

## Guidance Regarding the Implementation of a Helpline

Focus on business ethics in the United States has increased significantly over the past 20 years due to the passage of the Foreign Corrupt Practices Act (“FCPA”), the Federal Sentencing Guidelines for organizations, the global expansion of business into markets with different business practices, the impact of technology, and most recently, by the Sarbanes-Oxley Act of 2002 (“Sarbanes Oxley”). The recent corporate failures and scandals, and the ensuing legislation and regulations, have placed even greater attention on an organization’s ethics and compliance efforts. In some areas, the government is now creating requirements (as opposed to incentives) for organizations to implement certain types of ethics and compliance policies and procedures. At the same time, public and private policymakers are openly calling for business leaders to extend their efforts – and their ethics – beyond the letter of the law. Organizations that embed ethics and compliance within their culture and communicate this to their constituencies often enjoy healthy returns through employee and customer loyalty, improved employee morale, and public respect for their brand and professional reputation. This can lead to a distinct advantage over competitors that do not emphasize ethics and compliance within their cultures.

This paper will focus specifically on one of the key elements of an effective ethics and compliance program – the design of a system that encourages personnel to consult with others when facing an ethical dilemma.

### Importance of a Helpline

The Association of Certified Fraud Examiners’ “2006 Report to the Nation” found that “anonymous reporting mechanisms are a key component of effective anti-fraud programs.” The report states that in the cases reviewed, organizations with anonymous fraud helplines in place suffered a median loss of \$100,000 and detected their frauds within 15 months of inception. By contrast, organizations without helplines had twice the median loss - \$200,000 – and took 24 months to detect their frauds. These findings indicate that having a helpline that facilitates feedback and communication should no longer be viewed as a luxury.

An effective helpline should not replace existing internal reporting mechanisms, but rather supplement them. If designed well, a helpline can provide employees with an easily accessible means to seek assistance or report misconduct anonymously and without fear of retribution.

### Helpline: In-house or Third Party

After recognizing the need for a helpline, an organization can set up a system of its own in-house or it can partner with a third party. Partnering with a third party for a helpline involves having an independent organization receive inquiries or reports of incidents (either through phone or Web-based alternative). Typically, a company’s ethics and compliance officer is responsible for overseeing the investigation and resolution of all issues raised.

The advantages of partnering with a third-party professional to outsource a helpline may include extended availability, better perception of confidentiality, and reduced cost. Extended availability with an outsourced helpline provides coverage 24 hours a day, 7 days a week, 365 days a year and can address the risk of missing a large number of potential calls (if an internal helpline is not available around the clock). A third party managed helpline can also accommodate shift work and geographic diversity (operations in several time zones). Additionally, many people may be uncomfortable making sensitive calls from their workplace, so the more coverage a helpline can provide, the better the results may be.

If a helpline were to be staffed internally, a caller’s sense of comfort could decline as well as the quality of the information provided. Callers may feel their confidentiality could be compromised so they might not place the call. The fear of retribution increases with the notion that callers could be recognized, identified, or even ignored by the employee who interviews them. While absolute confidentiality cannot be guaranteed even with an outsourced helpline, the third-party alternative has the advantage of being an objective contractor who can help remove any

fear of retribution and help reduce concerns about confidentiality and anonymity. The requirement for a procedure to provide for anonymous submissions by employees was introduced with Sarbanes-Oxley section 301. It raises the issue of whether or not an internally managed helpline will satisfy the anonymity requirement of Sarbanes-Oxley for all employees.

Significant planning and careful execution are required to set up and maintain a successful helpline. An outsourced helpline can help save time and avoid the processes and costs associated with setting up an internal system. With the experience, trained personnel, and technology resources already established, a third party may provide services at a greatly reduced cost compared to the costs of an internal helpline.

## Choosing a Helpline Vendor

Following are several factors to consider in identifying qualified vendors:

- Helplines serving as their core business
- Experience and caliber of leadership
- Round-the-clock call centers with live interviewers
- Foreign language capabilities
- International access
- Well-documented interviewer training processes
- Accurate, actionable incident reports
- Rapid dissemination of initial contact ("incident") reports
- Online access to reports for immediate reference
- System security and data integrity
- Case management system capabilities
- Flexibility to handle different types of calls
- Multiple options to communicate reports (800 number, Web reports, etc.)
- Customizable options
- Availability of communication support materials to educate client personnel and promote the helpline
- Short- and long-term costs

## Helpline Administration & Case Management Protocols

Once an organization has identified a vendor to suit its needs, the real planning begins. An organization should identify the administrative processes and case management protocols for its helpline operations.

Following are factors to consider in developing the helpline processes and case management protocols:

- How the helpline will be answered on behalf of the organization
- What information will be included on the Web access site (i.e., link to code of ethics, basic guidance, non-retaliation clause)
- What types of calls the helpline will take (potential violation categories)
- What questions will be asked to solicit information
- How anonymous calls will be handled
- How the organization will respond to inquiries/reports initially, follow-up on reports, close reports, etc.
- Who will manage the helpline on a daily basis
- Who will investigate and resolve inquiries and reports
- Who will be designated in other departments (i.e., Internal Audit, Human Resources, Legal) to assist in issue resolution
- How cases will be managed and tracked
- What reports will be required and to whom they will be issued
- How the organization will protect confidentiality and anonymity
- A clearly communicated non-retaliation policy
- The impact of any collective bargaining agreements
- Document retention requirements
- How to train and educate those who will answer the phone

## How the Organization Will Test the Vendor Prior to Launch

The most important factor in preparing to launch a helpline is not to launch or communicate the helpline until the organization is ready.

## Communicate & Educate

It is not enough to set up an 800 number or Website and expect employees to start asking their questions or making reports. To be effective, employees need to know the helpline is available and why and when they should use it.

Successful and widely-used helplines are generally promoted through a broad communication and education program, which may include many of the following mechanisms:

- Wallet cards
- Posters
- Code of ethics
- Newsletters
- Brochures
- Payroll inserts
- Letters
- ID badge stickers
- Intranet and Internet
- Screensavers
- Contests/games
- Promotional giveaways (i.e., pens, memo pads, calendars, mugs)
- New hire orientation training
- Ethics training
- References in other training sessions or meetings (e.g. manager training, town hall meetings)

Ultimately, the goal is for all personnel to know there is a helpline and how they can access it. The organization should determine how to communicate that message within its corporate culture in order for the helpline to be effective.

## Measuring Helpline Effectiveness

After the organization has launched the helpline and begins receiving some inquiries and reports, how will it know if the helpline is working?

Once the helpline has been “live” for an extended period of time, the organization could conduct any one or more of the following activities to help measure the effectiveness of the helpline system:

- Employee surveys
- Focus groups
- Internal monitoring and auditing
- Exit interviews
- Check with existing callers
- External assessments
- Call volume assessment
- Walk the halls

Lastly, the most likely best effectiveness measure will be a reduction in the number of unexpected reports of ethics violations.

## Frequently Asked Questions and Leading Practice Information

### What should a company call its reporting mechanism?

A leading practice is to name a company reporting mechanism a “helpline,” not “hotline” or “whistleblower” line. The term helpline is more generally positively accepted by employees than are these other terms.

### What are some key concerns in having the helpline go live?

Prior to rolling out the helpline, clearly define the protocols around who will be involved in the process to address questions and issues raised, as well as the call resolution process (including investigation process). The company should test the process before rolling it out live to employees and continue testing periodically thereafter to understand if the established reporting system is effective.

### How should companies address the anonymity requirement of Sarbanes-Oxley?

Some companies are attempting to satisfy the anonymity requirement by suggesting that employees mail anonymous letters to a post office box or to a member of management, or to fax their concerns to a designated number. Although each method allows for anonymous submission, both require additional effort on the part of the complainant and may be viewed as a hurdle to reporting by employees. These two methods do not permit follow-up on case status by the complainant, nor do they allow for the opportunity to gain additional insights regarding the issues raised. Many companies with effective helplines have employed third parties. These services permit interviewers to ask questions to solicit additional information, which can vary depending on the nature of the issue raised. These services also allow for follow-up on anonymous reports by both the company and the caller and can provide employees comfort regarding the objectivity and independence of the system. Communication via mail or fax should be included as part of an ethics and compliance program, but these should not be the sole options for anonymous communication.

### In light of Sarbanes-Oxley, do companies need to have two helplines: one helpline to address questionable accounting or auditing practices and another helpline for other ethical dilemmas?

A leading practice is to communicate and promote one reporting and communications chain of command to all employees for ethical concerns or questions. Depending on the nature of the report made or question asked, the report would be directed to the appropriate resource (i.e., in the case of accounting fraud to the Audit Committee, General Counsel and the Ethics and Compliance Officer). An employee should not have to make the distinction or judgment on who to call or where to report a particular issue. Multiple and separate reporting mechanisms place a burden on the employee and may discourage reporting. The whole process should be transparent to the employee, who should have the ability to follow-up on the status of his or her report, whether the report was named or anonymous. Companies with existing reporting mechanisms should review their

processes to determine if they comply with Sarbanes-Oxley, and they may need to educate employees on the helpline's appropriate use for ethics issues, including accounting or auditing matters.

#### What type of call volume can a company expect on a helpline?

A well-functioning helpline is often used by 1 to 2 percent of the employee population on an annual basis (e.g., if there are 20,000 employees, expect 200 to 400 contacts per year). Contacts include inquiries, reports, and calls that are redirected (redirects) to a more appropriate resource. On average about half the non-redirectioned contacts are reports of potential issues and the other half are inquiries. There may be lower call volumes for companies with high volumes of unionized or international workers. However, low usage is not necessarily better. It may signal that a company is failing to promote an ethical culture where personnel feel comfortable reporting issues without fear of retribution, or is failing in its communication efforts or in the manner in which it conducts its investigations.

#### For more information, please contact:

##### Christopher Mondini

Senior Manager, Forensic & Dispute Services  
Deloitte Financial Advisory Services LLP  
408-704-2121

##### Jose Tabuena

Manager, Center for Corporate Governance  
Deloitte & Touche USA LLP  
212-492-3917

#### About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu, a Swiss Verein, its member firms, and their respective subsidiaries and affiliates. Deloitte Touche Tohmatsu is an organization of member firms around the world devoted to excellence in providing professional services and advice, focused on client service through a global strategy executed locally in nearly 150 countries. With access to the deep intellectual capital of 120,000 people worldwide, Deloitte delivers services in four professional areas – audit, tax, consulting and financial advisory services – and serves more than one-half of the world's largest companies, as well as large national enterprises, public institutions, locally important clients, and successful, fast-growing global growth companies. Services are not provided by the Deloitte Touche Tohmatsu Verein, and, for regulatory and other reasons, certain member firms do not provide services in all four professional areas.

As a Swiss Verein (association), neither Deloitte Touche Tohmatsu nor any of its member firms has any liability for each other's acts or omissions. Each of the member firms is a separate and independent legal entity operating under the names "Deloitte," "Deloitte & Touche," "Deloitte Touche Tohmatsu," or other related names.

In the U.S., Deloitte & Touche USA LLP is the U.S. member firm of Deloitte Touche Tohmatsu and services are provided by the subsidiaries of Deloitte & Touche USA LLP (Deloitte & Touche LLP, Deloitte Consulting LLP, Deloitte Financial Advisory Services LLP, Deloitte Tax LLP and their subsidiaries), and not by Deloitte & Touche USA LLP. The subsidiaries of the U.S. member firm are among the nation's leading professional services firms, providing audit, tax, consulting and financial advisory services through nearly 30,000 people in more than 80 cities. Known as employers of choice for innovative human resources programs, they are dedicated to helping their clients and their people excel. For more information, please visit the U.S. member firm's Web site at [www.deloitte.com/us](http://www.deloitte.com/us).

Copyright © 2006 Deloitte Development LLC. All rights reserved.

Member of  
**Deloitte Touche Tohmatsu**