

## **Integrity Hotlines: Getting the Inside Word on Fraud, Waste & Abuse**

*By Chris Marquet, CEO Marquet International, Ltd.*

A recent anonymous caller to a 24-hour integrity made an allegation of serious fraud being committed by a senior-purchasing manager at her corporation. A professionally trained integrity duty officer took down the allegations from the informant, asked a few pointed questions to obtain verifiable specifics, and immediately sent a detailed summary of the issues to the client's in-house counsel's office. A fast-paced probe followed, requiring sensitive internal inquiries into the client's internal and external financial arrangements, which validated the tipster's claims. This led to a thorough investigation that produced hard evidence of kickback arrangements, fraud and other financial malfeasance on the part of the purchasing agent in question.

The hotline and crisis response teams retained by the corporation made it possible to immediately terminate the employee for cause and make a criminal referral to the local District Attorney's White-Collar Crime unit. The dismissed employee was quickly indicted, tried and sentenced to 10 years in prison. Some financial restitution was made by the ex-employee, in part based upon the crisis response team's asset recovery efforts, and the corporation was made whole after the crisis response team prepared and defended a proof of loss report in the resulting fidelity bond claim.

While not every call to an integrity hotline is as dramatic as this example, such hotlines provide a valuable resource to companies that are seeking to reduce fraud, waste and abuse in the organization. Hotlines can also be the key to uncovering a broad range of employee practice liability issues including incidents of sexual harassment, wrongful termination, workplace violence and discrimination. Often, hotline tips help companies discover problems and address them before they become disasters.

To be successful, integrity hotlines must guarantee anonymity, be widely publicized, and their use encouraged in the organization. It is important that hotlines are viewed by employees as independent of the organization, with no potential for retribution. The

promise of anonymity is particularly important because it encourages greater disclosures, although callers should be aware that they may be questioned further in an ensuing inquiry (though they may continue to remain anonymous if they wish, through the use of a confidential ID#). Companies who have set up a crisis or integrity hotline should ensure that the numbers are regularly published in internal communications, posted in meeting areas and on company intranets, and included in regular compliance reviews and human resource orientation materials.

Equally as important as internal awareness and understanding about integrity hotlines is the quality of the hotline service provider and crisis response team retained by the corporation, as well as corporate dedication to the process. A carefully planned system of reporting and response must be in place prior to activating a hotline program, and once the program is installed, each call must be carefully screened and recorded. Dedicated individuals within the organization must be named and given the responsibility for mobilizing immediate corporate response when necessary. Urgent calls, such as threats of workplace violence must be handled immediately at any time of day, and inflammatory allegations, such as claims of sexual harassment and discrimination, must be handled delicately, as some turn out to be false, and motivated by disgruntled employees.

When implemented and executed properly, integrity hotlines have proven effective for organizations in dealing with a broad range of situations including: vendor fraud, kickback schemes, financial manipulation, embezzlement, theft of proprietary information and intellectual property, extortion, sabotage, computer crimes, expense report and time card cheating, theft of office equipment, workplace violence, sexual harassment allegations, discriminatory practices, substance abuse, gambling problems, criminal conduct and countless other issues. Integrity hotlines are often a critical first step in helping organizations mitigate risks in this broad range and potentially very damaging spectrum of issues.

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