

The Middle Market

Achieving Global Compliance: Is It Possible?

By Keith Wallace

In many ways, the world continues to prove that it is getting smaller, or at least it feels that way. No one ever says, however, that complying with governmental and regulatory requirements is becoming simpler as a result. In fact, the opposite is true—global compliance is becoming more complex, less harmonized, and more difficult each year.

Most companies with a global footprint dedicate resources and spend countless hours in order to meet the numerous filing obligations for each country in which they do business. As a result of the significant complexities for most countries, this is a real challenge, and in many cases companies need professional assistance to coordinate and monitor the process.

In the past, this issue primarily affected only Fortune 500 companies. As a result of the hyper-growth of globalization within the middle market in the past five to 10 years, however, many middle-market companies and their boards suddenly find that they have operations in 10 or more countries. In fact, we see a number of companies with revenues of less than \$100 million that have operations in 20 to 30 countries.

Below are some strategies that directors of middle-market companies should encourage management to consider to help them navigate these turbulent global compliance waters.

Company's responsible party: A critical aspect related to global compliance is for a company to identify one person or group who is responsible for monitoring and maintaining compliance. This person (or group) will need to work with the various departments and stakeholders in

the company around the globe, as well as with the company's outside provider(s) to monitor the status of the company's global compliance and work to resolve all the identified compliance issues. This person should have a reporting relationship with the company's board, either directly or through one of its committees.

Single vendor: Many companies now find they have 10 or more vendors providing global compliance services related to statutory audit, direct and indirect tax, and other regulatory financial reporting requirements. The ability of middle-market (and Fortune 500) companies to monitor and verify that all filings have been identified and that the related work has been completed for a timely filing is virtually impossible. The requirements are complex enough—it really doesn't help to add to those complexities by having so many firms involved. By consolidating with one vendor that has a global reach, companies can establish clear service expectations and have the essential “one throat to choke” related to the timely resolution of issues and concerns.

Global assessment: A lot of companies, regardless of size, are challenged with the first stage of a global compliance program—the identification of its comprehensive filing requirements. In many cases, companies rely on their local management teams to identify and certify that all filings have been completed in compliance with local laws and regulations. To ensure completeness, companies should start with a “top-down” and “bottom-up” assessment using “in-country” professionals to assess, identify, and log all required filings. This process typically identifies a number of filings that

have never been completed in the past.

Common milestones: Once a company has a record of required global filings, it needs to identify and group those filings into common pools, such as statutory audits, direct and indirect taxes, and financial reporting. The company then should develop custom milestones for each common pool, which will allow it to effectively and efficiently monitor the progress on the completion of each of these filings.

Project management and technology solution: A company's ability to meet each of its compliance/filing deadlines depends on the timely completion of each of the established milestones. Middle-market companies (and/or their professional advisors) need to have in place a comprehensive, structured project management approach utilizing a technology tool that allows for 24/7 updating and monitoring in order to meet all of the necessary milestones.

To answer the question presented in the headline, I am not certain that global compliance is truly 100 percent achievable today—at least not within a reasonable cost to most middle-market companies. The ability, however, to much more effectively manage this process and to minimize the events of non-compliance—and with that the cost of fines—is certainly available to companies by taking the above steps.

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