCE DEPARTMENT**

**PRESENTED BY E. FISCH, CPA, CIA, CFE**

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**EASTON-BELL SPORTS**

**COMBINING I/A AND COMPLIANCE**

□ **OUTLINE:**

- **BACKGROUND**
- **AUDIT PURPOSES AND GOALS**
- **COMPLIANCE PURPOSES AND GOALS**
- **COMBINING THE PURPOSES AND GOALS**
- **ADVANTAGES OF COMBINING INTERNAL AUDIT  
AND COMPLIANCE FUNCTIONS**



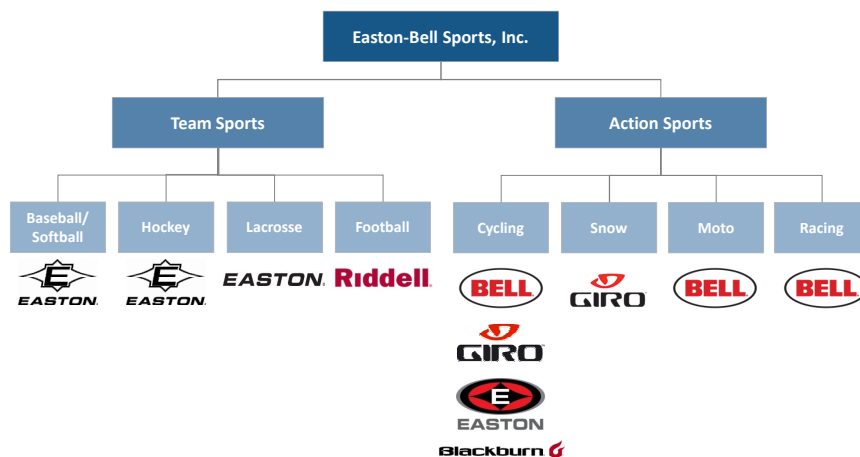
Riddell



## COMBINING I/A AND COMPLIANCE

- BACKGROUND
  - MY BACKGROUND
  - EASTON-BELL SPORTS BACKGROUND

### Strong Portfolio of Brands Across a Range of Categories



*EBS is a strategic combination of leading performance sporting goods brands*

## EASTON-BELL SPORTS

### EBS' Authentic Brand Portfolio at a Glance

			
			
<ul style="list-style-type: none"> <li>#1 in baseball and softball bats</li> <li>Official equipment supplier of the Little League World Series</li> <li>#1 in hockey sticks</li> <li>~45% of NHL players use Easton hockey sticks</li> </ul>	<ul style="list-style-type: none"> <li>#1 in cycling helmets</li> <li>#1 in cycling accessories</li> <li>Endorsed by premier athletes including James Stewart and Carlos Sastre (2008 Tour de France winner)</li> </ul>	<ul style="list-style-type: none"> <li>#2 in cycling helmets (behind Bell)</li> <li>#1 in snowsports helmets</li> <li>Official helmet of the U.S. Olympic Snowboard Team</li> <li>Endorsed by more Tour de France winners than any other brand since 1990, including Lance Armstrong and 2009 winner Alberto Contador</li> </ul>	<ul style="list-style-type: none"> <li>#1 in collegiate and professional football helmets</li> <li>#1 in reconditioning services</li> <li>Official Helmet of the through 2014 </li> <li>~80% of NFL players use Riddell helmets</li> <li>Official Football Helmet and Protective Equipment Partner of USA Football and Official Hardgoods Supplier of American Youth Football</li> </ul>



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## EASTON-BELL SPORTS

### Diverse customer base with strong relationships

#### Customer base



- EBS maintains strong relationships with its customers
  - Provides equipment maintenance and delivery services to schools at all levels
  - Customizes product for NFL and NHL players in North America manufacturing facilities
  - Provides integrated marketing programs for key retailers including POP fixtures
  - Develops innovative product packaging solutions for key retailers

EBS has a diversified, high-quality customer base with more than 25,000 customers where no single customer accounts for more than 15% of net sales

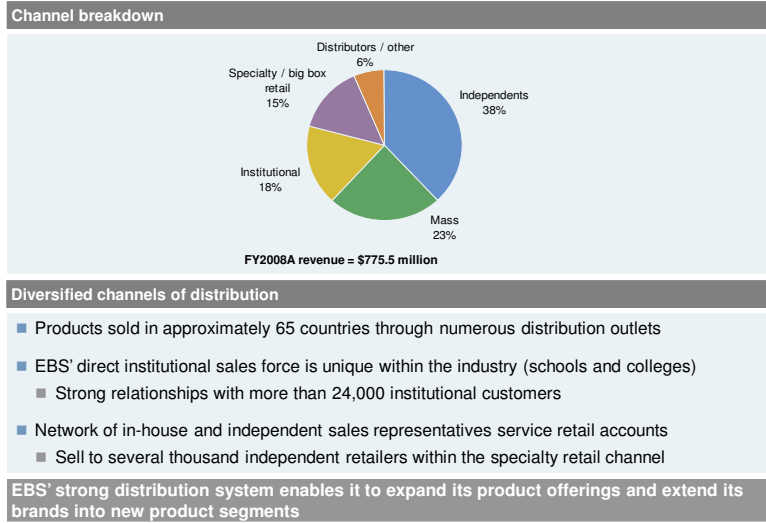


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## EASTON-BELL SPORTS

### Diversity of channels/customer base



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## EASTON-BELL SPORTS

### Flexible, low fixed-cost manufacturing and sourcing



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## **COMBINING I/A AND COMPLIANCE**

- AUDIT PURPOSES AND GOALS
  - INTERNAL AUDIT DEFINITION
  - RISK MANAGEMENT
  - POLICY COMPLIANCE
  - REGULATORY COMPLIANCE
  - FRAUD IDENTIFICATION AND REVIEWS
  - INTERNAL CONTROLS/SOX
  - MANAGEMENT INVESTIGATIONS

## **COMBINING I/A AND COMPLIANCE**

- COMPLIANCE PURPOSES AND GOALS
  - COMPLIANCE WITH COMPANY CODE OF CONDUCT
  - COMPLIANCE WITH COMPANY POLICIES
  - COMPLIANCE WITH REGULATIONS
  - HOTLINE REVIEWS AND INVESTIGATIONS
  - CODE OF CONDUCT AND ETHICS TRAINING
  - CONDUCT COMPLIANCE REVIEWS

## **COMBINING I/A AND COMPLIANCE**

- ❑ **COMBINING THE PURPOSES AND GOALS**
  - **COMMON GOAL-RISK IDENTIFICATION AND AVOIDANCE**
  - **OVERALL UNDERSTANDING OF COMPANY OPERATIONS**
  - **IDENTIFY AND TEST NECESSARY INTERNAL CONTROLS**
  - **CREATE COMPANY POLICIES TO INCLUDE INTERNAL CONTROLS AND REGULATORY REQUIREMENTS.**

## **COMBINING I/A AND COMPLIANCE**

- ❑ **ADVANTAGES**
  - **COST SAVINGS**
  - **ENHANCED OVERVIEW OF COMPANY OPERATIONS AND REGULATORY REQUIREMENTS**
  - **BETTER COMMUNICATION WITH EMPLOYEES AND MANAGEMENT**
  - **PROVIDES FEEDBACK ON WHAT IS WORKING AND NOT WORKING WITH THE COMPLIANCE PROGRAM**
  - **DEVELOP BEST PRACTICES AND STREAMLINE OPERATIONS**

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## **EASTON-BELL SPORTS**



## **QUESTIONS?**

ELLIOT FISCH, CPA, CIA, CFE  
DIRECTOR, INTERNAL AUDIT AND CHIEF COMPLIANCE OFFICER  
EASTON-BELL SPORTS, INC.  
818-902-5822  
EFISCH@EASTONBELLSPORTS.COM

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## **Anti-Corruption Compliance Reviews**

Adrian D. Mebane, Director, Ethics and Compliance Group  
September 2010



## Weatherford – Who We Are

### Services

Oil field services company serving the needs of national oil companies ("NOC") and independent oil companies ("IOC") in 100+ countries

### Size

Approx. \$12 billion Swiss-registered company with roughly 53,000 employees

### Focus

Upstream focus on well drilling, evaluation, completion, and production and intervention, with additional business units focused on pipeline services and chemicals

### Technology

Technology-driven company with 15+ R&D centers and strong IP portfolio

### Manufacturing

Manufacturer of most equipment used in the performance of our services at over 100 locations

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## Weatherford's Commitment to Transparency and Compliance

### Weatherford is committed to compliance

- Weatherford's development of a more robust compliance program is essentially complete, though the Company constantly strives to improve and innovate
- Anti-Corruption Manual issued in 2008; in 2009, revision aimed at establishing best practices completed
- Trade Compliance Policy issued in Q1 2010; region and country-level manuals will follow before year-end 2010
- Since 2007, resources devoted to anti-corruption and trade compliance have increased dramatically
  - Weatherford now has 30 employees devoted exclusively to Compliance with three additional positions to be filled in the next few months

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## Development of the Office of Global Compliance

- Overhaul of Weatherford's Anti-Corruption program began in January 2008 with the hire of a Director of the Ethics & Compliance Group and staff (including lawyers and paralegals)
- With assistance from outside counsel, the Ethics & Compliance Group drafted and disseminated an Anti-Corruption Manual and began employee training worldwide
  - Training addresses procedures established around anti-corruption risk areas, such as vetting of third-party intermediaries, travel of government officials, gifts & entertainment, charitable contributions, and mergers and acquisitions

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## Ethics & Compliance Group

### Composition of Ethics & Compliance Group ("E&C Group")

Led by Adrian Mebane	<ul style="list-style-type: none"><li>• Former prosecutor at DOJ's Fraud Section and State's Attorneys Office in Chicago; Counsel at Crowell &amp; Moring</li></ul>
Regional Compliance Counsel for each region in which we operate	<ul style="list-style-type: none"><li>• In place in Latin America, FSU/Europe, Middle East/North Africa, North America, and Asia</li><li>• Searching for candidate to be based in Sub-Saharan Africa</li></ul>
Program Management	<ul style="list-style-type: none"><li>• Coordination of efforts led by U.S.-based team regarding anti-corruption, antitrust, and other Code of Business Conduct issues</li></ul>
Special Projects Group	<ul style="list-style-type: none"><li>• Staffed by three lawyers, six forensic accounts, and one compliance coordinator</li><li>• Group is responsible for compliance reviews and investigations</li></ul>

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## Ethics & Compliance Group (*continued*)

### Primary responsibilities

- Issuing policy and procedures
- Training employees globally
- Maintaining ListenUp ethics and compliance reporting hotline
- Conducting compliance reviews and investigations
- Providing day-to-day guidance concerning, among other things:
  - vetting of third-party intermediaries
  - requests for charitable/community payments
  - travel for covered persons
  - mergers and acquisitions
  - antitrust compliance

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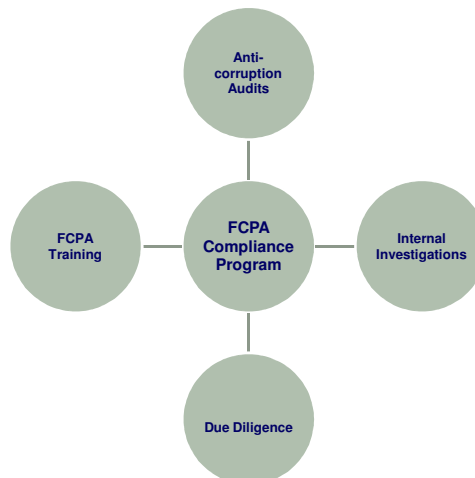
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## Overall Compliance Review Approach

- Weatherford's Anti-Corruption Program has four basic pillars



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## Overall Compliance Review Approach (cont.)

- Responsibility of Office of Global Compliance
  - Separate from Internal Audit Program
- Integral Component of Weatherford's overall compliance program
- Risk-based audit approach



## Overall Compliance Review Approach (cont.)

- The FY 2009 and FY2010 review plan includes 10 to 15 in-country audits
- Each review team consists of at least one lawyer with investigative experience and three forensic accountants (all in-house personnel)
  - Local accounting resource(s) often added for language assistance



## Overall Compliance Review Approach (cont.)

- A number of factors are considered in deciding which countries to audit, including:
  - Risks and issues identified in the past through ListenUp hotline or otherwise
  - Transparency International's CPI
  - Historical country revenues and planned growth
  - Concentration of current or prospective business with State-Owned Enterprises ("SOE"), typically NOCs

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## Weatherford's Anti-Corruption Compliance Review Approach (cont.)

### Objectives of the Compliance Reviews:

- Determine compliance with the FCPA and other anti-corruption laws and the Company's Code of Business conduct, including anti-corruption policies and procedures
  - Evaluate the effectiveness of anti-corruption training
  - Raise management awareness of the importance of compliance with Company's policies and procedures, as well as anti-corruption laws
  - Help deter corrupt activity in violation of the policies, procedures, and anti-corruption laws
  - Review internal controls as they pertain to adherence to policies, procedures, and anti-corruption laws

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## Detailed Scope of Work

### Audit Process

#### Stage 1: Pre-Audit Planning



#### Stage 2: Perform the Audit (2 to 3 weeks in-country)



#### Stage 3: Post-Audit Follow-Up



#### Stage 4: Summarize Audit & Present Findings

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## Detailed Scope of Work (cont.)

### Pre-Audit Planning

- Notify Country Manager of upcoming audit and schedule teleconference to discuss details and logistics (e.g., office space, holidays, travel, personnel availability for interviews, underlying language of supporting documentation, etc.)
- Send Prepared by Country ("PBC") list to responsible parties located in-country requesting information, including, but not limited to: organizational chart, general ledger chart of accounts, listing of legal entities, SOE revenue, detail for petty cash expenditures, listing of third-party intermediaries, listing of acquisitions within the past few years, trial balance(s), A/P disbursements, listing of transactions in hospitality accounts, charitable and political contributions, and consulting fees

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## Detailed Scope of Work (cont.)

### *(Pre-Audit Planning cont.)*

- Collect information available in the United States, including: list of third-party intermediaries, hospitalities and trips for covered persons, past compliance certifications and any exceptions, Internal Audit reports
- Communicate testing selections (if determined beforehand) to appropriate party in-country so that documentation can be assembled
- Prioritize interview schedule based on discussions with local management and review of country employee listing

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## Detailed Scope of Work (cont.)

### Perform Audit

- Interview Key Personnel
  - Country Manager, Country/Region Controller, Contracts Manager, Tender Manager, etc.
  - Purpose of interviews is to understand how business is conducted and obtained in-country, identify major customers and key intermediaries, frequency of travel and entertainment for covered persons, identify licenses, permits, and accreditations necessary to conduct business, etc.
  - Whenever possible, preliminary interviews conducted weeks before forensic work begins to better target entities, individuals, accounts, etc. during forensic work

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## Detailed Scope of Work (cont.)

Sample & Test Transactional Activities, including:

- Look for payments in round dollar amounts, to third parties, inconsistent with contracts or local prices
- View disbursement activity for certain vendors identified during the review, disbursement activity for payments related to licenses, permits, taxes and other payments to government entities
- Review key general ledger accounts, such as charitable contributions, gifts, meals and entertainment, travel, political contributions, and miscellaneous

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## Detailed Scope of Work (cont.)

*(Sample & Test Transactional Activities cont.)*

- Look for payments made in contravention of Weatherford's policies and procedures. For example:
  - Hospitality payments in excess of limits
  - Political contributions
  - Charitable contributions made without proper permissions
- Review detail petty cash accounts for large and/or unusual transactions
  - Question use of petty cash

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## Detailed Scope of Work (cont.)

### *(Sample & Test Transactional Activities cont.)*

- Contractual and transactional review of business with SOEs and NOCs
- Review of payroll looking for “ghost” employees and employees related to covered persons
- Review of facilitating payment and personal safety payment accounts
- Testing and review of third-party intermediaries
  - Was required diligence performed on intermediaries?
  - Are agreements with intermediaries in writing and do the agreements contain required compliance provisions?
  - Are payments to intermediaries consistent with contract provisions?

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## Detailed Scope of Work (cont.)

### Audit Reporting and Follow-Up

- Local and Regional Management
- Corporate and Operational Accounting
- Internal Audit
- Audit Committee

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**Questions?**

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**Thank You**

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