

## 5 Tips For Setting Up a Reporting Hotline

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Based on studies performed by the Association of Certified Fraud Examiners (ACFE), the number one way that frauds are detected in organizations is consistently through tips. One of the ways you can increase the amount of tips your organization receives is through the implementation of a reporting hotline. Hotlines can be inexpensive and highly effective. On average, the presence of a hotline in an organization leads to a 49% reduction in fraud losses compared to organizations that do not have a hotline in place.

Here are five tips for setting up an effective hotline in your organization:

1. Anonymous & Confidential – Historically, hotlines have been thought of as a phone service, but in recent years the preference has shifted toward more web-based forms. Any version you choose should give the reporter the option of either remaining anonymous or making their identity known. Giving the option of remaining anonymous increases user confidence in the process and enhances the perception of independence and credibility.
2. Spread Trust & Awareness – A hotline will only be effective if it is both trusted and known to exist. Training your employees about the existence of the hotline and how to use it should be part of your ongoing fraud prevention plan. As part of the training it should be clear that the owners/managers in the organization support and encourage the use of the hotline to detect and deter fraud, and that those who use it never need to fear discrimination or retaliation as a result, even if they choose not to be anonymous.
3. Accessibility – As a best practice consider the rule of “1-Click”, meaning that within one click on your organization’s intranet, someone can find the needed information on how to report potential fraud. The harder it is to find the hotline, the less it will be used. Accessibility is also an important way to build the required trust and show management support in the process. Also consider making your hotline accessible both internally and externally. While 50% of fraud tips come from employees inside an organization, that still leaves the other half coming from outside. A link in the corner of your web page or even at the bottom of your emails could provide the easy access other parties might need to make you aware of potential fraud.
4. Communicate & Follow-through – This may seem minor, but if you want people to buy-in and engage with the process you have to make them feel like a part of it. An effective hotline should have the ability for 2-way communication, even with anonymous sources. This can be incredibly valuable during an investigation as it can also allow you to ask clarifying questions or obtain additional information. Reporters should be notified, at a minimum, when:
  - Their report has been received and read.
  - At intervals throughout the investigation to let them know things are still in process. (Bi-weekly is a reasonable check-in timeframe in most cases.)
  - At the conclusion of the investigation to thank them for their participation.

The results of most investigations will be confidential, so it is not expected that the user would be privy to many details. But keeping them engaged and feeling involved will lead to further trust and use of the hotline in the future.

5. Don't Devalue "Petty" Reports – Part of employee training should include informing them about the types of matters that should be considered fraud. However, regardless of how good the training is, you will still receive tips that appear to be trivial... and that's OK. Once you have a hotline in place you should expect to get a report that someone parked in someone else's reserved spot, or that an employee is hoarding snacks intended for the whole office. While your first instinct may be to ignore those cases, there are a couple of reasons why you should not do that. First, if you are receiving "petty" reports it means your hotline is working. An organization with no hotline reports, is not an organization without fraud... they are an organization that has not built the required trust, awareness, and accessibility in their hotline program. If people are willing to report trivial matters, you can be confident they will also report serious matters. Second, quickly disregarding reports you assume are insignificant could lead to legal issues down the road. Every report should be registered, investigated, and concluded following the same procedures to ensure nothing is overlooked. Disregarding a trivial report that is later found to be a component of a larger issue could leave the organization in hot-water, or to the continuance of a fraud that could have been stopped.

If you think a hotline could be a meaningful addition to your organization's fraud prevention program, or would like to discuss other best practices for how to set one up, please contact Kernutt Stokes.