

Developing a Comprehensive Employee Ethics and Compliance Reporting Program

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Introduction

Given the financial and reputational risks, organizations must take steps to prevent, detect and deter fraud, theft, and misconduct. Early reporting can mitigate losses and brand damage and serve as “lessons learned” to help prevent future, similar incidents.

Employee tip-offs continue to be the most common method for fraud detection. According to an Association of Certified Fraud Examiners survey, almost double the tip-offs were received by those businesses with anonymous reporting hotlines, and tips submitted by email and online forms were more common than by telephone.

Anonymous Reporting

Providing an anonymous reporting channel is critical to a reporting program’s success. Employees are often deterred from reporting their concerns directly to supervisors or company representatives because they fear retaliation. For example, the National Business Ethics Survey™ shows that members of management are responsible for six in 10 instances of misconduct, and that one in five workers claimed they suffered retaliation for reporting the misconduct.

Several considerations for the selection of an anonymous reporting channel include: determining whether the reporting tool should be managed internally or through a third party; identifying the appropriate objective resources to receive the reports; periodically monitoring the intake and response process; establishing protocols for document retention and reporting; and a communication strategy to ensure employees are aware of the channel’s existence and the company’s commitment to reviewing any report thoroughly and fairly. It is also a best practice to communicate the company’s Anti-Retaliation and Whistleblowing policies at this time.

What is Reportable?

The internal reporting (anonymous or not) of any conduct that is unethical, illegal, or violates a company policy. This should include theft, fraud, discrimination, harassment, workplace safety and security, conflicts of interest, food safety, data privacy/PCI issues, corruption and bribery, and trafficking.

Other Sources of Reports

Although employee tipoffs are the most common method of fraud detection, it is imperative to collaborate with leadership and management to encourage reporting from all areas. This includes management, internal audit, and other stakeholders. In addition, reviewing social media posts that contain allegations of unethical or illegal activity should be considered for further investigation as diligently as a hotline report.

Report Triage

Resources selected for the intake and review of whistleblower allegations should be trained to consider each issue independently and objectively. They should be trained in identifying red flags and in assessing the need for escalation, including to internal and/or external counsel if the matter warrants consideration of privilege.

Summary

Workplace harassment, discrimination, general misconduct, theft and fraud can all have a devastating impact on a company's profitability and public image and may result in legal liability. Building a culture of accountability and empowering employees to report any potentially illegal or unethical practices or policy violations, can help companies resolve them internally before they become larger, costly, or public problems.