



# Thank you for joining us!

The presentation will begin shortly

# How to Set Up a World-Class Whistleblower Program

*Thursday June 28<sup>th</sup>, 2023*



CPAs & ADVISORS

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# Presenters

*Meet the instructors*



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*Partner and Director, Risk & Advisory Services*



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# GRF CPAs & Advisors



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Audit & Advisory Firm Headquartered in Washington, DC Metro Region, servicing clients across the United States and worldwide

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<b>Enterprise Risk Management</b>	<b>Internal Audit</b>
<b>Fraud &amp; Forensics</b>	<b>Cybersecurity</b>



**CPAs & ADVISORS**



# Housekeeping

## Additional Information

<b>Learning Objective</b> To provide attendees with a road map on how to implement a whistleblower program.	<b>Instructional Delivery Methods</b> Group Internet-based
<b>Recommended CPE</b> 1.0 CPE Credit	<b>Recommended Fields of Study</b> Specialized Knowledge
<b>Prerequisites</b> None required	<b>Advance Preparation</b> None
<b>Program Level</b> Basic	<b>Course Registration Requirements</b> None
<b>Refund Policy</b> No fee is required to participate in this session.	<b>Cancellation Policy</b> In the event that the presentation is cancelled or rescheduled, participants will be contacted immediately with details.
<b>Complaint Resolution Policy</b> GRF CPAs & Advisors is committed to our participants' 100% satisfaction and will make every reasonable effort to resolve complaints as quickly as possible. Please contact <a href="mailto:kdavis@grfcpa.com">kdavis@grfcpa.com</a> with any concerns.	
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# Want more?

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Join us for part 2 of this webinar series, coming this Fall!



Featuring Jeff  
Tenenbaum, one of  
the nation's leading  
nonprofit attorneys



A photograph of two people in a business meeting. A woman on the left is wearing a white short-sleeved button-down shirt with a subtle pattern and a long, chunky necklace. She is sitting at a wooden table. A man on the right is wearing a dark suit jacket and is pointing at a tablet computer. On the table, there is a laptop, a smartphone, a pair of sunglasses, and a brown folder. The background is a bright, outdoor setting with a wooden railing and greenery.

# Current Landscape

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# Current Landscape

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Each year more goes from physical to digital, corruption is evolving



Enhanced Reputation Risk



Losing sight of the basics



# The IIA'S Three Lines Model

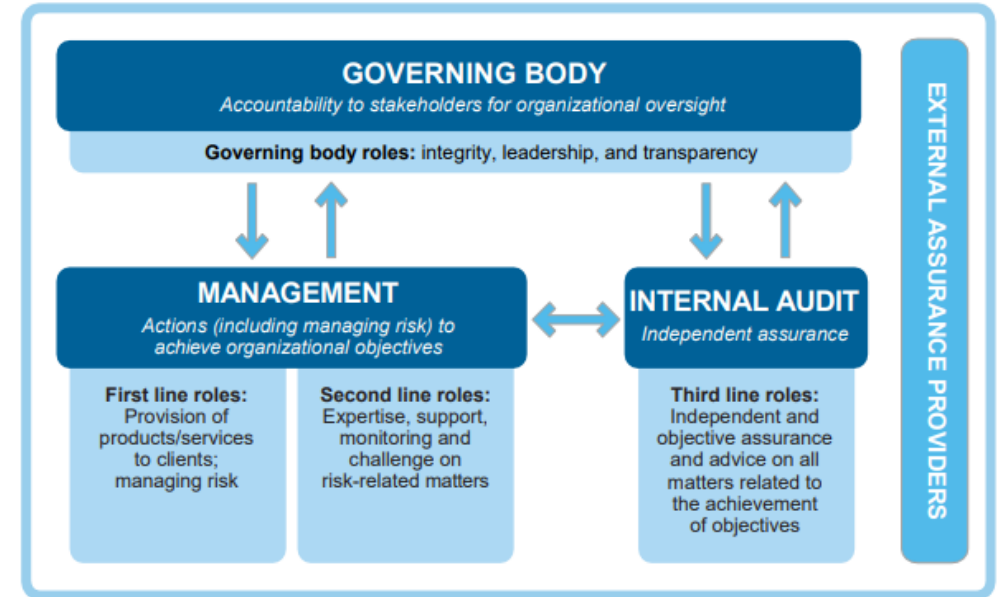
*An update of the Three Lines of Defense*



## The Three Lines of Defense Model



## The IIA'S Three Lines Model



**KEY:** ↑ Accountability, reporting | ↓ Delegation, direction, resources, oversight | ↔ Alignment, communication, coordination, collaboration



# COSO Releases Fraud Risk Management Guide:

2nd Edition Leading practices for anti-fraud professionals and organizations intent on deterring fraud.

Figure 1. Ongoing, Comprehensive Fraud Risk Management Process



# Fraud Deterrence Now and in the Future

*Deterrence is also supported and enhanced by the knowledge throughout the organization that:*

Those charged with governance have made a commitment to comprehensive fraud risk management.

Periodic fraud risk assessments are being conducted

Fraud preventive and detective control activities are being conducted

Suspected frauds are investigated quickly

Fraud reporting mechanisms are in place

Discovered frauds are remediated thoroughly

Wrongdoing has been appropriately disciplined

The entire Fraud Risk Management Program is being constantly monitored

# Beyond Fraud

Whistleblower programs can be effective in uncovering wrongdoing and promoting accountability in various areas beyond financial fraud.

- **Workplace Safety Violations:** Whistleblower programs have proven effective in exposing workplace safety violations that can lead to hazardous conditions and endanger employees' well-being.
- **Environmental Protection:** Whistleblowers have played a crucial role in uncovering environmental violations and promoting environmental protection.
- **Safety and Quality:** Whistleblower programs can help identify safety concerns and quality issues that may put people at risk.
- **Academic Misconduct:** Whistleblower programs within educational institutions have been effective in uncovering academic misconduct, plagiarism, and research fraud.

# ESG Topics

Achieving effective internal control over sustainability reporting (ICSR): building trust and confidence through the COSO internal control—integrated framework

Environmental	Social	Governance
Biodiversity	Community relations	Anti-bribery and anti-corruption
Climate change	Data privacy	Anti-fraud
Deforestation	Diversity, equity, and inclusion	Corporate board, structure
Energy use	Education and training	Data protection
Extreme weather	Employee compensation and benefits	Executive compensation policies
GHG emissions	Employee engagement	Regulatory compliance
Landfill	Health and safety, product use	Shareholder rights and engagement
Oceans	Health and safety, production	Transparency, disclosure
Recycling	Human rights	Whistleblower policy
Soil health	Modern slavery	
Transportation	Opportunities for meaningful work	
Water management	Union rights	

<https://www.coso.org/Shared%20Documents/COSO-ICSR-Report.pdf>



# Alternative Taxonomy

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While the term "whistleblower" does not inherently have a negative connotation, it can sometimes carry a perception of negative implications or potential risks for the individuals involved. As organizations aim to create a positive and supportive environment for reporting wrongdoing, they may choose to use alternative terms that focus on the positive aspects of reporting and integrity. Some alternative terms for "whistleblower" include



Reporting  
Party



Ethics  
Champion



Integrity  
Advocate



Compliance  
Ally

# Regulations

- As a result of infamous fraud cases such as Enron, Sarbanes-Oxley was passed in 2002 and includes specific provisions to protect employees of publicly traded companies who report violations of SEC regulations
  - Anti-retaliation clauses
  - Complaints must be filed within 180 days of alleged violation or after the date on which employee became aware of violation
- Nonprofit organizations are required to disclose whether or not they have a whistleblower policy within their 990 – this information is tracked and published by charity watch dogs such as Guidestar, Charity Watch, Charity Navigator

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# European Union (EU) Whistleblower Directive

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- EU released a whistleblower directive focused on the following items:
  - Anonymous reporting channel for whistleblowers
  - Protection of the identity of whistleblower (i.e., reporting channel is not accessible by unauthorized staff)
  - Reporting deadlines for communicating with whistleblower
    - Acknowledgement of complaint within 7 days of receipt
    - Feedback to whistleblower within 3 months of complaint
  - Anti-retaliation protocol for whistleblowers and involved parties



# Polling Question #1

Have you read the most recent ACFE Report to the Nations?

- A. *Yes*
- B. *No*
- C. *Partially*



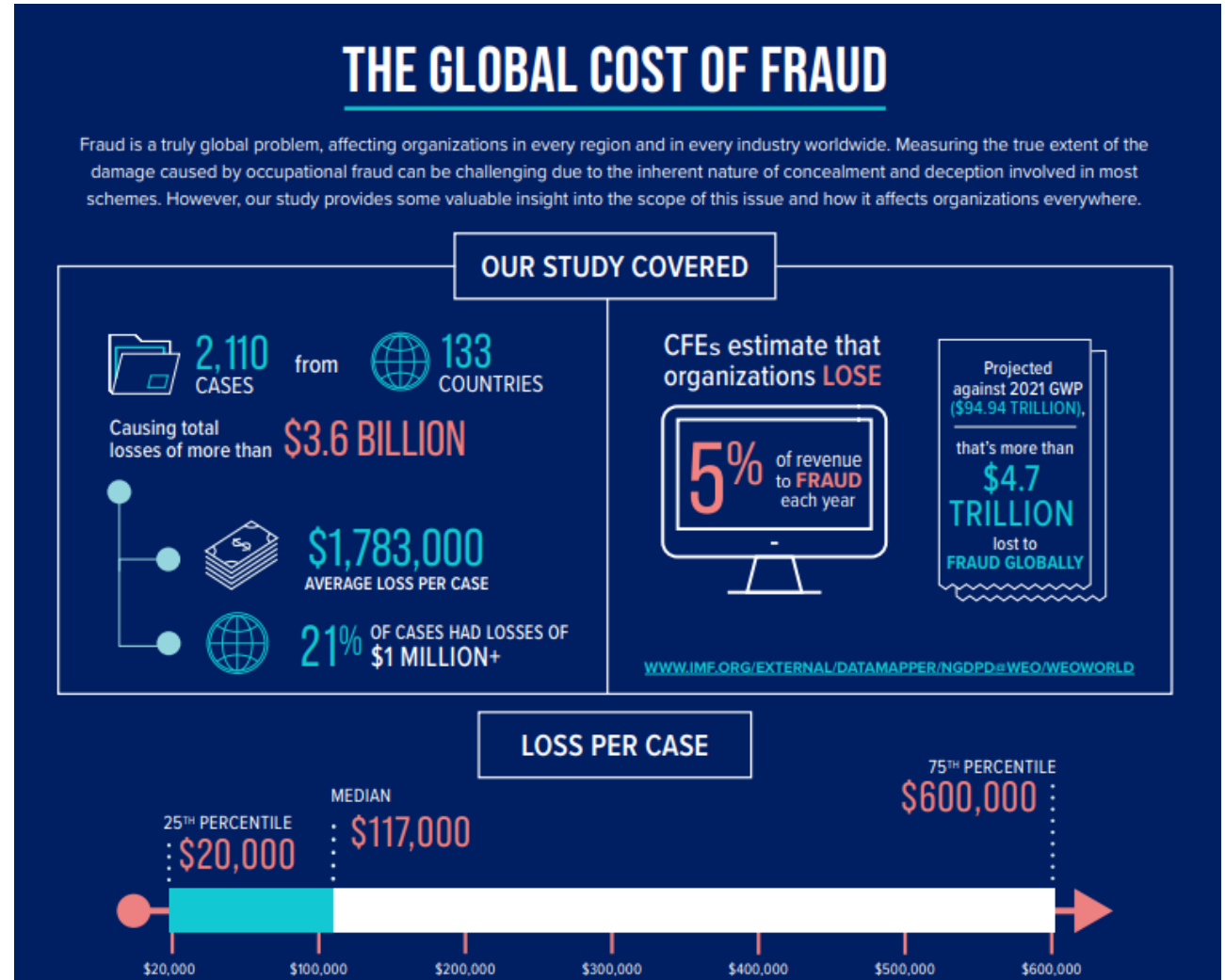
A photograph of two people sitting at a wooden table outdoors. A woman on the left is wearing a white short-sleeved blouse and a long necklace. A man on the right is wearing a dark suit jacket and is pointing at a tablet computer. On the table are a laptop, a smartphone, a pair of sunglasses, and a folder. The background is a blurred outdoor setting with greenery.

# ACFE Report to the Nations Highlights

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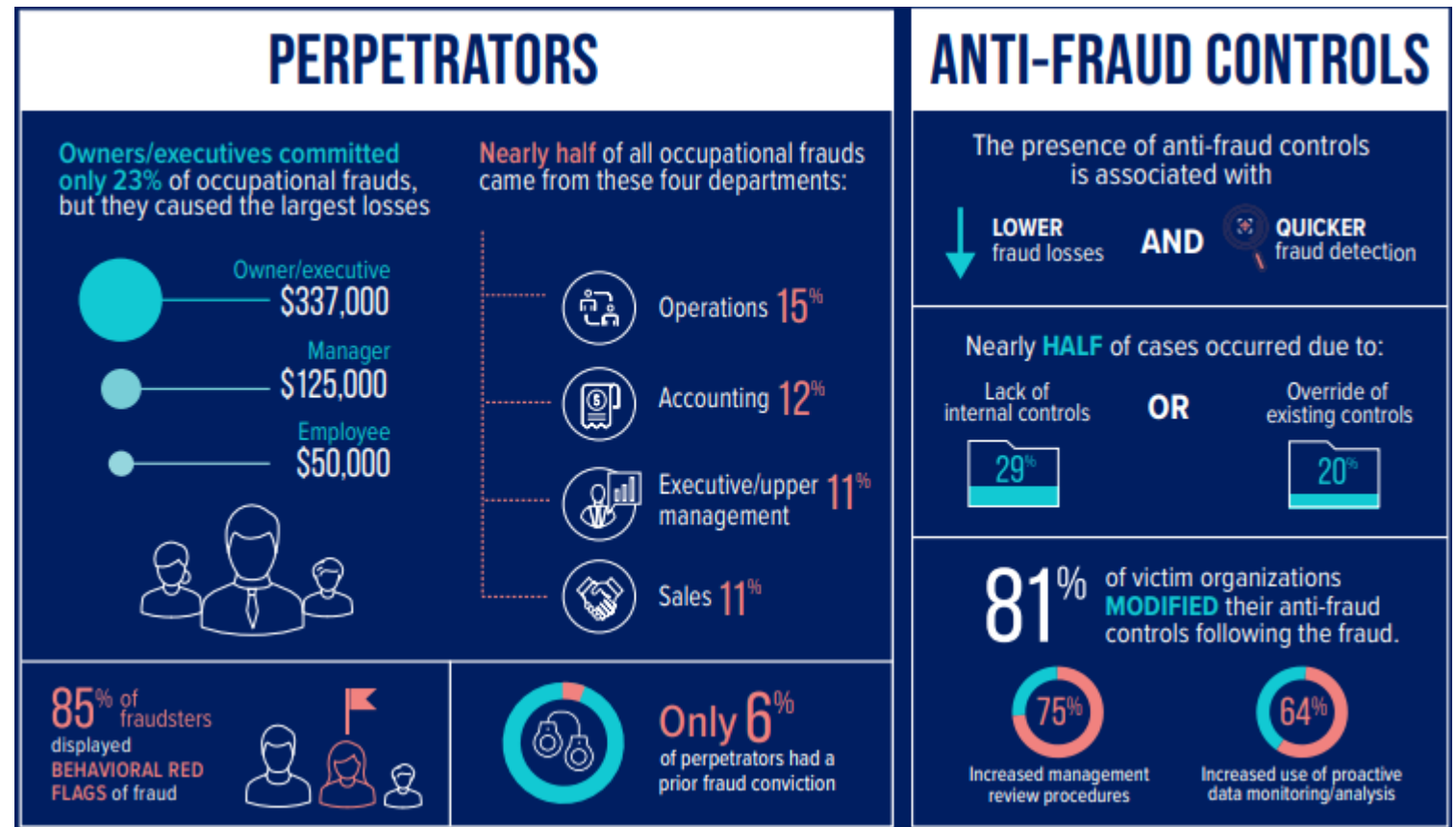
# ACFE Report to the Nations Highlights

- Asset Misappropriation through fraudulent disbursement schemes accounts for the highest percentage of frauds
- Organizations under \$50M account for the highest percentage of occupational fraud cases (38%) and organizations with under 100 employees account for the largest median loss (\$150k)



# ACFE Report to the Nations Highlights

- Perpetrators exist at all levels but the higher up the fraud, the more costly
- Only 6% had prior convictions meaning your normal background checks will not provide evidence of a current/future fraudster
- Organizations need to be proactive, not reactive



*ACFE 2022 Report to the Nations*

# ACFE Report to the Nations Highlights

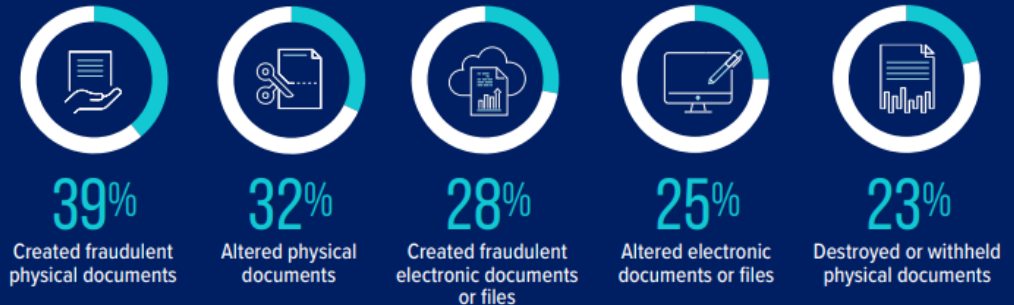
- Frauds are becoming more difficult to detect due to the creation/alteration of electronic documentation
- Organizations are allocating more resources to preventative/detective fraud controls



## HOW DO PERPETRATORS CONCEAL THEIR FRAUDS?

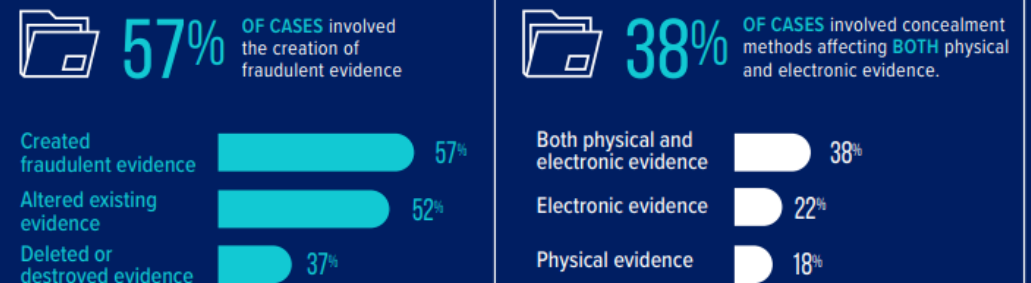
Examining the methods fraudsters use to conceal their crimes can assist organizations in more effectively detecting and preventing similar schemes moving forward.

### TOP 5 CONCEALMENT METHODS USED BY FRAUDSTERS



**12%** of cases did not involve any attempts to conceal the fraud

### EVIDENCE



## Polling Question #2

Does your organization provide annual training over the anti-fraud program/policies?

- A. *Yes*
- B. *No*
- C. *Unsure*



A photograph of two people in a business meeting. A woman in a white short-sleeved shirt and a necklace is sitting at a wooden table. A man in a dark suit is pointing at a laptop screen. On the table are a laptop, a tablet, a smartphone, and sunglasses. The background is a blurred outdoor setting with greenery.

# Creating Policies and Procedures

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# Where to Start

- Perform a baseline assessment of policies and procedures from Human Resources, legal, anti-fraud program, and other applicable sources
- Baseline policies (hopefully) already in place:
  - Code of Conduct
  - Whistleblower Policy
  - Conflict-of-Interest Policy
  - Information Security Policy



# Baseline Policies

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- Many organizations have these baseline policies in place, but it's important to verify they have been reviewed/updated recently and are complete
- Important elements to consider:
  - Code of Conduct – is this required to be signed by all employees, Board members, third-parties and subrecipients/subcontractors?
  - Whistleblower Policy – are employees trained annually? Is this embedded in the employee handbook/code of conduct or other document required to reviewed and signed annually? Does this include the appropriate follow up measures, assign accountability, establish reporting guidelines/timeframes, etc.?
  - Conflict-of-Interest Policy – are employees and Board members require to sign on an annual basis?
  - Information Security Policy – does this incorporate the necessary elements to minimize fraud or wrongdoing through electronic means (i.e., access rights controls, acceptable use policy)?



# Let's Focus on the Whistleblower Policy

- Elements of a whistleblower policy:
  - Introduction – what purpose does the policy serve?
  - Scope – who/what does the policy apply to?
  - Definitions – how does the organization define a whistleblower, wrongdoing, reporting channel, etc.
  - Reporting Process – step-by-step process detailing how a whistleblower can/should submit complaints
  - Confidentiality – statement that confidentiality will be maintained to fullest extent possible
  - Non-retaliation – statement regarding zero tolerance policy against whistleblower retaliation, actions to be taken against alleged retaliation, and consequences for retaliators
  - Investigation Process – step-by-step process detailing how management/Board will follow up on complaints
    - \*This will be the focus of our follow up webinar\*



## Polling Question #3

Does your organization have an anonymous channel to submit whistleblower complaints?

- A. *Yes*
- B. *No*
- C. *Unsure*



A photograph of two people sitting at a wooden table outdoors. A woman on the left is wearing a white short-sleeved blouse and a long necklace. A man on the right is wearing a dark suit jacket and is pointing at a tablet computer. On the table are a laptop, a smartphone, a pair of sunglasses, and a folder. The background is a blurred outdoor setting with greenery and a wooden railing.

# Establishing Your Reporting Channel

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# What Reporting Channels are Available?

- Hotline
- Email
- Web-Based
  - Platform
  - Online Form
- Mail
- Fax
- Direct Reporting
  - Standard form

## HOTLINE AND REPORTING MECHANISM EFFECTIVENESS

Maintaining a hotline or reporting mechanism increases the chances of earlier fraud detection and reduces losses. Fraud awareness training encourages tips through reporting mechanisms.

70% of  
**VICTIM**  
ORGANIZATIONS  
had hotlines

Fraud losses were  
**2X HIGHER**  
at organizations without hotlines

With hotlines \$100,000

Without hotlines \$200,000

### EFFECT OF EMPLOYEE AND MANAGER FRAUD AWARENESS TRAINING ON HOTLINES AND REPORTING

**TRAINING INCREASES**  
the likelihood of detection by tip

45% of cases detected  
by tip with training

37% of cases detected  
by tip without training



Reports of fraud are  
**MORE LIKELY TO  
BE SUBMITTED**  
through hotlines  
with training

With training 58%

Without training 42%

Percent of tips made through hotline

Organizations with  
hotlines detect frauds  
**MORE QUICKLY**

With hotline 12 MONTHS

Without hotline 18 MONTHS



Organizations with hotlines are more  
likely to detect fraud **BY TIP**

With hotlines

47%

Without hotlines

31%

Percent of cases detected by tip

30



# Whistleblower Software Online Platform

These have grown in popularity due to anonymity, user-friendliness, streamlining of case management process, and affordability

Links can be provided through the organization's website to demonstrate commitment to fair practices and zero tolerance policy against fraud and other wrongdoing

Templated forms with customized data fields allow the organization to capture all relevant information in a standardized format

Automated notifications inform applicable personnel as soon as a complaint is received

User Access Rights can be assigned to internal and external members of investigative team to appropriately limit information they can/can't view

Allows for real-time communication with whistleblower in an anonymous format - platforms have the capability to scrub meta data ensuring anonymity



# Due Diligence

Due to the sensitivity of the information contained within these platforms, it's important to do the appropriate due diligence to ensure the platform complies with your organizational cybersecurity standards, as well as any applicable regulatory frameworks (i.e., GDPR)

- Any past issues with breaches?
- Issues with financial viability?
- Is the provider able to provide proof of compliance with best practice frameworks, pen testing, ongoing monitoring, etc.?
- Has this been reviewed/demoed by your IT department?





# Managing Access Rights

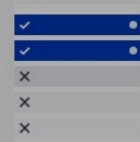
Proper management of Access Rights to information technology systems is critical in preventing unauthorized access to sensitive information. Accordingly, given the nature of the information within a whistleblower platform, controls around Access Rights is critical to protecting whistleblower anonymity and allowing for appropriate follow up.

Minimize number of users with access to platform

Restrict access based on roles and responsibilities (principle of least privilege)

Monitor and review Access Rights on an ongoing basis

## Access Configuration



### Changes apply only to new cases

Adding and removing users from case access only applies cases created in the future. Existing case access will not be affected.

Click on Advanced configuration to edit access on categories and departments

### Users



Mac Lillard

### Edit access

Edit which users will receive access to new cases. Users must have case permissions to be selectable.

Users

2 Selected

✓ Mac Lillard

✓ Darren Hulem

Thomas Brown

## Users

+ Create

ML Mac Lillard  
mlillard@grfcpa.com

✓ Email verified  
✓ Two Factor Authentication

DH Darren Hulem  
dhulem@grfcpa.com

✓ Email verified  
✓ Two Factor Authentication

TB Thomas Brown  
tbrown@grfcpa.com

✓ Email verified  
✓ Two Factor Authentication

Showing 1 to 3 of 3 results

Dashboard

Cases

Statistics

Departments

Users

Access Configuration

Categories

Reporting link

Settings



# Organization of Complaints

Large and/or decentralized organizations may be in a position in which multiple individuals are involved in addressing whistleblower allegations based on functional or regional areas. This increases the importance of being able to organize incoming complaints and delegate them to the appropriate individuals.

Demo Company	3		3		>
Demo Company - Accounting	3		0		>
Demo Company - Africa	3		0		>
Demo Company - Asia	3		0		>
Demo Company - EU	3		0		>
Demo Company - Human Resources	3		0		>
Demo Company - South America	3		0		>
Demo Company - US	3		0		>



# Customized Reporting Form

Capture all information relevant for appropriate follow up by customizing your reporting forms.

Whistleblower Software provides basic templates with the option to custom-tailor to your organization by adding in additional data fields, specifying the method of reporting, assigning departments/regions, and uploading supporting documentation to support the allegation.

**Create new case** I want to report orally

Subject

New Whistleblower Allegation

Choose how you would like to report

**Report confidentially**

You can choose to report confidentially. Your identity will only be known to those who handle your case in confidence, and your identity will appear anonymous and confidential to others in case processing.

[show more](#)

**Report anonymously**

You can choose to report anonymously if you prefer not to provide your identity to anyone in the process.

[show more](#)

Description

Description


Select departments associated with the occurrence

Demo Company - Accounting


Categories

Bribery

Recipient(s)

 **Mac Lillard**

Files



[Upload file](#)

Files up to 100Mb


Metadata from files is removed automatically



# Status Updates and Communication


The platform allows for updating the status of the allegation and assign a severity to the claim, so that system users can track the claim throughout the process

The platform also allows for ongoing communications with the whistleblower while maintaining their anonymity.

Category 


Fraud

---

Departments 


Demo Company

---

State 


Under investigation

---

Users with access 

2 Selected


---



Severity 

5

## Messages

 Encrypted chat

 **Mac Lillard** Seen by whistleblower  
Hi, we're in the process of following up  
25 Apr 2023, 14:22:58

 **Mac Lillard** Not seen by whistleblower  
Hi,  
We have completed our investigation procedures and substantiated your claims. Corrective and disciplinary action is being taken.  
Thank you  
26 Jun 2023, 10:30:40 

 Message  Snippets  
Write a message



# Key Take-Aways

*Where do we go from here?*

- Research and understand the regulations that apply to your organization
- Perform a baseline assessment of your current whistleblower program, including existing policies and procedures, to identify gaps and areas for improvement
- Consider emerging technologies to bring in-house or outsource and incorporate into your whistleblower program
- Attend our next webinar that will cover:
  - Detailed information over the investigation process, including but not limited to:
    - Considerations relative to investigating and allegation
    - Planning and Strategy
    - Gathering Evidence
    - Documentation of Findings
    - Follow up and remedial action



# Benefits of Internal Whistleblowing Systems

Internal whistleblowing systems provide real and highly valuable benefits to organizations of all types



# Additional GRF Resources

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[Secure Whistleblower Investigation Services](#)



[Try an Online Demo of Whistleblower Software](#)



[Fraud Risk Management and Forensic Accounting Services](#)



[Subscribe to GRF Newsletters](#)



[Article: How Internal Audit Can Support Whistleblower Investigations](#)

# Questions?

*Contact Us*

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