



Sample Whistle-Blower Tracking Report

PURPOSE OF THIS TOOL: The audit committee is responsible for establishing and maintaining a secure, confidential whistle-blower mechanism. A key defense against fraud and other significant deviations from organizational policies occurring in an organization is the availability of a means for employees and other constituents to anonymously report suspected wrongdoing (whistle-blowing). A 2008 survey conducted by the Association of Certified Fraud Examiners (ACFE) revealed that various forms of fraud committed in not-for-profit organizations were detected nearly 49 percent of the time by tips, by far the leading method for detecting fraud in all types of organizations.¹ As a result, the ACFE suggests that organizations should focus on employee education as a key component of their fraud detection strategies.² In addition, because 30 percent of the tips were received from external sources, ACFE also recommends opening the system to suppliers, customers, and others.³

Federal law prohibits retaliation against anyone “blowing the whistle” with respect to a violation of a federal law or regulation, which includes not-for-profit organizations.

When a not-for-profit organization institutes a whistle-blower program, this tool could be used by the audit committee and management to implement an appropriate policy and process, to review any complaints received regarding internal accounting controls or auditing matters, and to track complaints received to an appropriate resolution. The audit committee should have the authority to appropriate resources necessary to resolve such complaints, including the hiring of external experts or advisors (refer to the “Points to Consider When Engaging External Experts and Advisors” tool).

It is a best practice to have whistle-blower complaints reported directly to the audit committee rather than to members of the organization’s management team. Therefore, not-for-profit organizations should exercise care in determining to whom whistle-blower complaints should be immediately reported if not made directly to the audit committee. Factors that should be considered include the size and complexity of the organization, as well as accessibility of the parties to whom such reports should be made. Smaller organizations that do not have an audit committee may choose to delegate such responsibilities to another committee, such as a finance committee, or to an individual, such as the board treasurer. It is also common for larger organizations to engage an independent third-party service provider to collect complaints, which may provide additional assurance to individuals who wish to remain anonymous, as well as greater consistency in complaint handling.

¹ Association of Certified Fraud Examiners (ACFE), *2008 Report to the Nation on Occupational Fraud and Abuse*, Austin, TX: ACFE, 2008, p 22.

² ACFE, *2008 Report to the Nation on Occupational Fraud and Abuse*, Austin, TX: ACFE, 2008, p 23.

³ ACFE, *2008 Report to the Nation on Occupational Fraud and Abuse*, Austin, TX: ACFE, 2008, p 23.

Sample Whistle-Blower Policy

State regulatory requirements for establishing whistle-blower reporting programs and for the protection of employees from retaliatory actions should be considered in developing and implementing whistle-blower policies (see the following example). The whistle-blower policy should be disseminated as broadly as possible to ensure that all employees, board members, and volunteers are aware of the policy and protocols for reporting whistle-blower complaints. Consideration should therefore be given to incorporating whistle-blower policies in the employee handbook, posting whistle-blower policies to the organization's Web site, and distributing the policy to employees, board members, and volunteers on an annual basis.

ABC Organization Whistle-Blower Policy

General

The ABC Organization Code of Conduct (the code) requires directors, key volunteers, and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. Employees and representatives of the organization must practice honesty and integrity in fulfilling their responsibilities and comply with all applicable laws and regulations.

The objectives of the ABC Organization Whistle-Blower Policy are to establish policies and procedures for the following:

- The submission of concerns regarding questionable accounting or audit matters by employees, directors, officers, volunteers, and other stakeholders of the organization, on a confidential and anonymous basis
- The receipt, retention, and treatment of complaints received by the organization regarding accounting, internal controls, or auditing matters
- The protection of directors, volunteers, and employees reporting concerns from retaliatory actions

Reporting Responsibility

Each director, volunteer, and employee of ABC Organization has an obligation to report in accordance with this whistle-blower policy (a) questionable or improper accounting or auditing matters, and (b) violations and suspected violations of ABC Organization's code (concerns).

Acting in Good Faith

Anyone reporting a concern must act in good faith and have reasonable grounds for believing the information disclosed indicates an improper accounting or auditing practice, or a violation of the code. The act of making allegations that prove to be unsubstantiated, and that prove to have been made maliciously, recklessly, or with the foreknowledge that the allegations are false, will be viewed as a serious disciplinary offense. It may also result in discipline, up to and including dismissal from the volunteer position or termination of employment. Such conduct may also give rise to other actions, including civil lawsuits.

Confidentiality

Reports of concerns, and investigation pertaining thereto, shall be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

Disclosure of reports of concerns to individuals not involved in the investigation will be viewed as a serious disciplinary offense and may result in discipline, up to and including termination of employment. Such conduct may also give rise to other actions, including civil lawsuits.

Authority of Audit Committee

All reported concerns will be forwarded to the audit committee in accordance with the procedures set forth herein. The audit committee shall be responsible for investigating and making appropriate recommendations to the board of directors, with respect to all reported concerns.

No Retaliation

This whistle-blower policy is intended to encourage and enable directors, volunteers, and employees to raise concerns within the organization for investigation and appropriate action. With this goal in mind, no director, volunteer, or employee who, in good faith, reports a concern shall be subject to retaliation or, in the case of an employee, adverse employment consequences. Moreover, a volunteer or employee who retaliates against someone who has reported a concern in good faith is subject to discipline up to and including dismissal from the volunteer position or termination of employment.

Reporting Concerns

Encouragement of Reporting

The organization encourages complaints, reports, or inquiries about illegal practices or serious violations of the code, including illegal or improper conduct by the organization itself, by its leadership, or by others on its behalf. Appropriate subjects to raise under this policy would include financial improprieties, accounting or audit matters, ethical violations, or other similar illegal or improper practices or policies. Other subjects on which the organization has existing complaint mechanisms should be addressed under those mechanisms, such as raising matters of alleged discrimination or harassment through the organization's human resources channels, unless those channels are themselves implicated in the wrongdoing. This policy is not intended to provide a means of appeal from outcomes in those other mechanisms.

Employees

Employees should first discuss their concern with their immediate supervisor. If, after speaking with his or her supervisor, the individual continues to have reasonable grounds to believe the concern is valid, the individual should report the concern to the director of human resources. However, if the individual is uncomfortable speaking with his or her supervisor, or the supervisor is a subject of the concern, the individual should report his or her concern directly to the director of human resources or a level above the supervisor. In addition, suspected fraud should be reported directly to the chair of the audit committee, who may be contacted by phone at (Telephone Number), by e-mail at (e-mail address) or by regular mail at:

Mr. or Ms. Jenkins, Audit Committee Chair

[insert mailing address]

If the concern was reported verbally to the director of human resources, the reporting individual, with assistance from the director of human resources, shall reduce the concern to writing. The director of human resources is required to promptly report the concern to the chair of the audit committee, which has specific and exclusive responsibility to investigate all concerns. If the director of human resources, for any reason, does not promptly forward the concern to the audit committee, the reporting individual should directly report the concern to the chair of the audit committee. Concerns may also be submitted anonymously. Such anonymous concerns should be in writing and sent directly to the chair of the audit committee.

Directors and Other Volunteers

Directors and other volunteers should submit concerns in writing directly to the chair of the audit committee.

Handling of Reported Violations

The audit committee shall address all reported concerns. The chair of the audit committee shall immediately notify the audit committee, the president, the CEO, and chief operating officer of any such report. The chair of the audit committee will notify the sender and acknowledge receipt of the concern within five business days, if possible. It will not be possible to acknowledge receipt of anonymously submitted concerns.

All reports will be promptly investigated by the audit committee, and appropriate corrective action will be recommended to the board of directors, if warranted by the investigation. In addition, action taken must include a conclusion or follow-up, or both, with the complainant for complete closure of the concern.

The audit committee has the authority to retain outside legal counsel, accountants, private investigators, or any other resource deemed necessary to conduct a full and complete investigation of the allegations.

