



Employee Complaint Hotline: Incident Reporting & Case Management from A to Z

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Rocked by corporate scandal, the turn of the century brought about significant changes for the modern American workplace and the culture of corporate America, not the least of which was the passage of the Sarbanes-Oxley Act in 2002. Many years earlier, legislators and the courts recognized the need for a manner by which organizational criminals could be held legally accountable for their misconduct in a structured and standardized way. The result was the development of the Federal Sentencing Guidelines in 1991. Both mandates require organizations to implement mechanisms by which to receive reports of employee misconduct. Sarbanes-Oxley took the requirement a step further, however, requiring organizations to put in place an *anonymous* method by which to receive reports of financially-related misconduct or

concerns.¹ Perhaps the most widely-chosen and cost-effective compliance option in any case is the implementation of an anonymous employee hotline.

Traditional employee hotlines presume to offer complete anonymity to the reporting employee; however, many times the hotline is directed to an individual or group of individuals within the organization's Human Resources department. Under such circumstances, employees are often fearful that they cannot truly remain anonymous (should they wish to do so) due to caller identification technology and the possibility that their voice may be recognized. Hotlines of this nature are further plagued by additional restrictions inherent in the hotline's structure. For example, reports can typically be received in only one language, usually English. Therefore, employees who speak little to no English may be discouraged from reporting misconduct of which they are aware, which is particularly problematic for U.S.-based multinational organizations. Also, internal hotlines are often not available 24 hours per day, 7 days per week. Therefore, employees making reports after regular business hours are required, at best, to leave a voicemail. Organizations are then limited in their ability to continue communications with reporting employees who leave a voicemail, especially if they do not provide their name and contact information. Such limitations

¹ Sarbanes-Oxley Act of 2002. Available: <http://fl1.findlaw.com/news.findlaw.com/cnn/docs/gwbush/sarbanesoxley072302.pdf>.





make proper incident investigation particularly problematic.

Documentation of reports received through a traditional employee hotline is an extremely manual process and is highly susceptible to error and misrepresentation. There is also no guarantee that reports are stored in a centralized location, potentially compromising the organization's ability to conduct a good faith investigation. Such difficulties often preclude the communication loop from remaining intact and individuals responsible for responding, investigating, and/or making disciplinary decisions may not be fully informed. In short, traditional internal employee hotlines are inadequate at best and potentially increase an organization's liability exposure.

As a result of the serious pitfalls described above, many third-party vendors have developed sophisticated solutions to the challenges the traditional employee hotline poses. The most comprehensive vendors will provide not just a hotline by which employees can submit reports but will also provide an internet-based reporting portal as well. A third-party vendor will also typically house all incident data in a secure, centralized internet location to which only the designated organizational users have access. The technology vendors can provide should also include a means by which organizations can maintain ongoing communication with reporting employees, even those who choose to remain completely anonymous. Such technology ensures organizations the ability to conduct thorough investigations into reported matters. Vendors also typically provide 24/7/365 hotline staffing in multiple languages to ensure all employees have equal opportunity

and ability to report their knowledge of workplace misconduct. The experienced vendor will also have the ability to provide the organization with instantaneous notification of and access to all reported matters, allowing the organization to respond in a timely and efficient manner, as the law requires.

The implementation of a third party anonymous incident reporting system provides many additional benefits to the savvy employer. Organizations with an anonymous system in place find that employees are much more likely to report concerns, given that the fear of retaliation or reprisal is often diminished when the possibility of identification decreases.² In this way, such systems serve as early detection mechanisms for employers—they are often notified of fraudulent activity and other costly employee misconduct as it is “brewing” rather than after it has escalated beyond a reasonably manageable point.³ The establishment of a sophisticated hotline solution further communicates to employees that the organization cares about them and their safety, furthering loyalty and decreasing costs associated with employee turnover. Employers who invest in their most valuable asset—their employees—reap the benefits associated with doing so: increased productivity, decreased turnover, and a more stable and profitable organization overall. The cost of a third-

² Near, J. P. & Miceli, M. P. (1996). Whistle-blowing: Myth and reality. *Journal of Management*, 22, 507-527.

³ The American Institute of Certified Public Accountants. (2003, November). Fraud hotlines: Early warning systems. *The Practicing CPA*. Retrieved December 9, 2005 from www.aicpa.org/pubs/tpcpa/nov2003/fraud.htm.



party anonymous incident reporting system is minimal in comparison to other annual business expenses (such as toilet paper in many cases!) and the rewards gained often pay for the system itself after only a short time of use.

Next Steps

The employee hotline, functioning as the report receipt mechanism, however, is only part of the overall solution. The legal mandates described above also require organizations to effectively investigate, document, and retain all records related to the initial employee report. Effective incident report management should not be viewed from a “one size fits all” perspective but rather requires the commitment of multiple organizational decision-makers and the development and implementation of a structured management process. Furthermore, the implementation of any employee reporting mechanism must fit into the overall objectives and mission of the organization and be appropriately communicated to employees as part of a comprehensive ethics and compliance program.

Prior to implementation of any hotline solution, the appropriate organizational representatives should conduct an analysis of their present situation. How do employees bring concerns forward? Is there a way to do it anonymously yet maintain ongoing communication for the purpose of proper investigation? Who is responsible for investigating reports of employee misconduct? How is incident report management documented and where is it stored? Is the existing documentation process efficient and are records readily

located by the appropriate individuals? What are the company policies governing standards of conduct? Are the policies up to date? How does an employee hotline solution fit into the organization’s overall objectives and corporate governance program? Answering questions like these will help identify the strengths and opportunities in the organization’s program and highlight the areas needing improvement. Communications to employees can then be targeted to those specific areas of opportunity.

Perhaps most importantly, all relevant organizational parties must be well-informed of the implementation plan and take responsibility for whatever aspects directly impact them or their department. Without whole-organization commitment to the solution and the corporate processes and procedures put in place, a hotline solution, in any form, is destined to fail. At best, the system will fail to live up to its potential in terms of making the workplace safer and more productive—typically one of the foremost objectives in the implementation of such a reporting mechanism. Designating and enlisting the cooperation of all those responsible for reviewing, investigating, and responding to the incidents reported is critical to the organization’s ability to limit its liability exposure should employee misconduct, fraudulent activity, or unsafe work conditions be uncovered.

Another critical activity impacting the success of an employee hotline solution relies on the effectiveness of its communication to those on whom it has the greatest impact—the employees. It probably goes without saying that the hotline will only rarely, if ever, be utilized if employees



are not made aware that it exists and how to use it. Further, failure to communicate the purpose of the hotline to the employee base will often lead to the organization being inundated with frivolous or routine complaints that are more appropriately resolved through other reporting channels, such as directly through Human Resources. The poorly communicated hotline will find itself used for purposes of resolving payroll problems, scheduling complaints, and office temperature control—all of which impact employee morale but also are more efficiently handled directly by the responsible department. Anonymous hotlines, typically, should be reserved for more serious and potentially costly and safety-compromising issues such as substance abuse problems, embezzlement schemes, and theft activities.

Communication of the employee hotline is typically most successful when it is rolled out in conjunction with company policy reminders as well as reminders regarding existing communication and reporting channels, such as “open door” policies. An anonymous hotline should never serve to replace existing reporting avenues; rather, it should serve to augment a culture of openness, response, and resolution in which employees have multiple ways to bring workplace concerns forward. Communication, further, should come in multiple forms to ensure the entire employee base is reached. Such methods can include: a company-wide email announcement, an article in the company newsletter, a company-issued memo or letter, posters placed in high-traffic areas, updates to the employee handbook or policy manual, or an announcement posted to the company intranet.

It will then be the responsibility of those designated within the organization to review each employee incident report generated through the hotline. If the communication campaign was successful, the organization is likely to see an overall increase in incident reports (in comparison to those received prior to the implementation of the hotline) but a good percentage of those reports will be of a relatively serious nature, necessitating the appropriate organizational response. The astute and prudent organization will recognize the benefits of this increase in employee incident reports, namely, that they have an opportunity to uncover potentially costly employee misconduct and avoid the liability exposure resulting when such behavior (e.g. sexual harassment, substance abuse) is allowed to continue. Sophisticated employee hotlines, in conjunction with a robust and targeted employee communication campaign, serve to provide employers with a keyhole view of their organization that may, perhaps, be otherwise unavailable.

Organizations should respond to reported incidents in a manner consistent with their existing company policies and past practices. A complete and thorough investigation is often warranted and requires commitment of the necessary resources to that end. Again, in the interests of minimizing the organization’s potential exposure, such an investigation should proceed according to existing protocols. Also, recognizing circumstances and incidents which may be beyond the expertise of those charged with the investigation of particular matters is a critical step in the process of reviewing incidents. Requesting consultative and/or investigative assistance,



both internally and externally, may be the best approach if it appears a problem may be widespread or particularly egregious.

If the organization has chosen to contract their employee hotline services with a third-party vendor, the organization will often find that documenting all investigatory measures will be much more streamlined and all relevant organizational parties can easily be kept up-to-date regarding all developments. Many vendors offer a robust case management system within the software or web-based database they provide. Such a system often has the capability to house all activities related to a particular incident report in a secure, centralized internet-based location, which all appropriate organizational managers can access when necessary. Furthermore, this type of tool drastically reduces the amount of paperwork associated with any given investigation. As organizations expand both nationally and internationally, having the ability to make records available to all appropriate individuals, no matter their location, is critical to the successful company-wide resolution of identified problems.

Final Thoughts

The implementation of an anonymous employee hotline makes good business sense for a variety of reasons, not the least of which is compliance with federal mandates. However, an employee hotline can further provide organizations with insight into the organization which may be otherwise unavailable to those charged with ensuring a safe and productive workplace is provided for all employees. Such insight can prove invaluable to the savvy employer with

a desire for and commitment to principled corporate governance. Outsourcing employee hotline services can provide the organization an added layer of benefit, potentially increasing the likelihood that employees will feel a greater sense of comfort and confidence in bringing their concerns forward. The organization can go a long way in engendering employee confidence by responding to reported matters in a timely and efficient manner according to existing company protocols. Premier hotline solutions greatly assist organizations in doing so.

If the hotline is properly communicated to employees, organizations have an opportunity to reinforce existing reporting channels as well as remind employees of key company policies governing workplace conduct and employee responsibilities. Providing employees another method of communication to the organization helps them recognize that the organization does care about them and their wellbeing in the workplace. The organization committed to resolving problems, especially those posing a safety risk to employees, will reap the benefits of a healthy workplace: increased job satisfaction among employees, increased physical and psychological health of employees, lower levels of stress in the workplace, decreased rates of on-the-job accidents, decreased tardiness and absenteeism, etc.⁴ The lists of benefits goes on and on with the end result being the same: increased productivity and profitability for the organization, securing the organization for the long term.

⁴ Kelloway, E. K. & Day, A. L. (2005). Building healthy workplaces: What we know so far. *Canadian Journal of Behavioural Science*, 37, 223-235.