

RISK MANAGEMENT

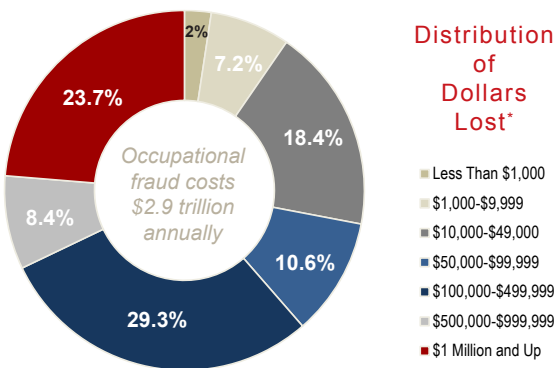
White Paper: *Minimizing Financial Losses with Best Practice Controls and Fraud Prevention*



THE AVERAGE LOSS REPORTED BY COMPANIES WITHOUT AN ETHICS HOTLINE IS \$245,000.*

Are you at risk of losing 5% of Annual Revenue?

There is growing concern over the potential damage to organizations due to losses from unethical behavior.



In a period when an erratic economy forces administrations to be wary of every dollar expended, now is the time when organizations, both large and small, need to evaluate specific areas that are exposed for deficiencies, and employ sound countermeasures that will secure assets.

According to the 2010 Report to the Nations on Occupational Fraud and Abuse, the Association of Certified Fraud Examiners (ACFE) reported that an average of five percent of revenue is lost to workplace misuse and fraud.

These statistics are alarming, mostly due to the fact that with effective control measures in place, these costs are proven to be significantly diminished.*

It could happen to you...

CFO Magazine published findings that out of 800 senior executives surveyed, 88% reported their companies were victim to corporate fraud over the past 12 months.

The result of these findings is a concerted effort on the part of organizations around the globe to educate and train employees on preventing, detecting and reporting unethical behavior.

*Based on findings from the ACFE 2010 Report to the Nations on Occupational Fraud and Abuse.

RED FLAG REPORTING TACKLES ABUSE IN THE WORKPLACE

Because no organization is immune to employee misconduct.

Risk management experts advise that organizations manage and control risks by:

1. Adopting preventative and detective control measures.

Through the leverage of automated controls and monitoring tools, such as hotlines, organizations can mitigate potential risks to misconduct and fraud.

2. Implementing an organizational best practice education program.

Employee education, process improvement training and best practices compliance are crucial to prevention, detection and deterrence of unethical behavior.

3. Managing your organization's ethics plan.

Successful prevention programs deliver frequent and consistent communication from the executive level on workplace ethics, tolerance and citizenship.

THE STRATEGY | Protect. Detect. Deter.

THE PROOF | Companies choosing ethics reporting hotlines achieve 59% less revenue loss than those without.

Tips and complaints are proven to be the number one method of fraud protection.* The average loss reported without a hotline is \$245,000. The anonymity that hotlines provide has been shown to make employees feel both protected and empowered. Typically, the types of tips generated by employee ethics hotlines are: fraud, waste and abuse tips; safety violations; quality issues; efficiency/process improvement tips; equal employment or other HR matters.

THE RESULT | Red Flag Reporting was created as an effective, turn-key protection program to help initiate the best practice controls.

Developed by experienced fraud investigators and human resources consultants, Red Flag Reporting is a highly effective program to detect and report unethical behavior, and stop costly problems such as embezzlement, false billing, misuse of assets and accounting irregularities. The program also addresses employee protection, raising red flags before a work condition leads to a litigious situation. With a user-friendly interface, Red Flag Reporting is proven to protect your organization's employees, goodwill and bottom line.

THE DISTINCTION | It's not just a number.

Red Flag Reporting is unique from other hotlines because its features make it more than just a reporting function. The system includes analysis of reports and training that is focused on helping you maintain a positive tone at the top of your organization. We provide effective fraud and abuse prevention and detection measures, so our clients can focus on their customers.

EVALUATING YOUR RISK FACTORS:

Utilization of a proper reporting mechanism is what the ACFE identifies as among the most cost-effective fraud prevention and detection systems.

To evaluate the vulnerability of your current controls, consider the following cautionary findings*:

- Organizations over-rely on audits to detect misconduct.
- Properly trained staff members are an organization's top detection method.
- Implementing tip hotlines significantly lowers losses.
- Internal controls alone are insufficient to fully prevent occupational fraud and abuse.
- Executives and Management are key players in maintaining an ethical organizational tone.

