8-31-2011

Effective Hotlines Valuable for More than Fraud Detection

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Anonymous hotlines are a valuable tool for detecting fraud in an organization because most frauds are detected by tips, according to the 2010 "Report to the Nations" from the Association of Certified Fraud Examiners.

An effective hotline can be a great tool for encouraging employees and others to report suspected fraud in an organization but can be a cost with little benefit if done poorly.

How can an organization increase the odds that a hotline will be effective and worthwhile, and can it be beneficial for more than detecting fraud? A recent article in Fraud Magazine highlights the issue as a timely topic and has some useful suggestions.

Some employees are reluctant to use hotlines because they don’t really believe the hotlines are anonymous. They fear retribution or being labeled “snitches.” A first step is to address this with an effective internal marketing campaign that emphasizes the positive aspects of the hotline program rather than focusing heavily on the fraud or whistle-blower idea.

Management should strongly support the hotline and communicate this support at every opportunity. This is an important opportunity for managers to exhibit the “tone at the top” that is so important for effective leadership in organizations.

Another possibility is to expand the purpose of the organization’s hotline to include improving organizational efficiency, cost savings and/or quality improvement. Employees or vendors are often in a good position to be aware of problems or opportunities for improvement first. Given the chance and encouragement, employees may welcome the opportunity to contribute to improving their workplace. Management should publicize high-risk areas of improvement that result from tips to communicate that the hotline is working and calls are valued and followed through.

In addition, if calls to the hotline can be positive or negative, employees are less likely to fear a reprisal if others find out they made a call.

Organizations should make the phone number and Web address for the hotline easy for employees to access both at the workplace and away since some employees may feel more comfortable contacting the hotline “away from the office.”

Posting the number on the organization’s website may be a good way to make it accessible to both employees and others who may have information. Others may include vendors or customers who deal with the organization on a regular basis and can be valuable resources.

Making the hotline contact information easily available increases the chances that all parties with relevant information will provide that information freely. The organization must constantly keep the hotline visible and remind employees and others to use it. Failure to do so may result in the “out of sight, out of mind” problem, and it will lose its effectiveness.

In addition, callers’ identities must be kept in the strictest of confidence to build and maintain trust in the system. Any reward system should reward the department or area where a tip was received so a caller is not identified (since an anonymous system won’t allow that) and to avoid competition or jealousy between employees.

In summary, hotlines can be a positive tool for organizations to detect fraud and to increase organizational efficiency, cut costs and improve employee morale. This tool is well worth its cost if done well.

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