

# The ROI of Effective Internal Investigations

Prompt and thorough internal investigations can translate into savings that far outweigh the costs

Case IQ

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# Introduction

**An internal investigation may be the last thing a company wants to deal with, but it can be the first thing the courts look at when deciding sanctions and fines.**

Conducting an internal investigation as soon as an issue is discovered can sometimes prevent litigation altogether. But even if a lawsuit is unavoidable, courts tend to look more favorably upon companies that have taken proactive steps to investigate and voluntarily disclose any wrongdoing before they are forced to.

A prompt internal investigation can prevent fraud, theft and other employee misconduct that is costly to an organization. Effective and timely investigations can also reassure staff that the company takes their well-being seriously and may even prevent lawsuits from disgruntled employees. Many companies, however, underestimate the benefits of internal investigations and the advantages they bring.

This eBook outlines how a well-developed internal investigations process can save your organization time, money and reputation.



**NOTE:**

The Department of Justice (DOJ) has consistently reduced or eliminated fines for companies that conduct internal investigations and self-report ethics and compliance issues.



## Three Triggers for Internal Investigations

Knowing when to investigate an issue within your company isn't always easy. Misconduct often goes unreported until something drastic happens. Then it's too late.

Most misconduct is revealed through complaints, anonymous tips or discovered by accident. The remainder comes to light during audits and reviews. A comprehensive investigation policy includes mechanisms to capture information from as many sources as possible.

1



### Employee Complaints

In most organizations, employees are aware of misconduct before it comes to the attention of management. Therefore, it's in your best interest to encourage employees to speak up and to investigate any complaints thoroughly. A workplace culture that facilitates open discussion between employees and managers can help increase the chances of employee complaints. Additionally, employees should know that raising a complaint will not result in any negative consequences.

All employee complaints should be taken seriously. It can be tempting to ignore seemingly minor complaints and avoid conducting a separate internal investigation for each one, but this may be damaging to your company in the long run. Claims that may appear insignificant could reveal larger problems when investigated. On the other hand, failing to investigate could result in much greater trouble including fines or lawsuits.

2



### Anonymous Tips

Anonymous tips can be a rich source of information for management but, unfortunately, reports show that anonymous tips are often given less credibility than those with a name attached to them. These tips, however, may come from employees, clients or other stakeholders who have detailed information about an internal problem.

You can ensure that this information is collected by implementing a whistleblower hotline (or ethics hotline) to track and document tips from multiple sources. The hotline can even streamline the process for you by recording both standard and anonymous tips, determining priority levels and initiating the investigative process. According to the ACFE, organizations with a hotline system in place have a higher chance of detecting issues such as fraud. Early detection of misconduct via hotline tips can ensure that your organization begins an investigation before an external authority becomes involved.

3



### Audits and Compliance Reviews

Although audits and reviews are not among the most common methods for uncovering misconduct, they can point to anomalies within an organization that may prompt an internal investigation. Addressing these immediately can help to avoid legal action that could impact the company's finances and reputation. Regular audits and reviews can also help a company evaluate and improve the effectiveness of risk management, control and governance processes.

## Save Money with Investigations

**The Litigation Trends Survey by Norton Rose Fulbright publishes key data about litigation costs and trends across the globe.**

Over the last few years, the survey has found that roughly a quarter of respondent firms expect the volume of disputes to increase annually.



This can be attributed to difficult market conditions and changes in the regulatory environment that push firms to take legal action.

As the number of disputes increases, so does the cost of litigation. Recent trends indicate that firms are facing a higher demand for resources to manage disputes and have expanded their in-house legal



teams. In 2016, the median number of in-house lawyers had risen to four.

Additionally, an increasing number of firms are conducting cross-border discovery as part of the dispute resolution process. Today's disputes are growing more complex, costly and demanding.

### ON THE NEXT PAGE:

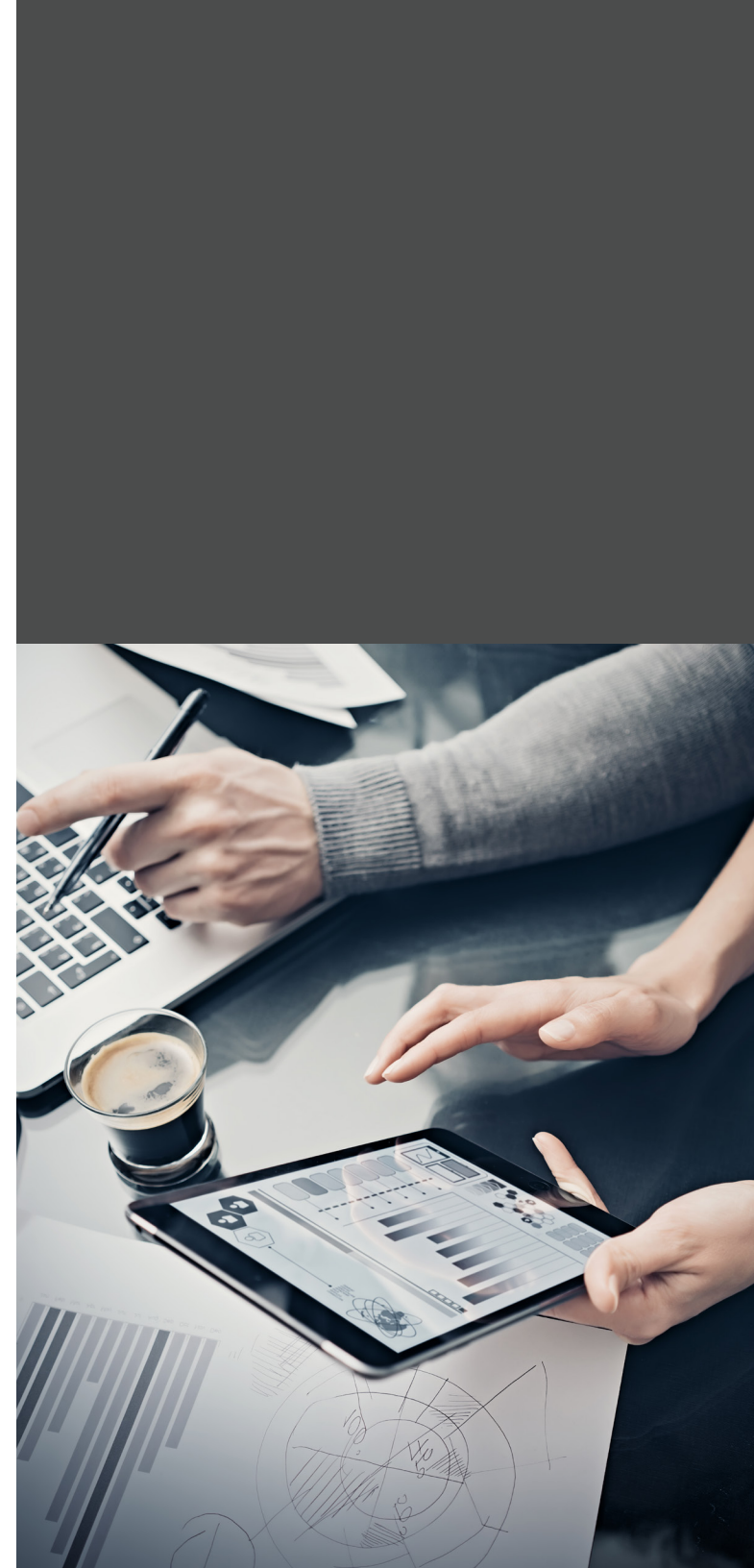
Understand why a precise and comprehensive investigative process can help your company save money.

*According to the Fulbright Litigation Trends Annual Survey, the median cost of litigation for workplace disputes is roughly \$1 million.*

Conducting prompt and thorough internal investigations that prevent litigation or reduce the financial impact of court judgments can be a wise investment. At the same time, companies need to ensure internal investigations don't end up costing more than the litigation they are avoiding.

An improper investigation only exposes a company to a wider range of risks, which could result in additional lawsuits, fines and other expenses. This means firms must implement a thorough process for gathering tips and reviewing complaints, and a policy for conducting effective investigations.

By implementing clear and precise investigative procedures, your organization can document, prioritize and manage workplace incidents and disputes before they become larger legal issues. Don't waste time, money or resources on ineffective investigations.



## Choose the Right Investigator

**Choosing the right investigator is essential to ensuring a comprehensive, fair and defensible investigation.**

Whether internal or external, the investigation team must be qualified and well trained. Ideally, the investigator has experience investigating similar issues and has no close connections with any parties to the investigation.

If your organization is equipped with the appropriate resources, an internal investigation will be quicker and less expensive than the alternative. Keeping the investigation within the company can also strengthen a company's workplace ethics and values. However, in some cases, an appropriate internal investigator may not be available.

Using an external investigator is beneficial when there is nobody available in-house with the necessary skills to conduct the investigation fairly and legally. Though this will cost the company more money, it is a good option under certain circumstances.

### ON THE NEXT PAGE:

Learn about six key decision making factors that can help you determine whether to choose an internal or external investigator.



# Factors in the Decision

The decision whether to use in-house resources or an outside investigator affects the cost of an investigation. Consider the following factors when choosing an investigator.



## Skills and Experience

A skilled and experienced investigator will be able to conduct efficient and effective investigations, saving you both time and money.



## Objectivity

A good investigator will remain objective and not have any vested interests in the outcome of the investigation.



## Work Relationships

Avoid choosing an investigator who has a relationship with the individuals being investigated as this opens the investigation to questions of bias.



## Investigation Subject

If high-level members of the organization are being investigated, an internal investigator may not be able to conduct a thorough and impartial investigation.



## Availability

Investigations are often time-sensitive so it's important to pick an investigator that can begin the investigation right away.



## Specialization

Certain investigations, such as cybercrime investigations, may require a high degree of specialization in the relevant field.

## Cooperation, Reputation and Self-Disclosure

Fines and sentences from the United States Sentencing Commission (USSC) are on the rise. Undertaking an internal investigation before an official criminal investigation is launched is one of the most effective ways to save money in fines and penalties.

Once a criminal investigation is launched, however, organizations can save money by cooperating with law enforcement. Chapter 8 of the Federal Sentencing Guidelines indicates that organizations facing fines or sentences may qualify for a reduction in fees if their cooperation in investigations is timely and thorough.

In addition to monetary cost, it's important to consider reputational cost. The court of public opinion can sometimes be even more demanding than a court of law, and no matter how good your compliance and ethics program, allegations of misconduct can be damaging to your brand. Moreover, investors see value in a company that has a robust compliance and ethics program and an effective internal investigations process. Maintaining investor and public confidence in your organization is crucial for long-term growth. In this sense, voluntarily launching an internal investigation and timely self-disclosure can go a long way in saving your company's reputation from long-term damage.

### THE CASES OF AKAMAI AND NORTEK:

In 2016, the Department of Justice (DOJ) and Securities and Exchange Commission (SEC) declined to prosecute two companies for FCPA violations – paying bribes to Chinese officials. The DOJ's cited reasons for not prosecuting Akamai Technologies, Inc. and Nortek, Inc. were that both companies had been given nonprosecution agreements (NPAs) due to their prompt, voluntary self-disclosure and cooperation with the investigations. The SEC's reasons for the NPAs were similar to the DOJ's cited reasons, including reporting the situation to the SEC 'on their own initiative' in the early stages of their internal investigations, sharing findings, terminating employees for the misconduct and strengthening their anti-corruption policies.

## How Case Management Software Helps

The Federal Sentencing Guidelines require that once criminal conduct has been detected, a company must take reasonable steps to respond appropriately to the criminal conduct and prevent similar behavior from occurring in the future. This means that employers need to know about misconduct as soon as possible so that they can begin an internal investigation.

Case management software is a powerful tool that can help investigators conduct timely, effective and efficient investigations. Many features of case management software can help companies comply with the requirements of the Federal Sentencing Guidelines.



### Alerts

Alerts notify managers and investigators when a new case is entered. Risk-based alerts can also be deployed to notify management of high risk or high priority cases.

To make sure every investigation stays on track and is completed on time, alerts are sent throughout the investigative process. Alerts can be set up to remind investigators of due dates, meetings and other investigation-related tasks. Alerts can also be used to bring attention to inactive cases, overdue tasks and other areas requiring immediate attention.

Alerts reduce lag times, allowing investigators to start working on the case right away, buying valuable time at the outset so that cooperation with authorities is timely and information turned over is comprehensive.



### **Web-Based Systems**

A hosted, web-based case management solution is easy to access from anywhere with an internet connection. Non-stop availability means that cases can be entered as events occur, reducing response time for workplace incidents and misconduct.

A hosted case management system is beneficial for traveling investigators, as they simply need a laptop or mobile device and an internet connection to access case files. Any changes made by others while the investigator is offline are documented in the case file and available immediately to the investigator.

Case activity is kept up-to-date and listed in chronological order, along with information about when the activity was completed and by whom. This provides investigators with the ability to prepare detailed reports, especially useful if the case ends up in court.



### **Capturing New Referrals**

A web-based case entry system can also be used by employees to report incidents anonymously, alerting management to an issue that may require an investigation. If employees can only report misconduct while at work, they might be less likely to do so for fear of retaliation.

Web-based case management software allows you to capture incidents through:

- Your company hotline, which exists as a part of the case management solution
- Integration with existing hotlines/reporting mechanisms
- Manual entry by a manager who was informed of misconduct
- Anonymous and known reporting through an internal web form on the company's intranet
- Web forms posted on external company websites



### **Case Centralization**

A centralized case management system simplifies the investigative process by storing all case related information in a single location. Investigation notes, evidence, emails and other information are all stored within the case file, making it easier for investigators to locate the information they need.



### **Identify Repeat Offenders**

Centralized oversight makes it easier to identify and deal with repeat offenders and provides a broad overview of misconduct in an organization. Incidents reported in different areas of a company may be related, and this becomes obvious with centralized oversight of investigations. Management can prevent new incidents by identifying patterns and linkages between investigations and subjects.



### **Reporting**

Preparing investigation reports can be a time-consuming process – especially when there's a lot of evidence and multiple investigators involved in the case. A case management system allows investigators to create comprehensive reports with the click of a button. Information is extracted from the case file into a customized investigation report template, saving time and ensuring accuracy.

Investigation reports that are prepared in a case management system are consistent and accurate, no matter who prepares them. Consistent, accurate reports are important for court cases.



# The ROI of Effective Internal Investigations

Case IQ's combined hotline and case management system captures anonymous complaints, triages and assigns them, then tracks them through the entire process to streamline your internal investigations process.

Connect with us to learn more:

1-800-465-6089

<https://caseiq.com>

Case IQ<sup>TM</sup>