

# Simulated Case Study Assignment

## Compliance Management Crisis at TechFlow Industries

Course: GRC101 - Introduction to Governance, Risk, and Compliance

### CASE SCENARIO

#### TechFlow Industries Background

TechFlow Industries is a rapidly growing financial technology company that provides payment processing solutions to small and medium-sized businesses across North America. Founded five years ago, the company has grown from 15 employees to over 500 employees across three countries (the United States, Canada, and Mexico). The company processes over \$2 billion in transactions annually and handles sensitive financial data for more than 10,000 merchant clients.

#### Recent Growth and Challenges

Over the past 18 months, TechFlow has experienced explosive growth, acquiring two smaller competitors and expanding into new market segments. However, this rapid expansion has created significant compliance challenges that have come to a head following a recent regulatory examination.

#### The Compliance Crisis

Last month, TechFlow received a formal notice from the Financial Crimes Enforcement Network (FinCEN) regarding deficiencies in their Anti-Money Laundering (AML) compliance program. Simultaneously, the Payment Card Industry Security Standards Council (PCI SSC) has flagged potential violations of PCI DSS requirements following a security incident that exposed customer payment data.

#### Key Issues Identified:

1. Inadequate compliance documentation and record-keeping
2. Lack of formal compliance monitoring and auditing procedures
3. Insufficient employee training on compliance requirements
4. Absence of a designated compliance officer
5. No centralized compliance reporting system
6. Inconsistent policies across different business units
7. Poor third-party vendor compliance management

#### Regulatory Pressure

FinCEN has given TechFlow 90 days to submit a comprehensive remediation plan addressing all identified deficiencies. Failure to comply could result in:

- Civil monetary penalties up to \$500,000
- Consent order requiring ongoing compliance monitoring

- Potential criminal referral for willful violations
- Loss of banking partnerships and payment processing licenses

The PCI SSC has placed TechFlow on **probationary** status and requires immediate implementation of enhanced security controls and compliance reporting.

## Current State Assessment

A recent internal audit revealed the following compliance program gaps:

### Board Oversight:

- No board-level compliance committee
- Compliance issues not regularly reported to board
- No formal compliance program charter or mandate

### Compliance Leadership:

- No designated Chief Compliance Officer
- Compliance responsibilities are scattered across multiple departments
- No clear accountability structure for compliance failures

### Policies and Procedures:

- Outdated AML policies last updated three years ago
- No standardized procedures across business units
- Missing policies for new business lines and services
- No formal policy review and approval process

### Training and Communication:

- Ad-hoc compliance training with no tracking
- No anonymous reporting mechanisms
- Limited communication of compliance requirements to employees
- No compliance awareness campaigns or culture initiatives

### Monitoring and Auditing:

- No systematic compliance monitoring program
- Reactive approach to compliance issues
- Limited use of technology for compliance monitoring
- No formal audit schedule or methodology

### Documentation and Reporting:

- Paper-based documentation systems
- No centralized compliance repository

- Inconsistent record-keeping practices
- Manual reporting processes are prone to errors

#### Technology Infrastructure:

- Legacy systems with limited compliance capabilities
- No integrated GRC platform
- Manual data collection for compliance reporting
- Limited real-time monitoring capabilities

#### Financial Impact

The compliance crisis has already cost TechFlow significantly:

- \$2.5 million in legal and consulting fees
- \$1.8 million in potential regulatory fines
- \$500,000 in lost business due to reputational damage
- \$300,000 in emergency compliance technology purchases

Additionally, the company's planned IPO has been delayed indefinitely, potentially costing millions in lost valuation.

#### Stakeholder Concerns

Various stakeholders have expressed serious concerns:

Investors: Worried about regulatory risk and potential financial impact

Customers: Concerned about data security and regulatory compliance

Employees: Uncertain about job security and company reputation

Banking Partners: Considering terminating relationships due to compliance risks

Board of Directors: Demanding immediate action and accountability

## ASSIGNMENT REQUIREMENTS

Your consulting firm has been hired by TechFlow Industries to develop a comprehensive compliance management transformation plan. You must address all identified deficiencies and create a sustainable compliance program that meets regulatory requirements and supports business growth.

### Task 1: Compliance Program Design (25 points)

Design a comprehensive compliance management system for TechFlow Industries that addresses all seven elements of an effective compliance program.

#### Requirements:

- Develop an organizational structure with clear roles and responsibilities
- Create a compliance program charter with board approval requirements

- Design governance structures including board oversight and compliance committee
- Establish reporting relationships and accountability mechanisms
- Define the scope and objectives of the compliance program

**Deliverables:**

- Organizational chart showing compliance structure
- Compliance program charter (2-3 pages)
- Role descriptions for key compliance positions
- Governance framework document

## **Task 2: Policy and Procedure Development (20 points)**

Create a comprehensive policy framework that addresses TechFlow's regulatory requirements and business needs.

**Requirements:**

- Develop a policy hierarchy and classification system
- Create templates for key policy categories (AML, PCI DSS, Data Privacy)
- Design a policy development and approval process
- Establish policy review and update procedures
- Create a policy communication and training plan

**Deliverables:**

- Policy framework document
- Sample policies for AML and PCI DSS compliance
- Policy development process flowchart
- Policy review schedule and responsibilities

## **Task 3: Risk Assessment and Monitoring Plan (20 points)**

Develop a comprehensive compliance risk assessment methodology and ongoing monitoring program.

**Requirements:**

- Create a compliance risk assessment framework
- Identify key compliance risks for TechFlow's business
- Develop risk rating criteria and assessment procedures
- Design ongoing monitoring and testing procedures
- Create escalation procedures for compliance issues

**Deliverables:**

- Risk assessment methodology document
- Compliance risk register for TechFlow

- Monitoring and testing plan
- Issue escalation procedures

#### **Task 4: Documentation and Reporting System (20 points)**

Design a comprehensive documentation management and compliance reporting system.

##### **Requirements:**

- Create a document classification and retention system
- Design compliance reporting templates for different audiences
- Develop key performance indicators and metrics
- Create a compliance dashboard design
- Establish reporting schedules and responsibilities

##### **Deliverables:**

- Document management system design
- Compliance reporting templates
- KPI framework and dashboard mockup
- Reporting calendar and responsibility matrix

#### **Task 5: Implementation Roadmap (15 points)**

Develop a detailed implementation plan that addresses TechFlow's 90-day regulatory deadline while building a sustainable long-term compliance program.

##### **Requirements:**

- Create a phased implementation approach
- Identify critical path activities and dependencies
- Develop resource requirements and budget estimates
- Create change management and communication plans
- Establish success metrics and milestones

##### **Deliverables:**

- 90-day emergency response plan
- 12-month implementation roadmap
- Resource and budget requirements
- Change management strategy
- Success metrics and measurement plan

# SUBMISSION REQUIREMENTS

## **Format Requirements:**

- Professional business document format
- Executive summary (2 pages maximum)
- Individual task responses (3-5 pages each)
- Supporting appendices and templates
- Total length: 20-25 pages excluding appendices

## **Evaluation Criteria:**

- Practical applicability to TechFlow's situation (25%)
- Compliance with regulatory requirements (25%)
- Quality of analysis and recommendations (20%)
- Professional presentation and communication (15%)
- Innovation and best practices integration (15%)

## **Additional Resources:**

- U.S. Sentencing Guidelines Chapter 8 (Provided on portal under study material)
- FinCEN AML Program Requirements (Provided on portal under study material)