

## CEP Magazine – July 2024



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## The dos and don'ts of compliance and employee reporting

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by Jessica Brown and Ximena Restrepo

Employee reporting is not only a critical element of an effective compliance program but also a core function that demonstrates the organization's goodwill in corporate and social responsibility. These sources of reporting—such as the compliance hotline/helpline and other integrity-related reporting—permit employees, volunteers, and contractors to report matters or raise concerns safely with no fear of retaliation.

Is your compliance reporting volume up or down? What are the trends you are seeing over time or by season?

If the volume goes up, this may not necessarily imply new concerns. It could also indicate signs of a healthy work environment and the result of trust and a strong speak-up culture. If reporters have a positive outcome, feel their concerns were heard and understood, and believe action was taken in a timely manner, they will likely be more inclined to reach out in the future and also encourage their peers to report.

### Leverage your reporting mechanisms

It is important for organizations to offer a choice of multiple reporting mechanisms, including different access points and platforms, as well as an anonymous reporting option. Time management, communication skills, collaboration between key investigating department leaders, and effective reporting structures are needed to ensure the process does not become overwhelming and cumbersome. Compliance should rely on a solid organizational investigation process to identify and address noncompliant activities, reinforce commitment and accountability, and ensure fair, equitable, and consistent enforcement.

### Effective reporting structures

To properly triage concerns and/or investigations, consistent communication channels must be established with key operational leaders during the review and mitigation process. Initially, a standard reporting structure must be defined. It is recommended to use existing industry-standard structures and adjust as needed.

Navex, for instance, in their most recent annual *Hotline & Incident Management Benchmark Report*, provides a baseline of the most common report categories and subcategories.<sup>[1]</sup> The main categories identified in the 2023 Navex report include:

- Accounting, Auditing & Financial Reporting

- Business Integrity (conflicts of interest, fair competition, anti-trust, political activity, data privacy, etc.)
- Human Resources, Diversity & Workplace Respect (discrimination, harassment, retaliation, substance abuse, workplace civility, etc.)
- Environment, Health & Safety
- Misuse or Misappropriation of Assets
- Other

Ethico, similarly, in their *2023 Hotline & Investigations Benchmark Report*, provides the following basic categories:<sup>[2]</sup>

- Human resources (discrimination, harassment, retaliation, unfairness, staffing and management issues, etc.)
- Compliance, regulatory, legal (conflict of interest, code of conduct, other illegal conduct, fraud, etc.)
- Environment, health and safety
- Privacy, Infosec
- Customer relations, business quality
- Billing, finance, vendors

Defined categories can provide a structure to promote the flow of information. Hierarchical, top-to-bottom, and horizontal (i.e., across team members or leaders with the same authority level) are examples of reporting structures. While hierarchical reporting sets the tone at the top and defines who is responsible for what, when it comes to investigations and development of corrective actions, a horizontal structure may provide greater benefits, allowing all key players in the field to participate in the process. It is the art of cross-collaboration that elevates compliance reporting management.

The goal of well-established reporting structures is to assist in defining the levels of responsibility, specialty, authority, and to whom the information should be directed, while promoting interrelationships between various authorities and operational leaders. These relationships are not only crucial but necessary for the success of the compliance and employee reporting programs. The more compliance professionals interact with key stakeholders within leadership, the more they will identify and learn how these areas operate and intersect with other departments.

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