



The Whistle

August 1st, 2006

COMMUNICATION REGARDING ETHICS AND THE HOTLINE

Launching the Program. Like any new initiative, a hotline program will fail if it is not launched properly. The initial communication should include an announcement by the president of the organization about the goals of the program and the reason for implementing it. Employees should be told that the company is providing every opportunity to report problems, and the information will be sent to top management and/or to the governing board. Information about the program should be posted on intranet sites, in break rooms and in other appropriate places, and should be introduced in face-to-face meetings wherever practical. Every member of the staff should receive a letter or flyer announcing the program, and ideally an accompanying card that he or she can keep in a wallet or purse as a reminder of the phone number. New employees should receive this information during their orientation.

Ongoing Communication. Communication about ethical behavior and options for reporting inappropriate behavior should ideally be repeated several times a year. The hotline can only be effective if people know it exists. Consumers are exposed to numerous promotional messages in a typical day, and messages about the hotline will need to be conveyed in a manner that cuts through the clutter of information. One way to accomplish this is periodically changing informational postings to keep them from becoming "wallpaper" that no longer attracts attention. For example, if the initial posting used a photograph of an office setting, the replacement poster might use a photograph of a person on the telephone so that the change is immediately visible to anyone passing by.

A comprehensive hotline program includes communication explaining the behaviors that are unacceptable. Posters in high traffic areas, articles in newsletters and pages on intranet sites all help create awareness of ethical issues and act as preventative devices. Such communication reinforces the perception that the organization wants to know about illegal and unethical activities so that action can be taken to stop them. If the institution discovers there are trends in the types of behaviors being reported via the hotline, these posters are a useful tool for explaining which behaviors are not condoned.

The best return on investment from a hotline will come from promoting it to as many people as possible. Consider an example in which a member of administration is handling collection of fees from companies who are sponsoring an in-store promotion. If the administrator asks the contributors to make checks out to him, they may question the practice but not know where to turn with their concern. Listing the hotline number on all checks and invoices issued is an inexpensive action that has helped other organizations uncover fraud. Knowledge that the hotline number is communicated to anyone writing checks to the organization will have a deterrent effect on anyone tempted to commit internal fraud.

Detecting and deterring unethical behavior help protect the company from losses and negative publicity that could hurt the company's reputation. Offering a professional, confidential hotline gives employees, management and suppliers every possible means for coming forward about especially sensitive situations. Ultimately this gives the company an opening to investigate allegations and take corrective action in order to minimize losses.

FEEDBACK

The Whistle has been designed to present the most up to date and informative news about; incorporating good corporate governance practices, confidentiality and privacy procedures for employees, and other whistleblowing related articles and facts for organizations across the globe.

We welcome any contributions or feedback you have. Please forward your comments to jatinder@whistleblowersecurity.com.



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QUICK FACTS

The Association of Certified Fraud Examiners (ACFE) defines fraud as the use of one's occupation for personal gain through the deliberate misuse or theft of the victim organization's resources or assets. According to the ACFE's Wells Report (2002), fraud cost organizations \$600 billion per year, or about 6% of gross revenues. The report also indicates that:

- Most frauds are known to others in the victim organization.
- Most frauds are detected after receiving tips from those with knowledge of the fraud.
- The average scheme cost over \$100,000 in losses and lasted 18 months before it was detected.

A fraud hotline can provide the following benefits: 1) It can effectively uncover fraudulent activity. Fraud losses tend to increase over time, so early detection is important. The 2002 Wells Report found that organizations with fraud hotlines cut their fraud losses by 50% per scheme.

2) The most effective way to prevent fraud is to instill a "perception of detection" in the minds of potential perpetrators. Few people will commit fraud if they think they will be caught. Well-publicized fraud hotlines strengthen the perception of detection and let employees know that fraud will not be tolerated.

3) A hotline can also be used to report incidences of unsafe working conditions, workplace violence, harassment, or other serious issues, thereby reducing expenses resulting from shortages, fines, workers' compensation claims, lawsuits, negative publicity, and lower productivity.

Finally, a hotline can help satisfy the Sarbanes-Oxley Act's requirement that organizations establish procedures for the "receipt, retention, and treatment of complaints." In addition, federal fines resulting from the unethical or illegal acts of employees can be significantly reduced if the offending organization has in place an "effective program to prevent and detect violations of law." Hotlines are an integral part of an effective prevention and detection program.

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