



2024 State of Ethics Reporting Hotlines

eBook

New Trends from Artificial Intelligence to Listening Up are Setting the Course for a New Speak Up Era

Our latest annual research of 40,000 ethics hotline reports represents 18 and 33 percent increases over the past two annual report periods. The 2024 report paints a picture of increased whistleblower and ethics reporting adoption amid workforce tensions, including uncertain macroeconomic conditions and blended work environments.

Given the increase in report volumes we've seen across nearly 6,500 organizations, a solid trend has been validated as more employees are speaking up and providing important feedback. This is enabling leaders to realize greater support for corporate compliance and code of conduct initiatives, while strengthening cultural imperatives and upskilling employees for the future of work.



Respondent Profile and Methodology



Ethics Hotline Reporters

Nearly **6,500** organizations with employees who logged **40,000** anonymous hotline reports in 2023, which was an increase from 34,000 in 2022 and 27,000 in 2021.



Company Size

73% of organizations have more than 100 employees; **33%** have more than 500.



Industries

Organizations span a range of industries, including healthcare, not-for-profit, financial services, technology, manufacturing, business services, education, biotechnology, retail, energy, entertainment, transportation, construction, government, real estate, insurance, manufacturing, hospitality and agriculture.



Methodology

Reports were submitted anonymously and stored in a secure case management system. No confidential information was used to prepare this report.



Highlights of Key Incident Report Types

Among our key findings is an increasing trend of employees speaking up about important topics as ethics reporting hotlines go mainstream:

Employment Law issues and incidents have more than doubled (up 115%) relating to topics such as employee abuse and bullying, hostile work environments, harassment and discrimination, sexual assault and general misconduct.

Business Operations, including accounting, finance, and general suggestion box reports also increased.

HR and Employee Relations incidents rose 16 percent as more employees filed reports relating to general human resources topics and policies, including attendance, payroll, and drugs and alcohol.

Customer Service concerns remained steady and significant in this latest study across many industries.

Ethics and Legal Compliance reports increased 29 percent, which consisted largely of general compliance, fraud, conflict of interest and code of conduct incidents.

Workplace Safety incidents also rose, including vehicle-related and “How’s my driving?” reports for organizations involved with transportation.

Privacy and Security remained a top concern among employees speaking up, including important incidents involving theft.

Healthcare Industry reports doubled as a result of incidents involving fraud, waste and abuse, quality of patient and resident treatment and care, and HIPAA violations.





Syntrio's Annual Research Report

So, how do you build a compliant, high-performing culture that consistently drives the innovation, customer service and overall results you need to compete at scale amid rapidly changing realities?

You want to improve compliance, employee engagement and performance across offices and hybrid work environments. To accomplish this at scale, you need solid information and feedback about the vitality of your workforce and new ways to attract and retain top talent to achieve your organizational goals.

Increasingly, what distinguishes employers of choice are ethics hotline reporting and learning programs that enable you to gather continuous feedback across your workforce and tap into their unique capabilities to drive exceptional performance.

Syntrio analyzed 40,000 anonymous hotline reports and interviewed dozens of customers to produce this *2024 State of Ethics Reporting Hotlines* report. We trust you'll find it insightful.

This report also incorporates updates from the U.S. Securities and Exchange Commission's Whistleblower Office, the Association of Certified Fraud Examiners and the Commodity Futures Trading Commission.

Feature: Humans and AI are Joining Forces

Significant performance improvements are possible when humans and machines work together to leverage complementary strengths that combine leadership, teamwork, creativity and social skills with the speed, scalability and quantitative capabilities of artificial intelligence (AI). High performing businesses will soon require both kinds of capabilities.

To benefit from this transformation, organizations will need to reimagine business processes, embrace experimentation and employee involvement, actively direct AI strategy, responsibly collect data, redesign work to incorporate AI and cultivate related employee skills.

AI has the potential to be a powerful tool for your ethics reporting and speak up programs, and here are a few of the potential use cases that Syntrio and many of our customers are exploring:

Automated Detection of Potential Wrongdoing:

AI can analyze large amounts of data to identify patterns that may indicate potential wrongdoing. For example, AI could be used to identify suspicious financial transactions or patterns of employee behavior that could be indicative of fraud.

Improved Risk Assessment:

AI can assess the risk of potential misconduct, which could help organizations to prioritize their resources and focus on areas where the risk of wrongdoing is greatest.

Enhanced Investigation Capabilities:

AI can enhance the investigative capabilities of organizations. For example, AI could be used to analyze large amounts of data to identify evidence of wrongdoing or to identify witnesses who could provide information about potential wrongdoing.

Improved Protection for Whistleblowers:

AI can improve the protection for whistleblowers. For example, AI could be used to anonymize whistleblower reports or to track the progress of whistleblower investigations.

It is important to note that AI is not a silver bullet or replacement for whistleblower hotlines or ethics reporting programs. AI can be a powerful tool, but it is important to use it in conjunction with human judgment. AI should not be used to replace human oversight, but it can be a valuable tool to help organizations identify, assess and investigate potential wrongdoing.



Feature: Managers are Preparing to Listen Up

Another trend that we identified when analyzing the reporting data is the increase in managers listening to employees and filing reports themselves. These incidents are typically filed as “self or interview” reports, and they occur when managers observe or are told about incidents that should be reported.

How do you respond to employee concerns?

A speak up culture is one in which employees feel comfortable speaking up about their concerns, ideas, and mistakes. This is essential for a healthy and productive workplace. When employees feel like they can't speak up, it can lead to problems such as safety hazards, decreased productivity, and employee turnover. Managers must also play key roles in creating a speak up culture by encouraging open communications, practicing active listening and being prepared to receive and respond to feedback.

Given the growing number of incidents being reported, it's essential that managers and report investigators are enabled with best practices for reporting incidents and conducting report investigations.



Enable Your Managers and Investigators –
Did you know that Syntrio offers a modern suite of microlearning and communication tools that enable managers and investigators with best practices? The training emphasizes the importance of good listening skills and investigative processes to ensure that all parties are treated with respect and fairness to maintain a healthy and compliant workplace culture.

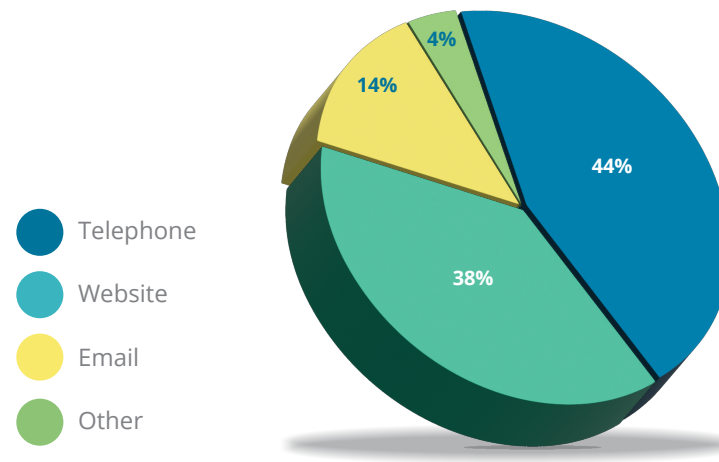
Ethics Reporting via Telephone and Website are Preferred

Syntrio customers represent a broad range of industries and the largest percentage of employees prefer the option to report an incident via our anonymous hotline telephone service. In this report, telephone reporting was the method chosen most often though it was down two percent from the previous period, while website reporting gained two percent.

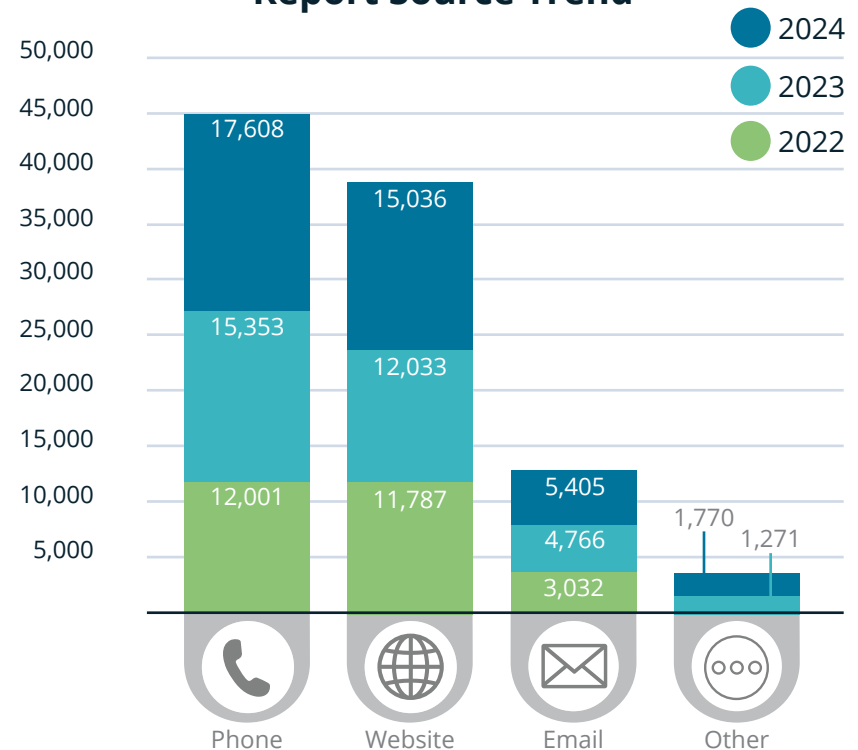
One reason for the continued use of telephone reporting is more reporters are working from remote offices and they prefer to engage in live interactions with certified report intake specialists who provide more personal service than is possible via a website or email.

Regardless, it is important to select an ethics hotline provider that offers an array of anonymous report intake methods that are auditable, global and multilingual, secure and reliable. This is especially important to providing an equitable solution for employees and other stakeholders who operate in central office, remote and hybrid work environments.

Report Source Percentages



Report Source Trend



Employee Hotlines Improve Compliance and Culture Across the Globe

Ethics hotlines have moved far beyond supporting regulatory compliance initiatives – from preventing workplace harassment and discrimination, detecting and averting fraud, and inhibiting health and safety incidents – which they continue to do quite well.

Today, they are quite effective at helping you win the battle for top talent across the regions. Cultural factors such as employee engagement have clear relationships to business outcomes, including revenue and profitability, so hotlines have emerged as a strategic tool in a broader context that includes aspects such as retention, productivity and leadership.

Ethics hotline usage is now universal across the globe and nearly every region is leveraging them to engage all employees equally wherever they reside. While the Americas region comprised the highest percentage of reporters, every region was represented in our study.

Syntrio's certified intake systems and specialists received anonymous hotline reports from reporters in more than 100 countries. Interestingly, Peru and Jamaica joined our top ten list this year, supplanting Germany and Colombia:

1. USA
2. Philippines
3. Mexico
4. Canada
5. India
6. Brazil
7. Peru
8. United Kingdom
9. China
10. Jamaica

One of the many benefits of ethics hotlines is they can be made equally and universally accessible for all employees, regardless of location. Our research found vietnam incident reporters – employees and stakeholders who file reports – to be in virtually all areas of the world. What makes hotline services so appealing are the capabilities to uniformly engage employees and others wherever they are located.



Ethics Hotlines are Widely Utilized Across Industries

While the history of employee hotlines is deeply rooted in highly regulated sectors, virtually all industries leverage them today.

Though whistleblower hotlines are required in most publicly traded companies, there are an abundance of progressive organizations in virtually all industries that have adopted ethics hotlines as a means of supporting compliance initiatives, tapping deeper into talent pools and driving more successful financial outcomes.

For instance, even though healthcare, not-for-profit, business services, manufacturing and technology organizations often have different corporate charters and demographics, there is heavy adoption of hotline systems across these industries.

Leadership in these industries play an important role in utilizing hotlines to advance culture and compliance initiatives in their organizations. Not only are they focused on regulatory compliance and the potential cost of non-compliance, but they recognize the upside potential of fostering a high-performing workplace.



Industries with the Most Incident Reports

Healthcare led the list of industries reporting the most incidents with 31 percent (up 4%). Rounding out the top ten industries were:

1. **Healthcare**
2. **Manufacturing**
3. **Business Services**
4. **Education**
5. **Retail**
6. **Restaurant & Hospitality**
7. **Technology & Telecom**
8. **Government**
9. **Not-for-Profit**
10. **Transportation & Distribution**

Moving up in the list were Business Services, Restaurant & Hospitality and Transportation & Distribution.

The Nature of Ethics Hotline Reporting

Our research uncovered many interesting findings throughout the 40,000 ethics hotline reports that were analyzed in our study. Hotline reports vary widely across organizations, ranging from general human resource topics to workplace harassment and discrimination, fraud and other code of conduct incidents.

The nature of incident types also varied widely by industry. For instance, healthcare organizations reported large numbers of fraud, waste and abuse incidents, while manufacturing facilities filed a relatively large number of workplace safety reports.

While every report is important to the reporter and organization, the following table categorizes the most common reasons that employees utilize their hotline services:

HR and Employee Relations

- General HR, employee relations topics, policies
- Employee misconduct
- Employment, unemployment
- Payroll, wage
- Substance abuse
- Attendance

Employee Abuse

- Hostile work environment
- Wrongful termination
- Inappropriate behavior
- Bullying, retaliation
- General abuse

Business Operations

- Finance and accounting issues and irregularities
- Billing issues
- Employee suggestion box reports

Employment Law

- Unfair employment practices
- Harassment - sexual
- Discrimination - age, disability, race, gender
- Gifting and cash payments

Privacy and Security

- Privacy issues
- Cybersecurity incidents
- Physical security incidents
- Asset protection, theft

Customer Service

- General service incidents
- Customer suggestion box reports

Ethics and Legal Compliance

- Regulatory compliance
- Legal violations and ordinances
- Fraud - financial, workers' compensation, healthcare
- Code of conduct, ethics
- Conflict of interest

Workplace Safety

- Unsafe conditions
- Vehicle transportation issues

Patient Care (Healthcare)

- Quality of patient, resident care, treatment
- HIPAA
- Fraud, waste and abuse
- Healthcare administration

U.S. Securities and Exchange Commission Research

The SEC is a government oversight agency responsible for regulating the securities markets and protecting investors. Their Whistleblower Office recently reported they've seen rapid growth in tips that have been awarded to reporters.

In fiscal year 2023, the Commission awarded nearly \$600 million – the highest annual total by dollar value in the program's history.

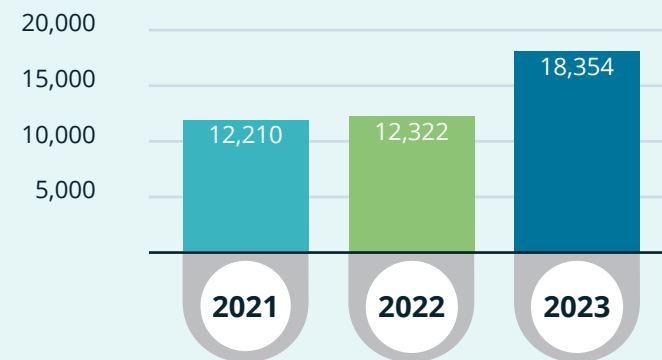
These totals include a single award for almost \$279 million – the largest in the history of the program. The SEC has now awarded more than \$1.9 billion to 397 individual whistleblowers since the beginning of the Program in 2011.

The impact of the Whistleblower Program was evident in the unprecedented level of public participation in the Program in FY 2023. The Commission received more than 18,000 whistleblower tips in FY 2023, almost 50% more than the previous record set in FY 2022.

Interestingly, these tips came from a broad range of reports, including for example, joint whistleblowers, a compliance officer who acted when their company would not, and outsiders providing independent analysis.

The record number of whistleblower tips the Commission received in FY 2023 alleged a variety of misconduct. The most common complaint categories reported by whistleblowers were Manipulation (24%), Offering Fraud (19%), Initial Coin Offerings and Crypto Asset Securities (14%), and Corporate Disclosures and Financials (10%).

Dramatic Rise in Whistleblower Tips



Top 10 Categories

1. *Manipulation*
2. *Fraud*
3. *Initial Coin Offerings*
4. *Disclosures and Financials*
5. *Insider Trading*
6. *Trading and Pricing*
7. *Unregistered Offerings*
8. *Market Events*
9. *FCPA*

Association of Certified Fraud Examiners Research

ACFE's *Annual Report to the Nation* studied 2,110 cases from 133 countries causing total losses of more than \$3.6 billion. The median loss per case was \$117,000 and the average loss per case was an astounding \$1,783,000.

Forty-two percent (42%) of frauds were detected by tips and more than half of all tips came from employees who were speaking up. Email (42%) and web-based (33%) reporting both surpassed telephone hotlines (27%) during the reporting period, which is inconsistent with Syntrio's research findings.

According to the ACFE, Asset Misappropriation schemes are the most common (86% of cases) but least costly. Conversely, Financial Statement Fraud schemes are the least common but most costly – the median loss was \$593,000 – and Corruption was the most common scheme in every global region.

Perpetrators of fraud were most often owners/executives, followed by managers and employees who worked in operations, accounting, upper management and sales. The industries affected by the greatest number of cases were banking and financial services, government and public administration and manufacturing, though more than twenty industries reported significant numbers of cases and median losses.

An interesting finding in the ACFE report is the median loss is twice as high for organization without hotlines (\$200,000) and the duration of fraud is fifty percent longer (18 months). A typical fraud case causes a loss of \$8,300 per month and lasts 12 months before detection, so having the right hotline system in place is critical. In fact, a trend for the past decade is frauds are being caught faster today and are causing smaller losses, due in part to the adoption of whistleblower hotlines and hotline learning programs that encourage employees to speak up and file reports.



2,110
Fraud Cases



42%
Detected by Tips



\$593,000
Median Loss

Top 3 Industries



Banking and
Financial Services



Government and
Public Administration



Manufacturing

Commodity Futures Trading Commission Research

Since the inception of the Whistleblower Program in FY 2010 through the end of FY 2023, the CFTC has issued 14 orders granting awards totaling almost \$350 million, and the total sanctions ordered in all whistleblower-related enforcement actions has surpassed the \$3 billion milestone.

In September 2023 alone, the CFTC awarded \$15 million to one whistleblower and \$300,000 each to two others whose anonymous reports and information were highly significant.

The CFTC's Whistleblower Office received 1,530 tips and complaints in the most recent 12-month period. The majority of tips received involved fraudulent misappropriation and solicitation involving crypto/digital assets but there has also been a rise in general investment schemes originating from online communications through social media or dating sites.



\$200 Million

Record-Breaking Award
Under Dodd-Frank Act



50+%

Increase in Tips



Top Categories

Fraudulent Misappropriation
General Investment Schemes



Key Takeaways for the State of Ethics Reporting Hotlines 2024

Human resources, risk management and ethics and compliance teams have unique opportunities to benefit their organizations with anonymous information and feedback that's captured in their ethics hotline systems. Syntrio's *2024 State of Ethics Reporting Hotlines* report highlights key opportunities to foster and grow a culture that dramatically improves compliance, cultural health and overall performance.



- 1 Artificial Intelligence will have a major impact.**

While AI usage is certainly rising and gaining momentum, it is worth noting that it is not a silver bullet or replacement for whistleblower hotlines or ethics reporting programs. AI can be a powerful tool, but it is important to use it in conjunction with human judgment. AI should not be used to replace human oversight, but it can be a valuable tool to help organizations to identify, assess and investigate potential wrongdoing.
- 2 Managers are getting better at listening and responding.**

As speaking up has gotten more recognition as a valuable means of obtaining feedback – especially across distributed work environments – listening up has also improved. Responsible and progressive leaders and managers are recognizing the need to be open and listen to concerns, self-report when needed and respond fairly to issues that surface.
- 3 Hotline reporting preferences – telephone, website and email – vary by industry.**

New workforce realities such as blended work environments have influenced how employees utilize their ethics hotline services. This also varies by industry – according to the ACFE report, email and web-based reporting surpassed the telephone across banking and financial services, government and public administration, and manufacturing sectors. At the same time, Syntrio's findings across a broader selection of industries indicate a continued preference for telephone- and web-based service options.
- 4 Hotline benefits have moved way beyond compliance.**

While anonymous employee hotlines continue to be deployed for regulatory compliance reasons, a trend has emerged for organizations to utilize them for more strategic and aspirational purposes. Today, ethics hotlines are central to strategies that drive performance and support corporate missions and shared values.
- 5 Hotline tips are trending upward across all industries.**

According to Syntrio, SEC, ACFE and CFTC findings, the year-over-year increase in tips coming in from reporters has increased significantly. It is therefore important that all organizations in every industry adopt best practices regarding ethics investigation procedures and closed-loop reporting to harness the most benefit from their hotline systems.



About Syntrio

Syntrio, now part of Mitratesch, is a global leader in governance, risk, compliance and human resource solutions that help more than 6,500 organizations make their workplace a better place. Syntrio solutions include a comprehensive ethics reporting hotline and case management system, and seven modern training libraries in Employment Law and Harassment, Ethics and Compliance, Diversity and Inclusion, Health and Safety, Business Skills, Cybersecurity, and Hotline Learning.

Visit the resource center at syntrio.com for complementary ethics hotline reporting and learning information, including essential guides and checklists to improve your culture and compliance initiatives.

For more information visit syntrio.com.

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