



HOTLINES FOR *HEROES*

MAKING A FRAUD HOTLINE ACCESSIBLE AND SUCCESSFUL

Why do employees often avoid using hotlines? Because they do not believe they are really anonymous, and their co-workers could label the employees “tattlers.” Here are ways to debunk stereotypes and practical suggestions for constructing hotlines that work.

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message from a municipality's new employee hotline — no name, no contact information provided:

"Could someone please help us out here? It's terrible out here. No one listens. The employees are going crazy. We can't do our jobs! Please help!"

Message next day, same voice, no name, no contact information provided:

"Please help us. I work in the utilities department. We have people out here who aren't showing up to their jobs. And they are in charge! Things are falling apart! Please help us!"

Same day, different calm voice this time, no name, no contact information provided:

"I'm glad there's a hotline. I was so glad to see the press conference and finally know that there was someone who would listen. I've sent you a form from your website; it has details. Please, please, please, send someone out to see what's going on out here. Our director and deputy director are not working when they are supposed to be here. I'm pretty sure our director hasn't worked a full day in months and is getting full pay. And our deputy director is directing payments to a vendor where his wife works. I don't know how he's paying for it or how it got approved. I'm afraid to leave my name. Thank you for having this hotline. This has been going on for a while and I didn't know who to tell."

The inspector general's brief investigation confirmed that the director had falsified time sheets to show he had worked full time when he had not. Analysis of the vendor invoices showed hallmarks of fictitious billing, and the invoices did not substantiate the work the vendor said it had performed. A pretext call to the vendor confirmed that the wife worked at the vendor business. None of the participants in this case had reported the clear conflict of interest. The organization disciplined the director and terminated the outside vendor contract. The husband opted to retire rather than face disciplinary action. The municipality did not prosecute him.

SAVINGS THROUGH HOTLINES

Why bother with a hotline at all? After all, our municipality, a mid-sized city in the southwestern United States, was relatively free of fraud — at least everyone else thought so — and a hotline seemed expensive because of extra staff time or the involvement of a third-party provider. Our organization already had a bare-bones, ineffectual hotline. The only advertising for it was a poster inside the internal audit department office. An informal survey showed that virtually nobody knew that the hotline even existed, including the mayor. The previous hotline was not advertised, not shared with employees and not used. Nobody checked the voice mails for the hotline number. So why did we ultimately develop a full-fledged ethics and fraud hotline and

have top elected officials announce it with much fanfare at a press conference?

The answer is that an organization with a hotline, on average, saves \$145,000 per year on fraud-related losses, according to the ACFE's 2010 "Report to the Nations." Forty percent of U.S. frauds were detected through tips, and half of those tips came from employees. According to the report, organizations with hotlines detected most of their fraud internally via tips and internal audits, while those without hotlines detected more fraud by accident or via external sources such as external audit or police notification. Tips detected a larger percentage of frauds in Asia, Europe and Africa, but even in the U.S., tips still netted the majority of fraud discoveries. Providing employees with a way to anonymously report suspected fraud reduced both the monetary amount of the fraud and the duration of the scheme.

Over the years, we have had many conversations with CFEs who have launched hotline programs — some successfully, some not so successfully. A common theme in these case histories is that the hotline initially received calls, and some of the calls lead to investigations, but eventually calls tapered off to nothing. Another common theme was that CFEs often asked for advice on how to get upper managements' buy-in for hotlines' cost and time. When we constructed the hotline discussed in this article, we used the information gleaned from our conversations with CFEs to ensure that we had management's total support for an enduring program.

NOT JUST FOR FRAUD EXPOSURE

A hotline can do more than just give employees a place to file a suspected complaint of fraud, although tips on suspected fraudulent activity are obviously of great interest to CFEs. Leveraging your hotline for more than just fraud tips can have surprising benefits. Hotlines can provide open communication between management and employees, vendors, customers or clients. Hotlines can accept complaints about workplace safety, quality control issues or human resources concerns such as discriminatory behavior or sexual harassment. Hotlines can even become a central aspect of continual organizational improvement when they accept employee suggestions to revamp processes and save money. They also help counteract the employees' rationalizations that allow fraud to continue.

When top-level managers or elected officials publicize a hotline, management has a platform to take a strong anti-fraud stance and demonstrate the "tone at the top" that is so important for organizations combating fraud. The head of the organization, when visibly involved in promoting the hotline, sends the message, "This is important, and I support you contacting the hotline." Therefore, employees will worry less about

The names, places and facts of the opening case have been modified to protect the identity of the victim organization and the employee sentinels who made the anonymous reports.

retaliation. A hotline that includes a performance or quality improvement element also demonstrates management's commitment to organizational improvement.

Of course, there are other compelling reasons to have a hotline. The 2002 U.S. Sarbanes–Oxley Act (SOX) requires all publicly traded companies in the U.S. to have an anonymous reporting function. Some companies might incorporate a requirement in their corporate codes of ethics or similar policies to have hotlines. Governmental agencies might be required by statutes to have fraud hotlines, and some governmental entities require their vendors or contractors to have them as well. European Union citizens can call a hotline provided by Office Européen de Lutte anti-Fraude (OLAF), an agency that investigates frauds “against the community’s interests.”¹

When our municipality asked us to design and roll out a hotline and reporting program, the administration stressed that it should have a positive message and avoid emotionally charged words. We avoided words such as these, especially in first-contact marketing materials: fraud, waste, corruption, bribery, kickbacks, theft, stealing, embezzlement, investigation, crime, dishonesty and whistleblower. Though CFEs use those words every day in our jobs, they create high psychological barriers for tipsters to overcome and discourage them from using the hotline.

Instead, we used words such as stewardship, accountability, transparency, responsibility, ethics, citizenship, quality, efficiency and process improvement. These words allow tipsters to use the hotline without having to experience the pressure that comes from calling in frauds against co-workers or feeling that they have high legal standards to prove. After all, we are asking our employees to report wrongs that could mean their co-workers receive disciplinary actions or might bring disgrace to supervisors or even to the entire organization.

During our hotline rollout planning, the members of a focus group said our draft posters that would publicize the program were too vague and did not send a clear message. We started over with a different graphic artist, and we ultimately created positive message marketing materials that made sense to our employees.

Employees are naturally concerned about being labeled “tattletales,” “rats” or “snitches” and fear they will lose the respect of co-workers and supervisors after reporting problems. Teachers and parents sometimes send these messages to children: “Don’t rat out your friends!” “Don’t tell on your sister,” or “Stop being a tattletale.” Even the term “whistleblower,” which historically had the fairly neutral meaning of a sports official blowing a whistle to stop play, has become an emotionally charged word, associated with sensationalized reports of retaliation and reprisal. Using this word might stir up fear in an employee who is considering reporting a fraud or other wrongdoing. These stereotypes come from various sources, and while different terms are used in different places, they appear to be universal.

The ACFE presents the annual Cliff Robertson Sentinel Award to well-known individuals for “choosing truth over self” when they reported wrongdoings. Interestingly, the honor is

not the “whistleblower award.” Rather, Dr. Joseph T. Wells, CFE, CPA, founder and Chairman, specifically named it the “sentinel” award to avoid the pejorative connotation. Similarly, we wanted our hotline to be a way for good citizens and committed employees to become sentinels or heroes and circumvent the negative inferences.

HOTLINE HOW-TOS

This anonymous reporting mechanism, unless specifically required by statute or regulation, can take several forms. It can be as simple and low-tech as a suggestion box nailed to a wall in an employee break room, or as sophisticated as a hotline outsourced to a specialized provider, such as the ACFE’s EthicsLine, which allows for reporting via a web-based questionnaire. Other possibilities include anonymous emails, dedicated phone lines, calls directed to voice-messaging systems or calls answered by live operators. Each method has pros and cons, and there is no one best type for every situation. However, the organization that incorporates several reporting vehicles will, obviously, have more and higher-quality tips because employees will find the most comfortable methods for them.

When we planned our hotline program, we researched other organizations’ efforts, and we found two outstanding hotlines with positive themes. The Seattle Ethics and Elections Commission’s hotline message, “Calling All Heroes,” is simple to understand and asks all employees to “put on a cape and become a super hero” for the city of Seattle.² It is a sweet, humorous, but clear message.

PepsiCo’s anonymous-reporting mechanism, “Speak Up,” is an international hotline program that stresses employee responsibility for acting ethically, following the company’s code of conduct and reporting ethical violations.³

Some other possible positive messages you can use include:

- Continuous improvement.
- Safeguarding our assets.
- Save money, time and valuable resources.
- It’s right to report a wrong.
- Honest stewards keep us efficient, effective and fraud free.
- The essential element is you.

Your organization’s culture should drive the tone of your hotline marketing. Is your organization conservative and serious, or is it innovative and playful? Any person depicted in your marketing materials should be wearing clothes that match those of your employees: from suits to business casual to work jeans. Language in your marketing materials should reflect your employees’ educational levels.

If your organization is diverse educationally, culturally or socio-economically, it might be necessary to create one marketing theme but different posters and handouts for use in various locations of your building(s) such as, for example, the accounting office as compared to the maintenance department. The

materials should be as cohesive as possible, apply to the most employees possible and use their native languages. Utilize your organization's buzzwords, and piggyback off other performance improvement or marketing materials. Whether the organization is high tech and cutting edge, or conservative and traditional, there is a positive message that can be associated with your hotline, which will be palatable and appealing to employees and management.

When planning your hotline, be sure to solicit input from internal or external legal counsel, the human resources department and public relations specialists. Additionally, the team developing and managing the hotline should include representatives from the investigations, internal audit, financial accounting, performance management and information systems divisions. Establish feedback methods for tips, opened investigations, etc. to show the effectiveness of the hotline.

TIPSTERS FOR IMPROVEMENT

Hotlines can also be conduits for performance-improvement suggestions. We found that employees are not always able to discern between issues that qualify as fraud investigation tips and those that are process improvement or quality issues. Because our hotline allows employees to call one number for both types of tips, we found the tips to be more useful and to include a wider range of issues.

We created "process maps" that diagrammed the workflow and clearly delineated steps and responsibilities for the tip handling process. Our process maps included a decision matrix in which tips that were initially assigned as performance-improvement suggestions were still handled confidentially until we were certain that there was not a potential fraud. Likewise, cases that come in as fraud complaints occasionally lacked predicate for full investigations, but they identified problems that could be solved through process-improvement reviews. (*Web Extra: To download the tip handling process maps, go to <http://www.fraud-magazine.com/article.aspx?id=4294969500>.*)

The conduit for performance-improvement suggestions gave our employees another reason to use the hotline (and they were more apt to use it when they saw possible malfeasance). When top management publicly praised employees who made applicable performance-improvement suggestions, they reinforced the theme that the organization supported and rewarded employees who used the hotline.

Employee suggestions can net huge savings for an organization. Our municipality's program saved more than \$750,000 in the first year with a single tip: a fire department employee suggested revamping ordering procedures that ultimately reduced waste significantly by centralizing and standardizing



the ordering process. Also, the department now only accepted medical goods for paramedic units with a shelf life of greater than 18 months. In another tip, a custodian suggested that the organization instruct their current vendor to replace floor mats less frequently. This saved \$23,000 in the first year in a single department. That tip led to another suggestion that quickened billing processes by 30 days, which brought in millions of dollars in grant reimbursements.

These suggestions are saving money, which is important, but giving employees a means to provide suggestions and feel like they are being heard and acknowledged is priceless. There is value in a program that encourages employees to feel comfortable while standing in a busy hallway writing down the hotline number off a poster without others thinking they are tattletales.

HAWKING YOUR HOTLINE

We suggest giving employees inexpensive, yet tangible, items, such as pens or pencils, with the hotline number printed on them, that employees are encouraged to take home. Many employees will not feel comfortable calling to report a fraud from work, but will call from their home or cellular telephones after work hours. The hotline number should be ubiquitous: not just on posters at work, but on pay stubs, your organization's website and the covers of training materials for new employees.

Additionally, no matter how fabulous the initial rollout of the program, the hotline should be freshly promoted every 12 weeks or so, to ensure that people remember its message. One way to do this is by management publicly recognizing employees who have provided valuable performance-improvement suggestions. This continues to bolster the message that management supports tipsters.

PLAN FOR ALL TYPES OF TIPS

We were surprised at the initial results of our hotline. We expected calls about potential fraud, waste and abuse issues, and performance problems from employees, contractors and vendors, but we received tips in several other areas (such as those noted

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below). Also, we did not expect tips directly from citizens, but we received many calls from the public after our rollout media blitz.

Prepare detailed plans for documenting the receipt and follow-up of all tips so you will be ready for fraud prosecutions or employee recognition, while safeguarding confidential information.

Here are some types of tips you will probably receive:

- **Fraud, waste and abuse.** These are the main focus of anonymous-reporting mechanisms as contained in SOX. You must ensure confidentiality to the greatest extent possible and have policies to eliminate the possibility of retaliation. Make sure your tip-handling processes are clearly mapped and understood by everyone who will interact with tips of any kind.
- **Safety issues.** These can include suspected infractions of workplace safety regulations imposed by the U.S. Occupational Safety and Health Administration and/or the organization or issues of concern to employees.
- **Quality control issues.** Employees frequently are aware of quality issues long before customers complain or testing results come back. The hotline is a way they can comfortably and confidentially notify the organization that there are problems as soon as problems occur.
- **Human resources tips.** Ensure that adequate resources are dedicated to the investigation and follow-up of tips regarding sexual harassment, discrimination, favoritism and personnel issues.
- **“Nuisance” tips and general complaints.** The tendency is to simply disregard these in favor of tips that are independently substantive; however, these should be part of the planned process. Some of them might have value. Though individual tips might not contain enough information to be valuable, a pattern of several tips over time might gradually reveal a problem requiring investigation. Our opening case history in this article is a prime example of paying attention to a collection of vague, but ultimately valuable, tips.

REWARDING TIPSTERS

After we researched other hotlines, we decided that the organization would reward the tipsters’ entire teams one percent of the annual value of the process-improvement or efficiency tips, up to \$1,000. We projected the annual value of a tip based on the budget team’s savings calculations with input from the process-improvement representative. This representative administered the reward system with assistance from the mayor’s office.

We realized that these types of improvement suggestions almost always involve a team effort, and we did not want to build resentments against an individual who reported a suggestion first, nor did we wish to create a foot race from a staff meeting to the hotline. Consequently, teams rather than individuals received the rewards.

The reward can be a luncheon, event tickets for the team members and their families, a refrigerator for the team’s break room or any appropriate reward suggested by the team. The mayor recognizes these employees and features them in his weekly media appearance. The underlying message is that those who call the hotline are making the city a better place for all of us, and they are appreciated and are not subject to retaliation. Interestingly, most employees told us their motive for calling in suggestions was not the reward; they just wanted to improve their workplaces and help make the city a better place to live and work.

HOTLINES CAN BE POSITIVE FORCES

Our hotline received more than 100 calls within the first six months; one-third were process-improvement suggestions, one-third were fraud tips leading to investigations and one-third were miscellaneous tips that lacked predicate or were for agencies not within the municipal jurisdiction. (We referred those tips to the appropriate agencies.) The city saved about \$1 million the first year because of process-improvement suggestions, and, based on feedback received through several communication methods, employee morale improved.

The hotline is successful because of the combined efforts of top managers and elected officials who were willing to publicly support it. The organization has been able to highlight the hotline’s positive attributes and improvements resulting from tipsters’ suggestions. Based on the high number of calls received, employees are able to overcome the emotionally charged nature of reporting frauds or wrongdoings.

The lessons we learned are easily adaptable to any organization: Keep the message positive to overcome employee fears and concerns, make the hotline contact information ubiquitous throughout the company and ensure that the hotline contact information follows the employees home, involve the public support of top organization officials and refresh the message and keep the hotline new and interesting with employee recognition or process-improvement programs. 🔍

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¹Office Européen de Lutte anti-Fraude (OLAF), European Union (EU), http://ec.europa.eu/anti_fraud/index_en.html.

²Seattle Ethics and Elections Commission, city of Seattle, Wash., <http://www.seattle.gov/ethics/etpub/whistleblower.pdf>.

³PepsiCo, International Speak Up Program, <http://www.pepsico.com/Company/Speak-Up.html>.