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Bureaupathology and Organizational Fraud Prevention: Case Studies of Fraud Hotlines

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BUREAUPATHOLOGY AND ORGANIZATIONAL FRAUD PREVENTION: CASE STUDIES OF FRAUD
HOTLINES

by

CHELSEA A. BINNS

A dissertation submitted to the Graduate Faculty in Criminal Justice in
partial fulfillment of the requirements for the degree of Doctor of
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This manuscript has been read and accepted for the
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Abstract

BUREAUPATHOLOGY AND ORGANIZATIONAL CRIME PREVENTION: CASE STUDIES OF FRAUD
HOTLINES by
Chelsea Binns

Adviser: Professor F. Warren Benton

Abstract

This dissertation examined the effect of organizational bureaucracy on fraud hotline performance. Fraud hotlines are used to receive anonymous fraud tips from employees in all sectors to prevent and detect fraud. This work contributes to the research on fraud hotlines, which today is very light. This work also examined individual hotline performance against organization theory, which is absent in the literature. The literature also doesn't include studies using social media data to determine organizational climate. This work contributes to that literature by providing a collective case study examination of the fraud hotlines in six organizations. Their hotline performance was examined in light of the Theory of Bureaucracy. According to the literature, the condition of organizational bureaupathology can result in crime concealment, reduced fraud reporting, and/or reduced hotline performance.

To determine the presence and level of dysfunctional organizational bureaucracy and bureaupathology with respect to employees, the primary audience of fraud hotlines, this study qualitatively measured employee perception of specific bureaucracy and bureaupathology indicators in their workplace by examining their company review submissions in social media.

Hotlines were evaluated using their individual level hotline metrics/statistics and also by examining their specifications, metrics, functionality, and adherence to best practices. Interviews with hotline administrators, an evaluation of the level of reported organizational fraud, and consideration of the historical context was also considered in evaluating the overall performance of the hotlines.

This study ultimately determined there is no consistent relationship between organizational bureaupathology and hotline performance. At times, where an organization had more bureaupathology, the hotline tended to perform better, in terms of its metrics, functionality and adherence to best practices. At other times, hotlines with lower levels of bureaupathology tended to perform worse than their counterparts. These organizations were in the private sector, so the sector where a given hotline is operated may be a factor.

This study further found better functioning hotlines didn't have less internal fraud. Organizations where employees perceived a high presence of the bureaucracy indicators "Insistence on the Rights of Office" and "Impersonal Treatment" tended to have a better adherence to hotline best practices, yet had a higher instance of internal fraud in comparison to organizations. In other words, the conditions that contribute to a successful hotline may also give rise to fraud, and or inhibit fraud reporting, in the same organizations.

This study further determined fraud hotlines might not prevent fraud. Regardless of hotline performance, including the number of calls received, all of the subject organizations experienced employee crime.

These results are contrary to expectations but consistent with bureaupathology theory, which says that employees in excessive bureaucracies adhere strongly to organizational rules and procedures and may be incapable of responding to unpredictable events.

As a result of the aforementioned findings, organizational hotline assessment methodology should consider external factors, such as the historical context, presence of internal fraud and employee sentiment as factors in assessing organizational fraud, in assessing hotline performance.

Keywords: Theory Of Bureaucracy, Bureaucracy, Bureaupathology, Organization Theory, Bureaupathic, Bureaucratic, Case Study, Fraud Hotline, Ethics Hotline, Employee Hotline, Public Sector Fraud, Private Sector Fraud, Crime, White Collar Crime, Organizational Crime, Corporate Crime, Financial Industry, Employee Crime, Employee Fraud, Corporate Fraud, Internal Fraud, Internal Crime, Glassdoor.com, Social Media, Employee Reviews, federal, state, city, social media, Glassdoor.com, media, Dodd-Frank Wall Street Report and Consumer Protection Act of 2010, The Sarbanes Oxley Act of 2002, benchmarking, Bank, Company Reviews

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Chapter 1 Introduction

This central research question of this study is "Does organizational bureaucracy affect fraud hotline performance?" This study examines the relationship between organizational bureaucracy and fraud hotline performance by examining the answers to a series of sub-questions to isolate performance indicators. This study employs a case study method and uses organizations as a unit of analysis. Six organizations' hotlines are analyzed in this study, to include two private sector, three government sector, and one nonprofit sector hotline. This study focuses on employee callers of hotlines, as they are the primary audience of fraud hotlines. This study also focuses on internal crime, as that is the type of crime committed by employees.

This study considers the following sub-questions. Does dysfunctional organizational bureaucracy exist in the six subject organizations? Do employees perceive bureaupathology in the six subject organizations? Does bureaupathology result in reduced hotline functionality? Does bureaupathology result in low number of hotline calls? Does bureaupathology result in reduced best practices compliance? Does bureaupathology result in fraud, waste and abuse?

To measure the above, the following conditions will be established: (i) state of dysfunctional organizational bureaucracy in each of the subject organizations; (ii) Perception of employees as to bureaucracy in their organizations; (iii) The functionality of the hotline; to include the number of hotline calls received by the subject organization; (iv) The level of adherence of best practices compliance by the subject organization; and the (vi) State of internal fraud, waste and abuse in the subject organization.

To establish the state of dysfunctional organizational bureaucracy, this study uses relevant literature, to include organizational documents and media reports. To determine the perception of employees as to the state of bureaucracy in their organizations, this study examines social media data in the form of employee reviews, for statements suggesting organizational bureaucracy indicators. To ascertain the number of calls received to the hotline, this study examines individual level fraud hotline data for each organization and compares that to established benchmarking levels. To understand the level of adherence of best practice compliance in the subject organization, this study examined organizational documents, media records and other public documents, and evaluated that information against the U.S. Sentencing Guidelines for Organizations. To determine the level of internal fraud, waste and abuse, in each of the subject organizations, this study examined media records and other public documents.

Chapter one explores the significance of the problem, the theoretical basis, the relevant literature, the problem statement and sets forth the research question. Chapter two explores the definition, use, value and performance of fraud hotlines. It also sets forth the major historical developments in the area of fraud hotlines, which resulted in the creation of legislation requiring their use in publicly listed companies. This chapter also summarizes the Theory of Bureaucracy and the current literature relevant to the research question, regarding the relationship between bureaucracy and fraud hotlines. Chapter three discusses the research methodology employed in this work, and will define the variables, set forth the research design, discuss the threats to validity, and data analyzed. Chapter four describes the case studies conducted for each of the six organizations. Chapter 5 evaluates the summary, conclusions and the key research findings. This

chapter also reviews the policy implications and suggestions for future research.

Significance of the Problem

Employee crime has persisted despite the existence of fraud hotlines. Fraud hotlines are advanced by legislation as a fraud prevention and detection tool. Hotlines were required by legislation as a measure to protect the public in the wake of massive employee crime. The assumption of the legislation enacted from 2002-2010 was that employees would use hotlines to report fraud. Employees are said to know about crime occurring in their organizations. Hotlines are receiving tips, yet these tips are not thwarting major crime.

Hotlines cannot be sufficiently analyzed using the data available, and methods commonly employed, today. Today, there are no reporting standards for hotline data. Organizations, including publicly listed companies who are required to have fraud hotlines, do not have to provide their hotline metrics to anyone. They do not have to be reported in company reports, such as the 10-K, or otherwise shared inside or outside the organization. As a result it is very challenging today to determine fraud hotline utility and performance.

Hotlines are also not required to monitor their performance. Organizations that have fraud hotlines are encouraged to benchmark their metrics. However, the available benchmarking data is incomplete and may not be a sufficient method for analysis. For instance, benchmarking data available for the financial industry is not provided in disaggregated fashion. Rather, it is combined with another industry. As a result, this industry is unable to isolate their data for a true performance measure.

Benchmarking is also not a very robust method of performance analysis. The use of benchmarking data as a performance measure ignores all other

factors, such as functionality, best practice adherence, employee sentiment, organizational climate, external, or historical factors, etc.

Recent media reports have said agency bureaucracy may be adversely affecting fraud hotlines. Specifically, the U.S. Securities and Exchange Commission's Whistleblower Hotline, established by Congress in 2010. Thus this work seeks to determine whether organizational bureaucracy affects the fraud hotline process. The bureaucracy literature suggests that agency bureaucracy may adversely affect a hotline in several ways. It may prevent employees from reporting, it may cause employees to conceal fraud, and it may also hinder the hotline's ability to properly handle calls.

Contribution to the Literature

There are several aspects to this research, which make it relevant and provide a significant contribution to the literature. For one, today, the Today, the research literature is very light on fraud hotlines, in general. Fraud hotlines have also never been analyzed individually, and comprehensively, for performance. Hotlines have also never been analyzed against any organizational theory. Also, the literature is also absence studies using social media data to determine organizational climate.

Theoretical Basis

Organizational bureaucracy may affect a fraud hotline in several ways. For one, it may prevent the hotline from receiving necessary tips, by hindering employee reporting and/or causing employees to conceal fraud. It can also result in reduced fraud reporting. It may also prevent the organization from properly handing calls received.

Critics say program bureaucracy can limit the efficacy of hotline programs. (Kelly, 2012; Kocieniewski, 2012) While legislation supports the use of hotlines to receive fraud tips, hotlines may not function well in certain organizational environments. For example, recently the Dodd-Frank

Wall Street Reform and Consumer Protection Act of 2010 augmented The Sarbanes Oxley Act of 2002 (SOX) to add the U.S. Securities and Exchange Commission's (SEC) Whistleblower Program, which provides rewards for tipsters, who may now report directly to the SEC. However, the program has not produced many rewards.

A review of the literature demonstrates there is an association between high levels of bureaucracy and employees both underreporting, and concealing, fraud.

There are several reasons why an employee may not report fraud in an excessively bureaucratic environment. For one, the literature suggests an employee's tendency to underreport fraud can be a result of misaligned goals. (Thompson, 1961, pp. 92-100) According to some researchers, such as Edward Giblin, (1981) the state of excessive bureaucracy, or bureaupathology, causes employees to place their own goals over the success of the organization, which makes them reluctant to come forward to report fraud. (22-25)

Overall, fraud hotlines appear to be ineffective at revealing major frauds. A case study of individual fraud hotlines in light of Organizational Bureaucracy may shed light on this issue. Research regarding the Theory of Bureaucracy suggests that bureaucratic processes that exist within organizations can be contrary to the mission of a successful hotline reporting process, and can explain the reason why employees may not report fraud via hotlines, why a hotline can be insufficiently communicated to employees, and why the complaints may not be triaged in a manner consistent with the information they intend to collect (major fraud reporting). It is possible, based on the literature, that fraud hotlines have succumbed to institutionalization of the surrounding organization (O'Hara, 2005, p. 149)

Relevant Literature

Fraud hotlines, used in government organizations since the 1970's, have

been advanced as a method of fraud prevention and detection since the passage of SOX in 2002. As a confidential reporting mechanism where employees can report fraud occurring in their workplace, hotlines are valued due their ability to receive anonymous tips, and their ability to receive such tips from internal sources.

Despite the existence of hotlines, employee crime has persisted and has become increasingly more severe. First, major internal frauds destroyed companies and caused legislators to require public companies to institute fraud hotlines. Then, yet more major internal frauds have occurred, which are believed to have contributed to the recent financial crisis (2008-2012), which damaged the world economy. In response, legislation further requiring companies to use fraud hotlines was established. However, internal crime has persisted. (Kashton, 2011). Some critics believe bureaucracy might limit the efficacy of the hotline process. (Kelly, 2012; Kocieniewski, 2012; Tobe, 2013; Singer, 2013)

According to the literature, hotlines are the best way to prevent fraud but they may not function well due to organizational bureaucracy, which can impede hotline performance.

While legislation supports the use of hotlines to receive fraud tips, it is believed hotlines may not function well in certain organizational environments. A review of the literature demonstrates there is an association between high levels of bureaucracy and employees both underreporting, and concealing, fraud.

Problem Statement

Employee crime has been one of the biggest threats facing organizations for nearly forty years. In 1977, the American Management Association (AMA) reported employee theft represented "the single biggest source of loss due to crimes against business." Today, industry surveys indicate this problem

persists. In 2011, a PricewaterhouseCoopers (PWC) survey determined internal crime was the most serious crime problem facing organizations. (Global Economic Crime Survey) In a 2014 survey, PWC found that one in three organizations is affected by economic crime. (PWC, 2014; Kroll 2013/2014) According to Kroll's recent Global Fraud Report, 72% of those surveyed said their company suffered a fraud involving an employee. (2013/2014)

Recent employee thefts have been severe enough to threaten the world economy. According to the Federal Bureau of Investigation, the global financial crisis of 2007-2012, when hundreds of banks failed, financial assets worldwide declined by \$50 trillion and 51 million jobs were lost, was caused by employee crime. (FBI, 2011)

Evidence demonstrated employees with knowledge of crime were not reporting it to company hotlines. Hotlines were first established to prevent corporate fraud under The Sarbanes Oxley Act of 2002. Following the crisis in 2010, The Dodd Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") was created, which incentivized employees with monetary rewards and expanded the scope of their crime reporting audience to include the SEC.

It is difficult to determine the value of calls received to hotlines, from the data that is available today. Specifically, it is unclear how many hotline calls are resulting in criminal prosecutions. Available statistics show tips received by hotlines are not leading to criminal prosecutions. According to the 2013 Corporate Governance and Compliance Hotline Benchmarking Report from The Network, one of the leading third party hotline providers, none of the tips they handled between 2005-2011 led to a single criminal prosecution. In 2012, it was reported that less than 1% lead to a criminal prosecution. (2013, p. 20)

Hotlines are believed to prevent corporate crime. Studies, such as a 2002 study conducted by big four accounting firm Ernst & Young, showed that as many as 1 in 5 workers are aware of fraud occurring in their place of employment. Furthermore, research has continually demonstrated that employee tips are the primary way that fraud is discovered within an organization. (ACFE Report 2002-2012)

A likely mechanism to receive such tips would be through the fraud hotline, the reporting mechanism employed by many major public companies since SOX. Yet, in their 2010 Report to the Nation on Fraud and Abuse, the ACFE reported that only half of their subject organizations that employed a fraud hotline, and received notification of fraud by employee tip, actually received the tip via the hotline.

Timely notification is critical. According to a 2011 KPMG Report, in the United States alone, the average internal fraud was perpetuated for over 4 years before the time it was discovered, costing victimized firms 1.2 million on average. -

Overall, the reason fraud hotlines are critically important to a given organization is because they serve as the predominant mechanism for receiving whistleblower complaints, which are the primary way that fraud is discovered in a given organization. Legislative reform has reinforced the importance of whistleblower complaints by requiring companies to have anonymous reporting mechanisms (Sarbanes Oxley (2002)) and allowing complainants to bypass internal processes and go straight to the SEC (Dodd Frank Wall Street Reform and Consumer Protection Act (2010)).

Nevertheless, whether the complainant is reporting internally or externally, employee crime persists despite various iterations of the internal complaint process and despite employee knowledge of fraud. This leaves one to question the purpose and utility of the fraud hotline.

Research Question

This work explores the relationship between organizational bureaucracy and fraud hotlines, using six organizations' hotlines as case studies. The central question of this work is as follows: Does organizational bureaucracy affect fraud hotline performance?

The Dependent Variable in this study is Fraud Hotline Performance. The Independent Variable in this study is Organizational Bureaucracy. The Unit of Analysis in this study is Organizations.

This central question will be divided into a series of sub-questions. In answering those sub-questions, this work will identify and isolate specific indicators, which will be used to measure an organization's fraud hotline performance. This study considers the following sub-questions.

- I. Does dysfunctional organizational bureaucracy exist in the six subject organizations?
- II. Do employees perceive bureaupathology in the six subject organizations?
- III. Does bureaupathology result in reduced hotline functionality?
- IV. Does bureaupathology result in low number of hotline calls?
- V. Does bureaupathology result in reduced best practices compliance?
- VI. Does bureaupathology result in fraud, waste and abuse?

The first two questions establish whether the organization has dysfunctional bureaucracy conditions present and whether they are perceptible by employees. To measure the above, the following conditions will be established: (i) state of organizational bureaucracy in each of the subject organizations; (ii) perception of employees as to bureaucracy in their organizations; (iii) number of hotline calls received by the subject

organization; (iv) functionality of the hotline; (v) level of adherence of best practices compliance by the subject organization, and (vi) state of internal fraud, waste and abuse in the subject organization.

Chapter 2 Literature Review

This chapter explores the definition, use, value and performance of fraud hotlines. It also sets forth the major historical developments in the area of fraud hotlines, which lead to the creation of legislation requiring their use in publicly listed companies. This chapter also summarizes the Theory of Bureaucracy and the current literature relevant to the research question, regarding the effects of bureaucracy on fraud hotlines.

Definitions

Fraud Hotlines

Fraud hotlines are confidential reporting mechanisms for employees and third parties to report fraud, waste and abuse occurring in all organizations. The general purpose of a fraud hotline is to receive tips from complainants about fraud, waste, and abuse. According to the Federal Deposit Insurance Corporation (FDIC), who has issued guidance on implementing fraud hotlines, the audience of a hotline includes "employees, customers, contractors, service providers, suppliers and other third parties" whose awareness of the hotline is considered an "important component in ensuring a hotline's effectiveness." (2005)

Bureaucracy

In this work, general references to "bureaucracy" are referring to the bureaucratic structure of organizations. The state of bureaucracy is further defined by the presence of the following conditions: (i) Hierarchy of Authority; (ii) System of Rules; (iii) Technical Expertise; (iv) Career Service; and (v) Insistence on the Rights of Office. (Thompson, 1961) In this work, employee presence of organizational bureaucracy in a set of

subject organizations, was established. In this work, the employee perception of bureaucracy in their organization is considered a negative association. It has been established in the literature "bureaucracy has a negative connotation in the mind of the layman." (Singhi, 1974, p. 3) In this study, the perception of organizational bureaucracy on the part of employees is assumed to be negative. Thus the reference to bureaucracy in this work in reference to employee perception is referring to dysfunctional bureaucracy.

Bureaupathology

Bureaupathology is the state of excessive bureaucracy, which is determined by the presence of bureaupathic conditions, which represent the negative effects of bureaucratic leadership. (Thompson, 1951, p. 153) The state of bureaupathology, is determined by the presence of bureaupathic conditions, which is defined by the following known attributes: (i) Impersonal Treatment; (ii) Prolonged Role Enactment; (iii) Resistance to Change; (iv) Resistance to Interrogation and Investigation; and (v) Strict Reliance on Organizational Rules and Procedures. (Thompson, 1961, pp. 153-177)

The state of dysfunctional organizational bureaucracy and bureaupathology were measured separately in this work, based on their separate attributes, which were used to analyze social media data content. Both sets of attributes were later considered together to arrive at an overall qualitative assessment of the state of dysfunctional bureaucracy, in the minds of the employees who reviewed their organizations in social media.

Use

Employees are the primary callers of fraud hotlines. In their 2012 Report to the Nations, the ACFE reported over half of their fraud hotline tips came from employees. (ACFE, p. 33)

Fraud hotlines have been used in the government sector since the late 1970's, following the Civil Service Reform Act of 1978 (CSRA). The CSRA was the first piece of legislation to increase the legal protections of federal employees who reported misconduct in the workplace. (Shimabukuro, Whitaker, & Roberts, 2013) The widespread use of hotlines began in 1989, following President George Bush's signing of the Whistleblower Protection Act (WPA). The WPA is a federal law that protects government whistleblowers from retaliation by their employer for reporting wrongdoing in the workplace.

Hotlines were required in publicly listed companies following the implementation of SOX. SOX was named after creators Senator Michael Oxley (R-Ohio) and Representative Paul Sarbanes (D-Maryland). SOX is a federal law created to strengthen the internal controls of publically listed companies following the revelation of internal fraud at several major companies in 2002 (e.g., Enron, Arthur Andersen, Adelphia Communications, Incline, WorldCom). SOX provisions require that companies have an "anonymous reporting mechanism" for employees to report fraud, and hotlines became the generally accepted way of receiving those tips and satisfying the regulatory requirement.

The use of fraud hotlines in the private sector was later reinforced by Dodd-Frank in 2010. Dodd-Frank was instituted in response to major corporate fraud, which contributed to the world financial crisis of 2008-2012. In September 2008, there was an unprecedented number of bank closures and in December 2008, financier Bernard Madoff was arrested after stealing \$65 billion from client accounts in a massive ponzi scheme. (McCool & Graybow, 2009) Dodd-Frank is a U.S. federal statute that was signed into law on July 21, 2010. Dodd-Frank is said to represent the most comprehensive change to financial regulation since the Great Depression. (Greene, 2011)

Dodd-Frank required regulators to create 243 new rules, designed to enhance accountability and transparency within the financial system. (Davis Polk, 2010) Consequently, Dodd-Frank expanded whistleblower provisions in SOX and the Securities and Exchange Act of 1934 (SEA) to provide a whistleblower, who reports violations of certain laws to federal authorities, a payout of between 10-30% of recoveries over \$1 million. (Securities and Exchange Commission) Under Dodd-Frank, employees may bypass internal hotlines and report known fraud directly to the SEC. This provision is contrary to SOX, which encouraged employees to report fraud to their company.

In the nonprofit sector, fraud hotlines are not required. Fraud hotlines were suggested for use as a matter of best practices following SOX, yet due to a lack of reporting requirements, it is unclear today the number of nonprofit entities that employ the use of fraud hotlines.

Value

Despite the existence of fraud hotlines, organizational fraud is increasing, and employees are the most likely perpetrators. (Kroll, 2013/2014) According to Kroll's recent Global Fraud Report, 72% of those surveyed said their company suffered a fraud involving an employee. (2013/2014) This fraud is costing companies a lot of money. Per the same report, the economic cost of crime to businesses increased from an average of .9% of revenue to 1.4% due to increases of "every fraud covered in the survey" including "internal financial fraud" which increased by 4%. (2013/2014)

Employees are also said to be aware of fraud occurring in their organization. According a 2011 National Business Ethics Survey, over half (52%) of Fortune 500 employees polled said they observed misconduct in their workplace. (Ethics Resource Center, 2012)

The research literature supports the use of hotlines as a method of receiving organizational fraud tips. Specifically, research has continually demonstrated that: (i) employee tips are the primary way that fraud is discovered within an organization (Association of Certified Fraud Examiners, 2002-2012); (ii) employees are aware of fraud occurring within their organization (Ernst & Young, May 2013), and (iii) employees with knowledge of fraud are willing to report it, and most would prefer to do so anonymously. (Malone & Childs, 2005)

Fraud hotlines are also proven to be effective. Overall, hotlines have been known to reduce fraud losses by as much as 50%. (Buckhoff, 2003) According to the Association of Certified Fraud Examiners, up to two thirds of hotline reports have justified additional investigation and over half of those investigations have lead to corrective actions. (Association of Certified Fraud Examiners, 2002-2012)

Fraud hotlines are also expected to prevent fraud. According to an American Institute of Certified Public Accountants (AICPA) 2011 Forensic and Valuation Services Trend Survey, over half of respondents believed "internal whistleblower hotlines [will] lead to improvements in preventing fraud in the next two to five years." (Andrews & LeBlanc, 2013)

Performance

Today, it is challenging to determine whether an individual hotline is performing optimally, due to a lack of available data, and an absence of reporting standards. There are no universal regulations or reporting requirements for fraud hotlines. Although publicly listed companies are required by law to have anonymous reporting mechanisms (SOX, Dodd-Frank), the fraud hotline itself is not subject to any particular set of rules, regulations or provisions. Although best practices recommend the dissemination of hotline data and findings, organizations are not required to

distribute or publicize their hotline data. Overall, organizations have tremendous latitude in the development and maintenance of their hotlines.

Due to an absence of regulations, there is no single source of best practices. However, according to industry sources, The Federal Sentencing Guidelines for Organizations (FSG), created by the U.S. Sentencing Commission in 1991 and revised following SOX in 2004, has been identified by industry executives as a key source of best practices for hotlines in all sectors. (The Network; NAVEX Global, 2007) The guidelines "cover all organizations whether publically or privately held and of whatever nature, such as corporations, partnerships, labor unions, pension funds, trusts, nonprofit entities and governmental units." (NAVEX Global, 2007) The Justice Department uses these guidelines to evaluate whether "a company should be given leniency or even avoid prosecution for corporate crimes, the most common of which are fraud, environmental waste discharge, tax offenses, antitrust offenses and food and drug violations." (NAVEX Global, 2007)

Organizational culture has a strong influence on hotline use and design. The guidelines by design are very broad, giving organizations wide latitude. According to The U.S. Sentencing Commission, the guidelines are purposefully broad, and "do not offer precise details for implementation...deliberately...to encourage flexibility and independence by organizations in designing programs that are best suited to their particular circumstances." (Desio)

Due to individualized policy, and a lack of available data, hotline performance can be difficult to determine. Hotline benchmarking data exists, but it has limitations. For instance, NAVEX Global provides their benchmarking in median rates. Per NAVEX Global's 2014 Benchmarking Report "...because there is always more than one right answer to the question 'how

many reports should we be getting?’ for any given metric, we also provide what we consider to be a healthy range of results. If a company’s data falls into that range, even if that data is 10% more above or below the median industry rate, our opinion is that it is unlikely the data is representative of an issue.” (p. 5)

Other benchmarking data is provided in an aggregated fashion, which can impede research efforts. For instance, The Network conducts an annual benchmarking report (2006-2013) where they report the number of tips received per 1,000 employees in the finance, insurance and real estate industries in the aggregate, at 9.41 tips per 1,000 employees. (2013) As a result, the average number of calls actually received in any one of these industries cannot be determined. Another leading third party provider, NAVEX Global, supplies a benchmarking report but they report only the median number of calls. Another set of benchmarking data is produced by the Security Executive Council. Their benchmarking is also aggregated.

Although it is challenging to determine for certain, industry sources believe employer-sponsored hotlines are underutilized. (Association of Certified Fraud Examiners, 2002-2012; Ernst & Young, May 2013) There are several reasons for that assumption. For one, when asked, employees are often unaware they exist. According to a recent E&Y study, over half the respondents, top executives from 1,200 major companies in 33 countries, said they didn’t know whether their company had a fraud hotline. (Ernst & Young, May 2013) This finding is problematic, because employees are the primary callers of fraud hotlines. In their 2012 Report to the Nations, the ACFE reported over half of their fraud hotline tips came from employees. (Association of Certified Fraud Examiners, p. 33)

Historical Developments

Pre-2002

There are a number of conditions that led to the establishment of fraud hotline legislation. Prior to SOX, there was lack of transparency in the financial documents filed by publically listed companies in America; a condition which some exploited to commit fraud. The most notable of these frauds was Enron, which collapsed on November 28, 2001. (Thomas, 2002) Enron was the biggest American company to go bankrupt, to date. (\$62 billion in assets as of September 30, 2001) (Oppel & Ross Sorkin, 2001) Overall, in the pre-SOX period, an absence of internal controls was attributed to fraud in many well-known and respected entities, including "Big Four" accounting firm Arthur Anderson. AA was Enron's auditor, who lost their accounting license and no longer exists today.

In summary, fraudulent corporate practices in the pre-SOX period included (i) improper internal loans to company executives, (ii) company misrepresentation of their value of their company to investors, and (iii) auditing practices failing to detect fraud. This resulted in: investor loss of capital; employee loss of jobs; possessions; and retirement funds; company reputational loss; and an overall weakening of the American stock market.

A sample of known frauds that occurred in the pre-SOX period include Adelphia Communications, Arthur Andersen, Enron, HealthSouth, ImClone, Tyco, WorldCom Inc. and Xerox.

Adelphia Communications

Adelphia Communications was the nation's sixth largest cable television company. The SEC called the Adelphia's fraud "one of the most extensive financial frauds ever to take place at a public company." (Securities and Exchange Commission, 2002) Adelphia's top executives funneled money out of

the company for years and used it to support a lavish lifestyle that included extravagant purchases such as private airplanes and a golf course. (Swensen, 2007) Overall, the executives hid \$2.3 billion in liabilities from their investors. (Barrett, 2002) It was later determined that the company's founder, John Rigas, had given himself \$3.1 billion in "off balance sheet loans." (Frank & Solomon, 2002) Rigas was indicted in September 2002 and charged with bank, wire, and securities fraud. Rigas' two sons and two additional executives were also charged. Adelphia filed for bankruptcy protection in June and Rigas stepped down as CEO of the company in May 2002. (Makar, Alam, & Pearson, 2004; BBC News, 2002) Deloitte was their auditor.

Arthur Andersen

Arthur Andersen was a respected member of the Big Four until their involvement in the Enron scandal. Their relationship with Enron began in the early 1990's, when Enron outsourced its internal accounting function to Arthur Andersen. Ultimately, the firm was convicted of obstructing justice (in connection with the Enron investigation) and their public accounting license was revoked in 2002. (Makar, Alam, & Pearson, 2004)

Enron

Enron was the first of several major corporate fraud scandals to become public in 2002. It was also one of the more egregious. Enron grossly misled the public by not properly reporting its true financial status. Specifically, Enron overstated their profits by \$600 million. (Oppel & Sorkin, 2001) In fact, Enron ultimately went bankrupt having never reported having a bad quarter with respect to earnings. (Thomas, 2002) The repercussion of Enron's fraud was massive. Overall, investors lost over \$60 billion in fewer than 2 years. (NBC News, 2006) Employees lost their jobs and their retirement plans were now worthless, as they were largely invested

in Enron stock, which dropped to 26 cents per share. (Thomas 2002) Former Enron workers were thus unable to sell the shares of Enron stock that comprised their 401K/retirement plans. Workers also reported losing their cars and houses and had trouble getting new jobs after being associated with Enron. Employees would later say that Enron management, who didn't lose money in this scandal, had encouraged them to invest with the company, calling it a "sound" investment. (U.S. Congress, 2002, p. 4333) In fact, workers were forbidden from selling their Enron stocks when the price fell. (Oppel, 2001) Employee action groups filed numerous lawsuits against Enron executives, trying to win back some of their lost savings. Workers were victorious in gaining a 10k increase in the severance cap (previously \$4,650) but will likely never fully recover their losses due to Enron's fraud. (Biegelman, 2004; Makar, Alam & Pearson, 2004; Schepp, 2002; Young, 2002)

HealthSouth

In 2003, top executives at HealthSouth were found to have engaged in an accounting scheme that overstated their earnings by an estimated \$4 billion. Overall, fifteen HealthSouth accounting and finance executives pleaded guilty by the end of 2003. Former HealthSouth CEO Richard Scrushy was indicted in 2004 on 85 criminal charges. After the fraud went public, shares of HealthSouth fell from \$4 per share to just 10 cents. Big Four accounting firm Ernst & Young (E&Y) was the auditor for HealthSouth. E&Y later claimed to have no knowledge of the fraud. (Frudenheim, 2004; Makar, Alam & Pearson, 2004) Scrushy was ultimately acquitted of his criminal charges in relation to HealthSouth, but he later resolved civil charges with them, which included an officer and director ban (Stemple & Gates 2013). Scrushy was found civilly liable to HealthSouth for \$2.88 billion. (Stemple and Gates 2013)

ImClone

In 2002, ImClone Systems, a biotechnology firm, was subject of a congressional investigation as a result of their failure to tell investors that one of their drugs failed to receive FDA approval. Ex-ImClone CEO Dr. Samuel Waskal ultimately admitted to fraud and pled guilty two counts of securities fraud, one count of bank fraud, one count of perjury, one count of obstruction of justice and one count of conspiracy. On June 10, 2003, Waskal was sentenced to 87 months in prison, was fined \$3 million, and ordered to pay restitution. (DOJ, 2003)

Waskal committed insider trading by telling family members and close friends to sell ImClone shares the day before federal regulators refused to review ImClone's new cancer drug. (SEC, 2003) Martha Stewart was one of the people who was given the tip to sell her ImClone stock. Stewart was known to be a personal friend of the Waskal family. (Makar, Alam & Pearson; SEC, 2003; BBC News, 2002)

Tyco

Former Tyco CEO Dennis Kozlowski and CFO Marc Swartz were indicted in 2002 for stealing over \$600 million from Tyco. To commit their fraud, the executives fraudulently manipulated employee loan programs. They never informed investors of their personal loans and never repaid the money. Kozlowski's and Swartz's fraud outraged the public when the media reported they used the stolen money to purchase opulent luxury items to outfit their multi-million dollar apartments on Park Avenue in Manhattan (also purchased with stolen funds). Such items included a \$15,000 umbrella stand, a \$17,000 toiletry case, a \$6,300 sewing basket, \$5,900 for two sets of sheets, \$2,900 in coat hangers, \$2,200 waste basket, a \$1,650 appointment notebook, and a \$445 pincushion. (Ross, 2002) Further purchases by the executives included vacation homes in Nantucket, yachts, Renoir and Monet paintings, and jewelry

from Tiffany's. (CNN, 2002) They also gave themselves bonuses totaling nearly \$100 million that were never disclosed to the board of directors. (Makar, Alam, & Pearson, 2004) PricewaterhouseCoopers audited Tyco.

WorldCom Inc.

WorldCom Inc. perpetrated one of the largest accounting frauds in history. WorldCom's bankruptcy was also the largest in U.S. history (by the size of its assets). However, the crime was relatively basic, involving a reduction in reported line costs and an exaggeration of reported revenues. (SEC Report, 2003) In June 2002, the company disclosed that their accounting improprieties resulted in a loss up to \$7 billion and that the former CFO had been charged with fraud. Essentially, their fraud eradicated a stock that was valued at over \$180 billion, leaving investors with a stock that was virtually worthless. (Blau, 2003) WorldCom simultaneously filed for Chapter 11 bankruptcy with \$41 billion in debt and informed 12,800 of its roughly 75,000 workers that they'd be losing their jobs. (Young, 2002) And those employees were unable to collect their severance pay due to a recent shift in company policy. Accordingly, WorldCom was not obligated to make a lump sum payment and severance payments to employees were capped at \$4,650 under the bankruptcy code. (Young, 2002) Overall, employees were left without their jobs, appropriate severance, health insurance, and 401K plans. (WorldCom 401K plans were almost entirely comprised of company stock and were now worthless.) In contrast, immediately following the scandal, WorldCom executives were given full pension in excess of \$1 million and had received recent bonuses and company loans valued at \$10 million and up. (Katz, Marshall & Banks, 2011)

Xerox

In 2003, six former Xerox executives, including the CEO, CFO and company controller, agreed to pay over \$22 million in penalties for misleading investors about their earnings in order to boost stock prices. (Bandler & Hechinger, 2003) They concealed their fraud by recognizing revenues in the wrong time periods, a practice that is in violation of Generally Accepted Accounting Principles (GAAP). (SEC, 2002) Xerox's fraud reduced shareholders' equity by \$137 million and net worth by \$76 million. (Deutsch, 2001; SEC, 2003; Makar, Alam & Pearson, 2004) KPMG was Xerox's auditor.

In addition to the frauds at Adelphia Communications, Arthur Andersen, Enron, HealthSouth, ImClone, Tyco, Worldcom Inc. and Xerox, similar frauds were reported at AOL Time Warner, Aura Systems, CMS Energy, Computer Systems International, Global Crossing, Quest Communications and Safety-Kleen. (Hagenbaugh, 2003)

The common theme of the above frauds was the misrepresentation by the company of their value, to the public. Despite GAAP accounting requirements, suspected internal controls and auditing by Big Four accounting firms, said companies were engaging in fraudulent practices. SOX was created to establish internal controls of these and other public companies to prevent similar entities from misleading their employees and investors.

2002

SOX first required hotlines in publicly listed companies. Passed in 2002, SOX was lauded as "the most sweeping law affecting corporations since the 1930's." (USA Today, 2003) SOX was named after Senator Michael Oxley (Republican- Ohio) and Representative Paul Sarbanes (Democrat-Maryland) who each drafted a separate bill in mid-2002 that the House and Senate combined and named after the co-creators. In 2002, the 107th Congress of the U.S. Congress passed SOX. SOX was passed by a vote of 423-3 in the House and 99-0

in the Senate. SOX was signed into law by President George Bush a short time later on July 30, 2002. (Association of Certified Public Accountants, 2007) SOX is enforced by the Securities and Exchange Commission (SEC).

While SOX has several mandates, the primary purpose of SOX is to verify that companies have effective internal controls of publicly listed companies. (USA Today, 2003) President Bush said SOX was designed to "deter and punish corporate and accounting fraud and corruption, ensure justice for wrongdoers, and protect the interests of workers and shareholders." (Soren McAdam Christenson LLP, 2011) Accordingly, SOX created new penalties for such wrongdoing and a new oversight body, the Public Company Accounting Oversight Board (PCAOB), an independent board created to monitor accounting firms that audit public companies. The PCAOB also has the authority to investigate and discipline accountants. (Yormark, 2004)

SOX also enhanced corporate responsibility by requiring CEOs and CFOs to certify the accuracy of their financial reports. SOX enforces corporate accountability by barring corporate executives from using the "lack of knowledge" defense with respect to wrongdoing occurring in their company. (Yormark, 2004) SOX also enhanced criminal penalties to enforce accountability. To that end, criminal penalties, including fines and imprisonment, were created and/or enhanced for crimes involving the destruction, falsification, and alteration of records by the company and/or their auditor. Penalties involving these crimes under SOX could result in a prison sentence of up to 20 years and a \$5 million fine. (Yormark, 2004)

SOX further instituted several reforms relating to auditor independence. SOX required auditors to rotate positions so that no one person is ever in charge of an entire client engagement. SOX also prevented auditors from performing certain functions for a client while also performing their auditing, bookkeeping, financial information system management,

appraisal or actuarial services, or other management services. (Yormark, 2004)

SOX rules also extended fraud-reporting obligations to lawyers. Under section 307, outside counsel are required to report suspected securities violations to the Chief Legal Counsel, of the company in question, and if necessary, escalate their concerns to the company's audit committee or board of directors. (Yormark, 2004)

SOX further required companies to create and promulgate a code of ethics for senior financial officers, restrict executive compensation, establish independent audit committees, appoint an in-house "financial expert" and institute a confidential reporting mechanism for fraud (i.e., a fraud hotline). (Hagenbaugh, 2003)

To ensure accurate books and records, SOX required publicly listed companies to establish a financial accounting framework that generates verifiable financial reports with traceable, ineditable, source data. SOX instituted corporate penalties for non-compliance or inaccurate/incomplete certifications, including fines of up to \$5 million and a prison term of 20 years. (New York State Society of CPAs, 2002)

2008

Despite SOX and the existence of fraud hotlines, in 2008, massive corporate frauds were uncovered, which were so egregious they caused a global financial crisis ("crisis"), which lasted from 2008-2012. The crisis caused an unprecedented number of bank failures. Banks that didn't close during the crisis suffered other financial loss. During this time, many banks nationalized, recapitalized, merged, were taken over or received state guarantees. (Harkay, 2009)

Overall, this crisis caused the value of financial assets worldwide to decline by as much as \$50 trillion and brought the loss of 51 million jobs across the globe. (Loser, 2009; BBC News, 2009) From 2007-2010, bank closures increased by 4,633%. In September 2008, the collapse of Lehman Brothers, the fourth largest investment bank in the United States, marked the beginning of a massive economic downturn, in what experts called the worst recession in 80 years. (The Economist, 2013)

Overall, during the crisis, three hundred and sixty six (366) U.S. banks failed. The Federal Deposit Insurance Corporation (FDIC), which often serves as a receiver for failed banks, reported most banks closed in Georgia (63) followed by Florida (53) and Illinois (45). By contrast, prior to the crisis, during a six-year period (2000-2006), twenty-four (24) banks failed. In 2010 alone, at the peak of the crisis, one hundred and forty two (142) banks failed. In 2007, 3 banks failed. As of January 31, 2011, the FDIC paid out \$8.89 billion to banks under loss-share agreements. (Sidel, 2011) To cover these losses and additional payouts of up to \$21.5 billion were expected by 2014. (Sidel, 2011)

Perhaps the most significant of the bank failures was the closure of the traditional investment banks, as a result of the Glass Steagall Act in 1933. In less than 10 days, from September 14-21, 2008, Lehman Brothers failed, Merrill Lynch was acquired and Goldman Sachs and PS1 all became bank holding companies. (Augar, 2008)

Although banks are FDIC insured, investors can still lose money when banks close. Prior to Dodd-Frank, the FDIC insurable limit for depositors was \$100,000. While Dodd-Frank permanently increased the FDIC limit to \$250,000, anything above that amount is subject to loss. (Chan, 2010)

The FDIC insures bank deposits under the Banking Act of 1933 (Glass-Steagall Act). The FDIC is funded through insurance assessments collected

from its member depository institutions and held in a Deposit Insurance Fund (DIF), which is used to pay depositors if member institutions fail. (Getter, 2014)

However, FDIC insurance, and other depository insurances, such as the National Credit Union Share Insurance (NCUA), do not cover funds held in investments such as stocks, bonds, mutual funds, life insurance policies, annuities or municipal securities, even when purchased from an FDIC or NCUA insured bank or savings institution. (Chan, 2010)

When banks fail, bank employees may suffer sudden and permanent financial loss due to the diminished value of institutional stocks. As a case in point, following Bear Stearns collapse in March 2008, an average Bear Stearns employee retirement fund worth \$200,000 was now worth \$2,000. (Goldman, 2008) It was reported that employees were so devastated by this news that grief counselors were called in to administer immediate therapy. (Goldman, 2008). Most of the affected employees were among the support staff. (Goldman, 2008)

Similarly, when Lehman Brothers collapsed, it was estimated that 24,000 employees lost an estimated \$10 billion in paper wealth. (Smith, Craig, & Lobb, 2008) Half of Lehman's employees also lost their jobs, with most of the losses concentrated among non-management positions. Although key executives were blamed for much of the bank's failures, most of them found similar positions at competitors. (Newsweek, 2009)

Overall, the bank closure policy is geared toward expediency and is often unfriendly to bank employees. The FDIC does not forewarn employees of impending closures. According to FDIC chairwoman Shelia Bair (2006-2011), who was a critic of the policies and practices leading to the crisis (Kolhatkar, 2014), the FDIC closes down most banks on Fridays so they have

the two extra days over the weekend to complete the transition and make sure customers have immediate access to their money on Monday. (Egan, 2009)

However, skeptics think this is actually done to prevent customers from panicking and withdrawing funds. ("Why Does the FDIC," 2010)

One example of a bank failure which documents the devastating closure process is that of TeamBank in Paola, Kansas, which was closed Friday, March 20, 2009 by the Office of the Comptroller of the Currency. According to reports, at the end of the workday, 110 TeamBank employees were ushered into the lobby by government agents and told their employer was closing down. According to one employee who had been with the bank for seven years, the closure was something he would "never want to go through again. There were a lot of tears - many people had spent their entire working lives in that lobby and now it was gone." (Stock, 2010)

One TeamBank employee recounted the experience as follows:

"FDIC agents in conjunction with the Office of Comptroller of the Currency (OCC) swe[pt] in like a Mongol horde, shutting down the institution with ruthless efficiency. FDIC agents pore[d] [sic] over everything in the office, rooting through filing cabinets and rifling through desk drawers. "All of the employees were gathered in one room and kept separate from bank officers," says McCauley, who produced \$331,000 in 2008 before all hell broke loose. "Then we were brought to the lobby where an OCC officer announced that TeamBank was no longer operational and that within a few minutes, some people from the FDIC were going to come in, that they would treat TeamBank employees with respect and that they would stay for the whole weekend." A sheriff stood guard by the main door, and the moment the OCC officer started talking, the sheriff taped a closure notice to the door. "I've never seen anything run with such precision," McCauley says. "It was an amazing thing." TeamBank was instantly sold to Great Southern and by seven that night, all signs and advertisements in the bank's hometown of Paola, Kan., had been covered over with Great Southern's logo. On Monday morning, the bank opened under Great Southern's control." (Stock, 2010)

As demonstrated, bank failures were shocking and financially damaging for employees, who suffered some of the greatest loss. While many believe that most employees are innocent victims, many experts believe failed leadership in the financial industry contributed to the crisis. (Greene, 2011; George, 2008) Regulators, such as The Office of the Comptroller of the

Currency (OCC), have also reported studies of bank failures show "insider abuse...is often a contributing factor to [bank] failure." (2006)

Experts believe that employees are aware of frauds occurring in the workplace, and these frauds should be reported to the hotlines established as part of SOX. Research has consistently demonstrated that many employees know about fraud occurring in their workplace. A 2002 study conducted by Ernst & Young showed that as many as 1 in 5 workers are aware of fraud occurring in their place of employment. Furthermore, research has continually demonstrated that employee tips are the primary way that fraud is discovered within an organization. (ACFE, 2002-2012) In fact, in their 2012 report, the ACFE reported 43% of the frauds in public companies were discovered via a tip, which was up from 40% in 2010.

However, it is difficult to believe that hotlines are functioning well to detect and prevent internal crime, given the magnitude of frauds that have occurred despite the existence of the hotline. In the wake of bank closures, media reports documented employee familiarity with internal crime, which would have been ripe for reporting.

As a case in point, the "largest bank failure in U.S. history," Washington Mutual bank. (WaMu) (Arnall & Herman, 2008; Sidel, Enrich, & Fitzpatrick, 2008) WaMu was once one of the largest originators and servicers of residential mortgages in the U.S. through subprime subsidiary Long Beach Mortgage, holding \$307 billion in assets when it failed. (Arnall & Herman, 2008) Shortly thereafter, an employee told the media the employees "saw it coming." (Arnall & Herman, 2008)

"The executives are the ones who made the decision to take WaMu in this direction. Too many of the middle folks like myself said this is wrong, we're making loans we shouldn't be making, we're qualifying borrowers who we know are going to struggle to pay the loan back." (Arnall & Herman, 2008)

Indeed, WaMu internal documents obtained in connection with the lawsuit demonstrate they approved loans, regardless of borrow risk, in the name of profit. (Arnall & Herman, 2008)

The types of schemes perpetuated during the crisis typically involved a large number of employees, and thus would leave many witnesses/tipsters. According to the Department of Treasury (DOT), the biggest financial institution frauds during the crisis involved insiders, and their schemes involved: (i) unsound lending practices, such as inadequate collateral and poor loan documentation; (ii) excessive concentrations of credit to certain industries or groups of borrowers; (iii) unsound or excessive loans to insiders or their related interests or business associates, (iv) violations of civil statutes or regulations, such as legal lending limits or loans to one borrower; and (v) criminal violations of law and statute, such as fraud, misapplication of bank funds, or embezzlement. (Regulatory Bulletin: Fraud and Insider Abuse)

The DOT advises that employees of these firms can be a great source of information, finding:

"Insiders often commit crimes using subordinates who do not question their instructions. In some instances, however, the subordinates may be astute enough to know that what the insiders instructed them to do is questionable or wrong and may freely discuss the situation if the regulators simply inquire."
(Regulatory Bulletin: Fraud and Insider Abuse, 2010)

It is believed the internal culture of the companies that failed during the financial crisis didn't support hotline reporting. Experts believe that if more internal crime was reported, then criminal prosecutions might be possible. Once such expert, Robert Gnaizda, who appeared in the "Inside Job," an Academy Award winning documentary about the financial crisis, said the executives of Bear Stearns, Goldman Sachs, Lehman Brothers and Merrill Lynch could be criminally prosecuted if employees came forward. According to

Gnaizda, such cases "would be very hard to win...but...they could do it if they got enough underlings to tell the truth." (The Inside Job, 2010)

2010

The use of fraud hotlines in the private sector was reinforced under Dodd-Frank. Dodd-Frank was designed to regulate Wall Street following the financial crisis of 2007-2010. Lawmakers determined additional regulations were required in the wake of the global financial crisis of 2007-2010, to prevent future instances of employee fraud at financial institutions.

Dodd-Frank was created by Barney Frank (D-Mass) and Senate Banking Committee Chairman Chris Dodd. This U.S. federal statute was proposed on December 2, 2009 and signed into law on July 21, 2010. Dodd-Frank is said to represent the most comprehensive change to financial regulation since the Great Depression. (Greene, 2011) Dodd-Frank required regulators to create 243 new federal rule-makings, designed to enhance accountability and transparency within the financial system. (David Polk, 2010; "The Uncertainty Principle," 2010)

On November 3, 2010, the Securities and Exchange Commission ("SEC") issued proposed rules to implement the whistleblower provisions established by Dodd-Frank. Dodd-Frank expanded whistleblower provisions in SOX and the Securities and Exchange Act of 1934 (SEA) to provide tipsters, who report violations of certain laws to federal authorities, a reward based on the amount of money recovered by the SEC.

Section 922 of Dodd-Frank also expanded the whistleblower protection provisions in § 806 of SOX to include increased statute of limitations in which to file complaints and greater compensation for damages. Employees are also provided extra protections against employer retaliation. The amendments

include the following protections, which apply to employee complainants who participate in an SEC investigation:

- o Protection against retaliation by their employer;
- o Potential of double back-pay damages awarded to whistleblowers who file a lawsuit claiming retaliation by their employer; the statute of limitation for filing such retaliation claims was increased to six years (The previous statute of limitations was 3 years; the statute of limitation for standard retaliation claims was also increased from 90 to 180 days.);
- o Opportunity to file a retaliation complaint directly in federal court, bypassing the Department of Labor administrative process (Exall);
- o Right to a jury trial for retaliation claims, regardless of whether a mandatory arbitration agreement, often used in the financial services industry, was in place.
- o Protection of a new independent investigative body, the Bureau of Consumer Financial Protection, created to investigate and commence civil actions against financial industry employers who retaliate against their whistleblower employees.

Dodd-Frank further expanded SOX protections to include other related entities named on a given entity's financial statements, including subsidiaries and affiliates, from both public and private industry. SOX is further protected from internal employee agreements which may attempt to supersede or invalidate SOX. Such agreements are now strictly prohibited. (Bouchard & Linthorst, 2010; Seyfarth Shaw, 2010; Exall)

The amendments to SOX under Dodd-Frank add multiple reporting incentives for potential whistleblowers. They allow a whistleblower to collect substantially more money than they could previously under SOX. Employees can also pursue actions against more entities, in an extended time period, and do so without notifying their employer. The new amendments also allow employees to bypass reporting to their employer. Before Dodd-Frank, employees had to exhaust administrative remedies before filing a claim. Now employees can go straight to the SEC, The Department of Justice (DOJ), and/or The U.S. Commodity Futures Trading Commission (CFTC) and file claims directly in federal court.

The new process is believed to result in larger settlements. According to employment lawyers, "successful employees may obtain substantial remedies,

including reinstatement without loss of seniority, double back-pay, reasonable attorneys' fees, costs and expert witness fees." (Seyfarth Shaw, 2010)

Employees can also obtain a percentage of the sanctions levied against their employer, in exchange for actionable tips. Sections 922 and 929A of Dodd-Frank added a new section to the Securities and Exchange Act of 1934 (SEA) requiring the SEC to provide a monetary award to whistleblowers up to 30% of the total amount of the sanctions. The statutory language also gives tipsters confidence in their ability to receive an award. The SEC is given the discretion to award the whistleblower anywhere between 10-30% of the sanctions. The amount of the award cannot be less than 10%. (Exall) It should be noted there are some limitations noted in the proposal documentation. The information must be "original" and provided voluntarily to the SEC, rather than in response to inquiry. The sanction in question must also exceed \$1,000,000.

The payout under these terms can be sizable. The Securities and Exchange Commission (SEC) has reported settlements since July 2010 in the amounts of \$75 million, \$100 million and \$550 million, respectively. (Kerschberg, 2011)

Under Dodd-Frank, the whistleblower is also provided an extended reporting timeframe. Section 922 allows the employee to file a claim "up to six years after the violation occurred, or three years after he or she knew or reasonably should have known of facts material to the violation, so long as the complaint is filed within ten years of the violation." (Seyfarth Shaw, 2010)

Lawmakers believe the new whistleblower provisions will prevent future corporate fraud by increasing employee reporting to authorities. Congress

finds the provisions to be a great way to discover fraud without cost to the taxpayer (the funds used for whistleblower bounties will be paid out from the penalties the company pays to the SEC). (Carton, 2010) Likewise, the SEC Chairman Mary L. Schapiro (2009-2012) said the reward may "avoid missing the next Bernard Madoff." (Carton, 2010) Lawyers believe Dodd-Frank "will help restore investor confidence in the financial industry" yet find "Investigating claims of this nature is a real burden on resources." (Reisinger, 2011)

Employers criticized Dodd-Frank's provisions allowing employees to bypass internal reporting processes previously established under SOX. In December 2010, The Wall Street Journal reported over 260 companies sent letters to the SEC, complaining about the whistleblower provisions. Specifically, lawyers for Delta, FedEx, Gap and Pfizer said the new rules were contrary to existing compliance programs in that they "disincent employees from looking for ways to improve or correct corporate behaviors, and incent them to find ways to profit from corporate wrongdoing." (Koppel, 2010)

Lawmakers also raised concerns. At a debate on May 12, 2011 before the House Financial Services Subcommittee on Capital Markets and Government Sponsored Enterprises ("debate"), Representative Scott Garrett, R-NJ, Chairman of the subcommittee was critical of Dodd-Frank, asking:

(i) "Will the incentive structure created by the Dodd-Frank provisions exacerbate violations by encouraging them to fester and become more serious problems?, (ii) Does the legislation and the proposed rulemaking allow those complicit in violations to not only escape punishment, but potentially receive massive rewards in spite of their malfeasance?" (iii) "If internal compliance programs are bypassed, isn't good corporate citizenship discouraged, and won't there be a greater likelihood that companies will have less accurate financial statements and that companies will need to restate those financials upon which investors had already relied?" (Waddell, 2011)

In response to those concerns, one representative, Michael Grimm, R-NY, proposed legislation designed to preserve the internal reporting structure of SOX (to prevent bogus claims and claims from those involved in crime).

In the wake of Dodd-Frank, employment lawyers advised clients to audit their subsidiary compliance (to extend their corporate compliance structures to subsidiaries and other related entities), review their waiver and arbitration agreements (concerning possible existing restrictions on waivers and predispute arbitration) and to find new ways to encourage internal reporting (which could mean expanding their existing processes, such as internal hotlines). (Bouchard & Linthorst, 2010)

Consulting firms were also unhappy with Dodd-Frank's provisions negating internal reporting. The Deputy CEO of Deloitte LLP, Robert Kueppers, said whistleblowers should be "required to report their concerns fully and in good faith through company-sponsored internal compliance systems before reporting to the SEC as a condition of eligibility to receive a monetary award." (Waddell, 2011) Although internal reporting incentives were later added, they do not require employees to report internally. Rather, they say employees can increase their chances of earning the award by further solidifying their claims.

In the beginning, it seemed as though the increased incentives may have resulted in increased reports. In 2010, the SEC reported receiving up to two "high quality" whistleblower tips per day. Prior to Dodd-Frank, they received only 24 per year. (Koehler)

Despite the arguments of critics, Mary L. Schapiro, Chairman of the SEC, told the American public the new whistleblower rules would prevent and detect major financial fraud, such as that committed by Ponzi schemer Bernard Madoff, who somehow eluded all other means of detection.

It is important to examine the current state of hotline performance for any unintended political consequences. Representative Scott Garrett (R-NJ) said there could be problems due to lawmakers' "rush[] to meet a political deadline." Specifically, Garrett believed Dodd-Frank was "passed to check off long-standing agendas of certain constituencies, rather than to address issues that actually contributed to the cause of the financial crisis." (Garrett, 2011)

In summary, the legislation enacted between 2002 and 2010 was based on the assumption that fraud hotlines have the ability to prevent and detect fraud. SOX established the need for confidential reporting mechanisms to prevent and detect fraud in publicly listed companies. However, the existence of the fraud hotline didn't prevent or detect many instances of corporate crime, such as the financial crisis of 2008. After 2008, lawmakers added a financial incentive for callers and removed their need to report internally.

Overall, these actions reflect the following assumptions: (i) pre-SOX, call volume and quality to company fraud hotlines was inadequate in preventing and detecting fraud; (ii) potential callers are incentivized by monetary rewards; (iii) money reward will increase the quantity and quality of reporting; and (iv) hotline callers may not always report internally.

It is important to determine whether hotlines are an appropriate organizational fraud prevention and detection mechanism. It is also essential to establish whether the SEC whistleblower hotline is receiving quality tips that are illuminating organizational fraud.

2010-Present

Following SOX, nonprofit entities have been advised to maintain fraud

hotlines as a matter of best practices. (Andrews & LeBlanc, 2013; (GrossMendelsohn, 2013) Per SOX, all entities, including nonprofit organizations, are prohibited from, and can be held criminally liable for, retaliating against whistleblowers and impeding an investigation. (American Bar Association, 2013) However, nonprofits are not required to use fraud hotlines. Today, due to the lack of reporting requirements, it is largely unknown how many nonprofits currently operate fraud hotlines. In a 2007 study, it was determined that 40% of the subject nonprofits operated a fraud hotline. (Greenlee, Fischer, Gordon, & Keating, 2007)

Of those nonprofits that operate hotlines managed by The Network, one of the largest third party hotline providers, they report an "extremely high percentage" of corruption and fraud (13% of all cases in the "Public Administration" sector [a category containing some, but not all, of their nonprofit clients]), which has been "consistent over the last four years." (2013, p. 13) Overall, this assessment is based on 64 organizational clients of The Network, with a total of 468,966 employees.

Per recent evidence, employee fraud in the nonprofit sector is steadily increasing and is responsible for a large amount of loss in this area. According to the 2013 Report to the Nations, a semiannual report by the Association of Certified Fraud Examiners (ACFE), the frequency of fraud occurring in this sector has risen since 2010, climbing from 9.6% to 10.4% in the cases they examined, with a median loss of \$100,000. (p. 25) Two recent examinations of Internal Revenue Service (IRS) Form 990 filings, filed by organizations which are exempt from income tax, suggest these frauds have resulted in a loss of as much as \$170 million since 2009, with the greatest amount of loss occurring in a finite number of organizations. These frauds are reported in the Form 990 as "significant diversions."

In 2012, the IRS reviewed tax filings and publically available

information of 285 nonprofit organizations reporting a significant diversion of assets, since 2009 (when they began collecting governance data from 1300 nonprofit organizations). As a result of this effort, the IRS determined approximately \$170 million was lost in "significant diversions" as reported in Part VI, Section A, Item 5. (Panetta, 2012) Most reported cases of "significant diversions" involved theft or embezzlement. (Panetta, 2012)

In 2013, the Washington Post examined over 1,000 IRS Form 990s and determined over a half billion dollars were misappropriated from ten nonprofits alone, between 2008 and 2012, due to "theft, investment fraud, embezzlement and other unauthorized uses of funds." (Stephens, 2013) In one of the more egregious examples cited in the study, The American Legacy Foundation, a nonprofit dedicated to smoking danger awareness, lost an estimated \$3.4 million due to an employee embezzler. (Post, 2013) (Stephens, 2013)

Lawyers say nonprofit entities are especially susceptible to employee fraud, largely due to this sector's "trust[] of employees" and "less stringent financial controls" than other businesses. (Devaney, 2013) According to the American Bar Association, nonprofit employees are usually more "trusted" due to the emphasis on "altruistic program activities" and "constrained staffing levels at most nonprofits...mak[ing] segregation of duties more difficult." (Sol)

To prevent fraud in this sector, lawyers recommend nonprofits "encourage whistleblowing" as a preventative measure. (Devaney, 2013) This recommendation is in line with the recommendations of ACFE studies since 2002, where tips were determined to be the primary form of fraud detection in all sectors. (Report to the Nation on Occupational Fraud and Abuse) However, nonprofits are not required to have fraud hotlines. Therefore it is unknown how the employees in this sector are reporting fraud without a confidential reporting mechanism.

Theory Relevant to Research Question

This study examines the affect of organizational bureaucracy on fraud hotline performance. The theory relevant to this research question is the Theory of Bureaucracy.

Theory Of Bureaucracy

The foundation of the Theory of Bureaucracy was first established in the 1890's, beginning with theorists such as Max Weber, who set forth the characteristics of an ideal organization. Weber (1940) conducted a "classical analysis of bureaucracy" emphasizing hierarchical structure and a fixed division of labor in the pursuit of "precision, reliability and efficiency." Bureaucracy was seen as the means to achieve that goal. (Tompkins, 2005)

Bureaucracy was not "defined" in the traditional sense, but rather, was characterized by a set of attributes. Weber said this criterion was integral to achieving the "ideal state" in an organization. (Tompkins, 2005) The "specific list of criteria for the fully developed bureaucratic form" included "technical training of officials, merit appointments, fixed salaries and pensions, assured careers, the separation of organizational rights and duties from the private life of the employee, and a fixed and definite division of work into distinct offices or jobs." (Thompson, 1961, p. 11) Thus the state of bureaucracy was defined by the presence of the following conditions: (i) Hierarchy of Authority; (ii) System of Rules; (iii) Technical Expertise; (iv) Career Service; and (v) Insistence on the Rights of Office. (Thompson, 1961)

Bureaupathology

The state of bureaucracy was viewed both positively and negatively by scholars. While most agree that bureaucracies are "rational" and "necessary," problems were noted. For many, problems arose due to an individual's response to the organizational climate created by bureaucracy. Researchers such as Victor A. Thompson found that when the characteristics that defined a bureaucracy were "exaggerated" the situation could turn "bureaupathic" which is a deviation from the organizational ideal. (1961, p. 159)

Over time, theorists became critical of the notion of an "ideal organization" when they determined organizations had inherent flaws. Those flaws were due in part to the worker's reaction to the state of bureaucracy, which caused them to become very deliberate in their actions. Specifically, Theorists such as Merton said bureaucracies resulted in workers becoming "methodical, prudent and disciplined." (Merton, 1957, pp. 195-206)

In the 1960's researchers determined inflexible workers made bureaucratic organizations incapable of making necessary changes. In fact, in 1964, in "The Bureaucratic Phenomenon" Michel Crozier said a bureaucratic organization was akin to "an organization that cannot correct its behaviour by learning from its errors." (p. 187)

Specifically, Thompson said "personal behavior patterns" such as "excessive aloofness, ritualistic attachment to routines and procedures, and resistance to change" and a "petty insistence upon rights of authority and status" could "exaggerate the characteristic qualities of bureaucratic organization." (1961, pp. 152-153) Thompson found these behaviors to be bureaupathic, in that they do not serve to advance the organization's mission and instead "reflect the personal needs of individuals." (1961, p. 153)

("What Really", 1991, p. 491) In 1967, Anthony Downs developed a list

of "bureaucratic personalities" which further documented bureaupathic behaviors.

Researchers also began to acknowledge that bureaucracy could cause workers to act against the organization. One such scholar was Downs, who said workers in a bureaucracy have an inherent tendency to conceal information from superiors that is unfavorable. (1964, pp. 10-12).

Meanwhile, scholars still advanced the need for bureaucracies in spite of flaws. For instance, in 1964, Anthony Downs said hierarchy was necessary in bureaucracies, although hierarchy could cause information flow between workers to be distorted. (Downs, pp. 9-10)

In the 1970's, researchers detected organizational problems in bureaucracies. Robert Kharasch examined organizational behavior in the federal government, and found organizational "malfunctioning" that was "out of control." (p. 116) In 1974, Christopher Hood looked at British public administration and determined administrative failures, including "over-organization, red-tape" and "ritualized procedures." (Caiden, 1991, pp. 114-15)

In the 1970's and 1980's, scholars further attributed bureaucracy to organizational crime. In a study conducted in the early 1970's, Bowden determined bureaucracy could prevent innovation, resulting in "anomie, distrust and lawlessness" which give rise to misconduct. (Caiden, "Administrative Reform," p. 114-15) In 1981, William Pierce said bureaucracies could result in "bureaucratic failure" causing theft, corruption and waste (Caiden, "Administrative Reform," p. 116)

In the 1990's, researchers concluded bureaupathology could result in public harm. In 1999, Diane Vaughn found "formal organizations can deviate

from the rationalist expectations of the Weberian model" where worker behaviors, both "conforming" and "deviant," can "adversely affect the public" leading to organizational "failure, crime, and deviance." (pp. 272-273) In 1991, Gerald E. Caiden elaborated the list of worker bureaupathic behaviors, first created by Downs, resulting in 175 bureaucratic pathologies, or bureaupathologies. (Bozeman & Rainey, 1998)

Although researchers focused on individual behaviors, bureaupathologies were now viewed as faults of the organization, as a whole. According to Caiden, bureaupathologies were inherent in bureaucracies, were pervasive, and "lived" beyond individual actors. Per Caiden, bureaupathologies are:

"The systematic shortcomings of organizations that cause individuals within them to be guilty of malpractices. They cannot be corrected by separating the guilty from the organization for the malpractices will continue irrespective of the organization's composition. They are not random, isolated incidents, either. While they may not be regular, they are not so rare either. When they occur, little action is taken to prevent their recurrence..." ("What Really", 1991, p. 490)

Additional research during this time suggested the full breadth of organizational problems, including crime, might never be fully known. Caiden said there are latent problems in all organizations, which may never come to light as a result of bureaucracy. (Caiden 1985; "What Really," 1991) In 1991, Caiden advanced the concept of "Public Maladministration" where he observes that organizations may have problems, which sometimes only come to light via the investigative process or from a whistleblower. ("What Really" p. 491)

Caiden's analysis would explain the reluctance of a bureaucratic employee to report fraud in all sectors. Caiden said, in a bureaucracy, organizational problems, such as crime, could remain hidden forever, because employees are reluctant to come forward. Per Caiden, employees may "agree what is being done is unsatisfactory" but they "[are not] prepared to take

the first step." ("What Really", 1991, p. 491) Caiden found "public maladministration" was present in both the public and private sectors. ("What Really", 1991, p. 492)

Overall, the Theory of Bureaucracy explains how organizational processes may not always function for the good of the organization as a whole, namely, to advance and foster a fraud hotline.

Current Literature Relevant to the Research Question

The central question of this work is as follows: Does organizational bureaucracy affect fraud hotline performance? The state of organizational bureaupathology can affect a fraud hotline in several ways. For one, it can prevent employees from reporting known fraud. It can cause them to conceal known fraud, and it can also impede the organization's ability to handle hotline calls. Overall, research demonstrates that the presence of excessive bureaucracy can adversely affect a fraud hotline. Because employees are the primary audience for employer-sponsored hotlines, the perception of the employees as to the presence of bureaucracy in their organization is central to this work.

A review of the Bureaupathology literature demonstrates an association between high levels of bureaucracy and employees both underreporting, and concealing, fraud. Additionally, the state of complexity and hierarchical rigidity, characteristic of bureaucracies, can create an organizational environment that could impede the successful operation of a fraud hotline.

Bureaupathology and Hotlines

First, it is important to review the potential effects bureaupathology can have on a fraud hotline, which include crime concealment, reduced fraud reporting and reduced hotline performance.

Crime Concealment

Employees can react to excessive bureaucracy by concealing crime. In his work "Excessive Bureaucratization: The J-Curve Theory of Bureaucracy and Max Weber through the Looking Glass," Caiden says the "excessive division of labor" present in an excessive bureaucracy results in a "detachment" on the part of the employee, which causes them to conceal known crime. (1985)

Specifically, according to Caiden,

"For most caught in excessive division of labor, there is a detachment that cares not whether the job is spoilt or targets are reached, or property is stolen, or the work is constantly disrupted. While they themselves may not deliberately act wrongly, they do not prevent others from doing so. They keep their minds on their own business, which is staying out of trouble. They do not inform on wrong doing which could be a breach of work etiquette in their position, and, when required by peer pressure and identification, they protect wrongdoers by covering up. They drift through life, or at least their work life, in a dream, doing whatever is necessary to justify their continued employment and membership, but not much more. They do not believe - with reason - that anything they do will change their job situation. It will all be much the same wherever they go and whatever they do." (1985, p. 25)

Excessive bureaucracy can also cause employees to become insecure. As a result, employees may not report potential crime for fear of being wrong. In 1998, Bozeman and Rainey find bureaucracy creates a work environment that has "an inherent flaw...providing a work environment highly conducive to the insecurities that flow between specialization and authority." (1998, p. 168)

Researchers say employee insecurity can result in:

"information asymmetry" where those at the top are responsible for tasks and outputs they neither perform nor fully understand, and in such cases they tend to rely on procedural control mechanisms (e.g., the number of forms filled out, number of clients processed) as substitutes for substantive control. The attempt to control the work of subordinates in this fashion creates a tendency for workers to "go by the book," avoid innovation, reduce the risk of error, and do little more than what they are told." (Scott, 2002, p. 478).

Reduced Fraud Reporting

There are several reasons why an employee may not report fraud in an excessively bureaucratic environment. For one, organizational bureaupathology can cause an employee to have misaligned goals. (Thompson, 1961) When this happens, an employee places their own goals over the success of the organization, which makes them reluctant to come forward to report fraud. (Giblin, 1981, p. 22) Per Giblin, the "dense interpersonal environment of modern bureaucracy...by its very nature, elicits and rewards a narcissistic response." (1981, p. 22) In other words, instead of focusing on the goals of the organization (preventing and detecting fraud) the employee focuses on their personal goals (getting raises, promotions). (Thompson, 1961; Giblin, 1981; Caiden, 1985)

In the extreme, theorists say bureaupathology can cause an employee to focus solely on himself or herself. As a result, employees subject to these conditions would not be concerned with organizational fraud. Giblin says organizational bureaupathology can generate "neurotic organizational behavior" in workers, which causes them to be overly concerned with their own "hierarchical position and power" as opposed to fraud reporting. (Giblin, 1981)

In addition, employees subject to bureaupathology with an excessive hierarchical structure, decide their own job tasks. Therefore, if employees decide fraud reporting will not be a part of their job, it will not occur. Per Giblin, excessive bureaucracy manifesting in excessive hierarchy gives employees "excessive latitude" to "determine their own roles and activities" and may tend to select to engage in only those activities, which contribute to their own personal power or wealth. (1981, p. 23)

Also, where excessive hierarchy exists, bureaupathology theorists say employees spend much of their time navigating the complex work environment, rather than focus on meaningful activities, such as fraud detection. (Giblin, 1981)

Furthermore, bureaupathology causes employees to become routinized in their duties. When this happens, employees may not consider deviating from their regular work routine, to do something such as reporting fraud to a hotline. Bureaucracy theorists have said that organizational bureaucracy breeds an environment where employees become insecure in their responsibilities. As a result, employees can have a "pathological response" where the individual worker will tend to do only "what they are told." (Thompson, 1961, p. 150) Per Thompson,

Strict control from above encourages employees to 'go by the book,' to avoid innovations and chances of error which put black marks on the record. It encourages decision by precedent, and unwillingness to exercise initiative or take a chance. It encourages employees to wait for orders, and only do what they are told." (Thompson, 1961, p. 150).

Reduced Hotline Performance

Bureaupathology may also result in an ill-functioning hotline that is unable to properly handle tips. One reason for this is that managers may not be focused on the hotline's success. According to theorists like Giblin, managers in an excessively bureaucratic organization tend to devote a majority of their attention on navigating the organization, as opposed to process improvement. As a result, process and people management become secondary concerns. Giblin says "the importance of the professional's knowledge and ability...become(s) secondary to the social skills required in the job - the ability to move oneself through the dense interpersonal environment" and that "the higher the jobs are in the organization, with corresponding emphasis on social intercourse, the more difficult it becomes

to truly evaluate these jobs." (1981, p. 23)

Excessive bureaucracy can also prevent managers from evaluating their programs. As a result, performance issues with hotlines can go unnoticed. Per Giblin, excessive bureaucracy can keep management focus on himself or herself and away from "functional job content." (1981, p. 24)

Hotline management by third-party companies can also add to program bureaucracy. Third-party hotline providers manage many, sometimes thousands, of public and private sector hotlines. While using an outside provider may add independence, researchers find the third party provider can add an additional layer of bureaucracy that may hinder the investigative process. (Anechiarico & Jacobs, 1996, p. 72)

Bureaucracy can also inhibit the collaborative process associated with hotline success. Deloitte, in a report about whistleblowing post-Dodd-Frank, says the bureaucracy in most organizations presents a challenge for information sharing and oversight of fraud hotline programs. (Deloitte, 2011, p. 2)

Other Relevant Literature

Additional literature that is relevant to this study is recent literature regarding the potential effect of bureaucracy on a major hotline, the Securities and Exchange Commission's hotline. Also relevant is literature concerning the use and value of Glassdoor data in research.

SEC Hotline and Bureaucracy

Critics have said the SEC hotline is underperforming due to bureaucracy. (Siedle, 2011) Therefore it is important to briefly review this hotline in light of organizational bureaucracy.

The SEC hotline was established in 2011, and 2012 represented their first full year of operation. In that year, they received 3,001 reports.

(U.S. Securities and Exchange Commission Office of Inspector General, 2013)
In 2013 they received 3,238 complaints, representing an 8% increase from FY 2012. (p. 8) Overall, since 2011, 6,573 tips have been received by the SEC Office of the Whistleblower (OWB). (U.S. Securities and Exchange Commission, 2013, p. 8)

Despite the number of calls received, statistics suggest the "success" rate of the hotline, to date, is low. The SEC defines the success of their whistleblower hotline tips as "original information...that leads to the successful enforcement of a covered action...[which makes the complainant] eligible to apply for a whistleblower award." (SEC OWB, 2014) Of these tips, as of October 2013, six resulted in an award to the tipster. (U.S. Securities and Exchange Commission, 2013, p. 14) With 6,573 tips provided to the hotline, the program has a .09% "success rate."

Meanwhile, program evaluators for the SEC Whistleblower Program identified performance issues. Specifically, their absence of metrics. After their first year of operation, the SEC Office of the Inspector General (OIG) conducted a full evaluation of the Whistleblower Program. Upon review, they noted the absence of performance metrics. Per the OIG, "the whistleblower program's internal controls need to be strengthened by adding performance metrics" to "measure process performance." (2013, pp. v, 38) According to the OIG, the absence of performance metrics "may result in the degradation in performance and unnecessary long response times to whistleblower information." (p. 21)

The program's absence of attention to performance is consistent with Giblin's theory, wherein he finds "This phenomenon of complex organizations facilitates, indeed encourages people in managerial and administrative positions to engage in non-organizational goal-directed behavior." (1981, p. 23)

It is possible that potential callers have avoided the hotline due to perceived agency bureaucracy. Recent media reports have said the SEC could not properly vet whistleblower complaints. (Singer, 2013; Tobe, 2013) Experts have said tipsters are "not coming forward with even valid claims because they are intimidated by the length of the bureaucratic process" one that Forbes called "ponderous." (Singer, 2013; Tobe, 2013)

Glassdoor Data in Research

This study analyzed anonymous employee reviews submitted to the website Glassdoor.com for indicators of dysfunctional bureaucracy and bureaupathology. Glassdoor.com is defined by Bloomberg BusinessWeek as follows:

Glassdoor, Inc. operates as a free online jobs and career community. The company helps employees, job seekers, employers, and recruiters in finding and sharing information about the companies and jobs. It offers company reviews, interview questions and reviews, office photos, salary details, and information to make career decisions. The company provides job searches in the areas of customer service, part time, sales, warehouse, accounting, construction, healthcare, retail, human resources, marketing, call center, clerical, data entry, insurance, driver, education, maintenance, entry level, nursing, IT, graphic design, summer, online, and finance. Glassdoor, Inc. was founded in 2007 and is based in Sausalito, California. (Bloomberg BusinessWeek, 2013)

The use of Glassdoor as an information source is becoming an industry trend. At present, according to a recent article in Business Insider, 700 employers are currently partnering with Glassdoor to gather information on job seekers. (Giang, 2013) In addition, their data is gaining popularity as a key industry resource. For instance, online Information Technology news provider ZD Net recently published an article where they used Glassdoor data as the determining factor for business outlook projections over the ensuing six months. (King, 2013) In this article, Glassdoor ratings of leading companies such as Google and Amazon, was included in the analysis.

Glassdoor is also conducting their own reporting on major companies using data entered by their users as a measure of the company's success. For instance, in May 2013, Glassdoor examined Facebook using the measures of how respondent employees "[felt] about their work environment." (King) Quotes from reviews taken directly from the website were included in the analysis. In fact, Glassdoor reports, including one conducted annually called their "Top 25 Companies for Work Life Balance," have appeared prominently in recent articles featured in highly respected media outlets, such as Forbes.com ("Glassdoor: Digital Exuberance Hampers Work-Life Balance," Judy Martin, Forbes.com, July 19, 2013), CNET ("Nokia, Yahoo Rank Among Top Companies For Work-life Balance," Rachel King [Tech Culture] July 19, 2013 NBC [Bay Area] ("Glassdoor: 5 Companies with Best Work-Life Balance Sit in Bay Area, Scott Budman, July 19, 2013), and North Bay Business Journal ("Glassdoor Breaks Into Global Online Job Search," Loralee Stevens, April 15, 2013).

Chapter 3 Methodology

This chapter discusses the research methodology employed in this work. This discussion includes a detailed description of the study subjects, the research method, and threats to validity, variables, procedure and data.

Subjects

This study was considered by the CUNY John Jay College of Criminal Justice Human Research Protections Program, and it was determined this project does not meet the definition of human subject research as defined by the federal regulations. (45 CFR 46.102(d)(f)), IRBNET ID (reference number) 550166-1 (John Jay College of Criminal Justice (CUNY) HRPP Office, 2013)

This study uses a case study research method. The population of this study consists of six organization's hotlines - two in the private sector, three in the public sector (government entities) and one in the nonprofit sector. The subjects of this study will not be named. The reason their identity is being withheld is because their identity is irrelevant to the overall research purpose. Additionally, the hotline administrators and interview subjects were advised their personally indefinable information would not be provided in writing. This study could provide the government entities, as they do not have an expectation of privacy due to Freedom of Information Laws. (FOIL)

The two private sector companies are in the financial industry. They are bank holding companies that are ranked in the top ten by the United States Federal Reserve System, based on consolidated assets as of June 30, 2012. Represented among the government sector hotlines are hotlines in the Federal, State and Local government sectors, along with a City Agency level

hotline. The subject of this study was named by Forbes as one of the top 200 largest charities. (Forbes, 2006)

The names of the subjects of this research will be referenced throughout this study as ("Private Sector," PS) PS1, PS2; ("Government Sector," GS) GS1, GS2, GS3 and ("Non Profit," NP) NP1.

PS1 is a financial services firm of approximately 61,899 employees (per their most recent Form 10-K, filed February 27, 2012). The hotline data from PS1 is from the years 2006-2007 (3Q 2006 to 4Q 2007). During that time, PS1 had anywhere from 48,000-55,000 employees.

PS2 is a financial services firm of approximately 266,000 employees (per their most recent Form 10-K, filed February 24, 2012). The fraud hotline data obtained from PS2 is from the years 2004-2010. During that time, PS2 had anywhere from 259,000-387,000 employees.

GS1, a federal organization, can expect to receive tips from anyone in the United States (U.S.). The U.S. population as of July 2011 was 311,591,917, according to the U.S. Census. According to agency documents, GS1 had 17,359 employees as of 2011.

GS2, a state level government, can expect to receive tips from anyone who resides in the State, which has a population of 5,711,767 as of July 2011, according to the U.S. Census. According to agency documents, GS2 had 283,351 public workers as of 2011.

GS3, a city level government, can expect to receive tips from anyone who resides in their city, which has a population of 1,326,179 as of July 2011, according to the U.S. Census. According to agency documents, GS3 has 19,500 employees.

Design

This study used a case study research method. The unit of analysis in this study is organizations. This case study examined the fraud hotline process in six organizations.

The case study method was appropriate for several reasons. For one, there is a lack of available data. Specifically, individual level fraud hotline data is difficult to obtain. There are no reporting requirements and information in the public domain is limited. Hotline administrators sometimes make hotline data available upon request for research purposes. But overall, the paucity of available empirical data limits the scope of quantitative analysis.

In addition, the data provided often lacked the granular detail necessary to establish an association based on data alone. Rich qualitative detail, provided in case study format, was necessary to establish a relationship between the independent variable, organizational bureaucracy and the dependent variable, fraud hotline process.

In addition, case studies are appropriate for this research endeavor, for their unique ability to illuminate specific incidences of deviance. For that reason, researchers often use this method when analyzing organizations. In the "Dark Side of Organizations: Mistake, Misconduct and Disaster," researcher Diane Vaughan advances case studies, insofar as they "hold memorable lessons about how organizational processes systematically produce unanticipated outcomes that deviate from formal design goals and normative standards." (1999, p. 277) In his book "Why Law Enforcement Organizations Fail" Patrick O'Hara (O'Hara, 2005) used a case study method to analyze organizational deviance.

The case study is a collective case study design, in that six organization's fraud hotlines were examined. Per qualitative researcher Robert E. Stake (1995), collective case studies examine individual matters yet appreciate the relationships found between the subjects. Specifically, Stake finds collective case studies embrace how "each case study is instrumental to learning about the effects of [the independent variable on the dependent variable] but [consider the] important coordination between the individual studies." (p. 4)

This study included both a primary and secondary data collection approach, insofar as the researcher collected original data from interviews, yet used the data of the subject organization to assess their hotline's performance. This case study is also both qualitative and quantitative in nature, although it leans primarily qualitative, due to data limitations.

The case study method was used to examine whether, for a set of fraud hotlines, the hotline was performing according to expectations, by analyzing the individual calls received against the known frauds that occurred in the organization.

Interviews

In order to obtain organizational data, four hotline managers were interviewed. Three of the interview subjects were hotline managers in three of the subject organizations (PS1, PS2, NP1) and one interview subject was a hotline account manager at The Network, a third party hotline provider who provides hotline services to several of the subject organizations (PS1, PS2, and GS3) and whose benchmarking data was used in this study. For the most part, in this study, the data and information was obtained in the public domain and therefore is also not confidential.

The subjects were interviewed in their capacity as the keepers of organizational data. The conversations took place with the purpose of obtaining their data, and to gain a general understanding of their fraud hotline process. This data and information was a part of their ordinary business records. As such, this data is not considered to be confidential. Nevertheless, the identity of the interview subjects will be kept private, as is not relevant to the research purpose.

Interviews for this study were primarily conducted using a convenience and snowball sampling method, and the subjects were selected on the basis of availability to the researcher and their willingness to participate in the interview process. Interviews were conducted between 2007 and 2013. The interviews were primarily conducted to obtain organizational data (hotline metrics). For organizations where interviews were not required to obtain metrics, (GS1-3) interviews were not conducted.

For PS1, one person was interviewed in 2007; a current employee of the company (at the time of the interview) served as hotline administrator for the company. For PS2, two people were interviewed in 2012. The subjects interviewed included a hotline administrator for the company and a representative of The Network, the third party company that manages their fraud hotline.

The hotline administrator was asked questions that could not be gleaned directly from the data, such as; the general number of financial services and government clients they manage; the way that hotline complaints are handled from the point of receipt, to the point of reporting to the client; whether individual level advice/analysis is provided to clients about their organization's reporting trends; and how their employees are trained to manage calls.

Threats to Validity

The threats to validity in this research effort relate to the number of cases, self-selecting participants, descriptive validity and interpretative validity.

Number of Cases

Case study research, although a highly celebrated method for organizational research, has been challenged with respect to validity, reliability and generalizability. (Merriam, 1995) One of the primary reasons that validity is challenged is due to the isolated number of items, or cases, researched. Here, to control for that challenge, several organizations' hotlines were chosen as subjects for review (six), and represent a range of business, in both the private and public sectors; including a medium and large financial services firm, and a city, state and federal government entity and a nonprofit organization. Complete randomization is simply not possible in this instance, due to a limited availability of data.

To assure validity this study's measurements, triangulation was used. In "The Art of Case Study Research," Robert Stake advances triangulation as a method to overcome threats to validity. Merriam further advances this method, which in this case, will entail conversations with the sources of the data, where possible, and peer consultation, which will further help to establish validity.

Here, interviews were conducted with three hotline administrators, including one from each private sector organization, and with a representative from The Network, who is the third party hotline provider for several subjects of this study. Employee review data from Glassdoor.com was also used to validate research findings. Extensive company research in the

public domain was also conducted on each of these organizations, to validate information gleaned from employees.

Self-Selecting Participants

The employees who submitted reviews on Glassdoor.com can be considered self-selecting participants, which creates a level of bias. Glassdoor is a website that is available to the general public. Employees provide reviews of companies to this website on a completely voluntary and anonymous basis.

Overall, Glassdoor respondents come to the website independently, and chose to supply information on their own and without compensation. In Glassdoor, employees are incentivized to provide their review as a condition of gaining access to the website to conduct their own research (the website also provides salary information, interview experiences, among other information). However, due to the detailed nature of the comments, the respondents believe the company monitors the content, and believe as respondents, they can effect organizational changes.

Descriptive Validity

Per Maxwell, qualitative research can suffer from descriptive validity. (Maxwell, 1992) Here, this potential exists, as individual researcher interpretation of the qualitative data (the analysis of employee reviews) is potentially subject to interpretation. However, Maxwell finds this problem can be overcome by having "different observers come to agree on their descriptive accuracy." (Maxwell, 1992, p. 288) Here, the original data and the corresponding interpretation is provided by this study and can therefore be validated by the reader.

Ideally, the comments could be validated via interview, or otherwise. However, in this case, the contributors are anonymous. There is value in

anonymous information, as is the spirit of an anonymous reporting mechanism (fraud hotline) that is the very subject of this study. Therefore, it is clear anonymous information has merit.

In addition, many of the comments were quite detailed and included information specific to the organization, which would have been difficult to fabricate. Although there is an expected margin of error with anonymous web-based reviews, the validity of the reviews is supported by the detailed information supplied.

Interpretative Validity

Maxwell acknowledges the possibility of interpretative validity in qualitative research, but says that it is essentially impossible to overcome because researchers are constantly interpreting information provided by participants. (1992, p. 290) And obtaining additional data would not address this issue. Per Maxwell, "there is no in principle access to data that would unequivocally address threats to validity. Interpretative validity is inherently a matter of inference from the words and actions of participants in the situations studied." (1992, p. 290)

Here, the data entry process in Glassdoor further validated the data. On Glassdoor, participants are not lead toward any particular outcome. The data field is open-ended, consisting of a simple text box for "Pros" and "Cons." In response, as indicated in this study, employees typed out very detailed responses. This detail served to validate the content, and gave credence to the content insofar as it indicated strong emotion on the part of the employee, whether negative or positive in nature. As a result, the fact respondents may have indicated an excessive bureaucracy condition is a significant finding, considering the options for comment were unlimited.

Notwithstanding the inherent bias, from a qualitative research perspective, this data is extremely valuable, insofar as it provides a unique insight into a population that is otherwise unavailable to researchers. The subject organizations would not permit such interviews or surveys of their employees for research purposes. Therefore, the use of existing data was critical in establishing employee mindset regarding the presence of the independent variable in this study.

The use of social media data was an ideal method for this research endeavor. The perception of bureaucracy by the employee is essential to this research effort, as the employees are the target audience of company/agency fraud hotlines. Employees could not be interviewed for this study for this purpose (only certain hotline administrators could be interviewed). Here, social media data provided insight to the mindset of an otherwise unreachable population. Secondly, this data is publically available and accessible to researchers. Additionally, Glassdoor contained data from all of the subject organizations, providing consistency. Finally, the anonymous, online interviews provided rich, candid detail from the perspective of the employee that may not have otherwise been gained from a personal interview.

Data interpretation was also required due to the format in which the data was provided. On Glassdoor, the reviews are not provided in a spreadsheet or otherwise readily analyzable form. Instead, they are free-form reviews where the respondent freely chooses the language used (not selected from a list, etc.). As a result, while the reviews can be "sorted" by rating level, and limited other criteria, overall research efforts involve reading each individual review for the qualitative informational content.

Inter-Coder Reliability

To establish inter-coder reliability with the social media data analyzed in this study, two external coders were used to verify the data. Coders received 10% of randomized social media comments, which were randomized using the randomization feature in Excel. The operationalized definitions they coded included the "type" which refers to comments relating to either "bureaucracy" or "bureaupathic" (relating to bureaupathology), as defined in this work.

Once the comment type was determined by the coders, they then coded the comments according to the defined attributes of bureaucracy and bureaupathology, which were defined for the coders by a description of the attributes, as set forth in this work. (The state of bureaucracy: (i) Hierarchy of Authority; (ii) System of Rules; (iii) Technical Expertise; (iv) Career Service; and (v) Insistence on the Rights of Office. (Thompson, 1961)

The state of bureaupathology, determined by the presence of bureaupathic conditions, was measured using the following attributes: (i) Impersonal Treatment; (ii) Prolonged Role Enactment; (iii) Resistance to Change; (iv) Resistance to Interrogation and Investigation; and (v) Strict Reliance on Organizational Rules and Procedures. (Thompson, 1961, pp. 153-177)

It was found that there was 95% inter-coder reliability with bureaucratic/bureaupathological designations and 92% inter-coder reliability with the attributes.

Variables

This work explores the relationship between organizational bureaucracy and fraud hotlines, using six organizations' hotlines as case studies. The central question of this work is: Does organizational bureaucracy affect fraud hotline performance? The variables in this study are as follows: The

Dependent Variable is Fraud Hotline Performance, and the Independent Variable is Organizational Bureaucracy.

Additional variables are identified in the research sub-questions. The research sub-questions are as follows: (i) Does dysfunctional organizational bureaucracy exist in the six subject organizations? (ii) Do employees perceive bureaupathology in the six subject organizations? (iii) Does bureaupathology result in reduced hotline functionality? (iv) Does bureaupathology result in low number of hotline calls? (v) Does bureaupathology result in reduced best practices compliance? (vi) Does bureaupathology result in fraud, waste and abuse?

The variables in the sub-questions include "low hotline calls," "reduced hotline functionality," "reduced best practices compliance" and "fraud, waste and abuse."

Primary Research Question

The central question of this work is as follows: Does organizational bureaucracy affect fraud hotline performance? The independent variable is organizational bureaucracy and the dependent variable is fraud hotline performance. There are also six sub-questions in this work.

Independent Variable

The independent variable in this study is organizational bureaucracy. The dependent variable is fraud hotline performance. The variables were operationalized as follows. In this study, organizations are the unit of analysis. Organizations are, by definition, "a company, business club, etc. that is formed for a particular purpose." (Merriam-Webster Dictionary, 2014) In this study, the organizations subject to analysis were 2 private sector organizations, 3 public sector/government organizations and 1 nonprofit sector organization.

The organizations subject to this study are not identified by name in this work, for a number of reasons. For one, some organizations (Private Sector and Nonprofit Sector) provided their data for research purposes, yet others were obtained in the public domain (Public Sector). While the organizations didn't object to being identified, this study determined their identity was not relevant to the research purpose, which is to determine the effect of organizational bureaucracy on fraud hotline performance.

The independent variable of organizational bureaucracy was operationalized as follows. First, it is of interest to note that Bureaucracy is not "defined" per say, but rather is known and determined by the presence of a set of attributes. (Tompkins, 2005) The state of bureaucracy can be measured using the following known attributes: (i) Hierarchy of Authority; (ii) System of Rules; (iii) Technical Expertise; (iv) Career Service; and (v) Insistence on the Rights of Office. (Thompson, 1961)

Bureaupathology is the state of excessive bureaucracy, which is determined by the presence of bureaupathic conditions, which represent the negative effects of bureaucratic leadership. (Thompson, 1961) This study establishes the state of bureaupathology in the subject organizations, as it reveals the organization exhibits an excessive state of organizational bureaucracy. The state of bureaupathology, determined by the presence of bureaupathic conditions, was measured using the following known attributes: (i) Impersonal Treatment; (ii) Prolonged Role Enactment; (iii) Resistance to Change; (iv) Resistance to Interrogation and Investigation; and (v) Strict Reliance on Organizational Rules and Procedures. (Thompson, 1961, pp. 153-177)

The presence of the independent variable of organizational bureaucracy in the subject organizations was determined by a literature review and also

via a content analysis of employee reviews of their company on the Glassdoor.com.

Employees' comments submitted to this website were analyzed for indicators of bureaucracy and bureaupathology, which were determined by qualitative evaluation. The employee statements were analyzed for specific reference to the established attributes, and itemized in chart form then tabulated.

The analysis also included a review the language for general mention of bureaucracy, such as the words "bureaucracy" and "red tape." In addition, language suggesting fraud, waste or abuse was also noted, demonstrated in the statements "misuse of funds" and a "waste of donated income."

Dependent Variable

The dependent variable of fraud hotline performance was operationalized as follows. The dependent variable of hotline performance was measured in terms of the subject hotline's metrics, functionality and extent of best practices implementation. The metrics refers to the number of calls received by the hotline during the time period analyzed. The functionality of the hotline was operationalized using the following elements: marketing, mechanics, intake/process, and incentives.

Hotline best practices were operationalized using the Organizational Sentencing Guidelines ("guidelines") from the U.S. Sentencing Commission (USSC), effective November 1991. The USSC developed key criteria for establishing an "effective compliance program." (Desio) The guidelines were established as a mitigating factor in organizational sentencing. Per Paula J. Desio, (1997-2007) Deputy General Counsel to the USSC,

"Criminal liability can attach to an organization whenever an employee of the organization commits an act within the apparent

scope of his or her employment, even if the employee acted directly contrary to company policy and instructions. An entire organization, despite its best efforts to prevent wrongdoing in its ranks, can still be held criminally liable for any of its employees' illegal actions. Consequently, when the Commission promulgated the organizational guidelines, it attempted to alleviate the harshest aspects of this institutional vulnerability by incorporating into the sentencing structure the preventive and deterrent aspects of systematic compliance programs. The Commission did this by mitigating the potential fine range - in some cases up to 95 percent - if an organization can demonstrate that it had put in place an effective compliance program. This mitigating credit under the guidelines is contingent upon prompt reporting to the authorities and the non-involvement of high level personnel in the actual offense conduct. Compliance standards and procedures reasonably capable of reducing the prospect of criminal activity are (i) oversight (by high level personnel), (ii) due care (in delegating substantial discretionary authority), (iii) effective communication (to all levels of employees), (iv) reasonable steps to achieve compliance (which include systems for monitoring, auditing, and reporting suspected wrongdoing without fear of reprisal (v) consistent enforcement (of compliance standards including disciplinary mechanisms), and (vi) reasonable steps (to respond to and prevent further similar offenses upon detection of a violation."(p. 1)

Per Desio, the organizational guidelines were designed to be flexible for organizations. In other words, the guidelines are not absolute.

"The organizational guidelines criteria embody broad principles that, taken together, describe a corporate 'good citizenship' model, but do not offer precise details for implementation. This approach was deliberately selected in order to encourage flexibility and independence by organizations in designing programs that are best suited to their particular circumstances."(p. 1)

Sub-question Variables

The additional research variables are defined as follows. Low hotline calls are defined as calls below established benchmarking levels. Reduced hotline functionality will be established by measuring the hotline on the following criteria: (i) marketing, (ii) mechanics, (iii) intake/processing and (iv) incentives. Reduced best practices compliance will be measured using the standards set forth by the Sentencing Guidelines for Organizations.

(i) oversight (by high level personnel), (ii) due care (in delegating substantial discretionary authority), (iii) effective communication (to all levels of employees), (iv) reasonable steps to achieve compliance (which include systems for monitoring, auditing, and reporting suspected wrongdoing without fear of reprisal (v) consistent enforcement (of compliance standards including disciplinary mechanisms), and (vi) reasonable steps (to respond to and prevent further similar offenses upon detection of a violation.

In this work, "fraud, waste and abuse" is limited to corporate crime that was located in the public domain during the relevant time period, corresponding to the hotline metrics analyzed in this study. In this work, corporate crime refers to employee embezzlement. The Federal Bureau of Investigation (FBI) defines embezzlement as the "misappropriation or misapplication of money or property entrusted to one's care, custody, or control." (2002)

The presence of fraud, waste, and abuse will be determined by a review of organizational documents, media reports, and employee statements among other sources.

Procedure

Overall, the methodology of this study was planned to evaluate whether organizational bureaucracy had a consistent relationship with hotline performance. The procedure evaluates the presence and level of the independent variable of organizational bureaucracy in the organizations and the dependent variable of fraud hotline performance. The presence of crime was also measured to determine the possibility of reduced fraud reporting or crime concealment, per Bureaucracy Theory.

This methodology was employed using a case study design method. For each organization, the following procedure was followed.

The presence of organizational bureaucracy was determined, generally, from the literature. Then the perception of employees was determined by analyzing company reviews in social media. The individual comments were evaluated for the presence of the defined attributes of bureaucracy and bureaupathology. Each of these comments was evaluated and the presence of each attribute was measured. The presence of bureaupathology was measured, based on the comments, using an established scale. The strongest presence of various attributes was noted.

Fraud hotline performance was determined using the three performance criteria: (i) metrics benchmarking; (ii) functionality assessment; and (iii) best practices implementation. These three performance criteria were measured using defined scales to determine an overall assessment value.

Further, to determine the presence of known internal fraud, each organization was analyzed in the public domain. The time period of this analysis corresponded directly to the time period of the hotline metrics data obtained from the organization. Evidence of internal fraud was determined and tabulated.

The historical context of each organization was also evaluated. Again, this evaluation was conducted to correspond with the time frame of the hotline metrics data obtained from the organization.

The case studies of each of the six organizations were conducted as follows. First, the organization was researched for information relevant to determine the length of operation, number of employees, and other relevant background information. The hotline specifications of each organization were gleaned from their available organizational documents, company website, and interviews with hotline administrators. Organizational documents analyzed include company Annual Reports and Fraud Hotline Reports. The website for

each organization was also analyzed from the perspective of the employee (i.e., was the number externally accessible, as employees often call hotlines after business hours and from locations other than the office). This study evaluated whether the hotline process potentially deterred reporting, with complicated processes or deterrent language.

Using Glassdoor data, the reviews of current and former employees of the subject companies, for all of the case study subjects, PS1 (sample set), PS2 (sample set), GS1 (entire population), the GS2 (entire population), GS3 (entire population) and NP1 (sample set) was examined and measured. The Glassdoor interview data was measured using the indices of bureaucracy and bureaupathology.

The number of reviews analyzed for each organization varied. For the private sector organizations (PS1 and PS2) and the nonprofit entity (NP1), due to the large size of the population (of reviews available for research), the dataset analyzed was limited to a sample set consisting of the reviews that were deemed by Glassdoor measurement criteria to be below-average for that organization.

The entire population of reviews for the organizations identified above was limited to a select sample size to make the research effort purposeful. The reason for limiting the sample size to "below-average" reviews is because it was reasoned the employee reviewers were likely to use the language indicating dysfunctional bureaucracy and bureaupathology in "negative" reviews. The reason for this is because people tend to associate a negative connotation with the word "bureaucracy." It was believed, especially in an online review of their employer, an employee would be more likely to use language indicating bureaucracy in a review that was categorized by Glassdoor as "below average." This sampling method was purposeful, and is a common

sampling technique for researchers wherein they "actively seek the most productive sample to answer the research question." (Marshall, 1996)

For the remaining subjects, GS1, GS2, and GS3, the entire population of data was examined and measured using the indices of bureaucracy and bureaupathology.

Upon collection, this data was analyzed as follows. To evaluate the level of bureaucracy and excessive bureaucracy, or bureaupathology, the comments indicating each one of the measurement criteria was counted and tabulated. The percentage of respondents, who indicated each measurement criteria, was viewed in light of the population, or sample size of reviews evaluated.

This study separated its evaluation of respondents and comments, for clarity. This method was necessary to indicate where a single reviewer made comments indicating more than one aspect of measurement criteria. For instance, if one respondent made comments indicating three measurement criteria that was tabulated as 1 respondent, 3 comments. At the end of the analysis, a percentage of respondents vs. comments was tabulated so that the distinction between the number of individual respondents and the number of actual comments was clear.

Evidence of negative employee sentiment was reported by this study, and was determined via the analysis of the general consensus of employee interviews posted on Glassdoor.

The performance of the individual hotline was further assessed by benchmarking their fraud hotline metrics using established industry figures produced by The Network. The Network, one of the largest third-party hotline providers, produces an annual benchmarking report.

The Network is the hotline administrator for approximately 3,000 clients. Their client base is not publicized, but research demonstrated that certain clients sometimes publicly reveal they are clients of The Network. Hence this study determined The Network is the administrator for at least three of the hotlines to be examined as part of this study (PS1, PS2 and GS3). As a result, it can be reasonably inferred the benchmarking data provided by The Network includes the data from the aforementioned organizations.

Next, the functionality and adherence to best practices was assessed. The individual functionality of the hotline was assessed with respect to the following key hotline elements: marketing, mechanics, intake/processing, and incentives.

Best practices implementation was determined by evaluating the presence of the key criteria outlined by the U.S. Sentencing Commission Sentencing Guidelines for Organizations in the subject organizations by reviewing organizational documents, media reports and other information. These guidelines were used because they were identified by industry personnel (including the hotline administrators interviewed for this study) as their source of best practices for their hotlines.

The level of internal fraud in the organization was determined from a review of organizational documents, media records and other public sources. The fraud included in this analysis was limited to fraud that involved employees, with a particular focus on fraud involving multiple parties and was reportedly known to many people. In other words, fraud that should have been reported to the hotline. The timeframe of fraud reported as part of this analysis corresponds to the timeframe of the hotline metrics analyzed.

Next, the incidence of employee fraud was established for the organization, during the relevant time period, which is the time frame corresponding to the hotline data. While the entire universe of employee fraud cannot be established with the data available today, the level of employee fraud was evaluated based on data obtained in the public domain (media reports). The presence of employee fraud in the given subject organization established whether employees committed internal fraud, during the relevant time period, which could have been reported via the hotline.

Best practices implementation was determined by evaluating the presence of the key criteria outlined by the U.S. Sentencing Commission in the subject organizations by reviewing organizational documents, media reports and other information.

To determine a final performance level, each performance criterion was measured using a scale. The scale weighed the result of the 3 performance criteria: (i) metrics benchmarking; (ii) the functionality assessment; and the (iii) best practices implementation.

Next, the historical context for each time period corresponding to the hotline data collected was analyzed. Here, the "historical context" included any data, which could serve to supplement the understanding of the potential state of hotline reporting at that time corresponding to the metrics. Historical context could include; the state of the subject industry; any known social or environmental conditions giving rise to fraud; and the results of surveys conducted during this time period, among other relevant information. The historical context was determined by a literature review, to include media reports from the pertinent timeframe.

In each case study, the focus of the organizational analysis, to include the waste, fraud and abuse, was limited to the period corresponding

to the hotline data received. The data used to benchmark the case study data corresponded to the year of hotline data.

When benchmarking the data, the two known benchmarking figures were averaged to determine a true benchmark. In the hotline benchmarking data, two different benchmarking numbers are provided - one for size, and another for industry. Here, in each case study, an average of these figures was obtained to determine a true benchmarking figure.

Measurement Scales

The measurement scales in this study were designed to interpret the information in the following ways. The bureaupathology scale was created to assess the degree of comments present (indicating dysfunctional bureaucracy and bureaupathology). The remaining scales were designed to measure the general presence of indicators (functionality and best practices). Overall, the scales were designed where the lower number of points was a "better" score for the organization and the higher number of points was a "worse" score for the organization.

The presence of bureaupathology in each organization was measured using the following scale, corresponding to the percentage of employee comments indicating the presence:

0-10% Present
11-20%
21-30%
31-40%
41-50% Elevated
51-60%
61-70%
71-80%
81-90%
91-100% Extreme

Fraud hotline performance was determined using the three performance criteria: (i) metrics benchmarking; (ii) functionality assessment; and (iii)

best practices implementation. These three performance criteria were measured using defined scales to determine an overall assessment value. Overall, the scales were designed where the lowest score determined a more successful hotline. The scales were as follows.

The hotline metrics were scaled as follows: (1 point) High- Meets or exceeds benchmarking in each year of analysis; (3 points) Low- Does not meet benchmarking estimates in many years of analysis;(5 points) Poor- Does not meet benchmarking estimates in any year of analysis

The hotline functionality was scaled as follows: The functionality assessment criteria of (i) marketing, (ii) mechanics, (iii) intake/processing and (iv) incentives were assessed on a scale where the failure in each area was assessed with a single point, where: 4 of 4 Failure; 3 of 4 Poor; 2 of 4 Moderate; 1 of 4 Great; 0 of 4 High.

The best practices were assessed on a scale where one point was assessed for each of the areas that were not satisfied, including (i) oversight, (ii) due care, (iii) effective communication, (iv) reasonable steps to achieve compliance, (v) consistent enforcement, (vi) reasonable steps to prevent future offenses: 6 of 6 Failure; 5 of 6 Poor; 4 of 6 Weak; 3 of 6 Moderate; 2 of 6 Good; 1 of 6 Great; 0 of 6 High.

The points for each the hotline metrics, functionality and best practices were added to achieve a final performance scale, as follows: Low: 14-15 points; Below Average: 10-13 points; Average: 7-9 points; Above Average: 5-8 points; High: 0-4 points.

The historical context was analyzed using the following scale: It was considered conducive to fraud if it is established that conditions indicated there was significant employee fraud at the time of analysis and it is

believed to have been underreported via the hotline; It was considered conducive to increased calls if it is established that conditions indicate the hotline should have been getting a higher volume of calls, or if it is determined employees are underreporting; It was considered not conducive to fraud if it is established that conditions indicate there was not significant employee fraud at the time of the analysis and it is not believed to be underreported via the hotline; finally, it was considered not conducive to increased calls if it is established that conditions indicate the hotline was receiving the proper amount of calls, or if it is determined employees have reported crimes via the hotline

Data

For PS1, the hotline data supplied was from 3Q of FY2006 to December 6, 2007. For PS2, the hotline data analyzed included calls received to the hotline from 2004-2010. At GS1, the data analyzed was from the Fiscal Years 2003-2012. Data concerning the performance of the State of GS2's hotline was obtained for the years 2008-2012. The hotline metrics analyzed for GS3 were between 2006 and 2012. For NP1, the hotline metrics analyzed were from their FY 2012 (July 1, 2012-June 30, 2013).

Table 1 Data Table Template

Following each case study, the research assessments are presented in a table. Each independent and dependent variable and their corresponding indices are itemized, and the presence of each is indicated. The assessment table appears as follows:

Organization	PS1	PS2	GS1	GS2	GS3	NP1
Assessment Element						
Size						
Hotline Name						

Organization	PS1	PS2	GS1	GS2	GS3	NP1
Assessment Element						
Management						
Respondents Indicating IV						
Bureaucracy IV						
Bureaupathology IV						
Hotline Metrics (DV)						
Hotline Functionality (DV)						
Best Practices (DV)						
Historical Context (DV)						
Evidence of Internal Fraud						
Evidence of Negative Employee Sentiment						
Result IV						
Result DV						
Notes						

Key

Table 2 Key

Indices

Bureaucracy: (a) Hierarchy of Authority, (b) System of Rules, (c) Technical Expertise, (d) Career Service, and (e) Insistence on the Rights of Office.

Bureaupathology: (f) Impersonal Treatment, (g) Prolonged Role Enactment, (h) Resistance to Change, (i) Resistance to Interrogation and Investigation, and (j) Strict Reliance on Organizational Rules and Procedures.

Functionality: (k) marketing, (l) mechanics, (m) intake/processing, and (n) incentives.

Best practices: (p) oversight (by high level personnel), (q) due care (in delegating substantial discretionary authority), (r) effective communication (to all levels of employees), (s) reasonable steps to achieve compliance (which include systems for monitoring, auditing, and reporting suspected wrongdoing without fear of reprisal (t) consistent enforcement (of compliance standards including disciplinary mechanisms), and (u) reasonable steps (to respond to and prevent further similar offenses upon detection of a violation.

Scales

Hotline Metrics

(1 point) High- Meets or exceeds benchmarking in each year of analysis

(3 points) Low- Does not meet benchmarking estimates in many years of analysis

(5 points) Poor- Does not meet benchmarking estimates in any year of analysis

Functionality Scale

(points) 4 of 4 Failure; 3 of 4 Poor; 2 of 4 Moderate; 1 of 4 Great; 0 of 4 High

Best Practices Scale

(points) 6 of 6 Failure; 5 of 6 Poor; 4 of 6 Weak; 3 of 6 Moderate; 2 of 6 Good; 1 of 6 Great; 0 of 6 High

Performance Scale

Low: 14-15 points

Below Average: 10-13 points

Average: 7-9 points

Above Average: 5-8 points

High: 0-4 points

Bureaupathology Scale (by % of comments)

1. 0-10% Present

2. 11-20%

3. 21-30%

4. 31-40%

5. 41-50% Elevated

6. 51-60%

7. 61-70%

8. 71-80%

9. 81-90%
10. 91-100% Extreme

Historical Context

-Conducive to fraud if it is established that conditions indicate there was significant employee fraud at the time of analysis and it is believed to have been underreported via the hotline

-Conducive to increased calls if it is established that conditions indicate the hotline should have been getting a higher volume of calls, or if it is determined employees are underreporting

-Not conducive to fraud if it is established that conditions indicate there was not significant employee fraud at the time of the analysis and it is not believed to be underreported via the hotline

-Not conducive to increased calls if it is established that conditions indicate the hotline was receiving the proper amount of calls, or if it is determined employees have reported crimes via the hotline

Chapter 4 Case Studies

This chapter reviews the six case studies conducted as part of this work. The case study subjects are anonymous and are identified as Case Studies 1-6. Case Study 1 (PS1) is a medium sized private sector organization in the financial industry. Case Study 2 (PS2) is a large sized private sector organization in the financial industry. Case Study 3 (GS1) is a public sector/government organization in the federal government. Case Study 4 (GS2) is a public sector/government organization in the state government. Case Study 5 (GS3) is a public sector/government organization in the city government. Case Study 6 (NP1) is a large, nonprofit organization.

Case Study 1 (PS1)

Case Study 1, PS1, is a private company - a medium sized financial services organization.

Background

Incorporated in 1981 with predecessor companies established in 1924, PS1 is a well-known and established financial services firm. PS1 has a global presence, including regional offices and branches throughout the U.S., along with principal offices in London, Tokyo, Hong Kong and other world financial centers; their client base includes corporations, governments, financial institutions and individuals. (Annual Report 2007) According to their 2007 Annual Report, as of November 2007, PS1 had 48,256 employees worldwide. This figure does not include contract or consultant employees, which, if included, would increase this number.

Bureaucracy

It is evident from their organizational documents that PS1 operates

under a highly bureaucratic structure. The instance of bureaucracy in the financial industry is well documented. Bureaucracies are often characterized by their complexity. The complexity of PS1 is evinced in their organizational structure, as enumerated in their 2007 Annual Report. Here, the organization is described as a multi-division company with several highly specialized departments, to include Institutional Securities, Global Wealth Management Group, and Asset Management. Within each department are multiple, complex functions.

PS1 also says their complexity can cause employee fraud. In their organizational documents, PS1 says their complexity can cause financial loss to shareholders. PS1 also says they rely on employees, who can be responsible for financial loss. Specifically, in their 2007 Annual Report, PS1 says:

"Our businesses are highly dependent on our ability to process, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies. In general, the transactions we process are increasingly complex. We perform the functions required to operate our different businesses either by ourselves or through agreements with third parties. *We rely on the ability of our employees* [emphasis added], our internal systems and systems at technology centers operated by third parties to process a high volume of transactions. We also face the risk of operational failure or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries we use to facilitate our securities transactions. In the event of a breakdown or improper operation of our or third party's systems or improper action by third parties or employees, we could suffer financial loss, an impairment to our liquidity, a disruption of our businesses, regulatory sanctions or damage to our reputation." [Emphasis added] Despite the business contingency plans we have in place, our ability to conduct business may be adversely affected by a disruption in the infrastructure that supports our business and the communities where we are located. This may include a disruption involving physical site access, terrorist activities, disease pandemics, electrical, communications or other services used by PS1, its employees or third parties with whom we conduct business."

Upon examination of organization documents, it is clear PS1 has a highly bureaucratic structure. This study will next consider whether the employees of PS1 perceive the effects of organizational bureaucracy.

Next, to determine employee perception of bureaucracy, employee reviews of PS1 were examined on Glassdoor. On Glassdoor, as of July 1, 2013, 1001 reviews of PS1 were posted by anonymous sources that are identified as current and past PS1 employees. Overall, from these reviewers, PS1 received an average of a 3.4 on a 5-point scale. This translates into an "average" rating by Glassdoor.

The reviews analyzed for this examination were limited to those reviews where the respondents "rated" the company to be "below average," or in this case, rated it under 3 stars. This limited the number of reviews included for examination to 195, which constituted approximately 19.5% of all reviews.

Of these reviewers, 45, or 23% made reference to specific terminology related to bureaucracy and excessive bureaucracy. The number of respondents and comments are not equivalent, because in certain cases, respondents' comments were counted more than once when their comments spanned multiple categories. The total number of comments was 54. Overall, the "below average" reviews examined referenced a bureaucratic atmosphere, where employees reported having limited professional latitude, in roles that were tedious, boring and repetitive.

The comments examined were posted to the website between and June 12, 2008 and May 9, 2013. In these comments, employees said, generally speaking, they did not perform beyond their job description. In addition, they also had a generally unfavorable view of management, who in their view largely spent much of their time protecting their own job.

Overall, 23% of the sample set, which constituted 5% of the population, have confirmed and validated the general existence of bureaucracy, which was perceived to have reached a bureaupathic level. General and specific references to the attributes of bureaucracy and bureaupathic or excessive bureaucracy is included in Table 3 and the Data Set is listed in Table 4.

Table 3 PS1 Social Media/Bureaucracy Analysis Summary

Attribute	Data	Analysis
Time Frame	6/12/08 - 5/9/13	5 year time period
Population	1001	2.1% of all employees (48,256)
Sample Set	195	19.5% of the population (1001) .40 of all employees (48,256)
Respondents Indicating Bureaucracy or Bureaupathic Behaviors	45	23.1% of the sample set (195) 4.5% of the population (1001) .09% of all employees (48,256)
Total Comments Indicating Bureaucracy and Bureaupathology	54	31 Bureaucracy 23 Bureaupathic
Bureaucracy	31	General (12) Hierarchy of Authority (4) System of Rules (3) Technical Expertise (3) Career Service (3) Insistence on the Rights of Office (6)
Bureaupathic	23	Impersonal Treatment (6) Prolonged Role Enactment (9) Resistance to Change (1) Resistance to Interrogation and Investigation (5) Strict Reliance on Organizational Rules and Procedures (2)

Table 4 PS1 Social Media/Bureaucracy Data Set

Count	Type	Attribute	Comment	Date
1.	Bureaucracy	General	"red tape"	6/12/08
2.	Bureaucracy	Hierarchy of Authority	"too many chiefs and not enough Indians"	6/12/08
3.	Bureaucracy	Technical Expertise	"you are expected to... accomplish incredibly complex tasks."	6/25/08
4.	Bureaucracy	Hierarchy of Authority	"highly stratified environment"	9/7/08
5.	Bureaupathic	Resistance to Interrogation and Investigation	"immoral practices"	1/5/09
6.	Bureaucracy	Systems of Rules	"very complex"	2/6/09
7.	Bureaucracy	Hierarchy of Authority	"middle management too layered"	3/18/09
8.	Bureaucracy	General	"feels more bureaucratic by the day"	6/12/09
9.	Bureaucracy	General	"silo[ed]"	8/18/09
10.	Bureaupathic	Impersonal Treatment	"sweatshop"	11/23/09
11.	Bureaucracy	General	"it was like working for government"	1/8/10
12.	Bureaupathic	Prolonged Role Enactment	"too compartmentalized; they have people do [sic] the same function over and over with little opportunity to learn outside small role"	10/1/10
13.	Bureaucracy	Career Service	"it is almost impossible to get fired"	2/11/11
14.	Bureaupathic	Prolonged Role Enactment	"work is boring and repetitive"	3/11/11
15.	Bureaupathic	Prolonged Role Enactment	"everyday is the same thing over and over again"	3/27/11
16.	Bureaucracy	Insistence on the Rights of Office	"my manager ...expected a great amount of respect for her position"	4/26/11
17.	Bureaupathic	Prolonged Role Enactment	"can get stuck doing one function for a long time"	5/30/11
18.	Bureaucracy	Insistence on the Rights of Office	"egos rule the roost and only those who stroke them get ahead"	8/1/11
19.	Bureaupathic	Prolonged Role Enactment	"the same exact thing everyday"	11/24/11
20.	Bureaucracy	Career Service	"low attrition"	2/5/12
21.	Bureaucracy	General	"there is a lot of red tape"	2/27/12

Count	Type	Attribute	Comment	Date
22.	Bureaucracy	General	"the environment does not need to become more bureaucratic"	3/8/12
23.	Bureaupathic	Impersonal Treatment	"you are often just a number"	3/29/12
24.	Bureaupathic	Prolonged Role Enactment	"tedious work"	4/14/12
25.	Bureaupathic	Prolonged Role Enactment	"extremely dull, repetitive place to work"	4/17/12
26.	Bureaucracy	General	"bureaucratic overhead is staggering here"	4/23/12
27.	Bureaupathic	Resistance to Interrogation and Investigation	"so much corporate waste"	4/26/12
28.	Bureaupathic	Resistance to Interrogation and Investigation	"dishonest"	4/30/12
29.	Bureaucracy	General	"extremely political and bureaucratic"	5/8/12
30.	Bureaupathic	Resistance to Change	"you will not be rewarded for innovation, intelligence, or even a job well done if it contradicts the politics that impact the manager's bonus calculation"	5/13/12
31.	Bureaupathic	Strict Reliance on Organizational Rules and Procedures	"way too much politics and not very innovative"	7/13/12
32.	Bureaupathic	Prolonged Role Enactment	"repetitive tasks"	9/14/12
33.	Bureaupathic	Impersonal Treatment	"[to managers] 'have a heart; you are not managing robots in a production line'"	9/23/12
34.	Bureaucracy	Insistence on the Rights of Office	"senior managers...more often than not use their subordinates to bolster their positions"	9/23/12
35.	Bureaupathic	Resistance to Interrogation and Investigation	"self-centered, public deceiving scoundrels at best; crooks and liars and cheats even"	9/25/12
36.	Bureaupathic	Resistance to Interrogation and Investigation	"wake up with cold sweats of guilt and shame"	9/25/12
37.	Bureaucracy	General	"increasing regulatory red tape"	9/30/12
38.	Bureaupathic	Impersonal Treatment	"cold and impersonal...no concern for the individual"	10/4/12
39.	Bureaupathic	Strict Reliance on	"the simplest tasks become an almighty"	11/14/12

Count	Type	Attribute	Comment	Date
		Organizational Rules and Procedures	chore involving multiple layers of non-value adding bureaucracy"	
40.	Bureaucracy	General	"at the end of the day, you are fully aware you are a small cog in a giant machine"	12/3/12
41.	Bureaupathic	Impersonal Treatment	"you are truly headcount here and nothing more"	12/5/12
42.	Bureaucracy	Insistence on the Rights of Office	"[employees] are just peasants there to serve the kings"	12/5/12
43.	Bureaupathic	Prolonged Role Enactment	"you learn your role thoroughly"	12/26/12
44.	Bureaucracy	Insistence on the Rights of Office	"top heavy"	2/9/13
45.	Bureaucracy	Hierarchy of Authority	"very hierarchical, almost with military rigidity"	2/9/13
46.	Bureaucracy	Technical Expertise	"good opportunity to learn/specialize in one area"	2/28/13
47.	Bureaupathic	Impersonal Treatment	"you feel like a number"	3/7/13
48.	Bureaucracy	Career Service	"[in the past 7 years] workers...[career longevity was] probably...10+ years"	3/7/13
49.	Bureaucracy	General	"approach is segmented"	3/7/13
50.	Bureaucracy	General	"it seems to be more like working in a government organization"	3/25/13
51.	Bureaucracy	Insistence on the Rights of Office	"senior management are 'yes men' afraid to disagree"	5/6/13
52.	Bureaucracy	Systems of Rules	"tedious processes to get even the simplest task done"	5/9/13
53.	Bureaucracy	Systems of Rules	"new systems are complicated, cumbersome and difficult to navigate"	5/9/13
54.	Bureaucracy	Technical Expertise	"systems are complicated, cumbersome and difficult to navigate"	5/9/13

Now that the presence of bureaucracy and perception of bureaucracy on the part of employees has been established, it is important to understand the specifics regarding PS1's hotline and how it is operated.

Hotline Specification

PS1's hotline is called the "integrity hotline." Although PS1's hotline was technically operational as of May 2004, the calls received were so few that formal statistics were not maintained until 3Q of 2006.

The statistics concerning the number of calls made to their hotline is not externally publicized. However, PS1 invites the public in their Proxy Statement, dated February 23, 2007, to examine their hotline policy via their website or by requesting it in writing (p. 11). On their corporate website, they describe their hotline as follows:

Integrity Hotline

Concerns relating to ethical or business conduct matters, including accounting, internal accounting controls or auditing matters, may be brought to the Company's attention through an independent vendor engaged to receive calls regarding such concerns. The calls may be made anonymously and confidentially. Click here [linked content] to view the vendor's telephone numbers by country.

Further research concluded the link returned a global list of hotline telephone numbers. At the end of the page, users who experience any problems with the telephone numbers are asked to contact a PS1 Integrity Hotline contact. However, no specific contacts were linked, named, etc. and could not otherwise be located.

Interview

PS1's Hotline Administrator (HA1) was interviewed as a part of this study, to obtain the organizational data. The identity of the Hotline Administrator, known here as HA1, is being withheld for privacy. The interview was conducted on November 6, 2007 and follow-up conversations took place in the ensuing days via email.

HA1

According to HA1, hotline administrator at PS1, PS1 uses a third party hotline service provider, The Network, to manage their hotline. (Confirmed by a Hotline Administrator for The Network, interviewed on September 4, 2012, validated this fact.) In 2007, PS1's third party hotline administrator was Global Compliance (which is now known as NAVEX Global).

Internally, the Legal and Compliance department manages their hotline. According to court documents filed between 2002 and 2008, PS1 employed 500 Compliance Officers. (Complaint, p. 12) The Legal and Compliance department receives the data from The Network, compiles the data and manages the complaint escalation process. At PS1, the keeper of the hotline data, or the hotline administrator, was a single employee, who was in a non-officer title with the company.

HA1 described the process for obtaining the hotline data from the third-party provider. HA1 electronically accessed a system maintained by the provider. HA1 advised ten employees total from PS1 had access to this system "on paper" but HA1 was the only employee that actually used it. As for disclosure, according to HA1, all calls to the hotline are reported to the firm's audit committee and are logged in a quarterly report.

With respect to advertisement, HA1 advised the internal advertisement for the fraud hotline consisted of a web posting, a mention in an internal procedural manual and a monthly email reminder sent to employees.

In terms of external advertisement, it was noted in their 2007 Annual Report, the hotline was mentioned a single time, to say the integrity hotline was posted on the corporate governance page of their website. However, additional information is provided to shareholders (and accessible to the general public) in their proxy statements.

In available public documents, the hotline number was not provided. The global numbers are provided on their website. However, research determined it was challenging to locate. A simple Internet search didn't yield the number, unless the researcher specifically used the same terminology as the organization, "Integrity Hotline."

HA1 said PS1 wanted to increase advertisement of the hotline. According to HA1, PS1's attorney/managers who have knowledge of the hotline's performance are very interested in efforts to make the hotline better known to the general employee population. However, HA1 said these managers are also viewing the hotline as a SOX requirement. Per HA1, "They do not seem to understand why an employee would not report criminal activity to their supervisor." However, per HA1, management had future plans to incorporate an anonymous reporting mechanism via a website.

HA1 also provided some details concerning caller anonymity. According to HA1, most hotline callers chose to remain anonymous. Callers are given a reference number and are encouraged to call back to check on the progress of the investigation. However, according to HA1, most callers, around 99%, do not call back.

Hotline Metrics

The sample size of the data is fraud hotline callers, internal (employees) or external (i.e., vendors) persons, who called the fraud hotline from March 1, 2006 to November 31, 2007, or between 3Q FY2006 and 4Q FY2007. No identifying data was provided regarding the callers (i.e., race, sex, age). This time period is significant, in that it represents the first year that statistics were formally maintained for this hotline (which could also be interpreted as the first full year of the hotline's operation).

The data supplied was limited to a breakdown of the overall number of calls received to the hotline, broken down by FY Quarter, from 3Q of FY2006

to December 6, 2007 to reflect the total for 4Q FY 2007). This timeframe corresponds to the data set obtained. At this time, the FY, or fiscal year, for PS1, was from December to November. Their fiscal year quarters were: 1Q: December-February; 2Q: March-May; 3Q: June-August; 4Q: September-November.

To benchmark this data, this study used the 2009 Corporate Governance and Compliance Benchmarking Report. The Network and BDO Consulting produce this report on an annual basis. As the hotline provider for this organization, it is appropriate to use this figure to benchmark their calls.

In the benchmarking reports, produced by The Network, there are an average number of calls expected per company size and per industry, per year. These figures were averaged to produce the ideal benchmarking figure per year, tailored to the organizations industry and size. It should be noted that the benchmarking report groups the financial industry along with the construction and real estate industry (and they would not provide disaggregated data). Therefore, this figure has inherent limitations, which have been controlled by using the size of the company to adjust the figure. The number was rounded to the nearest decimal.

In summary, according to the data, this organization, a major, global financial services firm, in the latter half of FY 2006, received only 14 complaints when benchmarking figures suggest they should have received 194. This means they only received 7% of the calls that they should have received, based on their industry and size.

In 2007, this organization received only 35 complaints when benchmarking figures suggest they should have received 386. Therefore, in 2007, they only received 9% of the calls they should have received, based on their industry and size.

Although we do see an extremely slight improvement from 2006-2007, this organization is not receiving the number of calls they should receive, based on the level of internal fraud.

Table 5 on the next page depicts the hotline metrics for PS1.

Table 5 PS1 Hotline Metrics

Q/FY	Time Period	Number of Employees	Calls	Average Benchmarking Figure Size, Industry	Calls Expected per Benchmarking	Delta	Percentage of Actual vs Benchmarking
3Q 2006	June - August	55,310 (As per November 30, 2006)	6	7.9, 6.06 = 7	387/2 = 194	194-14=180	7%
4Q 2006	September - November		8				
1Q 2007	December - February	48,256 (As of November 30, 2007)	8	8.5, 7.93 = 8	386	386-35=351	9%
2Q 2007	March - May		9				
3Q 2007	June - August		14				
4Q 2007	September - November		4				

Fraud Metrics

Internal crime metrics for financial firms can be difficult to obtain. There are many reasons for this. For one, internal crimes may not be reported outside the organization. Only the crimes/litigation matters that are determined to have a "material adverse effect" against the company are reported in their Annual Reports.

For those crimes, which are reported internally, the data is often not accessible by external parties. For instance, in the case of an organizational crime, the firm would be required to file a Suspicious Activities Report (SAR). However, individual firms SARs are not made available for public inspection or review.

It is possible that litigation records documenting employee crime may exist. But to obtain these records for a global financial firm would be an exhaustive task. The records in each County, City, State and Federal jurisdiction would have to be searched in all 50 states, along with individual commonwealths, just in the United States alone. Global litigation records are equally challenging to obtain, and often require an individual to personally retrieve them.

As a result, the indicators of fraud in the subject organizations were obtained via publically available media reports. It should be noted that PS1's 2007 Annual Report does not contain any disclosures regarding employee crime.

It is well known that during the relevant time period, massive employee fraud was occurring in the financial industry. In the case of PS1, specific evidence was located which implicated particular employees in the larger schemes taking place at the time, as well as those who were engaged in separate internal incidents, which resulted in major losses for the company.

Overall, the internal fraud reported in the public record which took place in the one year time period between March 1, 2006 and November 31, 2007, involved 5 employees, who through embezzlement, data theft and corruption, cost the organization \$9 million.

The incidents located included the following crimes. According to an SEC press release dated September 20, 2007, two PS1 employees and three associates/relatives, were indicted in a criminal case where it was alleged that these employees engaged in a securities fraud scheme, which was investigated from 2005-2007. These employees were believed to have charged erroneous finder's fees and received kickbacks. One such employee, a PS1 Vice President, pleaded guilty to defrauding PS1 of over \$4 million (Chung, 2010). The relatives of both employees were found to have hidden the stolen money in shell companies. ("SEC Charges 38 Defendants," 2007) This employee died in an accident before his sentencing, so it is unclear whether PS1 was ever able to fully recoup these losses.

In 2007, it was reported that a PS1 employee, a client service representative, was arrested and charged with conspiracy after stealing proprietary information from his hedge fund clients from 2005-2006. It is believed that this employee conspired with several additional PS1 workers in furtherance of his crimes, including a computer consultant. (Bosworth, 2007)

Furthermore, during the relevant time period, another PS1 employee was found to have been stealing client money. Between September 2001 and December 2009, the former Vice President of Institutional Securities Operations, created a fictitious company and wrote checks to himself from an in-house account totaling \$2.5 million. (Kelly, 2009) He was charged with forty-three counts of grand larceny, criminal possession of stolen property and falsifying business records. (Kentouris, 2009) The Vice President apparently used this money to fund vacations to tropical locations such as

Aruba and Florida, and to buy jewelry. (Kelly, 2009) Ironically, he was on one of these vacations when his fraud was discovered.

An employee was also found to have been engaging in corruption. In March 2012, the United States Department of Justice (DOJ) reported that between 2002 and 2008, a former PS1 Managing Director had violated Foreign Corrupt Practices Act (FCPA) requirements and evaded internal controls by conspiring with external parties to have PS1 transfer their property ownership to what he claimed was an external party, which was actually his own company. (Department of Justice, 2012)

In all, the conspiracy netted a profit on paper of at least \$2.5 million. The employee pleaded guilty and faced a maximum of five years in prison and a fine of \$250,000, which represented twice his gross gain in the offense. (Department of Justice, 2012) The DOJ reported PS1 would not face charges relating to this matter, because PS1 demonstrated proof their system of internal controls was adequate and sufficient. (Department of Justice, 2012)

As evidenced, there are many examples of internal crimes conducted by PS1 employees during the relevant time period. However, the most egregious charges at this time for PS1 employees are related to the global financial crisis. On January 13, 2013, The New York Times Deal book published an article entitled "Financial Crisis Suit Suggests Bad Behavior at PS1" wherein it was reported that emails between PS1 employees on March 16, 2007 demonstrated that they had knowledge of the "toxic assets" which "helped blow up" the world economy (Eisinger, 2013). According to the article, emails between PS1 investment banker team members discussed how to "name" the "toxic assets" suggesting names such as "Subprime Meltdown," "Hitman," "Nuclear Holocaust," and "Mike Tyson's Punchout." (Eisinger, 2013) Eventually this fund was named and sold to a Chinese bank. (Eisinger, 2013) Overall, according to the author, these emails, which are rarely obtained due to

stringent discovery thresholds, demonstrate that PS1 bankers knew the housing market was in trouble, and exploited that knowledge to dupe buyers.

(Eisinger, 2013)

Historical Context

PS1 had a historical context conducive to increased calls/fraud. In 2007, when PS1 received 35 calls to their hotline, the financial crisis started. The following year, in 2008, hundreds of banks closed as a result of this crisis. The Whistleblower provisions of Dodd-Frank were also enacted in direct response to this crisis, which many believed was a result of employee fraud at financial institutions.

PS1 was negatively affected as a result of this crisis. On September 21, 2008, PS1 was recapitalized by the U.S. Government and became a bank holding company. (Harkay, 2009)

Summary

Overall, PS1 was assessed as having a "Low" fraud hotline performance. Their level of bureaupathology was assessed at a "Level 3" (23%) out of ten. The strongest indicators present were Hierarchy of Authority and Prolonged Role Enactment. The performance details were as follows: Metrics were assessed as "Low" the functionality was assessed as "Poor" and the Best Practice compliance was assessed as "Weak." Table 6 provides a summary of these results.

According to the evidence, PS1 has excessive bureaucracy and a hotline with performance issues. A review of the literature (organizational documents, 2007 Annual Report) and an analysis of employee reviews found bureaucracy and excessive bureaucracy was present in this organization. Overall, 23% of the sample set (195 reviews), which represented 4.5% of the total reviewers (1001) and .09% of all employees, represented reviews

indicating bureaucracy and excessive bureaucracy. In sum, the comments were made by 45 separate respondents. Of their responses, 31 comments indicated bureaucracy and 23 indicated excessive bureaucracy.

Employee statements prove bureaucracy and excessive bureaucracy are recognized on the part of employees. Employee comments indicating all indices evincing bureaucracy and excessive bureaucracy were present at varying degrees. While 12 respondents' comments indicated the general existence of bureaucracy, specifically, employee comments suggest the indices of bureaucracy "Insistence on the Right of Office" (6 comments) and "Hierarchy of Authority" (4 comments) were especially problematic for employees. In terms of excessive bureaucracy, comments indicated "Prolonged Role Enactment" (9 comments) and "Impersonal Treatment" (6 comments) were the most notable for those employees who submitted reviews for this organization.

As for PS1's hotline, evidence suggests it has performance issues. For one, benchmarking revealed the hotline receives a low number of calls for the industry and size. Specifically, in 2006, the hotline received only 7% of the calls that it should have received; in 2007, it received only 9% of calls expected per benchmarking estimates.

With respect to the hotline's functionality, the hotline underperformed in 4 out of 5 areas. As for marketing, the hotline telephone number was proven difficult to locate, both internally and externally. PS1, at the time of this analysis, also did not have fraud hotline posters displayed. Next, as for mechanics, the hotline is managed by a third party provider and has an internal process for further call handling. As a result, the hotline is not perceived to have issues with its mechanics.

As for intake/processing, the hotline is managed internally by a single person. Thus the intake/processing of this hotline is lacking in that representatives from multiple areas of the organization were not engaged in the process (The Network, 2008, p. 5). With respect to incentives, the

hotline administrator advised PS1 management did not understand the value of the hotline. Thus it is believed that management's attitude toward the hotline negatively affected the potential reporting incentives.

Per the employee reviews, this organization is believed to have a dominating management (Insistence on the Rights of Office, 6 comments), which keeps employees in the same role for a long period of time (Prolonged Role Enactment, 9 comments), providing impersonal treatment (6 comments) and with a dominating hierarchy of authority (4 comments).

This study further learned via the interview process that management believes workers will report any known internal crimes to their supervisors. This belief on the part of management is shortsighted and contrary to the very spirit of an anonymous hotline.

With respect to best practices, this hotline is believed to be lacking in several areas. For one, the hotline should have oversight by high-level personnel. This fact could not be proven, as this study learned in the interview process that the hotline is accessed by the designated hotline administrator, only. As for due care, the hotline appears to be well managed, in that there is a clear escalation process. With respect to communication, the hotline is not well communicated. Hotline data is not provided internally to employees, which is an element of best practices. Although the hotline administrator said the hotline is communicated in a web posting, an internal procedural manual and a monthly email, upon review, this study demonstrated the number was difficult to locate externally. This factor is significant, given most employee hotline callers call after business hours. (Association of Certified Fraud Examiners, 2002-2012)

As for this hotline's "reasonable steps to achieve compliance," that requirement is satisfied with their third-party hotline management, process of having calls reported to the Firm's Audit Committee, and logging the calls in a quarterly report.

With respect to the other two best practices elements, "consistent enforcement" and "reasonable steps to respond and prevent similar offenses upon detection," this study was unable to rate this organization on these factors, as the hotline was too new at the time of analysis to fully establish the existence of these elements.

Furthermore, the level of internal fraud, the historical context and the perception of employees of their organization are also factors in gauging the overall performance of this fraud hotline. As for internal fraud, upon review of public records, this study was able to establish the presence of a high amount of internal fraud. A review of the historical context suggests the hotline should have received far more calls than it did, considering the fraud hotline data analyzed in this study represented the time period immediately preceding the financial crisis of 2008 - a time where massive internal crime occurred in the financial industry.

Employee reviews also made reference to the existence of internal fraud, with employees saying he/she "wake(s) up with cold sweats of guilt and shame" that management is "self-centered, public deceiving scoundrels at best; crooks liars and cheats." Other comments indicating potential fraud include "dishonest" and "immoral practices."

As for employee sentiment, employee reviews suggest employees are likely disgruntled. With an overall rating of "average" on Glassdoor, it is clear employees, in their reviews, appear to not lean positively, or negatively. However, upon review of the negative comments, it is clear employees who are unhappy, make very specific statements, which should not be ignored by management. Specifically, to recap, employees stated "you will not be awarded for innovation, intelligence..." that the work was "extremely dull" there was "so much corporate waste" and "at the end of the day you are fully aware you are a small cog in a giant machine." These comments are suggestive that the organization's employees are experiencing an excessively

bureaucratic state, which is not otherwise discernible via a review of the commentary results as "average."

Table 6 PS1 Table of Results

Organization	PS1
Assessment Element	Overall Performance: Low Bureaucracy: Level 3 of 10
Size	48,256
Hotline Name	Integrity Hotline
Management	3 rd Party and Internal
Respondents Indicating IV	23% (Sample Size 195; 45 indicated IV; 54 comments indicated IV) Assessment Level 3
Bureaucracy IV	5 of 5 General (12); a (4) b (3) c (3) d (3) e (6)
Bureaupathology IV	5 of 5 f (6) g (9) h (1) I (5) j (2)
Hotline Metrics (DV)	Low; Calls below benchmarking; Historical context (calls were low immediately preceding the financial crisis)
Hotline Functionality (DV)	Poor, 3 of 4 k (number hard to find internally and externally) l (not enough parties engaged) m (3 rd party managed) n (managers didn't understand value of hotline)
Best Practices (DV)	Weak, 4 of 6 p (1 delegate only) q (clear process) r (not well communicated) s (yes, 3 rd party managed) t (data unavailable) u (data unavailable)
Historical Context (DV)	Conducive to Fraud; Conducive to Increased Calls (Financial Crisis 2008)
Evidence of Internal Fraud	Yes, 5 employees responsible for loss of \$9 million
Evidence of Negative Employee Sentiment	Yes
Result IV	Bureaucracy, strongest attributes: Hierarchy of Authority; Insistence on the Rights of Office Bureaupathology, Strongest attributes: Impersonal Treatment; Prolonged Role Enactment
Result DV	DV Metrics, Functionality and Best Practices

Organization	PS1
Assessment Element	Overall Performance: Low Bureaucracy: Level 3 of 10
	Affected Metrics- poor Functionality- poor Best Practices- weak Evidence of Historical Context, Internal Fraud, Disgruntled Employees
Notes	Despite an "average" rating, comments indicate fraud, massive bureaucracy

Case Study 2 (PS2)

Case Study 2, PS2, is a private company - a large sized financial services organization.

Background

Founded in 1812, PS2 is a global financial services firm that has been in existence for over 200 years. In 2010, PS2 had a presence in over 1,000 Cities and 160 countries and serviced approximately 200 million customer accounts (Form 10K). As of December 2010, PS2 had 260,000 full time employees (Form 10K). Data for the year 2010 is being used in this case study to correspond with the time period of fraud hotline data obtained from this organization (2004-2010). As with PS1, the most recent year will be used.

Bureaucracy

PS2, by all accounts, is considered highly bureaucratic. There have been countless books, articles, Internet postings, etc. which make reference to the presence of bureaucracy at PS2. To demonstrate the general volume of materials, a Google search for "PS2" and bureaucracy yields 12,600,000 results. It can be reasonably inferred not all of these results speak specifically to bureaucracy at PS2 - each reference would have to be read and validated for accuracy. Nevertheless, this statistic is being provided to demonstrate generally the large volume of results.

PS2 has discussed publicly their bureaucracy. In a 2007 news article, the CEO at the time said he was making great efforts at the time to "unclog [PS2's] vast bureaucracy." (PS2 to cut at Least 10,000 in Overhaul). Specifically, it was reported that the CEO called upon PS2 to "eliminate overlapping jobs and unclog its vast bureaucracy, not just cutting back on magazine subscriptions and the use of company limousines" and "questioned the

logic of having three separate regional headquarters for every main business unit, each with its own staff." (Dash & Timmons, 2007)

At this time, the CEO was facing extreme pressure from powerful shareholders who were also reeling from the effects of PS2's overwhelming bureaucracy. News articles said certain investors were appealing to use "draconian measures" to cut costs. (Dash & Timmons, 2007)

PS2's organizational structure is set forth in their 2010 Form 10K (see Appendix for chart) where it was reported "PS2 currently operates, for management reporting purposes, via two primary business segments: PS2, consisting of PS2's Regional Consumer Banking businesses and Institutional Clients Group; and PS2 Holdings, consisting of PS2's Brokerage and Asset Management and Local Consumer Lending businesses, and a Special Asset Pool. There is also a third segment, Corporate/Other."

As discussed earlier, the organizational complexity is the hallmark of Bureaucracy. The organizational structure of PS2, as they have set forth in their 2010 Annual Report, is evidently highly complex. PS2 sets forth the role and function of each of these segments and their divisions, which continues on for several pages. Here the description is quite voluminous and it is clear that the organization is extremely complex. In their 2010 Form 10K, PS2 reports:

"PS2's businesses are highly dependent on their ability to process and monitor, on a daily basis, a very large number of transactions, many of which are *highly complex* [emphasis added] across numerous and diverse markets in many currencies. These transactions, as well as the information technology services PS2 provides to clients, often must adhere to client-specific guidelines, as well as legal and regulatory standards. Due to the breadth of PS2's client base and its geographical reach, developing and maintaining PS2's operational systems and infrastructure is challenging, particularly as a result of rapidly evolving legal and regulatory requirements and technological shifts. PS2's financial, account, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond its control, such as a spike in transaction volume, cyber attack or other unforeseen catastrophic events, which may adversely affect PS2's ability to process these

transactions or provide services."

PS2 also specifically informs shareholders that the complexity of their systems, which could result in Cyber attack, or other catastrophes, may originate internally, by employees.

"In addition, PS2's operations rely on the secure processing, storage and transmission of confidential and other information on its computer systems and networks. Although PS2 takes protective measures to maintain the confidentiality, integrity and availability of PS2's and its clients' information across all geographic and product lines, and endeavors to modify these protective measures as circumstances warrant, the nature of the threats continues to evolve. As a result, PS2's computer systems, software and networks may be vulnerable to unauthorized access, loss or destruction of data (including confidential client information), account takeovers, unavailability of service, computer viruses or other malicious code, cyber attacks and other events that could have an adverse security impact. Despite the defensive measures PS2 has taken, these threats may come from external actors such as governments, organized crime and hackers, third parties such as outsource or infrastructure-support providers and application developers, *or may originate internally from within PS2.* [emphasis added] Given the high volume of transactions at PS2, certain errors may be repeated or compounded before they are discovered and rectified."

In yet another statement in the same report, PS2 acknowledges and discloses the occurrence of employee fraud as follows:

"There have also been a number of highly publicized cases involving fraud or other misconduct by employees in the financial services industry in recent years and PS2 runs the risk that employee misconduct could occur."

As discussed, the possibility of PS2 employees committing fraud is fully acknowledged by the company in their 2010 Annual Report. However, they attempt to alleviate shareholder concerns about the prospect of such fraud by informing them that employees can be whistleblowers- but that such protections may cost PS2 additional money.

"While PS2 seeks to prevent and detect employee misconduct, such as fraud, employee misconduct is not always possible to deter or prevent, and the extensive precautions PS2 takes to prevent and detect this activity may not be effective in all cases, which could subject PS2 to additional liability. Moreover, the so-called "whistle-blower" provisions of the Financial Reform Act, which apply to all corporations and other entities and persons, provide substantial financial incentives for persons to report

alleged violations of law to the SEC and the Commodity Futures Trading Commission. These provisions could increase the number of claims that PS2 will have to investigate or against which PS2 will have to defend itself, and may otherwise further increase PS2's legal liabilities."

Employee Perception

Now that the presence of bureaucracy at PS2 has been established on the part of the company, it is important to determine whether employees perceive this bureaucracy at PS2.

On the website Glassdoor, PS2 was reviewed by 1,314 employees, as of July 8, 2013, whose overall rating of the company averaged at 3.0 out of 5, which is considered to be "average" by the website.

Of these reviews, research efforts were focused on those employees who rated the company "below average," or in this case, rated it under 3 stars. This limited the number of reviews included for examination to 403, which constituted approximately 31% of all reviews. These comments were posted between and June 13, 2008 and June 20, 2013.

The reviews were limited to this population because it was believed this population would be more likely to have communicated the company may exhibit signs of excessive bureaucracy.

Of these reviewers, 155, or 38.5% made reference to specific terminology related to bureaucracy and excessive bureaucracy. The number of comments is greater than that of the reviewers, as some respondents commented in more than one area and in that instance, were counted only once. The total number of comments recorded was 186. Overall, echoing the results for PS1, these below average reviews examined referenced a bureaucratic atmosphere. The level of "bureaucracy" and excessive bureaucracy, or bureaupathic behaviors were examined together, as laypersons often use the word "bureaucracy" with a negative connotation. Therefore, when examining

employee comments, this was considered a negative term. Terminology attributed to bureaucracy included the words "red tape" and "government."

Here, the primary complaint centered on the limitations of their roles, in that there was little opportunity for advancement. In fact, many respondents said their roles were unchallenging, that management was largely aloof and disconnected from the "common worker." Many respondents also said management tended to be nepotistic in their hiring practices and that organizational connections were key to obtaining career growth.

As demonstrated, many respondents, 38.5%, made comments that were indicative of bureaucracy and bureaupathic conditions in their workplace. The most indicated category was general bureaucracy, which included reference to "red tape" and related terms.

General and specific references to attributes of bureaucracy and bureaupathic or excessive bureaucracy are detailed in Tables 7 and 8.

Table 7 PS2 Social Media/Bureaucracy Analysis Summary

Attribute	Data	Analysis
Time Frame	6/13/08 - 6/20/13	Five year time period
Population	1,314	.5% of all employees (260,000)
Sample Set	403	31% of the population (1,314) .2% of all employees (260,000)
Respondents Indicating Bureaucracy or Bureaupathic Behaviors	155	38.5% of the sample set (403) 12% of the population (1,314) .06 % of all employees (260,000)
Total Comments Indicating Bureaucracy and Bureaupathology	186	112 Bureaucracy + 74 Bureaupathic
Bureaucracy	112	General (48) Hierarchy of Authority (22) System of Rules (7) Technical Expertise (5) Career Service (9) Insistence on the Rights of Office (21)
Bureaupathic	74	Impersonal Treatment (16) Prolonged Role Enactment (19) Resistance to Change (17) Resistance to Interrogation and Investigation (13) Strict Reliance on Organizational Rules and Procedures (9)

Table 8 PS2 Social Media/Bureaucracy Data Set

Count	Type	Attribute	Comment	Date
1.	Bureaupathic	Impersonal Treatment	"it's genuinely possible for employees to completely disappear within the system"	5/9/13
2.	Bureaupathic	Impersonal Treatment	"no enthusiasm within the team"	1/9/13
3.	Bureaupathic	Impersonal Treatment	"stop treating employees like robots"	3/30/12
4.	Bureaupathic	Impersonal Treatment	"lack of opportunity to move"	2/24/12
5.	Bureaupathic	Impersonal Treatment	"stop hiring graduates with degrees in robot-manufacturing rather than in people-service management"	8/11/11
6.	Bureaupathic	Impersonal Treatment	"I feel like a little mouse in this gigantic company"	6/10/11
7.	Bureaupathic	Impersonal Treatment	"your just a Peabody [sic]. Not much room for advancement"	3/9/11
8.	Bureaupathic	Impersonal Treatment	"no one knows what's going on ever"	5/23/10
9.	Bureaupathic	Impersonal Treatment	"just another number"	2/18/10
10.	Bureaupathic	Impersonal Treatment	"robotic environment"	2/6/10
11.	Bureaupathic	Impersonal Treatment	"you're pretty much chained to your desk while on the clock"	9/20/09
12.	Bureaupathic	Impersonal Treatment	"you will feel like a cog in a machine"	7/9/09
13.	Bureaupathic	Impersonal Treatment	"as an employee, you are just a number"	12/26/08
14.	Bureaupathic	Impersonal Treatment	"I feel like another ant in this huge company"	10/9/08
15.	Bureaupathic	Impersonal Treatment	"employee are treated like cattle instead of human beings"	7/1/08
16.	Bureaupathic	Impersonal Treatment	"you are just a number, one of the headcount"	6/13/08
17.	Bureaupathic	Prolonged Role Enactment	"monkey trainable type of admin work"	6/17/13
18.	Bureaupathic	Prolonged Role Enactment	"many positions have little to no advancement opportunities"	6/2/13
19.	Bureaupathic	Prolonged Role Enactment	"transferring between departments was extremely difficult"	3/8/13
20.	Bureaupathic	Prolonged Role Enactment	"career progression is slow"	3/1/13
21.	Bureaupathic	Prolonged Role Enactment	"work is to [sic] heavy and boring"	9/18/12
22.	Bureaupathic	Prolonged Role Enactment	"not [sic] opportunity to move up the ladder"	9/16/12

Count	Type	Attribute	Comment	Date
23.	Bureaupathic	Prolonged Role Enactment	"very boring environment"	8/5/12
24.	Bureaupathic	Prolonged Role Enactment	"jobs [are] quiet safe, routine and comfortable"	3/28/12
25.	Bureaupathic	Prolonged Role Enactment	"you will be pigeon-holed. Wherever you start.... expect to stay there, and at that salary"	12/2/11
26.	Bureaupathic	Prolonged Role Enactment	"work is monotonous"	7/9/11
27.	Bureaupathic	Prolonged Role Enactment	"you can get paid decent money to work very little because there is so much redundancy in the organization. My brain atrophied and I had to leave"	4/14/11
28.	Bureaupathic	Prolonged Role Enactment	"absolutely no growth"	11/25/10
29.	Bureaupathic	Prolonged Role Enactment	"mundane, mind numbing set of job duties"	6/12/10
30.	Bureaupathic	Prolonged Role Enactment	"depending on the department you are in, it could be a dead end area where there is no room for advancement or growth"	2/10/10
31.	Bureaupathic	Prolonged Role Enactment	"virtually impossible to move to a different department without quitting the firm"	12/26/08
32.	Bureaupathic	Prolonged Role Enactment	"extremely vertical groups, each group only does their thing, and nothing else. Its like wearing blinders to work"	11/21/08
33.	Bureaupathic	Prolonged Role Enactment	"work is BORING AS ANYTHING"	11/12/08
34.	Bureaupathic	Prolonged Role Enactment	"if you want a run of the mill cruisy [sic] environment where mediocrity and sycophancy are tacitly encouraged then this place is for you"	10/15/08
35.	Bureaupathic	Prolonged Role Enactment	"the work once you learn is very repetitive like most jobs and very tedious"	9/10/08
36.	Bureaupathic	Resistance to Change	"systems are so antiquated"	5/11/13
37.	Bureaupathic	Resistance to Change	"no willingness to improve in any aspect. Although management was told how to change processes and procedures, they did not"	1/9/13

Count	Type	Attribute	Comment	Date
			care at all"	
38.	Bureaupathic	Resistance to Change	"many systems are running 4-5 years behind current releases"	10/3/12
39.	Bureaupathic	Resistance to Change	"invest in...more up to date technology"	8/27/12
40.	Bureaupathic	Resistance to Change	"80's technology"	7/5/12
41.	Bureaupathic	Resistance to Change	"stale company"	6/26/12
42.	Bureaupathic	Resistance to Change	"systems are medieval"	4/24/12
43.	Bureaupathic	Resistance to Change	"nothing [in terms of advice to management] you don't listen to employees current or past anyway"	2/24/12
44.	Bureaupathic	Resistance to Change	"outdated systems/processes; very manual work for some departments"	9/20/11
45.	Bureaupathic	Resistance to Change	"not open to change"	4/16/11
46.	Bureaupathic	Resistance to Change	"very far behind the curve in systems and practices"	4/16/11
47.	Bureaupathic	Resistance to Change	"in most positions you are working with older technology"	10/12/10
48.	Bureaupathic	Resistance to Change	"[uses] excuse[s] not to change"	6/3/10
49.	Bureaupathic	Resistance to Change	"antiquated systems"	3/7/10
50.	Bureaupathic	Resistance to Change	"middle management stuck in the stone age"	12/1/9
51.	Bureaupathic	Resistance to Change	"the technology is outdated"	2/19/09
52.	Bureaupathic	Resistance to Change	"change is like moving a mountain"	9/7/08
53.	Bureaupathic	Resistance to Interrogation and Investigation	"lack of ethics"	2/25/13
54.	Bureaupathic	Resistance to Interrogation and Investigation	"the amount of waste due to mismanagement is absolutely staggering"	2/22/13
55.	Bureaupathic	Resistance to Interrogation and Investigation	"deep employee distrust in upper management"	1/18/13
56.	Bureaupathic	Resistance to Interrogation and Investigation	"[you have to] learn how to keep your mouth shut when you see something wrong/unethical"	1/8/13
57.	Bureaupathic	Resistance to Interrogation and Investigation	"unethical at times"	10/23/12
58.	Bureaupathic	Resistance to	"senior management lost its moral compass"	3/26/12

Count	Type	Attribute	Comment	Date
		Interrogation and Investigation		
59.	Bureaupathic	Resistance to Interrogation and Investigation	"managers are rewarded only on financial results, not based on how they achieved the results. Therefore, ethics and doing the right thing are sometimes secondary actions"	8/19/11
60.	Bureaupathic	Resistance to Interrogation and Investigation	"dishonest middle managers"	6/29/11
61.	Bureaupathic	Resistance to Interrogation and Investigation	"management...prefers to hide ugly things under the carpet"	1/27/11
62.	Bureaupathic	Resistance to Interrogation and Investigation	"management is evasive"	5/8/10
63.	Bureaupathic	Resistance to Interrogation and Investigation	"you lie and cheat your own employees"	10/29/09
64.	Bureaupathic	Resistance to Interrogation and Investigation	"many seniors thinking they are above the law"	8/21/08
65.	Bureaupathic	Resistance to Interrogation and Investigation	"low ethical standards"	7/14/08
66.	Bureaupathic	Strict Reliance on Organizational Rules and Procedures	"work environment was very structured"	6/20/13
67.	Bureaupathic	Strict Reliance on Organizational Rules and Procedures	"the processes and systems make being productive very difficult"	3/16/13
68.	Bureaupathic	Strict Reliance on Organizational Rules and Procedures	"near dysfunctional in terms of getting things done. Extremely process heavy and inefficient"	2/25/13
69.	Bureaupathic	Strict Reliance on Organizational Rules and Procedures	"the processes were horrendously inefficient and time-consuming"	1/9/13
70.	Bureaupathic	Strict Reliance on Organizational Rules	"decision making is moribund, changes take forever and are generally no longer	10/3/12

Count	Type	Attribute	Comment	Date
		and Procedures	pertinent by the time they occur"	
71.	Bureaupathic	Strict Reliance on Organizational Rules and Procedures	"too many rules and restrictions"	3/30/12
72.	Bureaupathic	Strict Reliance on Organizational Rules and Procedures	"there are far too many 'channels' to go through to get anything of importance accomplished"	4/25/11
73.	Bureaupathic	Strict Reliance on Organizational Rules and Procedures	"processes are speed bumps to achieving results as opposed to bridging or enabling results to be driven"	8/22/08
74.	Bureaupathic	Strict Reliance on Organizational Rules and Procedures	"it is very hard to get things done. Lots of unnecessary and absurd procedures to follow. Some people only care about following company's procedures or policies and keep themselves out of trouble. It is so frustrating if you want to get something done"	6/29/08
75.	Bureaucracy	Career Service	"long term employment"	6/3/13
76.	Bureaucracy	Career Service	"not many people are fired"	5/4/13
77.	Bureaucracy	Career Service	"get rid of old school dinosaurs that are ruining your organization"	12/4/12
78.	Bureaucracy	Career Service	"it's virtually impossible to get fired for poor performance or even breaking fairly serious workplace rules"	11/22/12
79.	Bureaucracy	Career Service	"hard to get fired"	2/2/12
80.	Bureaucracy	Career Service	"easy to stay for a long time with the company"	1/11/11
81.	Bureaucracy	Career Service	"you will find more idiots who managed to stick around for 10-20 yrs and become your boss"	9/16/10
82.	Bureaucracy	Career Service	"PS2 never sleeps because they are afraid of losing their jobs"	1/25/09
83.	Bureaucracy	Career Service	"lifers sitting in one job for too long"	9/24/08
84.	Bureaucracy	General Bureaucracy	"paralyzed by red tape"	6/14/13
85.	Bureaucracy	General Bureaucracy	"bureaucracy that rivals the federal government"	5/11/13
86.	Bureaucracy	General Bureaucracy	"the company perfectly fits the stereotype of a massive decentralized organization characterized by stifling bureaucracy"	5/9/13

Count	Type	Attribute	Comment	Date
87.	Bureaucracy	General Bureaucracy	"too big and bureaucratic to be run efficiently"	4/11/13
88.	Bureaucracy	General Bureaucracy	"it's a bureaucracy, like working for government"	3/16/13
89.	Bureaucracy	General Bureaucracy	"big bureaucratic machine"	3/10/13
90.	Bureaucracy	General Bureaucracy	"death by bureaucracy"	2/7/13
91.	Bureaucracy	General Bureaucracy	"too centralized"	1/26/13
92.	Bureaucracy	General Bureaucracy	"bureaucratic, tyrannical mess of a company to work for. The right hand does not know what the left hand is doing"	1/17/13
93.	Bureaucracy	General Bureaucracy	"because of the companies size there are a number of layers to all positions - which makes the company extremely bureaucratic"	11/15/12
94.	Bureaucracy	General Bureaucracy	"burocratic [sic] environment...lots of red tape"	11/11/12
95.	Bureaucracy	General Bureaucracy	"a bureaucratic maze"	8/16/12
96.	Bureaucracy	General Bureaucracy	"thick bureaucracy and red tape everywhere"	8/13/12
97.	Bureaucracy	General Bureaucracy	"more bureaucratic than the post office"	8/11/12
98.	Bureaucracy	General Bureaucracy	"almost impossible to actually get things done"	8/11/12
99.	Bureaucracy	General Bureaucracy	"disorganized and beareaucratic [sic]"	4/14/12
100.	Bureaucracy	General Bureaucracy	"culture of bureaucracy"	3/28/12
101.	Bureaucracy	General Bureaucracy	"boring and bureaucratic"	3/26/12
102.	Bureaucracy	General Bureaucracy	"I felt like I worked for a government agency"	3/4/12
103.	Bureaucracy	General Bureaucracy	"the business is not streamlined"	1/11/12
104.	Bureaucracy	General Bureaucracy	"super siloed even within divisions"	11/29/11
105.	Bureaucracy	General Bureaucracy	"employees are robots and are expected to act like robots"	9/1/11
106.	Bureaucracy	General Bureaucracy	"takes too long to get anything done due to all the red tape"	6/24/11
107.	Bureaucracy	General Bureaucracy	"...a nightmare of red tape"	5/7/11
108.	Bureaucracy	General Bureaucracy	"very bureaucratic"	3/13/11
109.	Bureaucracy	General Bureaucracy	"bureaucratic nonsense"	3/7/11
110.	Bureaucracy	General Bureaucracy	"bureaucratic nightmare"	2/9/11
111.	Bureaucracy	General Bureaucracy	"total bureaucracy"	2/1/11
112.	Bureaucracy	General Bureaucracy	"bureaucracy and politics peppered with manipulative tactics"	9/29/10

Count	Type	Attribute	Comment	Date
113.	Bureaucracy	General Bureaucracy	"[to work at PS2] you need to be comfortable with bureaucracy"	8/3/10
114.	Bureaucracy	General Bureaucracy	"very political and bureaucratic"	7/17/10
115.	Bureaucracy	General Bureaucracy	"bureaucratic"	7/10/10
116.	Bureaucracy	General Bureaucracy	"massive bureaucracy; massive entangled mess"	6/3/10
117.	Bureaucracy	General Bureaucracy	"extremely, extremely siloed. Moving from one department to another is akin to changing companies"	4/15/10
118.	Bureaucracy	General Bureaucracy	"full of bureaucracy"	3/14/10
119.	Bureaucracy	General Bureaucracy	"there's a lot of bureaucracy in the organization"	2/15/10
120.	Bureaucracy	General Bureaucracy	"very slow moving, bureaucratic company"	12/15/09
121.	Bureaucracy	General Bureaucracy	"burocracy [sic] is literally [sic] whats [sic] killing them, you may spend most of your day making sure that you follow the procedures, it leave [sic] no time for actual work"	9/27/09
122.	Bureaucracy	General Bureaucracy	"bureaucracy"	9/12/09
123.	Bureaucracy	General Bureaucracy	"bureaucracy "	7/13/09
124.	Bureaucracy	General Bureaucracy	"lots of bureaucracy"	6/28/09
125.	Bureaucracy	General Bureaucracy	"bureaucracy"	5/19/09
126.	Bureaucracy	General Bureaucracy	"bureaucratic"	5/12/09
127.	Bureaucracy	General Bureaucracy	"PS2 is a bureaucratic nightmare"	2/23/09
128.	Bureaucracy	General Bureaucracy	"too much bureaucracy"	8/20/08
129.	Bureaucracy	General Bureaucracy	"Bureaucracy...large and bloated"	8/20/08
130.	Bureaucracy	General Bureaucracy	"unnecessary long [sic] bureaucracy"	8/1/08
131.	Bureaucracy	General Bureaucracy	"lots of bureaucracy"	7/8/08
132.	Bureaucracy	Hierarchy of Authority	"bureaucracy, unnecessary management hierarchy"	10/9/12
133.	Bureaucracy	Hierarchy of Authority	"to [sic] much hierarchy within the firm"	6/26/12
134.	Bureaucracy	Hierarchy of Authority	"very silo'ed [sic], segregated environment"	11/29/11
135.	Bureaucracy	Hierarchy of Authority	"too many layers of management"	11/15/11
136.	Bureaucracy	Hierarchy of Authority	"lack of interaction and support from upper management"	11/14/11
137.	Bureaucracy	Hierarchy of	"fundamentally superficial barriers"	3/7/11

Count	Type	Attribute	Comment	Date
		Authority	inherent to the organizational hierarchy"	
138.	Bureaucracy	Hierarchy of Authority	"extremely layered"	2/1/11
139.	Bureaucracy	Hierarchy of Authority	"the sheer size of the company allows for pockets and layers of extremely poor management to thrive using outdated, archaic management practices and defeat all attempts to improve the company with new ideas and technology"	12/1/10
140.	Bureaucracy	Hierarchy of Authority	"too many layers"	9/20/10
141.	Bureaucracy	Hierarchy of Authority	"very hierarchical"	6/27/10
142.	Bureaucracy	Hierarchy of Authority	"PS2 has many layers within the organization"	5/28/10
143.	Bureaucracy	Hierarchy of Authority	"so big and full of silos that getting things done takes a small miracle every time"	3/14/10
144.	Bureaucracy	Hierarchy of Authority	"several levels/layers of hierarchy"	9/12/09
145.	Bureaucracy	Hierarchy of Authority	"too heavily matrixed, too siloed"	7/19/09
146.	Bureaucracy	Hierarchy of Authority	"working at PS2 teaches you to deal with bureaucracy and find your way through a maze of disconnected information to get an answer"	2/17/09
147.	Bureaucracy	Hierarchy of Authority	"departments work in silos"	1/16/09
148.	Bureaucracy	Hierarchy of Authority	"your title is your everything. You are treated a certain way based on your title and job level"	12/12/08
149.	Bureaucracy	Hierarchy of Authority	"eliminate layers"	12/10/08
150.	Bureaucracy	Hierarchy of Authority	"too many layers of management"	9/24/08
151.	Bureaucracy	Hierarchy of Authority	"layers of management that do not perform any job"	9/10/08
152.	Bureaucracy	Hierarchy of Authority	"layers upon layers of middle management"	8/20/08

Count	Type	Attribute	Comment	Date
153.	Bureaucracy	Hierarchy of Authority	"cut the incompetent layers"	7/8/08
154.	Bureaucracy	Insistence on the Rights of Office	"managers essentially answer to no one"	5/9/13
155.	Bureaucracy	Insistence on the Rights of Office	"managers really act like manager; [sic] you will definitely have the impression that you are 'managed'"	4/19/13
156.	Bureaucracy	Insistence on the Rights of Office	"very few Indians and lots and lots of chiefs"	3/29/13
157.	Bureaucracy	Insistence on the Rights of Office	"eliminate 50-75% of the staff from the level of Director up"	2/22/13
158.	Bureaucracy	Insistence on the Rights of Office	"too many chiefs and no indians"	2/13/13
159.	Bureaucracy	Insistence on the Rights of Office	"managers use employees as shields, so they have people to blame when things go awry"	2/13/13
160.	Bureaucracy	Insistence on the Rights of Office	"upper management extremely out of touch with the rest of the company"	1/18/13
161.	Bureaucracy	Insistence on the Rights of Office	"fiefdoms"	1/6/13
162.	Bureaucracy	Insistence on the Rights of Office	"people are promoted based on Senior Managers needing head count under them so they look important and don't lose their jobs"	1/4/13
163.	Bureaucracy	Insistence on the Rights of Office	"upper management is very out of the loop"	12/1/12
164.	Bureaucracy	Insistence on the Rights of Office	"management ignoring market trends and insisting in [sic] old model of banking"	4/24/12
165.	Bureaucracy	Insistence on the Rights of Office	"generally disinterested, absent and self promoting management"	1/12/12
166.	Bureaucracy	Insistence on the Rights of Office	"decisions made at top management level without employee insight"	1/20/11
167.	Bureaucracy	Insistence on the Rights of Office	"management abuses power and if you are not a manager you have no say. Management has no communication with its employees"	1/9/11
168.	Bureaucracy	Insistence on the Rights of Office	"senior leadership is too insulated from employees"	12/30/10
169.	Bureaucracy	Insistence on the Rights of Office	"manager was allowed to run roughshod [sic] over the employees, insisted on"	8/9/10

Count	Type	Attribute	Comment	Date
			paggers being answered 24/7"	
170.	Bureaucracy	Insistence on the Rights of Office	"arrogant management"	7/17/10
171.	Bureaucracy	Insistence on the Rights of Office	"autocratic management styles	3/8/10
172.	Bureaucracy	Insistence on the Rights of Office	"my boss didn't know what I was employed to do"	11/27/9
173.	Bureaucracy	Insistence on the Rights of Office	"senior management treated everyone below as dumb high school students"	12/13/08
174.	Bureaucracy	Insistence on the Rights of Office	"fiefdoms"	11/21/08
175.	Bureaucracy	Systems of Rules	"successful sales also get a lot of scrutiny through compliance guidelines"	8/25/11
176.	Bureaucracy	Systems of Rules	"red tape associated with getting [IT-related] access, requesting a change etc."	4/18/11
177.	Bureaucracy	Systems of Rules	"streamline the many internal systems that exist"	3/5/11
178.	Bureaucracy	Systems of Rules	"systems and business processes are very slow"	2/9/11
179.	Bureaucracy	Systems of Rules	"the security protocols get in the way of real work at times"	1/31/11
180.	Bureaucracy	Systems of Rules	"access takes weeks before you can use software"	3/4/10
181.	Bureaucracy	Systems of Rules	"numerous systems existed that did not "talk" one another"	4/25/09
182.	Bureaucracy	Technical Expertise	"systems nightmare"	11/8/12
183.	Bureaucracy	Technical Expertise	"large and complex"	10/3/12
184.	Bureaucracy	Technical Expertise	"technology unit is hampered from delivering solutions to the business due to complex process and procedures"	8/11/12
185.	Bureaucracy	Technical Expertise	"[need] less processes"	3/4/12
186.	Bureaucracy	Technical Expertise	"very large distributed systems"	6/18/11

Hotline Specification

PS2's hotline is called the "Ethics Hotline." Like PS1, third party hotline provider, The Network, manages PS2's hotline. A Google search for "PS2 Ethics Hotline" yielded the actual hotline webpage as the first result, which was complete with telephone number and all other contact information listed. However, if a complainant searches for "PS2 Fraud Hotline" the number is not easily located (on the 7th page of results, the PS2 Code of Conduct was linked where the hotline number could be located at the end of this lengthy document).

With respect to the external communication of their hotline, in PS2's Schedule 14A (Form DEF 14A) filed March 12, 2010, PS2 discloses the existence and specifics of their hotline to shareholders. Schedule 14A is a disclosure required by the SEC for the proxy solicitation process, in advance of the shareholder voting process. Per their Schedule 14A:

Ethics Hotline

"PS2 strongly encourages employees to raise possible ethical issues. PS2 offers several channels by which employees and others may report ethical concerns or incidents, including, without limitation, concerns about accounting, internal controls or auditing matters. We provide an Ethics Hotline that is available 24 hours a day, seven days a week with live operators who can connect to translators in multiple languages, a dedicated e-mail address, fax line, a web-link and conventional mailing address. Individuals may choose to remain anonymous to the extent permitted by applicable laws and regulations. We prohibit retaliatory actions against anyone who, in good faith, raises concerns or questions regarding ethics, discrimination or harassment matters, or reports suspected violations of other applicable laws, regulations or policies. Calls to the Ethics Hotline are received by a vendor, located in the U.S., which reports the calls to PS2's Ethics Office for handling." (p. 15)

Interviews

To obtain their organizational data, an internal (PS2) Hotline Administrator ("HA2") and an employee from The Network who manages PS2's hotline ("NE1") was interviewed. The identities of these interview subjects

are being withheld for privacy. They were interviewed on June 25, 2012 (HA2) and September 4, 2012 (NE1).

HA2

According to HA2, hotline administrator at PS2, PS2's internal hotline group is run by a Managing Director and has six regional offices and employs "Ethics Analysts." HA2 said these analysts are attorneys; and any and all hotline personnel employed by PS2 are always attorneys. Per HA2, there are five ways to reach the hotline, and calling is one of them. Additional methods of contact include web form, fax, email and regular mail. All forms of contact were guaranteed to be confidential, and all tipsters, whether they are internal or external, do not have to give their name or any other identifying information.

In terms of triage, when complaints come to their office, their analyst/attorneys immediately determine whether the complaint suggests a legal, regulatory or policy violation, which are assigned to an "ethics investigator," who could be a member of the Legal, Compliance, or Corporate Security & Investigations team, and tracked to resolution.

When asked whether Dodd Frank changed the way their hotline is managed or advertised, HA2 said they reissued their Code of Conduct, and continue to provide ongoing awareness (via email, internal intranet, training courses, etc.). For potential complainants, internal or external, looking to contact the hotline from home, as is the case with 41% of callers, the hotline contact information can be accessed easily - that is, if you know the hotline is called an "Ethics Hotline." According to The Network, as many as 41% of calls to hotlines come in after business hours and on weekends. (Malone, 2003)

With respect to hotline best practices, HA2 further advised their golden sources for best practices included the Federal Sentencing Guidelines

for Organizations and materials from such sources as The Ethics and Compliance Officers Association (ECO), Ethics.org resource center and materials from The Network and Ethics Point, the two leading providers of third party hotlines to public and private organizations.

NE1

To better understand the role of third party hotline services and management, NE1, a hotline account manager, was interviewed. By way of background, The Network is a technology company, which provides an anonymous, confidential reporting hotline service. In a letter they wrote to the SEC in 2003, they self-reported as being "the nation's first outsourced employee 'hotline.'" At that time, they reported having over 1,000 clients, to include "many" of the Fortune 500. Today, according to available information, they have over 3,400 clients, including nearly half of the Fortune 500.

According to their website, their hotline center never closes and offers toll-free service in over 180 languages and their call center employees follow a "proprietary interview methodology" that offers "substantial incident reports." They also provide web intake with international web forms.

As for their client list, NE1 advised The Network handles the hotlines of "nearly all the financial industry" including PS2. According to NE1, they only reveal the names of their clients who have given them advance permission to do so. However, it is possible that organizations have self-disclosed their relationship with The Network. According to HE1, individuals can call hotlines and ask the identity of the administering organization, to learn the third-party provider of a specific hotline. Also, a member of the public can review company websites for such disclosure.

A review of public websites determined clients of The Network include various Cities (GS3, California, Tulsa, Oklahoma, Mesa, Arizona, Sacramento, California), colleges and universities (Lafayette College in Pennsylvania, Arizona State University, Vanderbilt University, Purdue University, The University of Texas at Dallas and San Antonio, The University of Alabama) media organizations (Discovery Communications [the world's largest nonfiction media company]) and travel companies, such as Norwegian Cruise Line.

When asked about the use of third-party hotline providers by the federal government, NE1 advised that the federal government tended to manage their hotlines internally, rather than use a third-party provider.

Regarding their competition, NE1 said their competitors, Ethics Point and Global Compliance, are now all one company, NAVEX Global. When asked why a company should chose The Network over the competition, NE1 said they offer the most complete, in depth reports with a more "detailed, technology assisted interview process" with calls lasting 15-20 minutes. While NE1 acknowledged Ethics Point once said they had the best case management software, "banks didn't care about that" because they "have their own software." With respect to case management, NE1 said The Network offers "standard incident codes" and then banks often supplement these with their own codes.

As for information flow, NE1 advised their hotline tip intake process (via telephone) is as follows: The tipster makes the call to their unique hotline number (each client has their own number in each country). The hotline interviewer, called the "interview specialist" will learn the company and location of a given caller via a "pop up" on their "intake screen." For example, the interview specialist could see on their screen "PS2caller from France." The interview specialist also manages the web tip intake process. There is one dedicated URL provided for this purpose, per client.

After the tip is logged, "within 15 minutes" a "triage team feeds [the tip] into the system" and an email is sent to the client. Then, the client sends the tip to another internal designee for handling. The ultimate resolution of the tip is tracked via The Network's software.

When asked about the triage process for immediate matters, NE1 advised they have an "immediate escalation process for cases reported which are time sensitive [handled within 24 hours]. To escalate these matters, The Network is provided with telephone numbers of "key people" to be contacted by The Network in the event of urgent matters, such as "immediate threat of workplace violence, falsification, etc."

If the client wishes to communicate with the anonymous complainant, following the initial tip, i.e., to get further information, they will contact their contact at The Network who will make a note in the system to communicate their request for additional detail to the caller, if they call back. According to NE1, most callers do not call a second time.

When asked about their benchmarking report and the absence of prosecutions listed as a result of their services, NE1 said "PS2 and others often don't report back to them on resolution."

As for their employees, The Network's triage team is based in Atlanta, Georgia, where they have over two hundred interview specialists. When this study asked whether The Network would hire a Ph.D. student, NE1 said no, that candidate was "overqualified." Rather, according to NE1, they hire "entry level" personnel; some may come straight out of college, yet others are hired without a degree, as it is not required. Interview specialists are paid by the hour and are "incentivized based on quality of report." All candidates are subject to background checks (convicted felons are not hired) and have to sign a non-disclosure agreement.

A review of The Network's website, on July 22, 2013, under the "careers" section yielded several job advertisements for Interview

Specialists, which were described as personnel tasked with "answer[ing] inbound employee assistance-type calls from employees of out Fortune 500 client companies." The Network further said Interview Specialists "are responsible for accurately documenting these calls using PC and Windows-based applications."

At this time, seven postings for these positions were present on their careers page, where they were seeking speakers in the following languages: (in addition to English language fluency) British/English, French, German, Mandarin Chinese, Portuguese and Spanish. The stated candidate requirements were "A minimum of one year customer service experience; Call center experience preferred; Ability to read, write and speak fluently in English and [in the given language]." The job postings further say the candidate should demonstrate "Ability to conduct a structured interview; Minimum typing speed of 35+ WPM with 90% accuracy required; Excellent grammar, spelling and writing skills; and a Pleasant and friendly phone presence."

As for the regional requirements and governing laws, NE1 advised they follow SOX and International Laws; that the laws governing their service is a "Hodgepodge." According to NE1, "in some countries, you cannot ask certain questions." For instance, using France an example, NE1 advised in this region, certain questions cannot be asked, nor can information be recorded regarding certain matters. They employ a separate data privacy firm, Hunton & Williams, to handle/advise them on regional legal issues.

When asked about the volume of calls received by financial firms, NE1 said that "some financial firms rarely get a call." When asked why, NE1 responded "it is an issue of promotion of the hotline" and that "some say to use the hotline as a last resort. It's a cultural thing. Many want to keep the volume down." Incidentally, NE1 later revealed the cost of service "depends on volume."

As for the actual cost incurred to clients to have The Network manage their hotline, according to NE1, every "report taken [costs] between \$40-60 per report" with an "average cost of \$400-500 per year" with "additional cost for translation services, etc." and that "all in, companies can expect to pay between \$30-100k per year with a minimum cost of \$1k allowed [per year]."

When asked how the hotline reporting process changed following Dodd Frank, NE1 said that Dodd Frank "didn't change things much" except that "companies want to keep employees from reporting outside, otherwise more money in damages...[companies are] trying to get people to report internally."

Hotline Metrics

The hotline data analyzed for PS2 includes calls received to the hotline from 2004-2010.

According to organizational documents, at PS2, 2004 was the first year of what they called their "Five Point Plan" where they increased their level of communication and transparency for employees into their fraud hotline process by publicizing to employees: the number of calls received per year by the hotline, the nature of complaints and how they were handled (in the aggregate; in general terms). In this year, they received 1619 complaints, which included calls from 25 different countries, where 42% of the contacts were anonymous. Most of the complaints received in this year (1260) were categorized by the company as "HR-related" and were said to have been "handled by the appropriate areas." The 352 Business and Operational complaints were reportedly related to Sales/Service/Operational Practices, Fraud, Falsified or Missing Documents, Conflict of Interest and Collections. The actions taken in 142 matters included "retraining or firings, reissuing policies, and even taking away contracts from vendors."

In 2005, they received 2485 complaints, including calls from 44 different countries where 48% of the complainants remained anonymous. The issues raised involved mainly Sales/Service/Operational Practices (29%), Fraud (15%), Falsified or Missing Documents (10%), Conflicts of Interest (9%), and Collections and Information Security (both at 7%). The actions taken in 259 matters included employee terminations, to lesser corrective actions, including training, reissuing policies and strengthening controls.

In 2006, 52% of the contacts were anonymous. The 2405 reported matters in this year involved Sales, Service, and Operational Practices (38%), Falsified or Missing Documents (11%), Fraud (12%), Information Security (7%), Retaliation (7%), Privacy (2%), Misuse of Corporate Assets (2%), Conflicts of Interest (5%), Collections (4%), Bribery/Gifts (3%) and Other (9%). These complaints were said to have originated from North America (42%), Asia Pacific (17%), Europe, Middle East and Africa (EMEA) (14%), Japan (13%), Mexico (9%), and Latin America (5%). Reported actions taken include recommending training, amending policies, and disciplinary action.

In 2007, of the 1949 total complaints, 50% of complainants remained anonymous. Complaints included Sales, Service and Operational Practices (34%), Retaliation (13%), Accounting/Audit Irregularities (1%), Bribery/Kickbacks (3%), Collections (3%), Conflicts of Interest (5%), Falsification of Expense Reporting (2%), Falsification of Time Sheets (6%), Falsified or Missing Documents (8%), Fraud/Theft (9%), Gifts/Entertainment (7%), Misuse of Corporate Assets (2%) and Other (6%). Actions taken in 200 matters included recommending training, amending policies, and disciplinary action.

In 2008, of the 2277 total complaints, 43% of complainants remained anonymous. In this year, complaints included Sales, Service and Operational Practices (38%), Information Security/Privacy (14%), Retaliation (10%), Fraud/Theft (8%), [Falsified or Missing Documents (6%), Collections (4%),

Falsification of Time Reporting (4%), Falsification of Expense Reporting (2%), Bribery/Kickbacks/Gifts/Entertainment (3%), Conflicts of Interest (3%), Accounting/Financial Irregularities (2%), Anti Money Laundering (AML)/Terrorist Financing (1%), Other Policy and Regulatory Violations (1%), Vendor Practices (1%), Misuse of Corporate Assets (1%), Insider Trading (1%) and Other (1%). Callers originated from North America (49%), Mexico (20%), EMEA (12%), Asia Pacific (10%), Latin America (5%) and Japan (4%). Reported actions taken in 373 matters included recommending training, amending policies and business processes and disciplinary action.

In 2009, of the 1881 total complaints, 44% of complainants remained anonymous. Complaints included Sales, Service and Operational Practices (38%), Information Security/Privacy (15%), Retaliation (10%), Fraud/Theft (8%), Bribery/Kickbacks/Gifts/Entertainment (5%), Conflicts of Interest (4%), Falsification of Time Reporting (4%), Falsification of Expense Reporting (2%), Falsified or Missing Documents (2%), Additional Policy and Regulatory Violations (3%), Collections (3%), Accounting/Financial Irregularities (2%), AML/Terrorist Financing (1%), Misuse of Corporate Assets (1%) Vendor Practices (1%) and Other (3%). Callers originated from North America (47%), Mexico (24%), Asia Pacific (10%), Latin America (7%), EMEA (7%), and Japan (5%). Reported actions taken in 278 of the matters included training, amendments to policies and business processes, and disciplinary action.

In 2010, 42% of contacts remained anonymous. As of 2010, detailed data breakdowns were no longer provided. It was noted that this reporting change coincided with a change in departmental administration, which occurred in this year, which could account for the change in policy. However, it was reported the 1290 employment-related complaints were referred to "Employee Relations," which is presumably the Human Resources Department. The 742 business and operational issues were said to have been handled by PS2's Ethics Office; the same department which internally manages the fraud

hotline. According to available information, 268 of the complaints this year were handled with the use of training, amendments to policies and business practices, and disciplinary action. Table 9 on the next page displays the hotline metrics.

Table 9 PS2 Hotline Metrics

Year	Total Complaints	Human Resources - Related	Business/Operational Issues	Action Taken
2004	1619	1267	352	142
2005	2485	1620	865	259
2006	2405	1424	981	350
2007	1949	1332	617	200
2008	2277	1383	894	373
2009	1881	1177	704	278
2010	2031	1290	741	268

Complaint Type by Year

Year	2004	2005	2006	2007	2008	2009	2010
Complaint Type							
Complainants Remaining Anonymous	.42	.48	.52	.50	.43	.44	.42
Accounting/Audit Irregularities	N/A	-	-	.01	.02	.02	N/A
AML/Terrorist Financing	N/A	-	-	.01	.01	.01	N/A
Bribery/Gifts	N/A	-	.03	.10	.03	.05	N/A
Collections	N/A	.07	.04	.03	.04	.03	N/A
Conflicts of Interest	N/A	.09	.05	.05	.03	.04	N/A
Falsified or Missing Documents	N/A	.10	.11	.16	.12	.08	N/A
Fraud	N/A	.15	.12	.09	.08	.08	N/A
Information Security/Privacy	N/A	.07	.09	-	.14	.15	N/A
Insider Trading	N/A	-	-	-	.01	-	N/A
Misuse of Corporate Assets	N/A	-	.02	.02	.01	.01	N/A
Other	N/A	-	.09	.06	.04	.04	N/A
Retaliation	N/A	-	.07	.13	.10	.10	N/A
Sales, Service, and Operational Practices	N/A	.29	.38	.34	.36	.38	N/A
Vendor Practices	N/A	-	-	-	.01	.01	N/A
Total	N/A	100	100	100	100	100	N/A

To benchmark the hotline metrics, the 2009 and 2012 Corporate Governance and Compliance Benchmarking Reports from The Network were utilized. These reports were consulted for their benchmarking data as they correspond to the calls received to their hotline between the relevant time periods, which are 2004-2008, and 2007 and 2011, respectively.

The Network and BDO Consulting produce these reports on an annual basis. It should be noted that in their reporting, The Network groups the results for the financial industry along with that of the construction and real estate industry.

A request made to this organization to receive disaggregated data was denied. Per email from The Network Employee (NE1) (the same employee who was interviewed on September 4, 2012) "To your question, we can only provide information in aggregated format to protect the anonymity of our clients. Even to break it down by the vertical can put our clients at risk since we dominate that vertical." (Email dated September 12, 2012) Nor would they provide a client list. In response to this research request, the response from The Network was as follows: Our benchmarking report is compiled from reports generated by our global client set. Because of our commitment to confidentiality, we do not divulge specific client information (nor do we track it outside of the client-specific database. We only show and track the total number of organizations, total number of employees, and numbers of organizations per employee size." (Email from The Network Employee 2 (NE 2), dated August 2, 2012)

According to their report, the hotline contact report rates per 1,000 employees for the financial industry, and for an organization of this size, during the relevant time periods, are as delineated in Table 10.

Table 10 PS2 Benchmarking Data

Time Period FY Jan-Dec	Number of Employees (PS2's Annual Reports 2004-2010)	Average Benchmarking Figure Size, Industry	Number of Actual Complaints Received	Complaints Expected per Benchmarking	Delta	Percentage of Actual vs. Benchmarking
FY 2004	294,000	8.3, 3.17 = 6	1619	1764	145	92%
FY 2005	307,000	9.5, 5.61 = 8	2485	2456	+29	101%
FY 2006	337,000	8.5, 6.06 = 7	2405	2359	+96	102%
FY 2007	387,000	9.30, 4.90 = 7	1949	2709	760	72%
FY 2008	326,900	8.60, 7.93 = 8	2277	2615	338	87%
FY 2009	269,000	7.66, 8.28 = 8	1881	2152	271	87%
FY 2010	260,000	7.19, 6.52 = 7	2031	1820	+211	112%

To summarize, in contrast with PS1, according to the data, the number of calls received by PS2 has met, and, at times, exceeded the benchmarking figures. However, when examined qualitatively, it is evident that the time with the greatest amount of fraud, the 2007-2009 time period immediately preceding Dodd-Frank, we see that PS2 actually experienced a decline in the number of tips they received. Also, the number of frauds being reported is low, in light of the complaint volume.

To this end, according to the same benchmarking report, not a single complaint, out of all their clients analyzed (they are the hotline administrator for over 3,000 public and private sector clients) from 2004-2011, resulted in a prosecution.

Historical Context

The time period between 2007 and 2009, when PS2's hotline calls actually declined, was considered to be the financial crisis. Again, during this time, according to the Federal Deposit Insurance Corporation (FDIC), three hundred and sixty six (366) U.S. banks failed. PS2 was also seriously affected by this crisis. Indeed, PS2 was recapitalized by the U.S. government in November 2008.

Fraud Metrics

According to the information available in the public domain, PS2 has experienced a large amount of employee fraud during the relevant time period. A review of public records determined, overall, during the 6 years between 2004-2010, employees were linked to \$271.5 million worth of fraud, lost due to embezzlement and data theft and associated fines and other losses.

One noteworthy insider fraud case to have occurred at PS2 in recent years was dubbed by The Wall Street Journal as "the ultimate inside job." (Bray, 2011) This employee stole approximately \$19.2 million from PS2 in a

scheme that lasted for a year and a half (May 2009–December 2010). During this time, the employee, a Vice President who monitored derivative contracts, wired himself the money in a series of transactions from PS2 corporate accounts to his own personal bank account at another institution. (Dye, 2011; Bray, 2011)

This case became well known due to the audacity of the perpetrator. Despite making less than \$100,000 per year from PS2, he lived lavishly and flaunted this wealth to coworkers. He owned three luxury cars (Maserati, a BMW and a Ferrari) and owned six homes, including one that had a \$500,000 entertainment system, with bathroom mirrors, which doubled as video screens. (Bray, 2011) Despite his flagrant display of wealth relative to his position, Foster was not caught until a routine PS2 audit.

This employee, who had worked for PS2 since 1999, was arrested in June 2011 and charged with bank fraud and pleaded guilty to the crime. In June 2012, he was sentenced to eight years in prison.

In 2011, it was reported that a PS2 employee, a wealth manager in Indonesia, was detained by police on theft charges after stealing an estimated \$2 million. PS2 reportedly admitted this theft took place. (Reuters) At this time, a parallel investigation ensued into PS2's debt collection practices after a local resident died following questioning by PS2 debt collectors for a delinquent credit card bill. (Reuters, 2011)

Following this crime, while Indonesian authorities investigated the matters, the bank was barred from adding new credit card clients in this country for two years, and from taking new private wealth clients for one year. Authorities said if they determined PS2 committed crimes they would revoke their operating license. (Reuters, 2011) The wife of the man who died also filed a lawsuit against PS2 for \$347 million in damages. (Reuters, 2011)

2010, it was reported several employees of PS2's branch in India, including a relationship manager, stole between \$67–89 million from the

bank's wealthy Indian clients using forged documents. (Wachtel, 2010) At least thirty PS2 clients were affected by these frauds, and it was unclear at the time of the reporting whether the clients would be compensated for their loss. (Wilson, 2010; Wachtel, 2010) The scheme was perpetrated only a few months. (Wachtel, 2010)

In 2011, it was reported that a PS2 employee pleaded guilty to stealing nearly \$750,000 from twenty-two PS2 clients and faced one hundred and twenty years in prison. (Dremann) According to the report, a PS2 employee, a registered general securities representative and sales assistant, over the course of eight years, from 2000 to 2008, unlawfully traded in customers' accounts. This employee targeted clients whom she believed would be least likely to notice her crime, due to their elderly age, or poor health status. (Dremann, 2011)

The employee admitted to the thefts in her plea application, where she documented how she created fake authorization letters and transferred client money into her own account. It was further reported she used this money to invest in real estate and remodel her home. (Dremann, 2011)

As a result of this crime, PS2 was fined by the Financial Industry Regulatory Authority (FINRA) \$500,000 for failing to detect and investigate the "red flags" that were produced over the course of this employee's thieving transactions.

In PS2's Form 10k filed in 2010, they disclosed criminal charges were brought against a PS2 subsidiary (CBB) and three current or former employees in Belgium. The court convicted all defendants under the Prospectus Act, finding they did not follow their conditions/standards for issuers who offer securities to the public, and convicted CBB under Fair Trade Practices legislation. CBB was fined 165,000 Euro, (approx. \$218,000 U.S.) and the individual defendants were also fined 427.50 Euro. PS2 was further ordered to compensate over sixty civil claimants, who didn't settle their disputes, for

2.4 million Euro (approx. \$3.17 million U.S.). CBB appealed the judgment, and in their 20120 10K, PS2 reported on May 21, 2012, the Belgian appellate court dismissed all criminal charges against CBB, and the Public Prosecutor appealed this decision to the Belgian Supreme Court.

In 2011, Reuters reported PS2 was fined \$770,000 for failing to identify a ponzi scheme that was orchestrated by an employee in Hong Kong. According to the Securities and Futures Commission (SFC), from 2004-2009, a PS2 employee defrauded thirteen PS2 Asia clients by taking their money, which was supposed to be invested in financial products. The SFC found that PS2 was aware of the crime, yet did not report it to authorities in a timely manner. As a result, they vowed to hire an external expert to examine their operational practices. ("HK Regulator," 2007)

In cases of employee fraud at PS2, many involved collusion between multiple employees. In one such case in New York, in 2006, several PS2 employees conspired to steal client account numbers in what the media dubbed a "three woman fraud ring." (SecurityWeek News, 2001)

In this case, the subject employees stole over \$1 million from clients by stealing their credit card numbers and using the cards to buy luxury merchandise. In furtherance of the crimes, the employees changed the home addresses on the client's accounts to retrieve the merchandise. The three employees received sentences ranging from twenty one to thirty months in prison and were ordered to make restitution.

Also, during this time, PS2 employees were accused (and PS2 ultimately admitted wrongdoing) in connection with massive mortgage fraud; a crime that the Federal Bureau of Investigation (FBI) in 2004 warned was at overall "epidemic levels" and was capable of triggering a massive financial crisis.

During this time, one PS2 employee, DB, was a licensed Certified Public Accountant (CPA) working as a senior vice president in PS2's mortgage unit (2002-2005). In mid 2006, after being promoted to chief business underwriter

in the consumer division, DB reported "discover[ing] that over 60% of [the \$50 billion of prime] mortgages purchased and sold [annually] were defective." (Corkery, 2010). According to DB, "a mortgage file that is not underwritten to PS2 policy, or...does not contain all policy-required documents, is considered a defective file." (Corkery, 2010). According to news reports, DB requested a formal investigation "which not only confirmed his findings but found that the mortgage division had been out of compliance since 2005." (Katz, Marshall & Banks, 2011)

Nevertheless, DB said the situation was not addressed and the problem actually escalated to the point where as many as 89% of loans failed to meet quality standards. (McCuistion) In 2007, DB decided to report his concerns to the company via email (dated November 3, 2007), which he sent directly to PS2's Executive Committee Chairman, Senior Risk Officer, Chief Financial Officer, and Chief Auditor - an email he characterized as a "Hail Mary Pass" (that didn't get caught). (Lieber, 2012) Allegedly, shortly after sending this email, the Chief Executive Officer of PS2 signed a SOX certification "swearing the bank's internal controls were effective." (Katz, Marshall & Banks, 2011) [Research in the public record concerning this matter found no evidence DB contacted PS2's Ethics Hotline.]

Subsequently, DB found his "responsibilities reduced" (Katz, Marshall & Banks, 2011) from "managing 220 people to overseeing two" and was eventually told to stop reporting to work (in January 2009, he no longer worked for PS2). (MoneyScience, 2012)

DB is considered "one of America's first whistleblowers on the mortgage crisis." (Lieber, 2012) He was interviewed in a segment that aired on 60 Minutes in December 2011 and he now lectures on Ethics at the University of Texas at Dallas.

In February 2012, the Associated Press (AP) reported that PS2 was paying \$158 million to settle claims filed against its mortgage fraud unit

for "fraudulently misle[ading] the government into insuring risky mortgage loans for over six years." Specifically, the AP reported PS2 Mortgage submitted "knowingly or recklessly false" paperwork in connection with 30,000 mortgages, which certified to the government "certain loans were eligible for federal mortgage insurance when they were not" and the "defaulted loans resulted in millions of dollars in insurance claims."

This lawsuit, incidentally, was filed by another PS2 Mortgage employee-turned-whistleblower, BH, and was ultimately enjoined by the federal government. Filing the suit under the federal False Claims Act, BH was expected to receive \$31 million after legal fees. (Gallagher, 2012) According to media reports, BH complained first to her supervisor, DB (who included her concerns in his infamous email) and then BH went directly to PS2 Mortgage Human Resources and the issue was not resolved - so BH pursued an outside claim, which was filed under seal. It was during this time, the Department of Justice (DOJ) decided to take up the case. (This study did not locate evidence that DH called PS2's Ethics Hotline to report her concerns.)

BH said for the first several months, PS2 never knew it was being sued. (Gallagher, 2012) BH reported keeping a "low profile" and didn't believe anyone at work was aware of her lawsuit. (Gallagher, 2012)

In April 2008, BH was transferred to a position where she went from "supervising 65 people to managing none" in the quality control group. (MoneyScience, 2012) In November 2009, in her new role, BH found a list of around 1,000 loans that the quality control team determined may involve fraud. The PS2 Fraud Prevention and Investigation Group, who was tasked with handling these investigations, reportedly "left some mortgages in the queue for more than two years" and failed to make the proper notifications. (MoneyScience, 2012)

In a Bloomberg article published in May 2012, BH recounted her experience working at PS2, in PS2 Mortgage's headquarters in O'Fallon,

Michigan. According to BH, this location consisted of a "...a complex of three concrete-and-glass buildings surrounded by manicured lawns and vast parking lots. Inside are endless rows of cubicles where 3,800 employees trade emails and conduct conference calls...[where she] felt like a mouse in a maze. You only see people's faces when someone brings in doughnuts and the smell gets them peering over the tops of their cubicles." (Ivry, 2012)

In media documents, BH further reported the working conditions in the mortgage department, which reflect discrete task specialization and fixed duties. According to BH,

"...different teams [worked] to process mortgages, all of them focused on keeping home loans moving through the system. One team bought loans from brokers and other lenders. Another team, called underwriters, make sure loan paperwork was complete and the mortgages met the bank's and the government's guidelines. Yet another group performed spot-checks on loans already purchased. It was such a high-volume business that one group's assignment was simply to keep loans moving on the assembly line." (Ivry, 2012)

Later this year, in September 2012, Bloomberg reported the PS2 executives, who were named in the mortgage insurance fraud lawsuit filed by BH and the DOJ, (where she reported her concerns) were leaving the company.

Summary

Overall, PS2 was assessed as having an "Average" fraud hotline performance. Their level of bureaupathology was assessed at a "Level 4" (38.5%) out of ten. The strongest indicators present were Hierarchy of Authority/Insistence on the Rights of Office and Prolonged Role Enactment. The performance details were as follows: Metrics were assessed as "High" the functionality was assessed as "Poor" and the Best Practice compliance was assessed as "Moderate." Table 11 provides a summary of these results.

According to the evidence, PS2 has excessive bureaucracy and a hotline with performance issues. A review of the literature (organizational documents, CEO statements) and an analysis of employee reviews found bureaucracy and excessive bureaucracy was present in this organization. Overall, 38.5% of the sample set (403), which was 31% of the population (1,314 reviews), made comments indicating bureaucracy or excessive bureaucracy. In sum, the comments were made by 155 separate respondents, with 112 comments indicating bureaucracy and 74 indicating excessive bureaucracy.

Employee statements prove bureaucracy and excessive bureaucracy is recognized on the part of employees. Employee comments indicating all indices evincing bureaucracy and excessive bureaucracy were present at varying degrees. While 48 respondents' comments indicated the general existence of bureaucracy, specifically, employee comments suggest the indices of bureaucracy "Hierarchy of Authority" (22 comments) and "Insistence on the Right of Office" (21 comments) were especially problematic for employees. In terms of excessive bureaucracy, comments indicated "Prolonged Role Enactment" (19 comments), "Resistance to Change" (17 comments) and "Impersonal Treatment" (16 comments) were the most notable for those employees who submitted reviews for this organization.

As for PS2's hotline, evidence suggests it has performance issues, despite the high call volume. Benchmarking revealed the hotline receives a high number of calls for the industry and size. Between FY 2004 and FY 2010, the calls were between 72-112% above that which is expected via benchmarking. However, upon examination, it was noted the number of calls received in the period immediately preceding Dodd-Frank, when the financial industry was in crisis, the study noted the number of calls to the hotline declined (2004-2006, was 91%-102%; between 2007-2009, went from 72% to 87%. Specifically, it was noted the lowest percentage of calls received compared to benchmarking

was experienced in 2007 - the year immediately preceding the height of the financial crisis (2008) when massive, documented internal fraud was occurring in this industry.

Further, the number of frauds reported via the hotline is low, when compared to the number of overall calls received, and in light of the documented internal fraud in the company. That number also decreased over time, including during the financial crisis. For instance, in 2005 the number of fraud calls received was reported to represent 15% of calls. The overall call volume was also at its highest of the years analyzed - 2485. Then in 2006, this number dropped to 12%, despite the call volume staying at a relatively similar rate (2405). Then in 2007, they experienced a decrease in calls, and the rate of reported fraud fell further to 9%. Again, due to the historical context, fraud calls should have increased in this time period. Then, in 2008 it was even lower at 8%, despite an increase in calls to 2277, and stayed the same in 2009, despite a decrease in calls to 1881 - the lowest number of calls since 2004.

With respect to the hotline's functionality, the hotline underperformed in 4 of 5 key areas. As for marketing, the hotline telephone number was proven difficult to locate externally, unless the caller knows to call the hotline the "Ethics Hotline" when searching for the number. Given it is unknown how many callers know to search on these terms, rather than "fraud hotline" it must be perceived as a flaw. Ideally, the hotline would be searchable on all probable terms. PS2, at the time of this analysis, also did not have fraud hotline posters displayed, nor were they otherwise made available (not on a website, etc.). Next, as for mechanics, the hotline is managed by a third party provider and has an internal process for further call handling. As a result, the hotline is not perceived to have issues with its mechanics.

As for intake/processing, interviews revealed the hotline is managed both externally by The Network and internally by a designated Ethics group, comprised solely of attorneys. While the intake/processing, on the surface is appropriate, it is clear that the process may suffer from its own set of bureaucratic process issues. While multiple areas of the organization appear to be engaged in the triage process, which is seen as strength (The Network, 2008, p. 5) the process, as described, seems to involve so many people that it borders on being overly bureaucratic and as a result, it is believed the information may lose value along the way. Also, hotline administrators reported that PS2 does not report back to them on resolution, which skews benchmarking results. (Per The Network, not a single complaint out of 3,000 public and private sector clients from 2004-2011 resulted in a prosecution.)

With respect to incentives, the hotline administrator for The Network advised that many financial firms, generally, "want to keep the volume down." Later, the administrator said the cost of service "depends on volume." Thus it is believed that management's attitude in this regard may negatively affect the potential reporting incentives.

Per the employee reviews, this organization is believed to have a dominating management (Insistence on the Rights of Office, 21 comments) which keeps employees in the same role for a long period of time (Prolonged Role Enactment, 19 comments), providing impersonal treatment (16 comments) and resisting change (17 comments) with a dominating hierarchy of authority (22 comments).

With respect to best practices, this hotline is believed to be performing at a moderate level. For one, the hotline has oversight by high-level personnel. As for due care, the hotline appears to be well managed, in that there is a clear escalation process. With respect to communication, the hotline is communicated appropriately internally. The hotline reporting results are also available to employees via an internal website. However,

this study demonstrated the number was difficult to locate externally. This factor is significant, given most employee hotline callers call after business hours. (Association of Certified Fraud Examiners, 2002-2012; The Network, 2008)

As for this hotline's "reasonable steps to achieve compliance," that requirement is satisfied with their third-party hotline management, process of having calls escalated via a clear chain of command, and The Network having the contact information of key personnel for immediate dissemination.

With respect to the other two best practices elements, "consistent enforcement" and "reasonable steps to respond and prevent similar offenses upon detection," this study was unable to rate this organization on these factors, as the data is simply not made available to researchers to allow for this criteria to be established. This resulted in a reduced score in this area. Specific crimes learned via the hotline, along with their investigation and resolution, are not reported outside PS2's Ethics Office.

Furthermore, the level of internal fraud, the historical context and the perception of employees of their organization are also factors in gauging the overall performance of this fraud hotline. As for internal fraud, upon review of public records, this study was able to establish the presence of a high amount of internal fraud. A review of the historical context suggests the hotline should have received far more calls than it did, considering the fraud hotline data analyzed in this study represented the time period immediately preceding the financial crisis of 2008 - a time where massive internal crime occurred in the financial industry. Employee reviews also made reference to the existence of internal fraud, with employees saying management is "unethical at times" and has "lost its moral compass." Similarly, respondents said "managers are "dishonest," have "low ethical standards," "lie(s) and cheat(s)," and "lost [their] moral compass."

Overall, this lead one respondent to "learn how to keep [their] mouth shut when [they] saw something wrong/unethical."

As for employee sentiment, employee reviews suggest employees are likely disgruntled. With an overall rating of "average" on Glassdoor, it is clear employees, in their reviews, appear to not lean positively, or negatively. However, upon review of the negative comments, it is clear employees who are unhappy, make very specific statements, which should not be ignored by management. Specifically, to recap, employees stated there was "no enthusiasm [on their] team," where they were "treated like cattle instead of human beings" doing "monkey trainable type of admin work." Employees further reporting their "brain atrophied [from the work], in an environment where "change is like moving a mountain" in a "bureaucratic maze" where it is "almost impossible to actually get things done."

These comments are suggestive that the organization's employees are experiencing an excessively bureaucratic state, which is not otherwise discernible via a review of the commentary results as "average."

Table 11 PS2 Table of Results

Organization	PS2
Assessment Element	Overall Performance: Average Bureaucracy: Level 4 of 10
Size	260,000
Hotline Name	Ethics Hotline
Management	3 rd Party and Internal
Respondents Indicating IV	38.5% (Sample Size, 403; 155 indicated IV; 186 comments indicated IV)
Bureaucracy IV	Bureaucracy Level 4 5 of 5 General (48); a (22) b (7) c (5) d (9) e (21)
Bureaupathology IV	5 of 5 f (16) g (19) h (17) I (13) J (9)
Hotline Metrics (DV)	High; Calls exceeded benchmarking in each year of analysis Historical Context Number of calls reporting fraud decreased during the time preceding the financial crisis
Hotline Functionality (DV)	Poor, 4 of 5 k (hard to find number externally) l (3 rd party managed; dedicated internal team) m (heavily bureaucratic process; managers do not report resolution back to The Network) n (The Network said financial firms like to keep call volume low)
Best Practices (DV)	Moderate, 3 of 6 P (oversight present) q (Ethics office) r (not well communicated externally) s (yes, 3 rd party managed) t (data unavailable) u (data unavailable)
Historical Context (DV)	Conducive to Fraud; Conducive to Increased Calls (Financial Crisis 2008)
Evidence of Internal Fraud	Yes
Evidence of Negative Employee Sentiment	Yes
Result IV	Bureaucracy, Strongest attributes: Hierarchy of Authority; Insistence on the Rights of Office

Organization	PS2
Assessment Element	Overall Performance: Average Bureaucracy: Level 4 of 10
	Bureaupathology, Strongest attributes: Prolonged Role Enactment; Resistance to Change
Result DV	DV Functionality Affected Metrics- moderate Functionality- poor Best Practices- moderate Evidence of Historical Context, Internal Fraud, Disgruntled Employees
Notes	Despite an "average" rating, comments indicate fraud, massive bureaucracy

Case Study 3 (GS1)

Case Study 3, GS1, is a public sector organization in the federal government.

Background

The GS1 is a federal government entity with 17,359 employees as of 2011. The GS1 has been in operation since 1970 and is headquartered in Washington, DC. As of 2011, their annual budget is \$8.682 billion. Most GS1 employees work as engineers and scientists.

Bureaucracy

The existence of bureaucracy in the United States federal government is well established. Countless news articles and scholarly materials discuss the existence of bureaucracy in the federal government, generally, and at the GS1, specifically. As discussed, a hallmark of any bureaucracy is its complexity. In 2011, at President Obama's State of the Union address, Obama focused on the need to "merge, consolidate and reorganize the federal government" finding it to be "excessively complex." (Gofman, 2011)

In a 2011 issue of the Harvard Political Review, author Allison Gofman singles out the GS1 when talking about excessive bureaucracy in federal agencies, saying "the GS1, tasked with protecting the environment and human health, is a combination of over 14 different offices and 10 regional subdivisions." Incidentally, this level of bureaucracy comes with a cost. In 2010 the GS1 requested a budget increase of 34% over their 2009 budget - which was the first time in eight years the agency had requested such an increase. Such evidence would suggest they are more bureaucratic than ever.

GS1 has been singled out by other researchers, including Riley and Brophy-Baermann, who in their 2005 "Bureaucracy and the Policy Process" say "The term bureaucratic politics takes on a whole new meaning when it comes to the GS1." (360) Specifically, the authors find:

"The actions of the GS1 affect more people in society in more ways than any other agency, and the extent of its purview could allow it to have some influence over the activities of everyone, all the time. This kind of bureaucratic reach is a panacea to some and a bane to others; it is the epitome of what government is all about or the epitome of what is so terribly wrong with the government. It is alternatively conceived of as an agency advancing against an unrelenting tide of pollution, or an invasive species spreading throughout the governmental environment, taking up residence and causing destruction wherever it can find a vulnerable spot in the U.S. Code." (360)

The state of bureaucracy at the GS1 is well established in the public domain. To establish the perception of employees as to the bureaucracy at GS1, employee reviews of GS1 on Glassdoor were reviewed. As of July 25, 2013, there were a total of 85 reviews of the GS1 posted on this website. The time frame during which these reviews were posted spanned from June 11, 2008 to July 6, 2013. Based on these reviews, the GS1 was rated an overall score of "3.5" on a scale of 1-5.

Overall, based on the reviews, it appears as though the GS1 demonstrates all of the known hallmarks of a bureaucratic and bureaupathic regime. Employees' comments demonstrated apathy and described an environment where mediocrity was the norm and supervisors, who were detached. Nevertheless, the overall sentiment seemed to be more positive than that of the private sector organizations previously examined.

Table 12 and 13 on the next page, provides a summary and detailed bureaucracy assessment for GS1.

Count	Type	Attribute	Comment	Date
1.	Bureaupathic	Impersonal Treatment	"Management sees staff as bodies not as talent."	1/26/13
2.	Bureaupathic	Impersonal Treatment	"They were almost too laid-back"	10/26/12
3.	Bureaupathic	Impersonal Treatment	"If you're not proactive about getting work you could get lost in the shuffle"	9/16/12
4.	Bureaupathic	Impersonal Treatment	"Advancement is not based on performance and results in a lazy culture in the workplace"	8/19/12
5.	Bureaupathic	Impersonal Treatment	"There are employees that only come to work two or three times a week."	6/18/11
6.	Bureaupathic	Impersonal Treatment	"Managers don't have a clue of what employees are doing and they don't care either. Most people in the building have a "it's just a paycheck" attitude and they really don't care about their work or the results of their performance"	6/18/11
7.	Bureaupathic	Impersonal Treatment	"There are a few rotten apples in the bunch. There are a few people who don't care, it's just a paycheck. They come in late, leave early, sleep all day (if they show up at all). Sometimes it's hard for the rest of us to be motivated to work when there is someone snoring in the cube next to you."	11/3/10
8.	Bureaupathic	Impersonal Treatment	"Extra work should not be given to those who work on their days off, but instead to those who are sleeping."	5/18/10
9.	Bureaupathic	Prolonged Role Enactment	"The work could get repetitive after a while..."	6/25/13
10.	Bureaupathic	Prolonged Role Enactment	"there are somewhat limited opportunities for promotion after GS-13 level."	6/11/13
11.	Bureaupathic	Prolonged Role Enactment	"the job is simply not engaging/challenging enough--employees are not used at maximum potential."	6/11/13
12.	Bureaupathic	Prolonged Role Enactment	"Not much room to move up in the organization."	4/13/13
13.	Bureaupathic	Prolonged Role Enactment	"Staff are well paid but not utilized to best extent."	4/13/13

14.	Bureaupathic	Prolonged Role Enactment	"little opportunity for lateral movement in certain offices"	1/20/13
15.	Bureaupathic	Prolonged Role Enactment	"It's hard to get rid of bad apples."	11/17/12
16.	Bureaupathic	Prolonged Role Enactment	"There are a lot of people with "it's good enough for government."	11/17/12
17.	Bureaupathic	Prolonged Role Enactment	"Management is lacking on career development of employees"	8/22/12
18.	Bureaupathic	Prolonged Role Enactment	"Most employees are just there to collect their paycheck and are happy to wallow in mediocrity"	8/19/12
19.	Bureaupathic	Prolonged Role Enactment	"Many coworkers form cliques or are just waiting for their retirement date to come"	8/19/12
20.	Bureaupathic	Prolonged Role Enactment	"work is boring and your skills are not utilized"	2/21/12
21.	Bureaupathic	Prolonged Role Enactment	"There is no culture of performance or excellence. Mediocrity is perfectly acceptable and even encouraged"	9/1/11
22.	Bureaupathic	Prolonged Role Enactment	"No promotional potential from management"	6/26/11
23.	Bureaupathic	Prolonged Role Enactment	"the advancement and development opportunities are non-existent."	2/5/11
24.	Bureaupathic	Prolonged Role Enactment	"Lots of dead weight"	12/21/09
25.	Bureaupathic	Prolonged Role Enactment	"Promotions past the GS-13 are dependent on your connections, not necessarily skills"	12/21/09
26.	Bureaupathic	Resistance to Change	"it is the govt so it's very bureaucratic and policy changes take FOREVER."	6/11/13
27.	Bureaupathic	Resistance to Change	"it is the govt so you have to work with outdated computers and outdated IT systems that often malfunction."	6/11/13
28.	Bureaupathic	Resistance to Change	"Old and outdated equipment."	5/30/13
29.	Bureaupathic	Resistance to Change	"too few resources to succeed"	5/6/13
30.	Bureaupathic	Resistance to Change	"The environment is moribund and slow"	11/17/12
31.	Bureaupathic	Resistance to Change	"slow, many many people do nothing"	5/15/12

32.	Bureaupathic	Resistance to Change	"Work and progress can be slow and frustrating"	1/6/12
33.	Bureaupathic	Resistance to Change	"Most people are unmotivated career public servants, they are usually never very bright and rarely committed to working past 5pm (and this is after daily 2 hour lunch breaks)"	2/5/11
34.	Bureaupathic	Resistance to Change	"Progress on issues can be slow due to huge number of in house stakeholders and concomitant number of meetings"	6/8/10
35.	Bureaupathic	Resistance to Change	"GS1 generally has poor information/IT systems that are outdated."	8/8/09
36.	Bureaupathic	Resistance to Change	"...plenty of lazy people in the GS1"	3/21/09
37.	Bureaupathic	Resistance to Interrogation and Investigation	"Turf protection and CYA too much a part of the culture."	11/14/12
38.	Bureaupathic	Resistance to Interrogation and Investigation	"A lot of internal politics and CYA."	1/26/13
39.	Bureaupathic	Resistance to Interrogation and Investigation	" improve the behaviour of some in your ranks (angry outbursts, inability to receive feedback, retaliation, etc.)"	11/14/12
40.	Bureaupathic	Resistance to Interrogation and Investigation	"public distrust for the agency"	5/11/12
41.	Bureaupathic	Resistance to Interrogation and Investigation	"For some reason, contractors are treated with disdain. We are not made to feel like we belong. If someone makes a mistake, there is always a major investigation to find someone to blame. If the GS1 person makes a mistake it's no big deal."	9/3/11
42.	Bureaupathic	Resistance to Interrogation and Investigation	"Senior managers are far too isolated from legitimate feedback"	6/8/10
43.	Bureaupathic	Resistance to Interrogation and Investigation	"Even though senior management might know someone is not performing up to par, they will not confront that person in fear of the union."	3/21/09
44.	Bureaupathic	Strict Reliance on Organizational Rules and	"Ridiculous (month-long) standard HR/background check red-tape for interns"	5/21/13

		Procedures		
45.	Bureaupathic	Strict Reliance on Organizational Rules and Procedures	"Fairly rigid resource organization policies."	3/30/13
46.	Bureaupathic	Strict Reliance on Organizational Rules and Procedures	"I had a lot of problems when starting: no login to system, no security badge, computer issues."	10/26/12
47.	Bureaupathic	Strict Reliance on Organizational Rules and Procedures	"As a term employee I didn't qualify for a security pass - had to take my belt off in the pat-down line every morning (This was actually pretty significantly annoying)"	9/16/12
48.	Bureaupathic	Strict Reliance on Organizational Rules and Procedures	"Many bureaucratic policies and procedures prevent real work from getting done."	3/31/11
49.	Bureaucracy	Career Service	"Lots of 65 and up, who won't retire, but won't perform [sic] either."	6/18/11
50.	Bureaucracy	Career Service	"There is some difficult in career advancement given the nature of the government"	6/28/11
51.	Bureaucracy	Career Service	"Need to [hire] new recruits, many need to retire"	10/17/11
52.	Bureaucracy	Career Service	"It is a very difficult and slow process in advancement."	4/15/12
53.	Bureaucracy	Career Service	"You need to know the right people to move up."	4/15/12
54.	Bureaucracy	Career Service	"there are a lot of people just there for the stable job and benefits."	4/30/12
55.	Bureaucracy	Career Service	"Some of the older staff are retired in place and not helpful."	8/31/12
56.	Bureaucracy	Career Service	"Not too much upward mobility"	8/31/12
57.	Bureaucracy	Career Service	"A lot of people are not excited/passionate about their work."	4/1/13
58.	Bureaucracy	Career Service	"employees can be lazy and jaded"	4/4/13
59.	Bureaucracy	Career Service	"Opportunities for advancement can be limited"	4/15/13

60.	Bureaucracy	Career Service	"Low turnover leads to many "lifers" with minimal motivation or interest in self-improvement"	5/21/13
61.	Bureaucracy	Career Service	"it is not apparent how you can get promoted into upper management positions unless you stay there for a really LONG time (three decades or more)."	6/11/13
62.	Bureaucracy	Career Service	"too many life-long bureaucrats"	6/16/13
63.	Bureaucracy	General	"A level of bureaucracy"	11/7/08
64.	Bureaucracy	General	"red tape"	12/21/09
65.	Bureaucracy	General	"red tape"	1/4/10
66.	Bureaucracy	General	"too much red tape"	6/29/10
67.	Bureaucracy	General	"By definition, everything is bureaucratic"	1/27/11
68.	Bureaucracy	General	"very bureaucratic an [sic] incredibly slow."	2/26/11
69.	Bureaucracy	General	"the bureaucracy can be stifling"	3/31/11
70.	Bureaucracy	General	"mind numbing and sclerotic bureaucracy"	9/1/11
71.	Bureaucracy	General	"career GS1 bureaucrats were not always friendly or helpful"	1/25/12
72.	Bureaucracy	General	"dealing with the bureaucracy from time to time can be challenging"	2/9/12
73.	Bureaucracy	General	"there are some of the standard bureaucratic employees that give government employees a bad name here"	8/27/12
74.	Bureaucracy	General	"GS1 is a huge agency and is very bureaucratic"	9/3/12
75.	Bureaucracy	General	"too much red tape"	11/8/12
76.	Bureaucracy	General	"bureaucracy makes it impossible to be efficient, too much red tape to get anything done. worked on one project that was done separately by four different departments."	11/8/12

77.	Bureaucracy	General	"red tape"	2/15/13
78.	Bureaucracy	General	"Felt like scenes from Office Space quite a few days"	3/5/13
79.	Bureaucracy	General	"gov't red tape"	3/19/13
80.	Bureaucracy	General	"Everything takes forever to get done because of the bureaucracy"	4/1/13
81.	Bureaucracy	General	"Very bureaucratic, as expected."	5/30/13
82.	Bureaucracy	General	"Very bureaucratic"	6/11/13
83.	Bureaucracy	Hierarchy of Authority	"There are almost no promotional opportunities for non-supervisors and fewer and fewer in a steep pyramid scheme."	1/24/12
84.	Bureaucracy	Hierarchy of Authority	"The department if [sic] GS1 consists of many levels of management."	4/15/12
85.	Bureaucracy	Insistence on the Rights of Office	"senior managers have inordinate power to negatively affect careers with very little fear of recourse"	6/8/10
86.	Bureaucracy	Insistence on the Rights of Office	"management was miserable and ineffective"	6/29/10
87.	Bureaucracy	Insistence on the Rights of Office	"There are a few supervisors here that are bullies, they will harass people to make them quit."	11/3/10
88.	Bureaucracy	Insistence on the Rights of Office	"Incompetent useless and downright cruel management. Bosses who are no better than school yard bullies"	11/3/10
89.	Bureaucracy	Insistence on the Rights of Office	"Sometimes attorneys doing enforcement were thwarted because of upper management ideas about what should and should not be enforced (regardless of what the law says)."	2/26/11
90.	Bureaucracy	Insistence on the Rights of Office	"Managers care more about themselves than their staff."	1/26/13
91.	Bureaucracy	Insistence on the Rights of Office	"A Republican President of Congress brings work at this agency to a virtual standstill."	2/17/13
92.	Bureaucracy	Insistence on the Rights of Office	"management is awful and incompetent, quality of work isn't important they only care about filling FTEs and having the biggest groups"	4/4/13

93.	Bureaucracy	Strict Reliance on Organizational Rules and Procedures	"Many bureaucratic policies and procedures prevent real work from getting done."	3/31/11
94.	Bureaucracy	System of Rules	"Sometimes it is difficult to make things happen within such a large agency where there is so much paperwork to make anything happen."	6/11/08
95.	Bureaucracy	System of Rules	"slow processes"	1/4/10
96.	Bureaucracy	System of Rules	"It takes a LONG time to get a job with GS1 and the HR department is pretty bad with communication."	9/12/10
97.	Bureaucracy	System of Rules	"Slow to do things in office, computer changes and paperwork."	12/7/10
98.	Bureaucracy	System of Rules	"Go through six procedures to tie your shoe"	1/27/11
99.	Bureaucracy	System of Rules	"Many hours wasted on transition between systems."	5/30/13
100.	Bureaucracy	Technical Expertise	"It is a very phony work place where people know very little about [the subject]. The actual leg work goes to contractors."	11/4/10
101.	Bureaucracy	Technical Expertise	"Managers in positions they are not technical enough to fill"	4/19/13

Table 12 GS1 Social Media/Bureaucracy Analysis Summary

Attribute	Data	Analysis
Time Frame	6/11/08-7/6/13	5 year time period
Population	85	.48% of all employees (17,359)
Respondents Indicating Bureaucracy or Bureaupathic Behaviors	61	72% of the population (85) .35% of all employees (17,359)
Total Comments Indicating Bureaucracy and Bureaupathology	99	51 Bureaucracy + 48 Bureaupathic

Attribute	Data	Analysis
Bureaucracy	51	General (20) Hierarchy of Authority (2) System of Rules (6) Technical Expertise (1) Career Service (14) Insistence on the Rights of Office (8)
Bureaupathic	48	Impersonal Treatment (8) Prolonged Role Enactment (17) Resistance to Change (11) Resistance to Interrogation and Investigation (7) Strict Reliance on Organizational Rules and Procedures (5)

Table 13 GS1 Social Media/Bureaucracy Data Set

Hotline Specification

The GS1's hotline, managed by the Office of Inspector General (OIG) is called, simply, the OIG Hotline. According to their website, it is staffed by federal law enforcement agents whom the GS1 says are the only people who are permitted to receive a complaint within the agency. Upon receipt of a complaint, the OIG will either open an investigation/audit, or refer the matter to GS1 management or another Federal agency, such as the Federal Bureau of Investigation (FBI).

With respect to hotline accessibility, the hotline number is easy to find with a simple Google search for "GS1 Fraud Hotline" or "GS1 Ethics Hotline." A Hotline Poster is also made available to the potential complainant at the top of the webpage and is downloadable via a quick link.

From a user perspective, it is challenging to navigate the hotline complaint process. Although there is a lot of information provided, it seems to hinder reporting rather than facilitate it. On the hotline website, to begin, there is a copious amount of information on how to recognize fraud, waste and abuse, with links to further information in the form of brochures. In terms of their means of advertisement, one of the links provided on the website leads to the GS1's hotline poster, which reads "Report Fraud, Waste or Abuse" and provides an email address, a physical address, fax, telephone number and website link.

Upon further review, the webpage contains an additional abundance of information about whistleblower protections, and the existence (as of 2012) of the Whistleblower Protection Ombudsman. Then, finally, at the end of the page, there is a web form where an actual complaint can be lodged.

With respect to confidentiality, it doesn't appear to be guaranteed in all cases. At the heading of their web form, in bold red letters, it reads "warning" and a disclosure is listed which informs potential internet

complainants they do not have the ability to remain anonymous. There is an additional email address provided, where the same lack of confidentiality applies. However, the site informs complaints which are logged *in person*, by telephone, or U.S. Mail, where confidentiality is *requested*, will be honored.

Before entering a complaint, the complainant is first directed to view a link entitled "What to Report to the GS1 OIG Hotline" in order "to determine whether [their] information is appropriate for [reporting]. When this link is clicked, it takes the user back to a point earlier in the website (which the user will have already scrolled past to arrive at that directive). Here, they inform the complainant of the purpose of the hotline, which is to "receive complaints of fraud, waste or abuse in GS1 programs and operations including mismanagement or violations of law, rules, or regulations by GS1 employees or program participants."

The GS1 further provides examples of reportable violations, to include: "Contract, procurement and grant fraud, Bribery and acceptance of gratuities, significant mismanagement and waste of funds, Conflict of interest, Travel fraud, Abuse of authority, Theft or abuse of Government property or Computer crime." They ask that "minor incidents, such as, minor time and attendance abuse, or misuse of Government property" instead be reported to "appropriate program managers" and that "personnel matters involving requests for individual relief" be "handled through the appropriate grievance process with management, and offices of personnel, equal employment and civil rights."

Overall, this process was determined to be very complex and believed to be designed to reduce the number of complaints received.

Hotline Metrics

Data analyzed was from the Fiscal Years 2003-2012. It is clear from the data, per benchmarking, the GS1 is meeting and exceeding expectations

with respect to the number of inquiries received. Table 14 provides the metrics for GS1's hotline.

Table 14 GS1 Hotline Metrics

FY	Number of Employees ¹	Inquiries Per GS1's Annual Performance Review (Annual Report).	Referral to Other Offices	Closed	Average Benchmarking Figure, Size, Industry ²	Calls Expected per Benchmarking	Delta
2003	17,939 ³	638	N/A	571	4.7, 13.6 = 9	161	+477
2004	17,939 ⁴	927	N/A	26	N/A ⁵ 8.8 = 9	161	+766

¹The GS1's Annual Performance Reviews only speak to full time employees (FTE) in terms of expenditure and percentage of usage. They do not provide the actual number of employees present in the agency in a given year. Instead, the number of employees per year was located for certain years in other organizational documents, such as their special reports, including a 2011 Evaluation Report, entitled "APA Needs Better Agency-Wide Controls Over Staff Resources" which gave the number of employees for the years 2006-2010. Other organizational documents were utilized, where indicated. Where an exact number of employees for a given year could not be located, an average figure was used (as noted). It should be noted the slight fluctuation in figures does not affect the benchmarking numbers used in this instance, as the applicable ranges is Group 3, 10,001-20,000 employees.

²In the benchmarking reports, produced by The Network, there are an average number of calls expected per company size and per industry, per year. These figures were averaged to produce the ideal benchmarking figure per year, tailored to the organizations industry and size. Here, the industry comparison used was "Public Administration." The number was rounded to the nearest decimal.

³This figure was unavailable; an average figure, computed using (17,359; 18,518) was utilized.

FY	Number of Employees ¹	Inquiries Per GS1's Annual Performance Review (Annual Report).	Referral to Other Offices	Closed	Average Benchmarking Figure, Size, Industry ²	Calls Expected per Benchmarking	Delta
2005	17,939 ⁶	474	N/A	18	N/A, 8.8 = 9	161	+313
2006	18,461	564	377	30	4.76, 9.1 = 7	129	+435
2007	18,327	798	603	9	3.18, 9.6 = 6	110	+688
2008	18,109	838	647	8	6.32, 9.9 = 8	145	+693
2009	18,306	568	529	N/A	8.66, 7.93 = 8	146	+422
2010 ⁷	18,518	N/A	N/A	N/A	4.85, 8.35 = 7	130	N/A
2011	17,359 ⁸	252	252	150	5.28, 8.29 = 7	122	+130
2012	17,939 ⁹	225	N/A	125	N/A	N/A	N/A

⁴This figure was unavailable; an average figure, using the highest and lowest number of employees (17,359; 18,518) was utilized.

⁵ Benchmarking figures by size were not available for years 2004/2005; Industry benchmark was rounded to the next whole number.

⁶This figure was unavailable; an average figure (17,359; 18,518) was utilized.

⁷ The hotline statistics for 2010 were not available.

⁸This figure was unavailable; an average figure (17,359; 18,518) was utilized.

⁹This figure was unavailable; an average figure (17,359; 18518) was utilized.

Historical Context

Here, a recent employee survey suggests although their benchmarking demonstrates the call level for their industry and size is appropriate, employees may not be calling at expected rates. Specifically, in this survey, employee responses reflect they are not comfortable reporting internal violations.

In 2012, in a Federal Employee Viewpoint Survey (EVS) (also known as the "Federal Human Capital Survey (FHCS)" or the Annual Employee Survey (AES)" [pre-2010]) GS1 employees were asked several job-related questions, including one question regarding their feelings about reporting suspected internal violations. In response to the statement "I can disclose a suspected violation of any law, rule or regulation without fear of reprisal" 8,020 employees (of 8,847) responded.

While the agency reports a 60.8% "positive" response rate to this question, according to the facts presented, 3,848 employees, out of the 8,847 who completed surveys, or 43.5% ¹⁰of respondents answers reflect they are either unsure, or know they can't report without fear of reprisal. This result suggests the GS1 has some work to do in communicating, and demonstrating, that internal reporting, especially via the hotline, is encouraged and welcomed.

The breakdown of their responses is as follows:

Response	Number of Respondents	Percentage of Total
Strongly Agree	1,873	22.6%
Agree	3,092	38.2%
Neither Agree nor Disagree	1,721	22%
Disagree	714	9.1%
Strongly Disagree	620	8.2%

¹⁰ Percentages add up to more than 100% because, according to the report, the percentages were weighted to represent the Agency's population.

Total	8,020	100%
Do Not Know:	793	

Yet another survey, conducted in December 2008 [1,050 respondents] designed specifically to measure the GS1 employee's understanding of the GS1 OIG had results, which per an OIG report demonstrated "troubling perceptions" about them amongst the employees. Here, a majority of employees, 83%, indicated they "were either not aware, or didn't know, of any policies or procedures governing interaction with the OIG." (GS1, Office of Inspector General, 2009) These findings are problematic because the OIG manages the GS1 fraud hotline.

In addition, survey results seem to indicate employees do not believe their complaints would be anonymous. In summary, the OIG found that 45% of respondents "either agreed or did not know whether they would face retribution if they provided information or documentation in response to an OIG request without the approval from their program manager or supervisor."

Additional employee surveys located further measured whether employees believed they worked in a "Results-Oriented Performance Culture" which indicated the "extent employees believe their organizational culture promotes improvement in processes, products and services, and organizational outcomes." This metric is useful in this analysis, as it can indicate whether employees believe they are subject to bureaupathic conditions, which as posited here, could negatively influence fraud reporting.

The results of the survey per this indicator are as follows:

Metric	2011 EVS	2010 EVS	2009 AES	2008 FHCS	2007 AES	2006 FHCS
Results-Oriented Performance Culture	56%	56%	56%	57%	56%	55%

As evidenced, the survey indicates an average of 56% of employees from 2006-2011 believed their employer, the GS1, demonstrated a results-oriented performance culture. This metric is relevant when considering whether an employee believes their complaint to the hotline would be addressed and/or resolved.

Fraud Metrics

The government sector also experiences its share of fraud, despite having fraud hotlines in place to receive tips. Their hotlines are also more widely publicized than those in the private sector, allowing for increased fraud-reporting possibilities. Unfortunately, despite such measures, GS1 has experienced internal fraud, waste and abuse, which appears to have gone largely unreported, and was also determined to have been improperly investigated and punished by GS1.

Overall, this study was unable to determine a total amount of fraud loss, as it was not reported in the public domain. However it was determined that at least 69 employees were involved in employee misconduct during the relevant time period.

Although the entire universe of crime committed by GS1 employees is not publicized or otherwise known to researchers, the following information was located in the public domain. According to a report conducted by the GS1 Office of the Inspector General (GS1 OIG), between October 1, 2002 and September 30, 2006, 69 cases of employee misconduct were investigated by the GS1 - which equates to around 17 cases per year.

The cases identified in the GS1 OIG Report suggest their crimes were lengthy and repetitive in their duration, and involved collusion with others, including bank fraud, (which included forgery and improper check deposits) pay stub alteration, and participation in a food stamp trafficking scheme.

(2012, p. 6) Ideally, these cases would have been reported to the fraud hotline.

However, even if employee crimes were made known to the GS1, available evidence seems to indicate they may not have been sufficiently and appropriately handled. Overall, according to OIG reports, the crimes investigated by the agency lacked timely and adequate review and the subjects were under-punished, for unknown reasons (Office of Inspector General Access Survey Results).

For instance, in one case, an internal fraudster, who pleaded guilty to bank fraud for stealing income tax checks, received only a 14-day suspension from the GS1. In other matter, where an employee was found to have altered pay stubs, received only a 10-day suspension. In a matter of particular concern to the GS1 OIG, where an employee systematically stole computer equipment from the GS1 for a period of 10 years, the agency ordered only an "official reprimand." (2009, p. 6)

Evidence demonstrates government contract employees were also committing fraud. In 2005, a former GS1 contractor, a computer systems administrator, was sentenced to four months in prison after he accessed GS1 systems following his termination and caused the GS1 great harm by deleting files, changing user passwords and effectively shutting the entire system down. (GS1, 2005)

Today, despite recommendations made by the GS1 OIG following their investigation, it seems as though the GS1 is still suffering from internal problems, which adversely affected their investigations process. According to research conducted by Public Employees for Environmental Responsibility (PEER), in 2011, the GS1 criminal enforcement division experienced an unusually high number of special agents leaving the agency. Subsequent

review by PEER noted "personnel abuse" among other reasons, as a catalyst for agent turnover. Yet another review by PEER in the same year disclosed Deloitte conducted a study into the internal problems at the GS1's Office of Civil Rights (OCR). Deloitte's evaluation concluded inferior investigation practices were occurring within the agency. Ironically, these practices inhibited the proper investigation of complaints.

According to their study, the OCR "has struggled to track, investigate and resolve... EEO violations," finding "The Office of Civil Rights lacks "the rudiments of organizational infrastructure," such as established procedures, defined staff duties or the ability to track cases. Its handling of employee complaints "is known for poor investigative quality and a lack of responsiveness," dismally "poor performance" with backlogs and long delays in investigations of discrimination complaints.

Deloitte's review of complaints from GS1 employees found that none received a final agency decision on time, with many several months overdue; and a confused "fire drill mentality [which] resulted in significant financial and reputational consequences for the Agency" in the form of large cash settlements from botched discrimination investigations. (Deloitte, March 21, 2011)

In the same year, further individual personnel abuses were noted, such as a GS1 criminal investigator from Dallas who was indicted for failing to disclose a prohibited personal relationship with an FBI agent.

Summary

Overall, GS1 was assessed as having an "Above Average" fraud hotline performance. Their level of bureaupathology was assessed at a "Level 8" (72%) out of ten. The strongest indicators present were Career Service and Prolonged Role Enactment. The performance details were as follows: Metrics

were assessed as "High" the functionality was assessed as "Moderate" and the Best Practice compliance was assessed as "Moderate." Table 6 provides a summary of these results.

According to the evidence, GS1 has excessive bureaucracy and a hotline with performance issues. A review of the literature (organizational documents, President Obama's State of the Union Address in 2011, media articles) and an analysis of employee reviews found bureaucracy and excessive bureaucracy was present in this organization. Overall, 72% of the population (85), which was .35% of all employees (17,359), made comments indicating bureaucracy or excessive bureaucracy. In sum, the comments were made by 61 separate respondents, with 51 comments indicating bureaucracy and 48 indicating excessive bureaucracy.

Employee statements prove bureaucracy and excessive bureaucracy are recognized on the part of employees. Employee comments indicating all indices evincing bureaucracy and excessive bureaucracy were present at varying degrees. While 51 respondents' comments indicated the general existence of bureaucracy, specifically, employee comments suggest the indices of bureaucracy "Career Service" (14 comments) and "Insistence on the Right of Office" (8 comments) were especially problematic for employees. In terms of excessive bureaucracy, comments indicated "Prolonged Role Enactment" (17 comments), "Resistance to Change" (11 comments) and "Impersonal Treatment" (8 comments) were the most notable for those employees who submitted reviews for this organization.

As for the GS1's hotline, evidence suggests it performed at an above-average level. Benchmarking revealed the hotline receives a high number of calls for the industry and size. In every year analyzed, FY 2003-2012, the GS1 exceeded performance standards per benchmarking. (However, based on the

historical context (survey results) it is believed the number of calls received from employees could be low.)

According to employee surveys conducted from 2008-2012, employee respondents indicated they had a fear of reporting internal crime. In the 2008 survey, of 1,050 respondents, 45% indicated they would, or were unsure, whether they would face retribution for internal reporting. In the 2012 Federal Employee Viewpoint Survey (EVS), of the 8,847 respondent GS1 employees, 43.5% reported they were either unsure or believed they cannot submit a hotline report without fear of reprisal. The results of these surveys suggest all known crime is likely not being reported.

With respect to the hotline's functionality, the hotline performed well in most key areas. As for marketing, the hotline telephone number was easily located with a quick Google search for "GS1 Fraud Hotline" or "GS1 Ethics Hotline." The GS1 also had a downloadable Hotline Poster available via the same search terms. Next, as for mechanics, the hotline is managed by the Office of Inspector General with a robust internal process for further call handling. As a result, the hotline is not perceived to have issues with its mechanics.

As for intake/processing, interviews revealed the hotline is well-managed, with a very detailed intake process. However, the details of the process also make it a bit overly complex, which may cause the process to suffer from its own set of bureaucratic issues. It was noted on the Hotline website that the user must navigate through a copious amount of information before they are able to lodge a complaint.

With respect to incentives, it is believed employees might not be incentivized to report. First, surveys in 2008 and 2012 demonstrated as many as 45% of respondents questioned the confidentiality of the hotline when indicating their fear of reporting without reprisal. Further, employees are informed on the website that only tips received in person, by telephone or

U.S. Mail where confidentiality is requested, is honored. They advise any report taken via web form may not be kept anonymous. On their website, the GS1 also advises the user at length about the reports they wish not to receive. It is believed this may further serve as a deterrent to reporting.

Per the employee reviews, this organization is believed to have a strong presence of Career Service (14 comments) with a dominating management (Insistence on the Rights of Office, 8 comments), providing Prolonged Role Enactment (17 comments) and resisting change (11 comments).

With respect to best practices, this hotline is believed to be performing at a moderate level. For one, the hotline has oversight by high level personnel. As for due care, the hotline appears to be well managed, in that there is a clear escalation process. With respect to communication, the hotline is communicated appropriately externally. The hotline also has a poster they make widely available.

As for this hotline's "reasonable steps to achieve compliance," that requirement is satisfied with their third-party hotline management, process of having calls escalated via a clear chain of command, and The Office of Inspector General having the contact information of key personnel for immediate dissemination.

With respect to the other two best practices elements, "consistent enforcement" and "reasonable steps to respond and prevent similar offenses upon detection," this study was unable to rate this organization on these factors, as the data is simply not made available to researchers to allow for this criteria to be established. Specific crimes learned via the hotline, along with their investigation and resolution, are not reported outside of the GS1.

Furthermore, the level of internal fraud, the historical context and the perception of employees of their organization are also factors in gauging the overall performance of this fraud hotline. As for internal fraud, upon

review of public records, this study was able to establish the presence of a high amount of internal fraud. A review of the historical context suggests the hotline might not be receiving the level of employee calls that it should, due to their perception of potential retaliation for reporting.

As for employee sentiment, employee reviews suggest employees are likely disgruntled. With an overall rating of 3.5 out of 5 on Glassdoor, which is "above average," suggests that employees, in their reviews, appear to lean slightly positively. However, upon review of the negative comments, it is clear employees who are unhappy, make very specific statements, which should not be ignored by management. Specifically, to recap, employees stated there was "lots of dead weight" and "most [employees] are unmotivated career public servants" subjected to "fairly rigid resource organization policies" which "prevent real work from getting done." Indeed, one respondent said working for the GS1 "felt like scenes from [the movie] Office Space most days."

These comments are suggestive that the organization's employees are experiencing an excessively bureaucratic state, which is not otherwise discernible via a review of the commentary results as "above average."

Table 15 on the next page provides a full summary of the results for GS1.

Table 15 GS1 Table of Results

Organization	GS1
Assessment Element	Overall Performance: Above Average Bureaucracy: Level 8 of 10
Size	17,359
Hotline Name	OIG Hotline
Management	Office of Inspector General (OIG)
Respondents Indicating IV	72% (Population 85; 61 indicated presence of IV; 99 comments indicated IV)
Bureaucracy IV	Level 8 5 of 5 General (20) a (2) b (6) c (1) d (14) e (8)
Bureaupathology IV	5 of 5 f (8) g (17) h (11) i (11) j (5)
Hotline Metrics (DV)	Moderate; Calls exceed benchmarking standards, yet quality of reporting on the part of employees is expected to be low due to survey results and due to high level of internal fraud
Hotline Functionality (DV)	Moderate, 3 of 5 k (easily found via a Google search for GS1 Fraud Hotline or GS1 Ethics Hotline" a Poster is available) l (managed by OIG) m (process seems overly bureaucratic and difficult to navigate) n (avg. 44% emp. said they fear of retaliation, anonymity is not guaranteed)
Best Practices (DV)	Moderate, 3 of 6 p (high level oversight) q (clear escalation process) r (data communicated externally) s (OIG managed, however, surveys say employees fear reprisal) t (data unavailable) u (data unavailable)
Historical Context (DV)	Conducive to Fraud; Conducive to Increased Calls (2008; 2012 emp. surveys; average 44% believe retaliation for reporting)
Evidence of Internal Fraud	Yes
Evidence of Negative Employee Sentiment	Yes
Result IV	Bureaucracy, Strongest indicator: Career Service; Insistence on the Rights of Office

Organization	GS1
Assessment Element	Overall Performance: Above Average Bureaucracy: Level 8 of 10
	Bureaupathology, Strongest indicator: Prolonged Role Enactment; Resistance to Change
Result DV	DV Performing Moderately Metrics- moderate Functionality- moderate Best Practices- moderate Evidence of Historical Context, Internal Fraud, Disgruntled Employees
Notes	Employee reviews contained information that could be actionable to managers. Specific jobs positions and departments were referenced.

Case Study 4 (GS2)

Case Study 4, GS2, is a public sector organization. The subject is a state government.

Background

According to the U.S. Census, GS2, a state entity, had 70,891 workers as of March 2011. Located in the Midwest, GS2 is the 20th most populous state. GS2 is known as "America's Dairy land" due to their high level of dairy production. Most GS2 residents were reportedly born in the state. The current Governor of GS2 is "SW."

Bureaucracy

As a State Government Agency, a certain level of bureaucracy might be assumed to exist in the State of GS2, and several articles have been written to this effect, including "Republicans Destroy Local Control, Create Massive Partisan Regulatory Bureaucracy, June 28, 2013;" and "At a Loss: The State of GS2 After Eight Years Without the Public Intervenor's Office," Winter 2004.

It is important to determine the perception of employees of GS2 as to the state of bureaucracy in their organization. Employees of the State of GS2 reviewed their employer on Glassdoor. Overall, 29 employees submitted a review of the agency, where they overall evaluated their employer at a 3.5 rating, on a scale from 1-5. Only 7% of respondents indicated they "approve" of the "CEO" who is the Governor, SW.

The respondents' comments were submitted between March 12, 2010 and March 27, 2013. Overall, the reviewer sentiment is largely one that indicates a tough working environment. Several respondents cautioned any future applicants they must have a "thick skin" in order to tolerate the job. Many also indicated they were not trusted, nor were they treated fairly in

several respects. One even hinted at internal crime issues, describing coworkers as "criminals."

As demonstrated, a majority of respondents, 64%, made comments that were indicative of bureaucracy and bureaupathic conditions in their workplace. The most indicated categories included Insistence on the Rights of Office and Impersonal Treatment.

Table 16 and 17 provide a summary and a detailed presentation of the social media analysis results.

Table 16 GS2 Social Media/Bureaucracy Analysis Summary

Attribute	Data	Analysis
Time Frame	3/12/10-3/27/13	3 year time period
Population	29	.04% of state employees (70,891)
Respondents Indicating Bureaucracy or Bureaupathic Behaviors	18 ¹¹	64% of the population (29) .03% of state employees (70,891)
Total Comments Indicating Bureaucracy and Bureaupathology	32	15 Bureaucracy + 17 Bureaupathic
Bureaucracy	15	General (4) Hierarchy of Authority (3) System of Rules (0) Technical Expertise (0) Career Service (3) Insistence on the Rights of Office (5)
Bureaupathic	17	Impersonal Treatment (7) Prolonged Role Enactment (3) Resistance to Change (3) Resistance to Interrogation and Investigation (3) Strict Reliance on Organizational Rules and Procedures (1)

Table 17 GS2 Social Media/Bureaucracy Data Set

Count	Type	Attribute	Comment	Date
1.	Bureaucracy	General	"government bureaucracy"	9/22/11
2.	Bureaucracy	General	"red tape"	9/22/11

¹¹ The number of respondents will not be equal to the number of comments, as a single respondent may have commented more than once. In the instance where their additional comment was included in a separate category, there will be more than one comment logged per respondent.

Count	Type	Attribute	Comment	Date
3.	Bureaucracy	General	"we function in a large bureaucracy"	4/10/12
4.	Bureaucracy	General	"red tape, red tape, red tape"	10/2/12
5.	Bureaucracy	Hierarchy of Authority	"Legislature should reduce depth of management employees"	2/25/11
6.	Bureaucracy	Hierarchy of Authority	"no more collective bargaining for state workers"	5/12/11
7.	Bureaucracy	Hierarchy of Authority	"the top management is not in touch with the real world. The things that come down from there is [sic] laughable"	12/27/11
8.	Bureaucracy	Career Service	"most careers have a long shelf life"	5/12/12
9.	Bureaucracy	Career Service	"stable employer, virtually no chance of a layoff"	11/13/12
10.	Bureaucracy	Career Service	"stop paying those who don't work and just suck up the money"	6/18/10
11.	Bureaucracy	Insistence on the Rights of Office	"too often people are appointed to their positions and do not have the right experience"	9/3/10
12.	Bureaucracy	Insistence on the Rights of Office	"people in positions they aren't qualified to be in"	9/22/11
13.	Bureaucracy	Insistence on the Rights of Office	"upper management dislike and distrust you"	12/2/11
14.	Bureaucracy	Insistence on the Rights of Office	"promotions and other opportunities based on personal relationships & who you know"	1/18/12
15.	Bureaucracy	Insistence on the Rights of Office	"decisions at high levels are made primarily with a focus on political"	4/10/12

Count	Type	Attribute	Comment	Date
			outcomes/advantages not because they make good business sense"	
16.	Bureaupathic	Impersonal Treatment	"poor internal talent development"	8/3/10
17.	Bureaupathic	Impersonal Treatment	"sometimes [performance] reviews do not take place for 3-5 years"	11/9/10
18.	Bureaupathic	Impersonal Treatment	"you better have a thick skin"	12/1/11
19.	Bureaupathic	Impersonal Treatment	"you have to have a thick skin"	4/10/12
20.	Bureaupathic	Impersonal Treatment	"basically chained to your desk/phone. don't ask if I'm on break when I go to the bathroom"	11/28/12
21.	Bureaupathic	Impersonal Treatment	"you better have thick skin"	2/27/13
22.	Bureaupathic	Impersonal Treatment	"trust employees"	2/27/13
23.	Bureaupathic	Prolonged Role Enactment	"not much room for growth"	11/9/10
24.	Bureaupathic	Prolonged Role Enactment	"not much chance for upward mobility since most employees have been there so long they never leave and gradually work their way up in management based on seniority not performance [sic]"	12/14/12
25.	Bureaupathic	Prolonged Role Enactment	"repetitive work"	3/27/13
26.	Bureaupathic	Resistance to Change	"culture is too relaxed, no impetus to get things done"	12/26/11
27.	Bureaupathic	Resistance to Change	"change is slow to occur"	8/3/10

Count	Type	Attribute	Comment	Date
28.	Bureaupathic	Resistance to Change	"quantity and quality of work unimportant"	1/18/12
29.	Bureaupathic	Resistance to Interrogation and Investigation	"Waste a lot of money, typical government run facility."	6/18/10
30.	Bureaupathic	Resistance to Interrogation and Investigation	"no real threat of disciplinary action for anything less than a felony"	1/18/12
31.	Bureaupathic	Resistance to Interrogation and Investigation	"some negative coworkers since the whole budget issue. Dealing with criminal is its own can of worms"	6/14/12
32.	Bureaupathic	Strict Reliance on Organizational Rules and Procedures	"paperwork is almost impossible to keep current"	3/12/13

Hotline Specification

The GS2 Act 126 established the GS2 state hotline, managed by the GS2 Legislative Audit Bureau, in 2007. The hotline is called the "Fraud, Waste and Mismanagement Hotline." The toll-free hotline number has been operational since April 2008. The hotline telephone number, containing the word "fraud" is provided on their hotline website. This website was easily located with an Internet search for the terms "GS2 Fraud Hotline." According to the website, their hotline is staffed "primarily by a Certified Fraud Examiner." In terms of reporting popularity, in their 2008 report, the State Auditor advised most tips to their hotline are received via telephone.

In 2009, a secure web-based form was also created. This form is available on their hotline website, along with a form that can be printed and mailed. The printed form guides respondents by suggesting examples of how to include the major elements of a complaint (i.e., who, what, when, where, how and why). The State Auditor logs and tracks all hotline reports, regardless of how they are received.

The website further guides complaints by providing a brief set of "tips for callers" to include the suggested complaint parameters (complaint should involve state government), and requests complaints be as specific and inclusive of facts as possible. Complainants are also urged to supply a name and telephone number for follow-up, and are reminded this information will remain confidential by law.

Hotline Metrics

The State of GS2 produces biennial special reports that summarize their hotline activity. Data is also included in their regular biennial reporting. Data concerning the performance of the State of GS2's hotline was obtained for the years 2008-2012. In their 2008 report, they specify 75 out of 140

hotline reports "involved state programs, agencies, employees or contractors." This report was part of their regular, biennial reporting. In the following year, 2009, and again in 2012, the State created a separate, dedicated hotline report.

Overall, benchmarking demonstrates the hotline receives a low number of reports for their size, and their industry. It was also noted that recently, the number of tips received regarding Employee Misconduct and Agency Mismanagement have increased.

Table 18 on the next page provides the hotline metrics for GS2.

Table 18 GS2 Hotline Metrics

FY	Number of Employees	Inquiries	Unfounded/ No Action	Resolved	Pending	Average Benchmarking Figure, Industry ¹² , Size	Calls Expected per Benchmarking	Delta
2008 ¹³	70,891 ¹⁴	140 ¹⁵	30	22	23	6.32, 8.60 = 7	496	-356
2009		79 ¹⁶	18	16	19	8.66, 7.66 = 8	567	-488
2010 ¹⁷		87 ¹⁸	30	19	9	4.85, 7.19 = 6	425	-338

¹² Here, the industry category is Public Administration.

¹³ For their 2008 report, the reporting began in April 2008, which was the advent of the hotline.

¹⁴ U.S. Census. March 2011. This figure was used for all benchmarking, as detailed, historical state employee breakdowns were not immediately available. Nevertheless, for benchmarking purposes, any number of workers over 50,000 is considered in the same category range.

¹⁵ Of these, the majority, 41, pertained to Waste/Inefficiency issues, next, 17, related to Agency Mismanagement, 5 dealt to Ineligible Beneficiaries, 5 dealt with Vendor/Contractor Issues, 4 were categorized as "other," and 3 were allegations related to Employee Misconduct. (It is unclear from the data provided which complaints were classified, and which were not, as the figures do not add up to the total number of reports.)

¹⁶ Of these, the majority, 30, pertained to Waste/Inefficiency issues, next, 12, related to Agency Mismanagement, 7 dealt with Vendor/Contractor Issues, 2 were allegations related to Ineligible Beneficiaries and 2 were categorized as "other." (It is unclear from the data provided which complaints were classified, and which were not, as the figures do not add up to the total number of reports.)

FY	Number of Employees	Inquiries	Unfounded/ No Action	Resolved	Pending	Average Benchmarking Figure, Industry ¹² , Size	Calls Expected per Benchmarking	Delta
2011		79 ¹⁹	38	46	28	5.28, 7.52 = 6	425	-346
2012 ²⁰		83 ²¹				5.28, 7.52 ²² = 6	425	-342

¹⁷ Since these reports are produced biennially, and 2009 hotline figures were provided in a special report, the 2010 figures were deduced by subtracting the 2009 figures from the 2009/2010 biennial reports.

¹⁸ Since these reports are produced biennially, and 2009 hotline figures were provided in a special report, the 2010 figures were deduced by subtracting the 2009 figures from the 2009/2010 biennial reports.

¹⁹ Of these, the majority, 18 were Ineligible Beneficiaries, next, 17, were Agency Mismanagement, 15, were Waste/Inefficiency issues, 5 were related to Employee Misconduct, and 3 were "other." (It is unclear from the data which complaints were classified, as the figures do not add up to the total number of reports.)

²⁰ Since these reports are produced biennially, and 2011 hotline figures were provided separately, the 2012 figures were deduced by subtracting the 2011 figures from the 2011/2012 biennial report.

²¹ Since these reports are produced biennially, and 2011 hotline figures were provided separately, the 2012 figures were deduced by subtracting the 2011 figures from the 2011/2012 biennial report. Of these, the majority, 19 were Waste/Inefficiency issues, next, 16 were Ineligible Beneficiaries, 10, related to Agency Mismanagement, 7 were Vendor/Contractor Issues, and 7 "other." (It is unclear from the data provided which complaints were classified, as the figures do not add up to the total number of reports.)

²² Since 2012 benchmarking figures are unavailable, and since the data for 2011/2012 was aggregated in their reporting, the 2011 benchmarking figures were used for both data sets.

Historical Context

A review of public records and media articles demonstrates the state employees in GS2 are very disgruntled. They are reportedly extremely upset about the Governor (referred to herein as "SW") SW's cuts to public employee rights and benefits. In March 2011, SW confirmed that collective bargaining would end for most public workers. In that year, state workers also didn't receive a pay increase. (Bauer, 2013) According to State documents, for the 2009-2011 bienniums, state workers were further subjected to hour reductions and furloughs, also implemented by the Governor, to decrease state expenditures. These furloughs applied to all state employees, full and part time. Articles in the New York Times discussed the "unrest" and "protests" which were mounting in this state, and spreading to others as fear of similar cuts among those employees worsened. (Cooper & Seeley, 2011)

Generally, the public outrage over the policy changes made by SW and other State lawmakers have resulted in an unprecedented amount of public discontent and counterattacks. Media articles report ammunition being found outside the GS2 State Capitol, death threats sent to Republican State Senators, thefts and boycotts of business who made contributions to SW's campaign. (FoxNY.com, 2011; Murdock, 2011; Newby, 2011)

Several protests also occurred, including one at the GS2 State Capitol, which police estimated was larger than protests during the Vietnam era, containing up to 100,000 people in a single demonstration (Kelleher, 2011). In fact, USA Today reported GS2 state police said the March 26, 2011 protest was the largest they had ever seen. (Contorno, Benson, & Jones, 2011)

Such negative employee sentiment is likely to continue. Although State employees recently received a pay increase (as of July 26, 2013; 1%), this raise is unlikely to satisfy most State workers, who have not received an increase in four or five years. According to the Associated Press, democrats

have called this increase "paltry" in light of "increased pension and healthcare costs over the past two years, [which] equated to a 12-14% pay cut." (Bauer, 2013) Incidentally, the Governor's own salary increase was double that of the average state employee, rising from \$144,423 to \$147,328 (rising by \$2,905, a 2% increase).

Overall, disgruntled employees are often perpetrators of workplace crime. (Wells, 2001; Willis, 2006; PwC, 2011; Conner 2012) The state of unrest, which exists in the State of GS2, should be considered when marketing and evaluating the fraud hotline.

Fraud Metrics

According to the U.S. Census, as of July 2011, the state of GS2 had a population of just over 5.7 million, and 5 percent of those residents are serving GS2 as public workers. Despite having a fraud hotline in place, which is designed to receive tips from state workers and residents alike, the fraud, waste and abuse on the part of public workers is ongoing.

Overall, this study concluded during the relevant time period, from 2008-2012, over 4 years, \$428k was lost by GS2 due to embezzlement, data theft and corruption.

A review of the news archives reveals the State of GS2 has had its share of public employee theft, waste and mismanagement on the part of former governors, among other officials, dating back to the 1800s. Such scandals caused the author to caution state residents that "power corrupts" and to "always keep a watchful eye over the public servants whom they hire..." (Scandals, Scandals, Scandals, 2006)

The specific internal fraud instances located are as follows. In July 2012, an employee, who was a public worker for seven years, was indicted with federal fraud charges after using an assumed name, fake social security

number, and a falsified passport, among other fabricated documentation, to fraudulently obtain a home in a low income housing complex intended for more deserving residents. In all, the worker stole at least \$18,000 worth of benefits. (Mohr) It was later determined this employee obtained her job using an alias. (Mohr, 2012)

This employee worked in the Secretary of State's office, where she would have been tasked with accurately and securely maintaining important state records, including municipal records, state laws and deeds, dating back 100 years. To have crime committed in his office is contrary to their professional philosophy of the current Secretary of State, which is, to "[be] there when you need help." (SOS Website)

In another case involving multiple employees, it was reported three employees of the Milwaukee County Department of Health Services from 2008-2011, systematically stole more than \$350,000 from the state's food assistance program, FoodShare. Collectively, according to State records, the three workers had logged over 60 years of service to the State of GS2, and each collected salaries that were the cost of living equivalent to making \$60k in New York City.

It was reported the three workers opened benefits accounts in the names of persons who were fictitious, incarcerated or otherwise ineligible for benefits, and used the benefits for themselves, and sold the cards to others for profit. The scheme was complicated and involved outside collaborators, all of whom sold fraudulent cards, falsified records, bribed residents, and stole cash. (Garza, 2011)

In all, the two complaints filed against the workers document 30 charges with multiple counts, including fraud, forgery and misconduct in a public office. When the employees' homes were searched, 1000 social security

numbers and other Personally Identifiable Information was retrieved. (Garza, 2011)

It was later determined these workers' crimes were known by certain State residents. According to one, who was interviewed in connection with the investigation, he paid the women \$50 per month to extend his own FoodShare benefits and advised they were bribing countless other residents in the same manner. In his words, they "had the whole east side hooked up." (Garza, 2011)

In yet another more recent case, in late July 2012, a trusted Milwaukee official was arrested for misconduct after it was learned she embezzled money from the state in collusion with an outside party. According to the search warrant, this employee, in her capacity as Director of Milwaukee County's Community Business Development Partners Agency (CBDP), is believed to have created fake contracts and incurred erroneous expenses which were billed to the federally funded program and made payable to her and the accomplice. (DeLong, 2012) She also double-billed accounts and received kickback money. (Journal Sentinel, 2012) Ironically, this person was tasked with contract oversight, which would have entailed the prevention and avoidance of such theft. The employee, again, was a trusted, long-term public worker (nearly ten years) who made \$89k per year (the cost of living equivalent of \$157k in New York City).

This case called into question the hiring practices of Governor (and former County Executive) SW. SW, who hired this worker, has been the target of a separate, long-term, massive probe into his administration as County Executive, which has spanned over two years. The allegations against SW include "campaign finance malfeasance, embezzlement of veterans' funds, bid-rigging, and even child enticement." (Schultze, 2012)

According to his website, Governor SW was elected to a GS2 County Executive position in 2002 "to reform the scandal-ridden city government." (SW.org) In 2010, while SW was campaigning to become Governor, a "John Doe" investigation was quietly launched into SW's administration, after \$60k became missing in connection with an annual event that SW sponsors to benefit area veterans. (Schultze, County Official Gets Out of Jail, 2012) Since then, it expanded as additional issues surfaced; including allegations of criminal activity on the part of key workers in his administration (during his tenure as Milwaukee County Executive).

Originally, six people were charged with 15 felonies; one person, who turned himself in to prosecutors, was convicted on two counts. (Bottari, 2011). In all, six people were charged, including three key members of SW's staff, including his former staff in GS2 County Executive office, deputy chiefs of staff and constituent services director, who were all convicted of wrongdoing. (Hall & Spicuzza, 2013). This investigation expanded to the state level before it was ultimately closed in March 2013. Although the investigation uncovered "illegal campaign contributions to SW's campaign, illegal campaign activity by [SW's] taxpayer-funded staffers and embezzlement of veterans' funds and other misdeeds....since...before [SW] was elected governor in November 2010," the investigation closed without finding sufficient evidence of wrongdoing beyond those charged. (Hall & Spicuzza, 2013)

Despite the lack of official charges, there are many critics who say SW evaded prosecution with expensive legal defense. (Hall & Spicuzza, 2013) Now that the scandal is behind him, sources have said SW may now be preparing to run for additional offices, including reelection to his current post in 2014 and a possible presidential run in 2016. (Hall & Spicuzza, 2013)

Summary

Overall, GS2 was assessed as having a "Below Average" fraud hotline performance. Their level of bureaupathology was assessed at a "Level 7" (64%) out of ten. The strongest indicators present were Insistence on the Rights of Office and Impersonal Treatment. The performance details were as follows: Metrics were assessed as "Low" the functionality was assessed as "Poor" and the Best Practice compliance was assessed as "Good." Table 19 provides a summary of these results.

According to the evidence, the State of GS2 has excessive bureaucracy and a hotline with performance issues. A review of the literature (organizational documents, media articles) and an analysis of employee reviews found bureaucracy and excessive bureaucracy was present in this organization. Overall, 64% of the population (29), which was .03% of all employees (70,891), made comments indicating bureaucracy or excessive bureaucracy. In sum, the comments were made by 18 separate respondents, with 15 comments indicating bureaucracy and 17 indicating excessive bureaucracy.

Employee statements prove bureaucracy and excessive bureaucracy are recognized on the part of employees. Employee comments indicating 3 of 5 indices evincing bureaucracy and 5 of 5 indices indicating excessive bureaucracy were present at varying degrees. While 15 respondents' comments indicated the general existence of bureaucracy, specifically, employee comments suggest the indices of bureaucracy "Insistence on the Rights of Office" (5 comments) as having the strongest presence, followed by "Career Service" (3 comments) and "Hierarchy of Authority" (3 comments). The remaining comments (4) were suggestive of the general existence of bureaucracy. With respect to bureaupathology, all five indices were present, especially "Impersonal Treatment" (7 comments).

As for GS2's hotline, evidence suggests it may have performance issues. Benchmarking revealed the hotline receives a low number of calls for the

industry and size. In every year analyzed, FY 2008-2012, GS2's hotline performed below performance standards per benchmarking.

With respect to the hotline's functionality, the hotline performed poorly. As for marketing, the hotline telephone number was easily located with a quick Google search for "GS2 Fraud Hotline." Next, as for mechanics, the hotline is reportedly managed by a single Certified Fraud Examiner. This suggests this hotline is not available 24-7 and assistance is not provided in multiple languages, due to understaffing. As a result, this hotline may not be operating well from a mechanics perspective.

As for intake/processing, organizational records reveal the hotline only has one person handling calls. As a result, the intake and processing is performed by a single actor, which suggests the potential for a perceived reporting and process bias. However, the website offers clear reporting guidelines that are not overly bureaucratic. Confidentiality is also assured. It is further reported the State Auditor logs and tracks all hotline reports.

The historical context suggests employees of the State of GS2 at this time would be especially disgruntled - a condition that is known to give rise to fraud and can further inhibit fraud reporting. In 2011, The Governor, SW announced collective bargaining would end for most public workers. Many State Employees also reportedly went a long time (4-5 years) without a pay increase, and were subject to hour cuts and furloughs. Poor employee sentiment resulted in a number of unprecedented public demonstrations. (Contorno, Benson, & Jones, 2011)

In addition, per the employee reviews, this organization is believed to have a dominating management (Insistence on the Rights of Office, 5 comments), providing Impersonal Treatment (7 comments).

With respect to best practices, this hotline is believed to be lacking in several areas. For one, the hotline does not appear to have a clear,

reported oversight process conducted by high-level personnel. As for due care, the hotline does not appear to have a well-managed, clear escalation process. With respect to communication, the hotline is communicated appropriately externally. The hotline does not make a poster available to external parties. It is unknown whether a poster is provided internally.

As for this hotline's "reasonable steps to achieve compliance," that requirement is satisfied with their third-party hotline management, process of having calls escalated via a clear chain of command, and The Office of Inspector General having the contact information of key personnel for immediate dissemination.

With respect to the other two best practices elements, "consistent enforcement" and "reasonable steps to respond and prevent similar offenses upon detection," this study was unable to rate this organization on these factors, as the data is simply not made available to researchers to allow for this criteria to be established. Specific crimes learned via the hotline, along with their investigation and resolution, are not reported outside of the State of GS2.

Furthermore, the level of internal fraud, the historical context and the perception of employees of their organization are also factors in gauging the overall performance of this fraud hotline. As for internal fraud, upon review of public records, this study was able to establish the presence of a high amount of internal fraud. Furthermore, employee reviews on Glassdoor also indicated the presence of internal fraud, with one respondent describing his/her coworkers as "criminals."

As for employee sentiment, employee reviews suggest employees are likely disgruntled. With an overall rating of 3.5 out of 5 on Glassdoor, which could be construed as "above average" (overall evaluation not provided by Glassdoor), their reviews could be interpreted as leaning slightly positively. However, when specific comments and other indicators are

considered, it is clear the organization's employees are experiencing an excessively bureaucratic state. For example, a separate metric on Glassdoor indicates only 7% of the population of respondents (29) indicated they "approve" of Governor SW. This statistic suggests employees are generally unhappy with the regime, despite having potentially indicated they might be satisfied with their job.

Employees who submitted reviews to Glassdoor document a highly bureaucratic environment, which affects their ability to advance in the organization. Specifically, indicating "people are in positions they are not qualified to be in" and "promotions are based on personal relationships and who you know" and there is "not much room for growth" "since most employees have been there so long they never leave and gradually work their way up in management based on seniority not performance."

Further, employees who submitted negative comments on Glassdoor say the organizational bureaucracy has created poor working conditions and organizational waste and mismanagement. Respondents warn potential future employees to "have a thick skin;" "upper management dislike(s) and distrust(s) you," you are "basically chained to [your] desk/phone" in an organization that "waste[s] a lot of money."

When the historical context is evaluated, in light of comments posted to Glassdoor, it is clear that the current political climate had a negative effect on employees. Employee respondents indicated there was low morale due to Governor SW's removal of the collective bargaining process ("some negative co-workers since the whole budget issue."). This comment validates that employees were disgruntled; a condition giving rise to fraud and also inhibiting fraud hotline reporting per Bureaucracy Theory. Per Caiden, excessive bureaucracy conditions "promote organizational sabotage." (1985, p. 25)

Table 19 provides a summary of the results for GS2.

Table 19 GS2 Table of Results

Organization	GS2
Assessment Element	Hotline Functionality: Below Average Bureaupathology: Level 7 of 10
Size	17,891
Hotline Name	Fraud, Waste and Mismanagement Hotline
Management	GS2 Legislative Audit Bureau
Respondents Indicating IV	64% (Population 29; 18 indicated presence of IV; 32 comments indicated IV)
Bureaucracy IV	Level 7 General (4) a (3) b (0) c (0) d (3) e (5)
Bureaupathology IV	5 of 5 f (7) g (3) h (3) I (3) J (1)
Hotline Metrics (DV)	Low, Calls received are far below benchmarking figures
Hotline Functionality (DV)	Poor, 4 of 5 k (easily located externally) l (hotline only has a single person handling calls) m (a single actor adds a perceived reporting and process bias) n (employees especially disgruntled due to historical context)
Best Practices (DV)	Good, 2 of 6 p (high level oversight) q (escalation process is unclear) r (data is communicated externally) s (a single staffer is noted) t (reports indicate enforcement) u (reports indicate escalation)
Historical Context (DV)	Conducive to Fraud; Conducive to Increased Calls (2011 end of collective bargaining; unprecedented level of protests and other demonstrations during this time)
Evidence of Internal Fraud	Yes
Evidence of Negative Employee Sentiment	Yes
Result IV	Bureaucracy, Strongest indicators: Hierarchy of Authority; Career Service; Insistence on the Rights of Office Bureaupathology, Strongest indicators: Impersonal Treatment; Prolonged Role Enactment; Resistance to Change;

Organization	GS2
Assessment Element	Hotline Functionality: Below Average Bureaupathology: Level 7 of 10
	Resistance to Interrogation and Investigation
Result DV	DV Metrics, Functionality Affected Metrics- low Functionality- poor Best Practices- good Evidence of Historical Context, Internal Fraud, Disgruntled Employees
Notes	The historical context suggests employees of the State of GS2 at this time would be especially disgruntled - a condition that is known to give rise to fraud and can further inhibit fraud reporting.

Case Study 5 (GS3)

Case Study 5, GS3, is a public sector organization in the city government.

Background

According to the GS3 website, they have 19,500 employees working for the City. GS3, located in the Western part of the United States, is the 8th largest City in the United States. Their primary economy is driven by the military, tourism and manufacturing. According to the Farmer's Almanac, GS3 has one of the top ten best climates. The interim Mayor of GS3 is TG.

Bureaucracy

News articles have documented the presence of massive bureaucracy in GS3's City government. However, more recently, the issue moved to the forefront, indicating the City bureaucracy had become especially problematic. In a Press Release dated November 15, 2011, with the headline "Local Businesses List Top Solutions to Cut City Red Tape" it was reported, for the first time in ten years, a special forum was held for interested parties to voice their concerns regarding the City's bureaucracy directly to the City Council. During this meeting, one speaker likened the City's bureaucratic red tape to "trying to get into a speakeasy with the wrong password." (Awbry, 2011)

Additional articles chronicle the City's bureaucracy, with titles such as "Insane...Mindless Bureaucracy" (UY, 2010) where residents discuss their inability to park overnight in front of their apartment complex due to City restrictions, "The Bureaucracy of the 'Awful Tower,'" (Dillon, 2011) which discusses the "the city of GS3's bureaucratic morass slow[ing] down road and other infrastructure repairs" and "Government Bureaucracy Impedes Growth in the Construction Industry" (Rico, 2012) which discussed how challenges

relating to "bonding, workers' compensation and government regulations" were raised by construction officials at a recent roundtable discussion. (Uy, 2010; Dillon, 2011; Rico, 2012)

To gain a unique insight into the presence of bureaucracy and bureaupathic conditions, as they are observed by City employees, the website Glassdoor.com was reviewed, where 18 past and present employees provided detailed, unsolicited reviews of their employer. Overall, the 18 respondents rated their employer an average of 3.1, on a scale of 1-5. These reviews were provided between February 20, 2009 and July 8, 2013. Overall, the strongest indicators of bureaucracy noted by employees were "Insistence on the rights of Office" and "Impersonal Treatment."

Table 20 and 21 on the next page provide a summary and detailed listing of these results.

Table 20 GS3 Social Media/Bureaucracy Analysis Summary

Attribute	Data	Analysis
Time Frame	2/20/09-7/8/13	4 year time period
Population	18	.09% of city employees (19,500)
Respondents Indicating Bureaucracy or Bureaupathic Behaviors	12 ²³	.06% of city employees (19,500) 67% of the population (18)
Total Comments Indicating Bureaucracy and Bureaupathology	22	11 Bureaucracy + 11 Bureaupathology
Bureaucracy	11	General (1) Hierarchy of Authority (3) System of Rules (1) Technical Expertise (1) Career Service (1) Insistence on the Rights of Office (4)
Bureaupathic	11	Impersonal Treatment (3) Prolonged Role Enactment (2) Resistance to Change (3) Resistance to Interrogation and Investigation (1) Strict Reliance on Organizational Rules and Procedures (2)

Table 21 GS3 Social Media/Bureaucracy Data Set

Count	Type	Attribute	Comment	Date
1.	Bureaucracy	General	"bureaucratic"	12/10/12
2.	Bureaucracy	Hierarchy of Authority	"top heavy in upper management"	12/21/11
3.	Bureaucracy	Hierarchy of Authority	"top heavy"	2/7/13

²³ The number of respondents will not be equal to the number of comments, as a single respondent may have commented more than once. In the instance where their additional comment was included in a separate category, there will be more than one comment logged per respondent.

Count	Type	Attribute	Comment	Date
4.	Bureaucracy	Hierarchy of Authority	"very structured and hierarchical"	3/6/13
5.	Bureaucracy	System of Rules	"poor upper management, they [sic] regulations they put out seem un-competitive [sic]"	12/21/11
6.	Bureaucracy	Technical Expertise	"top heavy salaries in IT"	10/17/12
7.	Bureaucracy	Career Service	"seniority kind of sucks. You don't have to do a good job..."	8/22/10
8.	Bureaucracy	Insistence on the Rights of Office	"top management plays favorites"	3/16/09
9.	Bureaucracy	Insistence on the Rights of Office	"..hiring departments conduct interviews, but they already have someone in mind for them to hire, and its usually the person they want to promote within their department"	4/14/10
10.	Bureaucracy	Insistence on the Rights of Office	"the city salary is top heavy for appointments by the Mayor and Council. So many upper management making over \$100,000 a year. The Union/Classified employees are going without to support upper management pay"	10/17/12
11.	Bureaucracy	Insistence on the Rights of Office	"senior management with big egos that don't like to have	5/7/13

Count	Type	Attribute	Comment	Date
			their opinions challenged"	
12.	Bureaupathic	Impersonal Treatment	"un-friendly [sic] area managers that do no [sic] do anything"	12/21/11
13.	Bureaupathic	Impersonal Treatment	"terrible management that don't know how to interact with and communicate with employees"	6/8/13
14.	Bureaupathic	Impersonal Treatment	"don't ignore [employees] and treat them like they are invisible"	7/8/13
15.	Bureaupathic	Prolonged Role Enactment	"Lack of promotional opportunities"	5/11/10
16.	Bureaupathic	Prolonged Role Enactment	"they do not hire very often"	4/6/12
17.	Bureaupathic	Resistance to Change	"hard to make a successful program, City really just want [sic] to offer the basics and not anything more"	12/21/11
18.	Bureaupathic	Resistance to Change	"allow the free flow of ideas"	1/15/12
19.	Bureaupathic	Resistance to Change	"limiting on creativity"	12/10/12
20.	Bureaupathic	Resistance to Interrogation and Investigation	"increasing mistrust"	12/10/12
21.	Bureaupathic	Strict Reliance on Organizational Rules and Procedures	"it's all paperwork for the City"	3/27/09
22.	Bureaupathic	Strict Reliance on Organizational Rules and Procedures	"Pools are restricted from serving their individual community needs, instead have to	12/21/11

Count	Type	Attribute	Comment	Date
			operate as a whole which really doesn't work cause some programs work better in communities than others"	

Hotline Specification

GS3's fraud hotline is called a "Fraud, Waste and Abuse Hotline." An Internet search for "GS3 Fraud Hotline" easily results in their hotline page, which is the first search result. One notable quality of this website is how the City immediately (3rd sentence) tells the user they would prefer they reported their concern in person, by saying: "Face to face reporting is always the best form of communication, although that is not always feasible. Current City procedures and/or department instructions state that all complaints should be sent through the chain of command."

The City Auditor manages GS3's hotline. However, the City Auditor uses a third party hotline provider, namely, The Network, to manage their fraud hotline. This fact is disclosed on their hotline webpage. Similar to the GS2 State hotline, GS3 provides materials and other guidance for users to guide them through the complaint process, including a list of sample "fraud" "waste" and "abuse" issues. On their hotline website, they also have a link to more information about The Network, which is a largely promotional piece, where they advise potential users The Network is "the leading provider of hotlines to complex organizations."

In addition to The Network, callers can submit complaints to the City Auditor, direct. According to City documents, as of 2008, they were contracted to pay The Network \$12,000 per year for these services. (GS3 Office of the City Auditor, October 20, 2008)

According to their organizational documents, the hotline was established on December 2, 2005, per GS3 Municipal Code §26.1703(c). After some organizational transitioning, the Office of the City Auditor assumed responsibility for the hotline as of July 21, 2008 and it was opened to the public on August 25, 2008.

In terms of triage, it is reported that The Network sends the City Auditor "instant email notification of all complaints" to the City Auditor, Audit Manager and Audit Analyst. (GS3 Office of the City Auditor, October 20, 2008) Then, the City Auditor conducts investigations on "all material complaints received related to fraud, waste, and abuse." (Luna, City Auditor Letter to Members of the Audit Committee, 2008) Any non fraud-related complaints are said to go before the City Auditor's Hotline Intake and Review Committee (City Auditor, Personnel Director, Office of Ethics and Integrity designee and Labor Relations Director).

This committee, which meets every two weeks, is tasked with reviewing the complaints and deciding whether further investigation is warranted. In this instance, referrals are made via written memorandum to the appropriate Department Director, who must, in turn, provide written proof back to the City Auditor the matter was handled. (Luna, City Auditor Letter to Members of the Audit Committee, 2008)

Hotline Metrics

The hotline metrics analyzed for GS3 were between 2006 and 2012. In FY 2009, the average number of calls received to the hotline was 12 per month. During this time, the hotline was exceeding its expected level of calls via benchmarking. However, from 2010 forward, a significant drop in calls is noted, bringing them under the expected call levels.

Table 22 on the next page provides the hotline metrics for GS3.

Table 22 GS3 Hotline Metrics

FY	Number of Employees	Inquiries	Fraud, Waste and Abuse	Average Benchmarking Figure, Industry ²⁴ , Size	Calls Expected per Benchmarking	Delta
2006 ²⁵	19,500 ²⁶	180	N/A	13.6, 4.7 = 9	175	+5
2007 ²⁷		140	N/A	3.18, 9.6 = 6	117	+23
2008 ²⁸		176	N/A	6.32, 9.9 = 8	156	+20
2009 ²⁹		140	17	8.66, 7.93 = 8	156	+16
2010		61	N/A	4.85, 8.35 = 7	136	-75
2011		76	N/A	5.28, 8.29 = 7	136	-60
2012		115	19	5.28, 8.29 = 7 ³⁰	136	-21

²⁴ Here, the industry category is Public Administration.

²⁵ Reported for the calendar year.

²⁶ Since annual breakdowns are difficult to obtain due to their Fiscal Year reporting schedule, the most recent figure is being used for this analysis. For benchmarking purposes, slight fluctuations are not material to the outcome. Here, they are in Group 3, (10,001-20,000 employees).

²⁷ Reported for the calendar year.

²⁸ Reported for the calendar year.

²⁹ July 2008-June 2009.

³⁰ 2012 figures are not yet available. As a result, 2011 figures were used, since they are the most recent numbers, and similar economic conditions, and thus most likely to be similar.

Historical Context

The City Auditor publishes quarterly reports documenting the performance of their fraud hotline. They also provide special reports in response to request, and following certain investigations conducted, which will be discussed later in this work. Data concerning the performance of the hotline dates back to 2006.

One detail that was noted in their first (publically available) hotline performance report, which was dated October 16, 2008 (and provides a summary of call volume dating back to 2006) was a suggested limit placed on call volume by The Network.

Specifically, in this report, it reads "In 2008, we estimate 176 complaints will be made to the hotline if the quarterly trend continues. Based on the estimated number of complaints that will be filed in 2008, The Network's cap limit of 288 calls per year will not be exceeded. However, if the number of complaints per month averages more than 24 in 2009, the complaint cap limit will be exceeded." (Luna, Quarterly Fraud Hotline Report Q1 2009, p. 3)

This information was confirmed in this study during an interview with a representative from (NE1) wherein it was learned organizations were charged on a "per report" basis.

The information from GS3 suggests that "caps" are further placed on volume, presumably to keep within a certain service guideline. This pricing model seems to work against the spirit of the hotline, which is to foster open communication for the purpose of reducing internal fraud.

In addition, in a designated section of this report, the City Auditor discussed the value of the reporting received, yet says it has created a strain on internal resources. This section reads as follows:

Number of Fraud Complaints

From the Hotline's inception in December 2005 through June 2008, the City received 13 fraud complaints (3 percent of all complaints), including accounting or audit irregularities complaints. Since assuming responsibility for the Hotline in July 2008, we have received ten calls in the first three months that require investigation by City Auditor staff. During the first quarter of fiscal year 2009, fraud-related complaints requiring City Auditor investigation represent 15 percent of all complaints filed. There has been a significant increase in the number of fraud-related complaints compared to previous years. The number of fraud and accounting complaints made in the first quarter is of concern in terms of the number hours required to investigate these complaints. Based on the 13 fraud and accounting complaints filed in 2006 and 2007, we estimated allocating 600 staff hours in fiscal year 2009 to investigate up to 15 fraud complaints or about 40 hours per complaint. If the number of fraud and accounting complaints received in the first quarter continues to trend for the remainder of the fiscal year, we estimate receiving a total of 40 fraud-related complaints and exceeding our planned staff hours by 1,080 hours. As of October 3, 2008, we had used approximately 147 of 600 staff hours investigating complaints." (Luna, Quarterly Fraud Hotline Report Q1 2009, October 16, 2008, p. 5)

The budgetary constraints placed on the hotline were further noted later in their report, where they conclude a discussion of resource issues with a value proposition, saying "...if the current trend in the number of complaints continues, the Auditor's Office will be required to either reduce the number of hours spent on planned performance audits, or hire an investigator to examine the fraud related complaints received." (October 16, 2008, p. 6) This statement suggests an unfortunate tradeoff must occur, where City administrators must make a decision of whether to investigate fraud hotline tips or conduct audits - both of which are top ways that organizational fraud is discovered. (Association of Certified Fraud Examiners, 2002-2012)

In light of the evidence, the complaint cap is troubling. This hotline, per their own reports, appears to be generating valid and actionable complaints. There are 17 special reports posted in the public domain that document investigations conducted following hotline complaints. These reports are provided publically per State Government Code § 53087.6(e)(2). Stating

substantiated allegations, and others, which contain information "deemed necessary [for disclosure] to serve the interests of the public" are made publically available. All others are kept confidential. Overall, there were 4 reports created in 2012, 3 in 2011, 2 in 2010, and 8 in 2009. Of these, 82% of the allegations (14) on which the reports were based, were substantiated.

Despite their demonstrated interest in reducing the number of complaints received to the hotline, the City documented plans to raise awareness of their hotline. In City documentation, it was reported they planned to expand their fraud hotline marketing efforts in Q3 2012, to "remind employees of their obligation under the City's Administrative Regulation 95.60" and "increase the level of employee confidence in [the] Fraud Hotline as a viable means to address fraud, waste and abuse in City operations." Regulation 95.60 encourages employees to fulfill their own moral obligations to the City by disclosing improper governmental activities within their knowledge.

Such efforts include: (i) Posting a link of the City Net webpage to the Fraud Hotline Quarterly Report, (ii) Sending a broadcast email to all employees reminding them that the Fraud Hotline is a viable method of reporting fraud, waste and abuse, and (iii) Mailing a memo, business card, and Fraud Hotline Brochure titled "Doing What's Right" to employees. (Luna, City Auditor Letter to Members of the Audit Committee, 2008, p. 1)

Table 23 on the next page documents the complaints investigated by GS3.

Table 23 GS3 Hotline Reports

Count	Report Date	Details	Status	Notes
1.	6/18/12	A City employee was accused of conflict of interest; conducting a side business at a City location for profit.	Unsubstantiated	
2.	6/4/12	An allegation was submitted regarding the improper use of Special Use Permits for personal gain.	Unsubstantiated	Oversight weaknesses were discovered and addressed as part of this investigation.
3.	1/29/09	A City facility was accused of mishandling scrap metal.	Unsubstantiated	Although this allegation was unsubstantiated, certain recommendations were made based on conditions discovered upon inspection.
4.	8/21/12	A City convention center was accused of inflating attendance numbers to justify a recent expansion.	Substantiated	
5.	3/29/12	A City employee was reported for using the City internet to conduct non-City business.	Substantiated	Five City employees were recommended for discipline.
6.	12/15/11	An allegation was submitted that a City department was operating in violation of its contract with the City.	Substantiated	
7.	10/25/11	It was alleged a nonprofit organization filed to receive a false reimbursement from the City.	Substantiated	The City was erroneously billed for \$20,000 and a demand for the return of funds was initiated.
8.	3/3/11	A City employee was accused of stealing money, making false accounting entries and concealing/destroying associated records.	Substantiated	Missing funds totaled \$100,998

Count	Report Date	Details	Status	Notes
9.	11/5/10	A complaint alleged contract administration abuse.	Substantiated	
10.	7/21/10	A City employee was accused of selling City scrap metal to fund employee events.	Substantiated	It was determined official procedures surrounding the sale of such metals didn't exist. Consistent records regarding the sale of \$21,000 worth of such metals from 2004-2010 could not be located.
11.	11/23/09	A City employee was accused of submitting false information to fraudulently receive health benefits.	Substantiated	Issue highlighted greater weaknesses in benefit documentation submission process.
12.	6/30/09	It was alleged a City employee stole items from a City inspection site.	Substantiated	
13.	6/29/09	A City nonprofit organization was accused of accounting irregularities and possible misuse of City funds.	Substantiated	Duplicate billings in the amount of \$112,070 were located and the City sought restitution.
14.	5/28/09	A City program was accused of delaying fundraiser money deposits.	Substantiated	
15.	4/7/09	A City organization was accused of accounting irregularities, misuse of funds and assault.	Substantiated	The City employee had two civil judgments filed against them, and \$1,085 was paid using City funds.
16.	2/23/09	The City was performing duplicate and unnecessary replacement of water meter boxes.	Substantiated	92 potential water meter boxes replacement was avoided, saving the City \$30,728.
17.	1/16/09	A City employee was accused of misusing their position to	Substantiated	

Count	Report Date	Details	Status	Notes
		obtain confidential documents for personal gain.		

Fraud Metrics

As of 2010, the population of the City of GS3 was approximately 1.3 million, making it the eighth largest city in the United States. In the same year, GS3 was lauded as one of the "Top 10 Safest Cities in the U.S." by Forbes magazine. (Levy) However, despite this designation, which was bestowed upon GS3 due to their low rate of violent crime, research reveals this city is not immune to fraud, waste and abuse. In fact, certain crimes previously committed by GS3's city employees have been so egregious; they were viewed as a contributory factor in the City's financial crisis of 2002-2003. October 2010, the SEC announced this fraud lead to a "first" for them - never before had the SEC ever secured financial penalties against city officials in a municipal bond fraud case. (Securities and Exchange Commission, October 27, 2010)

Overall, during the relevant time period, from 2006-2012, this study determined over a six-year period, \$180k was lost to this City due to embezzlement and corruption.

A review of the frauds at GS3 will begin with a discussion of the SEC matter. According to their complaint, the SEC found that from 2002 to 2003, GS3 officials, knowing the City had financial challenges, misrepresented the financial health of the City's pension funds and health plans, thereby misleading investors.

On April 7, 2008, the Securities and Exchange Commission (SEC) filed securities fraud charges against the high-ranking GS3 city officials responsible for this fraud, including the former Deputy City Manager, Treasurer, Auditor & Comptroller, and Finance Manager. On October 27, 2010, the SEC announced that four of the employees agreed to pay financial penalties for their crimes. The City of GS3, as a collective, had been

previously charged in 2006 with this crime. At that time, experts expressed displeasure with the fact the individual employees - who were directly responsible for the violations - were not charged. (Walsh, 2006)

In yet another case, in 2012, a City council member (referred to herein as "RI") and Deputy Mayor, (referred to herein as "MZ"), who in 2005 were forced to resign from the City Council in a salacious scandal that was coined "Stripper-Gate." (Moran) In 2005, RI and MZ were convicted of extortion, wire fraud and conspiracy after they were caught accepting bribes from a local strip club owner in exchange for using their political influence to repeal "no touch" laws, which had lowered strip club profits. (Moran, 2012) In June 2005, the two resigned from their political positions.

After being sentenced to twenty-one months in federal prison, RI remained free on bail while he continued to file appeals for the next six and a half years. Finally, after the Supreme Court declined to hear his case, in January 2012, he was sent to a minimum-security satellite camp at Atwater Federal Prison, where he was said to remain until August 2013 (RI Sentenced 21 Months). Earlier this year, it was reported RI was being transferred to a halfway house where he will serve out the remainder of his sentence. (Moran, 2013)

In yet another case, RI's brother, NI, former mayor of National City in GS3 County, also resigned in 2006 after a news report revealed his low-income rental properties, containing 100 units, had serious health code violations. ("NI Voted," 2009) NI responded to the press, blaming these violations on his owner-wife, to whom he had transferred two of ten units in the previous week. (Branscomb & Sierra, 2005) Residents of the units, who complained of vermin, lack of heat and hot water and non-working appliances,

among other problems, were often evicted shortly following their complaints. (Branscomb & Sierra, 2005)

Despite his past, it was later announced NI was brought on to serve as Chairman of GS3 County's Hispanic Chamber of Commerce (SDCHCC). The SDCHCC was reportedly not concerned over NI's past, finding "...he has a lot of experience with finances, and that could be really helpful right now." (Soto, 2009) It should be noted the SDCHCC was recently subject to massive financial crime at the hands of an internal fraudster, who recently stole \$70k from the organization's bank accounts. (Soto, 2009)

In another more recent case, in March 2011, a Parks and Recreation Department (PRD) employee with fiduciary responsibility for the agency was arraigned on charges of grand theft by an employee for stealing more than \$100k from various recreation centers from 2004-2008. He acted in collusion with another employee, who was later charged with two counts of felony charges of creating false accounts with public money. The two men reportedly wrote themselves checks and swiped reimbursement payments, membership fees, and other payments intended for the PRD. (Gustafson, 2011)

Ironically, one of the perpetrators, a 30-year City veteran, was featured positively in news article about City budget cuts (Gustafson, 2011). He was portrayed as a good employee and thus a potential tragic casualty of a waning City budget. Instead, following his fraud, the news articles are a mea culpa; critical of the City's inability to suspend his pension eligibility, despite defrauding the City.

As a result of this and other City-employee perpetuated crimes, the new pension reforms which were amended in June 2012 under Proposition B, to "eliminate pension benefits for City officers or employees convicted of a

felony related to their employment, duties or obligations as a City officer or employee." Incidentally, a hotline tip revealed this crime. (Lowe, 2011)

Summary

Overall, GS3 was assessed as having a "High" fraud hotline performance. Their level of bureaupathology was assessed at a "Level 7" (67%) out of ten. The strongest indicators present were Insistence on the Rights of Office, Impersonal Treatment and Resistance to Change. The performance details were as follows: Metrics were assessed as "Low" the functionality was assessed as "Great" and the Best Practice compliance was assessed as "High." Table 24 provides a summary of these results.

According to the evidence, the City of GS3 has excessive bureaucracy. A review of the literature (organizational documents, media articles) and an analysis of employee reviews found bureaucracy and excessive bureaucracy was present in this organization. Overall, 67% of the population (18), which was .09% of all employees (19,500), made comments indicating bureaucracy or excessive bureaucracy. In sum, the comments were made by 18 separate respondents, with 11 of their comments indicating bureaucracy and 11 indicating excessive bureaucracy.

Employee statements prove bureaucracy and excessive bureaucracy are recognized on the part of employees. Employee comments indicating 5 of 5 indices evincing bureaucracy and 5 of 5 indices indicating excessive bureaucracy were present at varying degrees. Employee comments suggest the indices of bureaucracy "Insistence on the Rights of Office" (4 comments) as having the strongest presence, followed by "Hierarchy of Authority" (3 comments). With respect to bureaupathology, all five indices were present, especially "Impersonal Treatment" (3 comments) and "Resistance to Change" (3 comments).

As for GS3's hotline, evidence suggests it performed at a high level. However, their metrics were assessed at a "Low" level because their benchmarking numbers fell below expected levels in recent years.

Benchmarking revealed the hotline was performing as expected per benchmarking estimates from 2006-2009. Suddenly, in 2010, the calls fell sharply below benchmarking estimates (-75) and remained below estimates in the ensuing years up to 2012.

A review of the historical context provided a possible reason for this decline. Upon reviewing organizational documents (internal reports), it was learned this drop occurred immediately following documented budgetary concerns over call volume in light of The Network's imposed limits. Although their hotline shows evidence of being well operated, the limitation on reporting placed by The Network, and emphasis to employees to report in person, may have caused their hotline to fall short of expectations.

With respect to the hotline's functionality, the hotline performed great. As for marketing, the hotline telephone number was easily located with a quick Google search for "GS3 Fraud Hotline." With respect to mechanics, the hotline is managed by a third party provider and has an internal process for further call handling. As a result, the hotline is not perceived to have serious issues with its mechanics.

However, communication of the hotline is a concern. The hotline website appears to discourage hotline reporting. In fact, one of the first statements on the hotline website tells the user they prefer if they report in person. Although organizational documents state the hotline plans to expand marketing efforts, this effort might be futile if their website deters potential complainants. As a result, overall, this hotline may not be operating as well as it could from a mechanics perspective.

As for intake/processing, organizational records reveal the hotline is managed by a third party provider The Network. As a result, the intake and processing is regulated. Organizational documents also outline a clear process for handling calls from their receipt by The Network to closure by the City Auditor. The hotline website also provides a clear statement about

their adherence to Whistleblower Protection Laws and commitment to protecting against whistleblower retaliation. It is further reported the GS3 Office of the City Auditor logs and tracks all hotline reports. The website also makes their hotline data readily available to the public, via a link to their hotline reports and statistics.

The historical context, as documented in organizational documents, suggests their hotline is subject to a "complaint cap" by The Network, which limits the number of reports their hotline can receive. In organizational documents, the City expressed great concerns over the "significant increase in the number of fraud related complaints" in light of this cap. This fact is problematic, considering their hotline generates actionable tips. According to one report, from 2010-2012, 82% of their complaints received were substantiated.

In addition, per the employee reviews, this organization is believed to have a dominating management (Insistence on the Rights of Office, 4 comments), providing Impersonal Treatment (3 comments).

With respect to best practices, this hotline is believed to perform at a high level. For one, the hotline has a clear, reported oversight process conducted by high-level personnel. As for due care, the hotline has a well-managed, clear escalation process. With respect to communication, the hotline is communicated appropriately externally. However, as noted previously, the complaint cap and the website language deterring reporting is problematic. The hotline does not make a poster available to external parties. It is unknown whether a poster is provided internally.

As for this hotline's "reasonable steps to achieve compliance," that requirement is satisfied with their third-party hotline management, process of having calls escalated via a clear chain of command, and the Office of the City Auditor having a documented triage process.

With respect to the other two best practices elements, "consistent enforcement" and "reasonable steps to respond and prevent similar offenses upon detection," this hotline outperformed all others examined in that this aspect could be evaluated. The City Auditor posted reports in the public domain, which documented the investigations conducted following hotline complaints and any resolution/remediation, which followed thereafter.

Furthermore, the level of internal fraud, the historical context and the perception of employees of their organization are also factors in gauging the overall performance of this fraud hotline. As for internal fraud, upon review of public records, this study was able to establish the presence of a high amount of internal fraud. From the City's hotline reports, we learned a majority of the complaints received via the hotline are substantiated, and that 41%, involved a City employee (7 reported matters). In one matter, the employee had stolen over \$100,000. Furthermore, employee reviews on Glassdoor also indicated the presence of disgruntled employees, with one respondent saying there was an atmosphere of "increasing mistrust"

Employees who submitted reviews to Glassdoor also document a highly bureaucratic environment, whose organizational structure inhibits growth and advancement. Specifically, indicating it is "very structured and hierarchical" with "poor upper management" where you "don't have to do a good job" to gain seniority. Comments also suggest internal communication might be lacking. One reviewer said "terrible management [does not] know how to interact with and communicate with employees" and yet another reported the City's "senior management with big egos...don't like to have their opinions challenged." Table 24 on the next page provides a summary of the results for GS3.

Table 24 GS3 Table of Results

Organization	GS3
Assessment Element	Bureaupathology: Level 7 out of 10 Functionality: High
Size	19,500
Hotline Name	Fraud, Waste and Abuse Hotline
Management	3 rd Party and City Auditor
Respondents Indicating IV	67% (Population 18; 12 respondents indicating presence of IV; 22 comments indicated IV)
Bureaucracy IV	Level 7 5 of 5 General (1) a (3) b (1) c (1) d (1) e (4)
Bureaupathology IV	5 of 5 f (3) g (2) h (3) I (1) J (2)
Hotline Metrics (DV)	Low, Exceeded benchmarking for 4 years, until 2010 (Dodd-Frank period) calls declined to levels below benchmarking.
Hotline Functionality (DV)	Great, 3 of 4 k (easily located externally) l (3 rd party provider) m (3 rd party provider and internal handling process; process well documented) n (reporting discouraged; potential callers urged to report in person)
Best Practices (DV)	High, 6 of 6 p (high level oversight) q (escalation process is clear) r (data is reported externally, calls are discouraged; no poster) s (3 rd party provider with internal escalation process) t (reports indicate enforcement) u (reports indicate escalation)
Historical Context (DV)	Conducive to Fraud; Conducive to Increased Calls (Calls declined after 2009 Hotline report said there was a cap on the hotline calls received by the provider)
Evidence of Internal Fraud	Yes
Evidence of Negative Employee Sentiment	Yes
Result IV	IV Present Bureaucracy, Strong

Organization	GS3
Assessment Element	Bureaupathology: Level 7 out of 10 Functionality: High
	Hierarchy of Authority Insistence on the Rights of Office Bureaupathology, Strong Impersonal Treatment Resistance to Change
Result DV	DV Metrics Affected Metrics- low Functionality- moderate Best Practices- great Evidence of Historical Context, Internal Fraud, Disgruntled Employees
Notes	Evidence that an internal crime was reported via the hotline; According to one report, from 2010-2012, 82% of their complaints received were substantiated

Case Study 6 (NP1)

Case Study 6, NP1, is a large, nonprofit organization.

Background

The subject of this case study, hereinafter known as NP1, is a nonprofit organization, which is in Forbes' list of the top 200 largest charities. (Forbes.com, 2006) NP1 was incorporated in 1905, in the District of Columbia. Today, they have over 500 chapters. Their mission is "to prevent and alleviate human suffering in the face of emergencies by mobilizing the power of volunteers and the generosity of donors." (Better Business Bureau, 2012)

According to NP1's 2012 tax return, they generated over \$3 billion in total revenue and have 31,000 employees. NP1 is a tax-exempt organization, as defined under 501(c) (3) of the Internal Revenue Code. The President and Chief Executive Officer and the highest paid executive, make a combined annual salary totaling over \$1 million. (Better Business Bureau, 2012) In their 2012 Form 990, they reported they were not aware of a "significant diversion" of their agencies assets during that Fiscal Year. (NP1, 2012)

As of their Fiscal Year ending June 30, 2011, NP1's program expenses, included expenditures for international relief and development services, domestic disaster services, health and safety services, community services, and services to armed forces. (Better Business Bureau, 2012) In the same year, NP1 collected over \$6 hundred million in charitable donations.

NP1 also meets the Better Business Bureau's (BBB) 20 Standards for Charity Accountability, earning a "meets standards" grade in all subcategories within the broad categories of Governance and Oversight (Board Oversight, Board Size, Board Meetings, Board Compensation, Conflict of

Interest) Measuring Effectiveness (Effectiveness Policy, Report), Finances (Program Expenses, Fund Raising Expenses, Accumulating Funds, Audit Report, Detailed Expense Breakdown, Accurate Expense Reporting, Budget Plan), and Fund Raising and Informational Materials (Truthful Materials, Annual Report, Website Disclosures, Donor Privacy, Cause Marketing Disclosures, Complaints). (Better Business Bureau, 2003)

Bureaucracy

The state of bureaucracy at NP1 is well documented. In the case of NP1, particular problems with organizational hierarchy were noted, which were accompanied by an apparent resistance to inspection and review. Per organizational theorist Victor Thompson, this is an indicator of organizational bureaupathology. (1961, p. 155) One such article, dating back to August 7, 1990, titled "[NP1] Hindered by Bureaucracy" described "A lumbering bureaucracy, onerous regulations and a complicated chain of command hinder [NP1] from rushing to the scene when disaster hits." (Observer-Reporter) As evidence, the author cites a survey of 100 emergency management officials undertaken by the publication where over half of the respondents reported "significant problems regarding who was in charge when [NP1] was involved in an operation. (Observer-Reporter, 1990)

More recently, NP1 has been subject to federal citations due to their organizational structure, which is said to lack adequate processes for inspection and review.

In 2006, the U.S. Food and Drug Administration (FDA) announced they fined NP1 \$4.2 million for multiple breaches of Federal laws and FDA regulations. In their consent decree, NP1 was asked to "establish clear lines of managerial control..." (FDA Fines NP1 \$4.2 Million for Failure to Meet Established Blood Safety Laws) In this, and other Press Releases, it was

announced the FDA placed NP1 under a consent decree in 1993, which was amended in 2003 to allow the FDA to impose "significant fines for failure to comply with agency regulations." "(FDA Fines NP1," 2010)

Overall, between 2003 and 2006, the FDA reportedly sent NP1 seven letters and assessed a total of \$5.7 million in penalties. In 2010, the FDA fined NP1 another \$16 million for "mismanagement" among other agency problems. In their Press Release dated June 17, 2010, the FDA reported the conducted inspections of NP1 in 2008 and 2009, which revealed a failure to "identify problems" and "adequately investigate." As of that time, the FDA said it had sent twelve letters to NP1 and imposed a total of \$21 million in fines, under the 2003 consent decree.

Then, in 2012, The Department of Health and Human Services intervened and assessed an additional \$9.5 million penalty. In a letter dated January 13, 2012, they documented the previous inspections of the FDA of sixteen different U.S. facilities and determined multiple violations. (Adverse Determination Letter) The decree violations outlined included: Inadequate Managerial Control, Inadequate QA, Failure to Comply with Reporting Requirements, Inadequate Problem Management (including Look Back Investigations), a Failure to Follow Standard Operating Procedure, Inadequate Training and Staffing Levels, and Inadequate Record Keeping. (Department of Health and Human Services, 2012) In response to these findings, the head of compliance of the Center for Biologics Evaluation and Research (CBER) at the FDA stated the problems NP1 experienced were "partly attributed to a lack of continuity in the organization's leadership team." (Kolvea, 2012) Critics said the fines against NP1 should have been even higher. (Kolvea, 2012)

NP1 appears to have taken measures to rectify their massive bureaucracy in the past. In 1991, NP1 an oversight committee planned a massive overhaul, to include "replacing the top-heavy Washington-dominated structure with a regional operation." Overall, the committee noted a condition of "mistrust

and lack of accountability to be central problems." (San Francisco Examiner, 1991)

Although the true effects of the committee's efforts are unknown, the recent actions of NP1 workers would suggest the negative effects of bureaucracy still exist. According to recent reports, 4,500 NP1 workers walked out on their jobs, and protested due to agency bureaucracy, which they blamed for inadequate wages. (Clarke, 2013; Ward, 2013)

President Obama also acknowledged the issue of bureaucracy associated with NP1's line of work. When speaking to the public from an NP1 location in 2012, following Hurricane Sandy, President Obama warned "no bureaucracy, no red tape." (The White House, 2012)

It is believed, due to a lack of organizational documentation, the bureaucratic structure of NP1 is so massive that it cannot be easily elucidated or depicted. In terms of a formal organization structure, NP1 doesn't make this clear in their public facing materials. On their website, they have a Congressional Charter and a list of Corporate Officers. Once such document entitled "Governance for the 21st Century" was over 145 pages long and didn't include a chart. (NP1, 2006) Likewise, a search of their website for "Organization Chart" and "Organization Structure" didn't yield any charts, documents or other materials which might clarify the overall organizational makeup. Few Organization Charts were immediately located, and they tended to reflect small factions of the agency, such as the Office of Development Service, and one depicting a particular service offered by NP1, which was dated November 1942.

To examine the perception of bureaucracy on the part of NP1 employees, company reviews were examined on Glassdoor. On Glassdoor, as of February 21, 2014, 457 reviews of NP1 were posted by anonymous sources that identified as current and past NP1 employees. Overall, NP1 received an average rating of a 3.1 on a 5-point scale. The reviews analyzed for this examination were

limited to those reviews where the respondents "rated" the company to be "below average," or in this case, rated it under 3 stars. This limited the number of reviews included for examination to 170, which constituted approximately 37% of all reviews.

Of these reviewers, 150, or 88% made reference to specific terminology related to bureaucracy and excessive bureaucracy. The number of respondents and comments are not equivalent, because in certain cases, respondents' comments were counted more than once when their comments spanned multiple categories. The total number of comments was 343. The comments examined were posted to the website between and June 12, 2008 and February 21, 2014. General and specific references to attributes of bureaucracy and bureaupathic or excessive bureaucracy are set forth in Tables 25 and 26 on the next page.

Table 25 NP1 Social Media/Bureaucracy Summary

Attribute	Data	Analysis
Time Frame	6/11/08-2/21/14	1.5% of all employees (31,000)
Population	457	37% of the population (457)
Sample Set	170	.55% of all employees (31,000)
Respondents Indicating Bureaucracy or Bureaupathic Behaviors	150	88% of the sample set (170) 33% of the population (457) .50% of all employees (31,000)
Total Comments Indicating Bureaucracy and Bureaupathology	343	99 Bureaucracy 244 Bureaupathic
Bureaucracy	99	General (6) Hierarchy of Authority (23) System of Rules (20) Technical Expertise (2) Career Service (14) Insistence in the Rights of Office (34)
Bureaupathic	244	Impersonal Treatment (113) Prolonged Role Enactment (15) Resistance to Change (35) Resistance to Interrogation and Investigation (79) Strict Reliance on Organizational Rules and Procedures (2)

Table 26 NP1 Social Media/Bureaucracy Data Set

Count	Type	Attribute	Comment	Date
1.	Bureaucracy	General	"bureaucracy hampers productivity"	6/12/08
2.	Bureaucracy	Technical Expertise	"technology used to control and monitor employees rather than enable them to be more productive"	6/12/08
3.	Bureaupathology	Resistance to Interrogation and Investigation	"they [senior management] don't take advice, I wouldn't bother"	6/12/08
4.	Bureaupathology	Impersonal Treatment	"management expects you to be available 100% of the time because you are working for a voluntary agency"	6/18/08

Count	Type	Attribute	Comment	Date
5.	Bureaucracy	System of Rules	"a simple business that overcomplexifies itself to the point to dysfunction"	7/7/08
6.	Bureaucracy	System of Rules	"overcomplexification of processes makes work over proceduralized and dehumanizing"	7/7/08
7.	Bureaupathology	Impersonal Treatment	"always on call"	7/7/08
8.	Bureaupathology	Strict Reliance on Organizational Rules and Procedures	"trust employees. Stop trying to document every second of the workday and let people do their jobs"	7/7/08
9.	Bureaupathology	Impersonal Treatment	"employee morale is low, turnover is high and employee recognition and work life balance is bad"	7/8/08
10.	Bureaucracy	Career Service	"any employee with seniority is seen as part of the problem, and therefore is discounted, ignored or displaced"	7/9/08
11.	Bureaupathology	Resistance to Change	"significant change is required to save the business, and new regimes fail to study the situation before they enact solutions, which are always misdirected"	7/9/08
12.	Bureaucracy	Hierarchy of Authority	"inability to empower staff to make their own decisions so we have to go up to the senior vice president sometimes for a routine question"	7/11/08
13.	Bureaupathology	Resistance to Interrogation and Investigation	"lack of accountability"	7/11/08
14.	Bureaupathology	Resistance to Interrogation and Investigation	"tell us what you know. Don't let rumors circulate for months before saying anything"	7/11/08
15.	Bureaupathology	Prolonged Role Enactment	"paying unnecessary management"	8/12/08
16.	Bureaupathology	Resistance to Investigation and Interrogation	"there is a 'waste' of donated income"	8/12/08
17.	Bureaupathology	Resistance to Interrogation and Investigation	"our financial situation is terrible (and getting worse)"	8/21/08

Count	Type	Attribute	Comment	Date
18.	Bureaupathology	Resistance to Interrogation and Investigation	"increase communication about the financial solvency of the organization to employees and to the public."	8/21/08
19.	Bureaupathology	Resistance to Interrogation and Investigation	"misuse of funds is causing [NP1] to go under"	9/17/08
20.	Bureaupathology	Resistance to Interrogation and Investigation	"the public has lost trust in [NP1] with all the scandals both nationally and locally"	9/17/08
21.	Bureaucracy	Career Service	"much dead wood is still afloat within the organization"	9/28/08
22.	Bureaucracy	Insistence on the Rights of Office	"several key executives are grossly unqualified and lack basic management and leadership skills"	9/28/08
23.	Bureaupathology	Resistance to Interrogation and Investigation	"there is a lot of nepotism and favoritism to go around"	9/28/08
24.	Bureaupathology	Resistance to Interrogation and Investigation	"evidence of long term patterns of malfeasance, discrimination, and even corruption"	10/1/08
25.	Bureaupathology	Resistance to Interrogation and Investigation	"misallocation of donor monies and volunteer time"	10/1/08
26.	Bureaupathology	Resistance to Interrogation and Investigation	"repeated violations of key federal and state regulations"	10/1/08
27.	Bureaupathology	Resistance to Interrogation and Investigation	"expensive use of PR to stifle criticism and dodge accountability"	10/1/08
28.	Bureaupathology	Resistance to Interrogation and Investigation	"deep structural cronyism"	10/1/08
29.	Bureaupathology	Resistance to Interrogation and Investigation	"management desperately needs strict oversight, rigorous training in governance, transparency and service delivery"	10/1/08
30.	Bureaupathology	Resistance to Interrogation and Investigation	"left to flounder when called to defend your work, not defended by your direct manager"	10/2/08

Count	Type	Attribute	Comment	Date
31.	Bureaupathology	Resistance to Interrogation and Investigation	"malfeasance, incompetence, cronyism and arrogance"	10/2/08
32.	Bureaupathology	Impersonal Treatment	"it is the most thankless job out there, management does not care about you at all"	10/25/08
33.	Bureaupathology	Resistance to Interrogation and Investigation	"incompetent leadership, lack of performance benchmarks, lack of accountability to the public, lack of oversight"	11/18/08
34.	Bureaupathology	Resistance to Interrogation and Investigation	"[NP1] needs regulatory help"	11/19/08
35.	Bureaupathology	Resistance to Interrogation and Investigation	"the consent decree and constant warnings from the FDA make the work environment difficult and destroys morale. I suspect senior management is incapable of leading the company out of its regulatory crisis. I mean its been 22 years on the consent decree"	11/19/08
36.	Bureaucracy	Insistence on the Rights of Office	"management governs by fear and innuendo when no one is looking...otherwise it treats employees, volunteers and like a used car salesman, not a philanthropic organization with a serious life saving job to do"	12/16/08
37.	Bureaupathology	Resistance to Interrogation and Investigation	"we need a charity cop to save the organization from itself"	12/16/08
38.	Bureaupathology	Resistance to Interrogation and Investigation	"[NP1] It's run like a mob pizza restaurant where the cops eat free...[senior management]" turn yourselves in"	12/16/08
39.	Bureaupathology	Resistance to Interrogation and Investigation	"within 3 months of working here, even the most naïve and well-intentioned state wondering how the management goes on collecting paychecks and perks like energizer bunnies without ever being held to account [sic] by their superiors in DC"	12/16/08

Count	Type	Attribute	Comment	Date
			or the IRS"	
40.	Bureaupathology	Resistance to Change	"the culture and embedded leadership make it difficult to move the organization into the current and necessary climate. Institutionalized inertia."	1/3/09
41.	Bureaucracy	General	"there is a lot of red tape; it's a top heavy organization"	1/16/09
42.	Bureaupathology	Resistance to Change	"lazy about change"	1/25/09
43.	Bureaupathology	Resistance to Interrogation and Investigation	"come for the mission, leave because of the ethics"	1/25/09
44.	Bureaucracy	General	"excuse people who weigh the organization down with negative attitudes, political red tape and drama"	2/4/09
45.	Bureaucracy	Insistence on the Rights of Office	"in many way NPI is another company with politics that hinder productivity, egos that hinder effectiveness and stubbornness that hinders success"	2/4/09
46.	Bureaucracy	Insistence on the Rights of Office	"practice what you preach"	2/4/09
47.	Bureaupathology	Resistance to Change	"the executives at headquarters are change resistant and disengenuous"	2/4/09
48.	Bureaucracy	Insistence on the Rights of Office	"road staff held responsible for poor communications and errors of management; little appreciation"	3/7/09
49.	Bureaupathology	Impersonal Treatment	"never any positive feedback from employers, you're only aware of your job performance when something is wrong, and then it is probably too late"	3/7/09
50.	Bureaupathology	Impersonal Treatment	"treat people how you want us to treat the public"	3/7/09
51.	Bureaucracy	Career Service	"lack of growth potential, no encouragement to succeed"	3/11/09
52.	Bureaupathology	Impersonal Treatment	"total lack of respect [for employees]"	3/11/09
53.	Bureaupathology	Resistance to Change	"the organization is also stuck in the past, refusing to move along with the times"	3/11/09

Count	Type	Attribute	Comment	Date
54.	Bureaupathology	Resistance to Change	"there are no consequences for toxic employees"	7/22/09
55.	Bureaucracy	Career Service	"promotions are basically not an option"	12/22/09
56.	Bureaupathology	Impersonal Treatment	"inability to accommodate a life outside of work"	12/22/09
57.	Bureaupathology	Impersonal Treatment	"a place where you are taken for granted"	12/22/09
58.	Bureaupathology	Impersonal Treatment	Treat all employees with respect"	12/22/09
59.	Bureaupathology	Resistance to Change	"update equipment"	12/22/09
60.	Bureaupathology	Resistance to Change	"equipment is in poor condition and technology is outdated"	12/22/09
61.	Bureaupathology	Resistance to Interrogation and Investigation	"misuse of company funds"	12/22/09
62.	Bureaupathology	Resistance to Interrogation and Investigation	"manager [sic] money more efficiently"	12/22/09
63.	Bureaupathology	Resistance to Change	"start listening to folks doing the actual work"	1/18/10
64.	Bureaucracy	Career Service	"people are promoted based on longevity and politics rather than merit and ability"	3/31/10
65.	Bureaupathology	Impersonal Treatment	"It is common for managers to be verbally abusive - I will never forget the weekly, day-long meetings for which management planned nothing but kept employees captive for 8 hours. They would bluster, threaten, cajole, insult, abuse, argue, swear at, stomp around and pontificate to employees. Most employees either lost their temper, threatened to quit or cried at work at one time or another. All of the staff at every level were openly frustrated and sarcastic, and appropriately so. It was the most dysfunctional, abusive work environment I've ever encountered and ruined what	3/31/10

Count	Type	Attribute	Comment	Date
			could have otherwise been the most rewarding job imaginable."	
66.	Bureaucracy	Insistence on the Rights of Office	"management tries to get you to work harder by using guilt and fear"	7/1/10
67.	Bureaucracy	System of Rules	"rules, rules, rules, rules, rules"	7/1/10
68.	Bureaucracy	System of Rules	"staff are treated as children, with constant micromanagement, and tons of rules, by management that has absolutely no idea how the process works"	7/1/10
69.	Bureaupathology	Impersonal Treatment	"staff are treated as children, with constant micromanagement"	7/1/10
70.	Bureaupathology	Impersonal Treatment	"rarely does someone compliment you on your hard work, most people looks at us like gears in a machine"	7/1/10
71.	Bureaucracy	Career Service	"people have been here so long that they do not have innovation or energy"	7/13/10
72.	Bureaucracy	General	"bureaucracy"	7/13/10
73.	Bureaupathology	Impersonal Treatment	"my job is not what was discussed in interviews. In fact, there was a switcheroo after I started which is incredibly unprofessional and speaks to weak organization and communication skills"	7/13/10
74.	Bureaucracy	Career Service	"long time staff are entrenched in a culture of operational loss"	8/21/10
75.	Bureaucracy	Career Service	"in this job market, there should be no problem hiring top talent to purge the current employ of the dead wood that permeates the organization. We have plenty of people locally that are hanging on for retirement. Put them out to pasture"	8/21/10
76.	Bureaupathology	Resistance to Change	"current national HQ operational policies are outdated and unmaintained"	8/21/10
77.	Bureaupathology	Resistance to Interrogation and Investigation	"accountability is no where to be found"	8/21/10
78.	Bureaucracy	System of Rules	"very complicated place to work"	9/14/10
79.	Bureaupathology	Resistance to	"if you try to bring in fresh ideas,	9/14/10

Count	Type	Attribute	Comment	Date
		Change	watch out"	
80.	Bureaupathology	Resistance to Change	"...chapter leaders, many of which have been there FOREVER- do not have the skill set to change"	9/14/10
81.	Bureaupathology	Impersonal Treatment	"constantly working overtime and horrible managers"	9/25/10
82.	Bureaupathology	Impersonal Treatment	"no career growth, no career advancement, low pay, horrible hours, non-supportive management"	11/17/10
83.	Bureaupathology	Impersonal Treatment	"provide balance between work and life"	11/17/10
84.	Bureaupathology	Resistance to Interrogation and Investigation	"Management is 100% inflexible. There is a very strong 'Good Ole' Boys (mostly gals) network which protects itself, and harasses people who question them or defend themselves against them. The Human Resources Department exists solely for the protection of the organization and is mean spirited, ruthless and dishonest to the employees. Even if you have had excellent job performance and multiple promotions, questioning the wrong person or the wrong policy will set you on a course which will in one way or another cause your employment to end."	12/19/10
85.	Bureaupathology	Resistance to Interrogation and Investigation	"Be honest. Ask yourself how many times you have had to compromise your principles to be where you are today"	12/19/10
86.	Bureaucracy	Hierarchy of Authority	"complete lack of professionalism permeates executive management team, which filters down and translates into extremely low employee morale and high attrition rate"	1/14/11
87.	Bureaupathology	Impersonal Treatment	"no work/life balance including limited PTO/sick time"	1/14/11
88.	Bureaupathology	Resistance to Change	"lack of new ideas"	2/22/11
89.	Bureaucracy	Insistence on the Rights of Office	"at the mercy of a regional vice presidents whims"	3/11/11

Count	Type	Attribute	Comment	Date
90.	Bureaupathology	Impersonal Treatment	"[the company] needs to value their employees. They treat me like I am a number"	3/17/11
91.	Bureaupathology	Impersonal Treatment	"management showed lack of caring for employees"	3/23/11
92.	Bureaupathology	Impersonal Treatment	"misled in interview"	4/16/11
93.	Bureaupathology	Resistance to Interrogation or Investigation	"If there were issues or problems no one took responsibility for their mistakes"	4/16/11
94.	Bureaucracy	Insistence on the Rights of Office	"management threats with disdain"	5/20/11
95.	Bureaupathology	Impersonal Treatment	"not realistic or up-front AT ALL about the real hours or activities involved in this position...increase professionalism. Be honest with new hires"	6/7/11
96.	Bureaupathology	Impersonal Treatment	"poor management, lack of respect for employees"	6/8/11
97.	Bureaucracy	Insistence on the Rights of Office	"the managers are not rulers or leaders who show no respect for the dedication of the employees"	6/22/11
98.	Bureaupathology	Resistance to Interrogation and Investigation	"this organization is corrupted by nepotism and waste"	6/22/11
99.	Bureaupathology	Resistance to Interrogation and Investigation	"you are not accountable for anything"	7/14/11
100.	Bureaupathology	Resistance to Interrogation and Investigation	"extremely inefficient, often does not live up to the public trust. Not a lot of accountability"	8/3/11
101.	Bureaupathology	Impersonal Treatment	"if you want to work somewhere were people treat you like a child, step right up"	8/14/11
102.	Bureaupathology	Impersonal Treatment	"management treats you like a child"	8/14/11
103.	Bureaupathology	Resistance to Change	"technology is terrible"	8/14/11
104.	Bureaupathology	Resistance to Change	"sales methodologies and attitudes are very dated"	8/14/11

Count	Type	Attribute	Comment	Date
105.	Bureaupathology	Prolonged Role Enactment	"dead end with no stability"	8/25/11
106.	Bureaupathology	Prolonged Role Enactment	"no scope for upward mobility"	8/25/11
107.	Bureaupathology	Impersonal Treatment	"constant harassment and incompetence"	9/21/11
108.	Bureaupathology	Impersonal Treatment	"the collections department is not allowed to have breaks longer than 30 minutes, even when working long shift, which seems as though it is illegal"	9/21/11
109.	Bureaupathology	Resistance to Interrogation and Investigation	"I heard jokes and offensive comments...I spoke up and nothing was done"	9/21/11
110.	Bureaupathology	Resistance to Interrogation and Investigation	"if you don't do something serious, someone is going to file a lawsuit for a hostile work environment soon"	9/21/11
111.	Bureaucracy	Insistence on the Rights of Office	"management seems to only want money"	10/4/11
112.	Bureaupathology	Impersonal Treatment	"learn to be nice and helpful- not mean and controlling"	10/4/11
113.	Bureaucracy	Insistence on the Rights of Office	"had to deal with egotistical attitudes of the senior staff who felt they knew everything and could do everything better than anyone else"	10/6/11
114.	Bureaucracy	System of Rules	"so much pressure on doing everything right that you cant get anything done and one you mess up or potentially make them [sic] upper management mad then say good bye to your job"	10/26/11
115.	Bureaupathology	Impersonal Treatment	"they treat you as if you can be easily replaced. No respect for anyone"	10/26/11
116.	Bureaucracy	Insistence on the Rights of Office	"take some customer service classes. Hire and retain efficient and caring workers instead of those who just agree with you"	11/22/11
117.	Bureaucracy	Insistence on the Rights of Office	"many senior management....play politics and don't really care about helping the customer"	11/22/11
118.	Bureaupathology	Impersonal	"there is absolutely no respect for	12/6/11

Count	Type	Attribute	Comment	Date
		Treatment	personal/family time"	
119.	Bureaupathology	Impersonal Treatment	"abusive and unhealthy management practices toward employees"	12/6/11
120.	Bureaupathology	Impersonal Treatment	"no respect for employees"	1/25/12
121.	Bureaupathology	Resistance to Interrogation and Investigation	"HR staff is not aware of half the things that management does"	1/25/12
122.	Bureaupathology	Resistance to Change	"untold \$millions have been wasted in a revolving door of consultants with elaborate and unworkable 'solutions' which have either never been implemented or are only partially installed, and less efficient and less effective than prior systems, methods"	2/26/12
123.	Bureaupathology	Resistance to Change	"alleged 'experts' both consultants and senior leadership are clueless at identifying root causes of problems, developing expedient solutions and implementing needed changes"	2/26/12
124.	Bureaupathology	Resistance to Interrogation and Investigation	"leadership that wastes money, resources and opportunities"	2/26/12
125.	Bureaupathology	Resistance to Interrogation and Investigation	"long term employees are pushed aside, or terminated for presenting realistic assessments of the ongoing failures and weaknesses of the most fashionable 'transformation' "	2/26/12
126.	Bureaucracy	Hierarchy of Authority	"HQ senior management & board of governors tragically clueless"	3/1/12
127.	Bureaupathology	Prolonged Role Enactment	"political, very less [sic] opportunities for growth"	3/24/12
128.	Bureaupathology	Resistance to Interrogation and Investigation	"and lower those crazy salaries that ceos are making. [current CEO] makes over 1.2 million a year!!!??? Ridiculous for a non profit"	3/24/12
129.	Bureaupathology	Prolonged Role Enactment	"quit promotion your friends and buddies [sic] and promote people that have worked their way up from the bottom"	4/1/12

Count	Type	Attribute	Comment	Date
130.	Bureaucracy	Hierarchy of Authority	"do something to allow the most senior management to listen directly to the concerns and frustrations of the front-line employees, without having to filter everything through the insulating layers of management."	4/13/12
131.	Bureaupathology	Impersonal Treatment	"long hours, few breaks"	4/28/12
132.	Bureaupathology	Impersonal Treatment	"put caring for staff above the almighty dollar"	4/28/12
133.	Bureaupathology	Impersonal Treatment	"treat others how you would like to be treated"	4/28/12
134.	Bureaupathology	Impersonal Treatment	"Chapter CEO was more concerned in how [sic] their image reflected to volunteers and community rather than taking care of the people within the organization."	4/30/12
135.	Bureaupathology	Impersonal Treatment	"no recognition for achievements, rewards only to the 'favorites' and not to people that deserve it, whether it is an employee or volunteer"	4/30/12
136.	Bureaupathology	Resistance to Interrogation and Investigation	"little circles within employees looking out for their own agendas (promotions, career advancements, etc.) that trampled the code of conduct and the mission of an organization asa [sic] whole"	4/30/12
137.	Bureaupathology	Prolonged Role Enactment	"low morale, high turnover; refuse to fire underperforming/unprofessional staff; few opportunities for professional growth and advancement"	5/8/12
138.	Bureaucracy	System of Rules	"Morale is at an all time low, and tech's are sick and tired of getting written up or talked to by problem management. Makes us want to work slower and more careful so we don't make mistakes."	6/9/12
139.	Bureaupathology	Resistance to Interrogation and Investigation	"consent decree for almost 20 years, are you kidding the American public??ANY private company would shut the heck down by now"	6/9/12
140.	Bureaupathology	Resistance to	"lots of restructuring needed here. I	6/9/12

Count	Type	Attribute	Comment	Date
		Interrogation and Investigation	can name management but I'm sorry, I need my job to provide for my family."	
141.	Bureaupathology	Resistance to Change	"very old fashioned ideals and practices"	6/18/12
142.	Bureaupathology	Prolonged Role Enactment	"no advancement for most employees. However, that may depend on the location and if you 'belong' to the right click [sic]"	6/25/12
143.	Bureaucracy	Career Service	"no respect for the worker-ants. If you are the manager and above you will get promotions with the exact same responsibilities and tasks, others will stay in the same spot forever"	6/28/12
144.	Bureaucracy	Career Service	"if you don't 'shake the boat' you can [sic] some job stability for a few yrs."	6/28/12
145.	Bureaucracy	Insistence on the Rights of Office	"upper management does not inspire any respect or trust."	6/28/12
146.	Bureaupathology	Resistance to Change	"management very poor- not technologically inclined or smart, egoistic, lazy and can get envious of staff trying to rise [sic]"	6/28/12
147.	Bureaupathology	Resistance to Interrogation and Investigation	Frequent layoffs and they will target people...who have made valid concerns about the process, waste, etc."	6/28/12
148.	Bureaupathology	Impersonal Treatment	"in the last 5 years, there have been repeated rounds of restructuring and layoffs, resulting in insane amounts of turn-over and a staff is more worried about their jobs than service delivery"	7/1/12
149.	Bureaupathology	Impersonal Treatment	"you are yelled at almost daily and degraded"	7/27/12
150.	Bureaupathology	Strict Reliance on Organizational Rules and Procedures	"most direction is given by email so that a person can track their request because they have a lack of trust in each other"	7/27/12
151.	Bureaupathology	Resistance to Interrogation and Investigation	"lots of CYA and no accountability"	8/3/12
152.	Bureaucracy	System of Rules	"way too many changes result in	8/9/12

Count	Type	Attribute	Comment	Date
			disorganized execution and trying to make one size fits all results in many, many lost opportunities"	
153.	Bureaucracy	System of Rules	"stop the silos and kingdom building and work as one organization not little kingdoms inside an organization"	8/9/12
154.	Bureaupathology	Prolonged Role Enactment	"take the shackles off staff and let them do the jobs they are hired to do"	8/9/12
155.	Bureaupathology	Resistance to Change	"they to not listen or value [employee] input at a professional level"	8/9/12
156.	Bureaucracy	Hierarchy of Authority	"confusing reporting structure and divisive relationship between chapters"	9/17/12
157.	Bureaucracy	Hierarchy of Authority	"internal competition destroys the morale"	9/17/12
158.	Bureaucracy	Insistence on the Rights of Office	"[to CEO] your immediate staff sends the message internally that you are scary and should be feared"	9/17/12
159.	Bureaucracy	System of Rules	"break down the silos and get people communicating"	9/17/12
160.	Bureaupathology	Resistance to Interrogation and Investigation	"stop putting underperformers and problem employees who lack experience in management positions:"	9/17/12
161.	Bureaupathology	Impersonal Treatment	60-70 hour workweek is not only common, but expected."	10/13/12
162.	Bureaupathology	Impersonal Treatment	"absolutely no work life balance"	10/13/12
163.	Bureaupathology	Impersonal Treatment	"the pressure is constant and employees regularly go weeks without one day off"	10/13/12
164.	Bureaupathology	Impersonal Treatment	"the leave policy in my division is this: the only excusable leave is bereavement leave"	10/16/12
165.	Bureaupathology	Impersonal Treatment	"they treat their employees horribly"	11/2/12
166.	Bureaupathology	Impersonal Treatment	"this organization strips you of your work ethic and degrades your skills"	11/2/12
167.	Bureaupathology	Impersonal Treatment	"a revolving door and most of those going out are key talent that management should strive to retain"	11/2/12
168.	Bureaupathology	Resistance to	"very wasteful of the resources they have	11/2/12

Count	Type	Attribute	Comment	Date
		Interrogation and Investigation	and not open to very simple changes to improve"	
169.	Bureaucracy	Insistence on the Rights of Office	"loading the upper management with overpaid Directors and getting rid of the folks who do the actual work"	11/15/12
170.	Bureaupathology	Impersonal Treatment	"there is no work/life balance. If you have young children, keep looking"	12/1/12
171.	Bureaupathology	Impersonal Treatment	"learn how to improve work/life balance"	12/4/12
172.	Bureaucracy	Insistence on the Rights of Office	"local management was abrasive with employees and offered little support"	12/12/12
173.	Bureaupathology	Impersonal Treatment	"VERY poor work life balance as you are always expected to respond on a moment's notice"	12/12/12
174.	Bureaupathology	Impersonal Treatment	"employees work very long hours and often 7 days a week. Employees are expected to answer their phones and emails immediately at all hours"	12/14/12
175.	Bureaucracy	Hierarchy of Authority	"no empowerment between line staff and management"	1/10/13
176.	Bureaupathology	Prolonged Role Enactment	"promotions are hard to come by and they don't reward top talent"	1/10/13
177.	Bureaupathology	Impersonal Treatment	"anyone who gives notice to terminate is harassed and has it held over their head until they leave"	1/11/13
178.	Bureaupathology	Prolonged Role Enactment	"horrible career development opportunities and room for growth"	1/11/13
179.	Bureaupathology	Resistance to Interrogation and Investigation	"no accountability"	1/13/13
180.	Bureaupathology	Resistance to Interrogation and Investigation	"executives making sweeping changes based on politics, then falsify numbers to look good"	1/13/13
181.	Bureaupathology	Resistance to Interrogation and Investigation	"good ol' [sic] boy hotel"	1/13/13
182.	Bureaucracy	General	"lots of tension between departments"	2/5/13
183.	Bureaucracy	Hierarchy of Authority	"it was impossible to get departments to talk and coordinate"	2/21/13

Count	Type	Attribute	Comment	Date
184.	Bureaupathology	Impersonal Treatment	"management treats you like a worthless commodity"	2/22/13
185.	Bureaupathology	Impersonal Treatment	"there is no work/life balance"	2/22/13
186.	Bureaupathology	Impersonal Treatment	Employee turnover is high, many employees hired simply to be a body to fit scheduling purposes."	2/22/13
187.	Bureaucracy	Hierarchy of Authority	"hardworking loyal paid staff have no voice"	2/25/13
188.	Bureaupathology	Impersonal Treatment	"long hours kills family life"	2/25/13
189.	Bureaupathology	Resistance to Change	"slow to respond to change"	2/25/13
190.	Bureaupathology	Resistance to Interrogation and Investigation	"good ole [sic] boy network at its best!"	2/25/13
191.	Bureaupathology	Impersonal Treatment	"treat you like little kids"	2/28/13
192.	Bureaupathology	Resistance to Interrogation and Investigation	"basically keep your mouth shut and never ask questions"	2/28/13
193.	Bureaupathology	Impersonal Treatment	"the people who do the work come with extensive knowledge and should be valued more than they are currently"	3/9/13
194.	Bureaucracy	System of Rules	"it is a high risk, low rewards type environment with bosses always hounding you for not doing work to their standards"	3/14/13
195.	Bureaucracy	Career Service	"career development is challenging and difficult"	3/27/13
196.	Bureaucracy	Hierarchy of Authority	"upper management is disconnected"	3/27/13
197.	Bureaupathology	Resistance to Change	"great mission often overshadowed by overwhelming internal concerns and inability to adapt to change"	3/27/13
198.	Bureaupathology	Resistance to Change	"very slow to adapt to changing technologies and trends"	3/27/13
199.	Bureaucracy	Hierarchy of Authority	"loaded with upper level management"	4/26/13

Count	Type	Attribute	Comment	Date
200.	Bureaucracy	Insistence on the Rights of Office	"no leadership accountability"	4/26/13
201.	Bureaupathology	Impersonal Treatment	"communications- either there are very little or it is misleading or incorrect"	4/26/13
202.	Bureaupathology	Impersonal Treatment	"they treat you like you are in highschool"	4/27/13
203.	Bureaucracy	System of Rules	"you will be micromanaged"	4/27/13
204.	Bureaupathology	Impersonal Treatment	"if you are a mindless sheep, then you will like it there"	4/27/13
205.	Bureaupathology	Resistance to Interrogation and Investigation	"clean house fast! This company has a bunch of lawsuits waiting to happen"	4/27/13
206.	Bureaucracy	Career Service	"no procedures for removing non-performing employees leaving everyone else stuck cleaning up the mess"	5/8/13
207.	Bureaucracy	Insistence on the Rights of Office	"not the best management and long hours. They expect you to be on their call no exceptions"	5/16/13
208.	Bureaupathology	Impersonal Treatment	"very vague management that used corporate buzz words instead of providing clear and concise instructions"	5/16/13
209.	Bureaupathology	Impersonal Treatment	"this organization once made me feel like I was making a difference and now I feel like I'm a cash cow and all they care about is the money coming in"	5/22/13
210.	Bureaucracy	Hierarchy of Authority	"CEO completely out of touch"	5/24/13
211.	Bureaucracy	System of Rules	"decisions are made in a vacuum"	5/24/13
212.	Bureaupathology	Impersonal Treatment	"no sense of neutrality and objectivity"	5/24/13
213.	Bureaupathology	Impersonal Treatment	"Give everyone a chance to be heard and express their ideas. Let people feel included and part of the decision making process when possible."	5/24/13
214.	Bureaupathology	Resistance to Change	"HR practices have historically been corrupt"	5/24/13
215.	Bureaupathology	Resistance to Interrogation and Investigation	"only those that suddenly fall out of the favorites list get investigated or reprimanded."	5/24/13

Count	Type	Attribute	Comment	Date
216.	Bureaupathology	Resistance to Interrogation and Investigation	"I have seen many good, ethical people leave out of disgust"	5/24/13
217.	Bureaupathology	Resistance to Interrogation and Investigation	Do not turn a blind eye when you know someone is doing something wrong. Hold ethics above all else. Hold everyone accountable equally."	5/24/13
218.	Bureaupathology	Impersonal Treatment	"[changes] made for a fun job to just being treated like a 'widget' making \$\$\$\$\$ for them"	6/15/13
219.	Bureaucracy	Career Service	"...many 'lififers' left"	6/15/13
220.	Bureaucracy	Insistence on the Rights of Office	"stop barking orders"	6/15/13
221.	Bureaupathology	Impersonal Treatment	"stop exploiting your workforce's dedication"	6/15/13
222.	Bureaupathology	Impersonal Treatment	"have loyalty to employees"	6/15/13
223.	Bureaupathology	Resistance to Change	"management quickly angered by feedback provided or when asked for help"	6/15/13
224.	Bureaupathology	Resistance to Change	"take the time to strategize with employee feedback how to create change"	6/15/13
225.	Bureaupathology	Resistance to Interrogation and Investigation	"with [CEO] making over \$600k+ extensive benefit package and any managers/board meetings having catered lunches, among other wasted expenses, how do you expect anyone to donate to NPI thinking its going to a good cause?"	6/15/13
226.	Bureaucracy	Insistence on the Rights of Office	"daily added unnecessary pressure from management above what is required to do the job"	6/17/13
227.	Bureaucracy	Insistence on the Rights of Office	"superiors were hypocrites, expected me to be their slave..."	6/18/13
228.	Bureaucracy	General	"now being run like a giant corporation"	6/24/13
229.	Bureaupathology	Resistance to Change	"outdated equipment (computers, software)."	6/24/13
230.	Bureaupathology	Resistance to Change	"a lack of resources to invest in infrastructure"	7/1/13
231.	Bureaupathology	Impersonal Treatment	"be more passionate to your employees"	7/11/13

Count	Type	Attribute	Comment	Date
232.	Bureaupathology	Prolonged Role Enactment	"they say you can move up in the company but that's not true"	7/11/13
233.	Bureaupathology	Resistance to Interrogation and Investigation	"they are misleading to tell you the donations are for a non profit, that's a lie"	7/11/13
234.	Bureaucracy	Career Service	"there seems to be a heavy concentration in middle management of people staff that have been there a long time and do not seem qualified"	7/19/13
235.	Bureaucracy	Hierarchy of Authority	"top heavy"	7/19/13
236.	Bureaucracy	Hierarchy of Authority	"the org charts by region are amazingly top heavy"	7/19/13
237.	Bureaucracy	Insistence on the Rights of Office	"people only talk to people with the right title"	7/19/13
238.	Bureaucracy	System of Rules	"one of the constant aspects is change; there is constant change and micromanagement like no private sector company I have ever worked with"	7/19/13
239.	Bureaupathology	Impersonal Treatment	"Constant fear of reorganization & layoffs as they happen frequently, and if you're not in the right little group, you are outta there!"	7/19/13
240.	Bureaupathology	Impersonal Treatment	"I believe they abuse the collections staff"	7/19/13
241.	Bureaupathology	Resistance to Interrogation and Investigation	"do a better job of saving money"	7/19/13
242.	Bureaucracy	Hierarchy of Authority	"there are no opportunities for career growth"	7/20/13
243.	Bureaucracy	Hierarchy of Authority	"the chain of command and my responsibilities changed monthly"	7/26/13
244.	Bureaupathology	Impersonal Treatment	"poor treatment of employees"	7/26/13
245.	Bureaupathology	Impersonal Treatment	"employees are not treated as people, but as another cog in the machine"	7/26/13
246.	Bureaucracy	Insistence on the Rights of Office	"employees have had to sue the company because of their prejudices, the management tyrades [sic], the fear felt"	7/27/13

Count	Type	Attribute	Comment	Date
			by the employees personal, emotional and mental, we never knew if we were going to have a job that day or be terminated by the choice of management"	
247.	Bureaupathology	Resistance to Interrogation and Investigation	"management needs to take staff complaints seriously and address problems instead of ignoring them. If an employee expresses concern about working in a hostile environment, management and HR should address these concerns instead of targeting the staff and allow future retaliation to the point the staff want to leave their job"	7/31/13
248.	Bureaucracy	Insistence on the Rights of Office	"practice what you preach. I saw people get written up for the smallest of infractions and for things I saw managers doing themselves."	8/7/13
249.	Bureaucracy	System of Rules	"quit with the micro management and all the 'write ups'"	8/7/13
250.	Bureaupathology	Impersonal Treatment	"managers playing favorites with some employees and conversely very unfairly punitive with other employees"	8/7/13
251.	Bureaupathology	Impersonal Treatment	"the leadership in the company is comprised of fallout from companies that had failed. Now not surprisingly the company had turned into the most unhumanitarian humanitarian organization."	8/7/13
252.	Bureaupathology	Impersonal Treatment	"if you don't mind lying to people and being programmed like a robot, well this would be a great position for you."	8/7/13
253.	Bureaupathology	Resistance to Interrogation and Investigation	"seek sturdy and trustworthy leadership with a proven record of success to try and save the company before the current leadership runs it into the ground"	8/7/13
254.	Bureaupathology	Resistance to Interrogation and Investigation	"fiscally irresponsible and failing fast...I would not be surprised to see the company gone in 5 years"	8/7/13
255.	Bureaucracy	Hierarchy of	"departments work in silos and lack	8/14/13

Count	Type	Attribute	Comment	Date
		Authority	communication with others that would allow better functionality"	
256.	Bureaucracy	Insistence on the Rights of Office	"high level positions are mismanaged resulting in layoffs and constant changes.	8/14/13
257.	Bureaupathology	Impersonal Treatment	"the decrease in revenue caused senior management to pressure the employees to the point of verbal abuse"	8/14/13
258.	Bureaupathology	Impersonal Treatment	"formal complaints to HR not acknowledged or resolved"	8/14/13
259.	Bureaupathology	Resistance to Interrogation and Investigation	"provide opportunities for employer [sic] growth instead of finding ways to hinder their performance and looking out for your own back"	8/14/13
260.	Bureaucracy	Insistence on the Rights of Office	"most of the 'power' to affect decision-making, along with career growth opportunities are seated with those working at regional or national levels"	9/3/13
261.	Bureaupathology	Impersonal Treatment	"there is little appreciation from top management"	9/3/13
262.	Bureaucracy	System of Rules	"pay is low for the perfection the company demands"	9/8/13
263.	Bureaupathology	Impersonal Treatment	"position responsibilities should have been explained better at hiring"	9/8/13
264.	Bureaucracy	Hierarchy of Authority	"no communication between departments"	9/11/13
265.	Bureaucracy	Hierarchy of Authority	"top heavy management"	9/11/13
266.	Bureaucracy	Insistence on the Rights of Office	"staff pay is very low, yet our regional CEO made \$500,000"	9/11/13
267.	Bureaucracy	System of Rules	"management and scheduling act like a crime has taken place if you already made plans and can't conform to their every demand"	9/11/13
268.	Bureaupathology	Impersonal Treatment	"crazy hours and white lies"	9/11/13
269.	Bureaupathology	Impersonal Treatment	"impossible to have a life outside of work"	9/11/13
270.	Bureaucracy	Insistence on the	"elitist management that is only	9/24/13

Count	Type	Attribute	Comment	Date
		Rights of Office	concerned about their tails and how they appear."	
271.	Bureaucracy	Insistence on the Rights of Office	"management is very self-serving"	9/24/13
272.	Bureaucracy	Insistence on the Rights of Office	"senior management needs to stop leading by fear, everyone is afraid of losing his or her jobs [sic]"	9/24/13
273.	Bureaupathology	Impersonal Treatment	"does not care about workers"	9/24/13
274.	Bureaupathology	Impersonal Treatment	"favoritism with management"	9/24/13
275.	Bureaupathology	Impersonal Treatment	"they need to appreciate the workers in the field more and stop treating them as disposable and replaceable"	9/24/13
276.	Bureaupathology	Impersonal Treatment	"stop intimidating people so they can work"	9/24/13
277.	Bureaupathology	Impersonal Treatment	"low pay, little room for advancement, uncertain future, favoritism"	9/24/13
278.	Bureaupathology	Prolonged Role Enactment	"no room for advancement unless you are a favorite, it doesn't matter your education or work ethic"	9/24/13
279.	Bureaupathology	Resistance to Interrogation and Investigation	"horrible management with too much favoritism and unethical actions taken"	9/24/13
280.	Bureaupathology	Resistance to Interrogation and Investigation	"learn to be fair and ethical"	9/24/13
281.	Bureaupathology	Resistance to Interrogation and Investigation	"scheduling department is unethical, by giving friends the good hours and shifts."	9/24/13
282.	Bureaupathology	Resistance to Interrogation and Investigation	"wasteful with resources and money"	9/24/13
283.	Bureaupathology	Resistance to Interrogation and Investigation	"wasteful with resources and money"	9/24/13
284.	Bureaupathology	Impersonal Treatment	"management sets unrealistic goals [sic] work till you drop atmosphere. They treat employees with no respect and micromanage"	9/25/13

Count	Type	Attribute	Comment	Date
			them. Work mandatory long hours. I won't be here too long"	
285.	Bureaucracy	Insistence on the Rights of Office	"senior management gets bonuses based on profit management rather than client outcomes"	9/26/13
286.	Bureaupathology	Resistance to Interrogation and Investigation	"stop the bleeding"	9/26/13
287.	Bureaupathology	Impersonal Treatment	"underpaid and unappreciated"	10/2/13
288.	Bureaucracy	Hierarchy of Authority	"work to narrow the vast communication void between senior management and those actually in the trenches"	10/4/13
289.	Bureaupathology	Prolonged Role Enactment	"spend months and years unraveling poor decisions"	10/4/13
290.	Bureaupathology	Impersonal Treatment	"your stomach twists and you feel sick"	10/6/13
291.	Bureaupathology	Impersonal Treatment	"if you want stability of any kind, do not work for NP1"	10/6/13
292.	Bureaupathology	Resistance to Change	"...the best people are leaving because they don't want to deal with the endless financial mess and the never ending layoffs"	10/6/13
293.	Bureaupathology	Resistance to Interrogation and Investigation	"financial mess with incompetent and entrenched executive management that are accountable to no one"	10/6/13
294.	Bureaupathology	Resistance to Interrogation and Investigation	"management hides the true financial disaster of the company because they are afraid it will hurt donations"	10/6/13
295.	Bureaupathology	Resistance to Interrogation and Investigation	"tell the public the true financial situation"	10/6/13
296.	Bureaupathology	Impersonal Treatment	"sweatshop"	10/12/13
297.	Bureaupathology	Prolonged Role Enactment	"no room for advancement unless someone leaves or die [sic]"	10/12/13
298.	Bureaupathology	Prolonged Role Enactment	"Please get rid of your worthless directors, CEOs and VPs"	10/12/13
299.	Bureaupathology	Resistance to	"IT systems are a wreck"	10/12/13

Count	Type	Attribute	Comment	Date
		Change		
300.	Bureaucracy	Hierarchy of Authority	"way too much management and very political"	10/13/13
301.	Bureaucracy	Hierarchy of Authority	"decrease the layers- way too many"	10/13/13
302.	Bureaupathology	Impersonal Treatment	"long hours (60+ per week)"	10/17/13
303.	Bureaupathology	Resistance to Interrogation and Investigation	"admit you are bankrupt due to your practices and fold"	10/17/13
304.	Bureaupathology	Resistance to Interrogation and Investigation	"huge mismanagement and wasteful spending with very few dollars actually getting to clients"	10/17/13
305.	Bureaucracy	Insistence on the Rights of Office	"only company where you can keep losing money and get a promotion"	10/23/13
306.	Bureaupathology	Impersonal Treatment	"beware, working here is only for the strong"	10/23/13
307.	Bureaucracy	Insistence on the Rights of Office	"inappropriate comments often made [by management]"	11/4/13
308.	Bureaucracy	System of Rules	"took over 3 months and numerous calls to HR to be paid for last month's work"	11/4/13
309.	Bureaupathology	Impersonal Treatment	"HR department is hard to reach and does not respond to employee..."	11/4/13
310.	Bureaupathology	Impersonal Treatment	"information is not shared so employees are often left in the dark"	11/4/13
311.	Bureaupathology	Impersonal Treatment	"it is sad how negative the culture can be at times."	11/4/13
312.	Bureaupathology	Resistance to Change	"change seems near impossible"	11/4/13
313.	Bureaupathology	Resistance to Change	"hire more people from outside the current organization"	11/4/13
314.	Bureaupathology	Impersonal Treatment	"long hours, little pay, very poor management, work every weekend"	11/11/13
315.	Bureaupathology	Impersonal Treatment	"very sad place to be a part of"	11/11/13
316.	Bureaupathology	Impersonal Treatment	"all management cares about is numbers and uses natural disasters to push their numbers"	11/11/13
317.	Bureaupathology	Impersonal	"when hired you might want to train or	11/11/13

Count	Type	Attribute	Comment	Date
		Treatment	tell the new employees what the job they are actually doing is."	
318.	Bureaupathology	Resistance to Interrogation and Investigation	"a lot of politics in the office"	11/11/13
319.	Bureaupathology	Resistance to Change	"lacking modern information technology"	11/13/13
320.	Bureaucracy	Technical Expertise	"The latest bone headed move is [sic] to allow more appointments to be made than we have staff to process"	11/17/13
321.	Bureaupathology	Impersonal Treatment	"horrendous hours- there is no balance. People dread each day and turnover is ongoing"	11/17/13
322.	Bureaupathology	Impersonal Treatment	"there are a lot who are lazy, inept and uncaring"	11/17/13
323.	Bureaucracy	Hierarchy of Authority	"extremely top-heavy"	12/31/13
324.	Bureaupathology	Impersonal Treatment	"I don't feel that they care about their people like they should"	12/31/13
325.	Bureaupathology	Impersonal Treatment	"poor management, treat your staff better and try not to overwork them"	1/4/14
326.	Bureaupathology	Resistance to Interrogation and Investigation	"company in constant state of flux due to poor financial management"	1/13/14
327.	Bureaupathology	Resistance to Interrogation and Investigation	"focus on where money goes in regards to unnecessary travel expenses"	1/13/14
328.	Bureaupathology	Impersonal Treatment	"no incentives for employees, very low moral [sic]"	1/18/14
329.	Bureaupathology	Impersonal Treatment	"low pay, no room for growth, the mentality is to use employees as much as possible before they move on to a better job"	1/18/14
330.	Bureaupathology	Resistance to Change	"[get your] head out of the clouds and listen to your employees, we have great ideas"	1/18/14
331.	Bureaupathology	Impersonal Treatment	"terrible management. No concern for the employees"	1/21/14
332.	Bureaupathology	Resistance to	"when they repeatedly [sic] get fines, it's	2/3/14

Count	Type	Attribute	Comment	Date
		Interrogation and Investigation	only the workers fault never management"	
333.	Bureaupathology	Resistance to Interrogation and Investigation	"their unprofessional skills of running a business have been on FDA's radar for years"	2/3/14
334.	Bureaupathology	Resistance to Interrogation and Investigation	"take accountable [sic] for your own actions"	2/3/14
335.	Bureaupathology	Impersonal Treatment	"treated like a piece of crap"	2/6/14
336.	Bureaupathology	Impersonal Treatment	"job security is a joke"	2/6/14
337.	Bureaupathology	Impersonal Treatment	"I don't believe they care about the volunteers"	2/11/14
338.	Bureaucracy	System of Rules	"the atmosphere is very strict. You are expected to do everything right the first time or there will be meetings and consequences about it for weeks"	2/19/14
339.	Bureaupathology	Impersonal Treatment	"work life balance is absolutely non existent"	2/19/14
340.	Bureaupathology	Impersonal Treatment	"a greater amount of respect for employees would be greatly appreciated"	2/19/14
341.	Bureaucracy	System of Rules	"micro-managed"	2/21/14
342.	Bureaupathology	Impersonal Treatment	"the non profit is run like a middle school"	2/21/14
343.	Bureaupathology	Resistance to Change	"new ideas are not accepted and are ignored by 'old timers'"	2/21/14

Hotline Specifications

NP1 operates two hotlines, both managed by a third party vendor, Global Compliance Inc. Of these hotlines, the 'Concern Connection Line' (hereinafter referred to as "hotline") is dedicated to receiving complaints regarding fraud, waste, abuse, safety concerns, and unethical conduct. (NP1 Employee, 2013) NP1 also operates a second hotline, which is used to handle complaints of a specific nature, relative to a commodity supplied by the business. The statistics concerning the number of calls made to either hotline is not externally publicized, but was provided by an employee for research purposes. Based on information provided by NP1, although their hotline was implemented following the Sarbanes-Oxley Act of 2002, there was no connection. According to an employee of NP1, the hotline was implemented in 2003 "primarily due to the increase in fraud cases due to the 911 fund being established. NP1 needed a mechanism for the public as well as employees to report fraud, waste and abuse." The employee said "As a nonprofit, we do not officially fall under SOX, but we actually do follow all the prescribed recommendations as closely as possible i.e. ...report quarterly to the audit committee of our board." (EMail, 2013)

On NP1's website, the hotline contact information is accessible to employees and the public from their "Contact Us" page, where there is a link for "Reporting fraud, waste or abuse." On this page, the potential tipster is informed the website enables the user to "report [his/her] concern in a confidential and anonymous manner." (Global Compliance Inc.) On the "Submit a New Report" page, the user is prompted to select a "primary issue" he/she is reporting. The available choices are as follows:
EEO/Diversity Issues; Environment, Health, Safety and Security; HR Administration and Actions; Legal and Regulatory Issues; Other- Non-allegations; Other- Violations or Concerns; Protecting Company Assets and

Workplace Conduct Issues.

According to their organizational literature, employees are encouraged to report concerns internally, first. Specifically, in their "New Employee and Volunteer Orientation and Participant Guide, "Employees and volunteers are requested to first notify their supervisor, human resources representative, or any manager with whom they feel comfortable in the event a questionable situation arises in the workplace. If attempts to resolve the issue at the local level are unsuccessful, the Concern Connection Line is the next step." (NP1, 2006)

Hotline Metrics

For NP1, the hotline metrics analyzed were between July 1, 2012-June 30, 2013. Upon analysis, it was determined the number of calls received were far above benchmarking levels. The Table below, Table 27, depicts the hotline metrics for NP1.

Table 27 NP1 Hotline Metrics

Fiscal Year	Time Period	Number of Employees	Average Benchmarking Figure: Size, Industry	Calls Expected Per Benchmarking	Delta
2013	July 1, 2012-June 30, 2013	31,000	7.61 per 1,000 9.94 per 1,000 =8.78 (9)	279	+481

Historical Context

During the time period of the hotline data provided, Hurricane Sandy occurred. (October 2012) Hurricane Sandy was one of the most destructive and costly hurricanes in United States history. According to The Federal Emergency Management Agency, (FEMA) more than \$1.4 billion in individual assistance has been provided, and \$3.2 billion in emergency work was

approved. It has been reported that NP1 provided as much as \$15 million in relief in connection with this event. (NP1 and Hurricane Sandy Relief Fund Give \$15.2 Million, 2013)

It was also reported following Hurricane Katrina in August 2005, NP1 employees engaged in fraud. According to Federal Bureau of Investigation press releases, NP1 employees and other members of the public were charged in at least 30 separate frauds from 2009-2012 for crimes committed in 2005. Therefore, it is anticipated there will be additional frauds against NP1 reported in connection with Hurricane Sandy in the near future. As a result, the number of calls to NP1's hotline was expected to be above average in terms of volume for this time period, which it was.

Fraud Metrics

According to media reports, employee fraud has occurred in this organization, during the time period of the hotline data provided (FY 2013). On October 31, 2013, local news outlets in Florida reported an NP1 employee had been systematically stealing from a local NP1 chapter since 2011. Overall, this employee reportedly stole over \$200,000 by creating fraudulent benefit cards using another employee's username and password. (ABC WCJB TV, 2013) In this news report, a statement from NP1 was published, where they acknowledged this fraud, which they said was uncovered during an examination of one of their business operations. It should be noted that according to Form 990 standards, this event should be disclosed in their next filing.

Summary

Overall, NP1 was assessed as having an "Above Average" fraud hotline performance. Their level of bureaupathology was assessed at a "Level 9" (88%) out of ten. The strongest indicators present were Insistence on the Rights of Office and Impersonal Treatment. The performance details were as

follows: Metrics were assessed as "High" the functionality was assessed as "Moderate" and the Best Practice compliance was assessed as "Moderate." Table 28 provides a summary of these results.

The presence of bureaucracy (IV) was established, which has affected the performance of the hotline (DV) creating performance issues. A review of the literature and an analysis of employee reviews found bureaucracy and excessive bureaucracy was present in this organization. In sum, the comments were made by 150 separate respondents. Of their responses, 99 comments indicated bureaucracy and 244 indicated excessive bureaucracy. Employee statements prove bureaucracy and excessive bureaucracy are recognized on the part of employees. Employee comments indicating all indices evincing bureaucracy and excessive bureaucracy were present at varying degrees. Specifically, employee comments suggest the indices of bureaucracy "Insistence on the Right of Office" (34 comments) and "Hierarchy of Authority" (23 comments) were especially problematic for employees. In terms of excessive bureaucracy, comments indicated "Impersonal Treatment" (113 comments) and "Resistance to Interrogation and Investigation" (79 comments) were the most notable for those employees who submitted reviews for this organization.

As for the hotline's metrics, the hotline is receiving a number of calls that surpasses benchmarking estimates. Specifically, in FY 2013, it received 760 calls, which is above the benchmarking figure of 279. However, a limitation is that this study is unable to determine from the data provided the number of calls made by employees, as opposed to the general public. With respect to the hotline's functionality and best practices, the hotline performed moderately. Again, a lack of available data hindered research efforts. However, it should be noted that NP1 could make more of their hotline data available to the general public, and to researchers, if they so chose. Here, additional data was requested but the researcher was told that

additional data would not be made available.

Overall, the hotline's specifications demonstrate the negative effect of organizational bureaucracy on the fraud hotline. This resistance by administrators to provide data demonstrated a "Resistance to Investigation and Interrogation" as indicated by a majority of employees. The act of directing employees to speak to their manager, rather than call the hotline, is further evidence of "Hierarchy of Authority" and Insistence on the Rights of Office" which results in poor hotline functionality. Employees who wish to not report to an internal party are thus discouraged from calling. The demand for employees to report internally rather than call the hotline further evinces a dominating management who insists reports come through them, rather than another channel. This demand is against the hotline's purpose, which is to receive fraud tips, and is thus evidence of bureaupathology.

Overall, per the employees who provided reviews, this organization is believed to have a dominating management (Insistence on the Rights of Office) who freely exercises their authority (Hierarchy of Authority), providing Impersonal Treatment (113 comments) and Resisting Interrogation and Investigation (79 comments). It is believed that these conditions give rise to internal fraud and also hinder employee fraud reporting to the hotline. Comments further indicated the presence of disgruntled employees. On a positive note, employees were very enthusiastic about the mission of their organization, which they found overall to be very rewarding. However, it was clear that employees felt they were mistreated. Many employees complained about the working hours, which were well beyond that of normal positions. Employees also negatively discussed the "CEO salary" and compared it to their own low wages. They also expressed concern over the constant organizational change, "lack of communication" within the organization, the "poor management" and resulting "low morale."

As a result of the negative employee sentiment, which overwhelmingly

indicated "Impersonal Treatment" and "Resistance to Interrogation and Investigation", it is believed that not all employees who are aware of fraud are reporting it to the hotline.

As for internal fraud, upon review of public records, this study was able to establish the presence of internal fraud during the relevant time period. A review of the historical context suggests the hotline should have future internal fraud reported due to Hurricane Sandy. Employee reviews also made reference to the existence of internal fraud, with employees saying there was "waste of donated income" "misuse of funds" with "repeated violations of key federal and state regulations" and the "financial situation was terrible."

Table 28 on the next page provides a summary of the results for NP1.

Table 28 NP1 Table of Results

Organization	NP1
Assessment Element	Functionality: Above Average Bureaupathology: Level 9 of 10
Size	31,000
Hotline Name	Concern Connection Line
Management	3 rd Party and Internal
Respondents Indicating IV	88% (Sample Size 170; 150 indicated IV; 343 comments indicated IV)
Bureaucracy IV	Level 9 5 of 5; General(6) a (23) b (20) c (2) d (14) e (34)
Bureaupathology IV	f (113) g (15) h (35) I (79) J (2)
Hotline Metrics (DV)	High; Calls exceed benchmarking; Historical context (conducive to fraud, yet calls were above benchmarking levels during a relevant time period)
Hotline Functionality (DV)	Moderate, 3 of 5 Marketing (employees are encouraged to contact manager first) Mechanics (not enough parties engaged) Intake (3 rd Party managed) Processing (3 rd party managed) Incentives (administrator didn't understand value of hotline) Moderate, 3 of 6 Oversight (internal oversight) Due Care (clear process) Effective Communication (well communicated, but employees discouraged from calling) Reasonable Steps to Achieve Compliance (yes, 3 rd party managed) Consistent Enforcement (data unavailable) Reasonable Steps to Respond and Prevent Similar Offenses (data unavailable)
Best Practices (DV)	Moderate, 3 of 6 Oversight (internal oversight) Due Care (clear process) Effective Communication (well communicated, but employees discouraged from calling) Reasonable Steps to Achieve Compliance (yes, 3 rd party managed) Consistent Enforcement (data unavailable) Reasonable Steps to Respond and Prevent Similar Offenses (data unavailable)
Historical Context	Conducive to fraud and increased calls (Hurricane Sandy)

Organization	NP1
Assessment Element	Functionality: Above Average Bureaupathology: Level 9 of 10
(DV)	
Evidence of Internal Fraud	Yes
Evidence of Negative Employee Sentiment	Yes
Result IV	Bureaucracy Hierarchy of Authority Insistence on the Rights of Office Bureaupathology Impersonal Treatment Resistance to Interrogation and Investigation
Result DV	DV Metrics, Functionality and Best Practices Affected Metrics- great Functionality- Moderate Best Practices- Moderate Evidence of Historical Context, Internal Fraud, Disgruntled Employees
Notes	Despite an "average" rating, comments indicate fraud, massive bureaucracy

Chapter 5 Discussion

This chapter reviews the results of this study. First, a summary of the results is provided; first addressing the primary questions, and the primary research findings. Next, this work will address the findings with respect to each of the sub-questions explored in this work. The discussion will also explore policy implications, the limitations of this study and recommendations for future research.

Summary

This work explored the relationship between organizational bureaucracy and fraud hotlines, using six organizations' hotlines as case studies. The central question of this work was as follows: Does organizational bureaucracy affect fraud hotline performance? This central question was divided into a series of sub-questions. In answering those sub-questions, this work identified and isolated specific indicators, which were used to measure each subject organization's fraud hotline performance.

Overall, this study determined there was no consistent relationship between organizational bureaucracy and fraud hotline performance. The answers to the sub-questions revealed the following: (i) Dysfunctional organizational bureaucracy existed in all of the subject organizations, (ii) Employees perceive bureaupathology in all of the subject organizations, (iii) Bureaupathology did not always result in low hotline calls, (iv) Bureaupathology didn't always result in reduced best practices compliance, but Bureaupathology did always result in internal organizational fraud.

Therefore, this study found there was no consistent relationship between organizational bureaucracy and hotline performance.

The literature said dysfunctional organizational bureaucracy could have resulted in decreased hotline performance. That was not proven in this study. Rather, the stronger the level of bureaupathology in an agency, the better the hotline performed from a metrics, functionality and best practices perspective.

The answers to the sub-questions were as follows:

Sub-question	Answer
1. Does Dysfunctional Organizational Bureaucracy Exist?	Yes
2. Do employees perceive bureaupathology?	Yes
3. Does bureaupathology result in low hotline calls?	Not always. In 50% of cases. In half of the organizations had call levels below benchmarking.
4. Does bureaupathology result in reduced hotline functionality?	Not always. Hotlines had a poor-great functionality.
5. Does bureaupathology result in reduced best practices compliance?	Not always. The hotlines performed at Weak to High levels, despite the presence of bureaupathology.
6. Does bureaupathology result in fraud, waste and abuse?	Yes, internal fraud was discovered in each organization

This study demonstrated the perception of bureaupathology by employees might cause them to overly rely on organizational rules and procedures, which is resulting in hotlines that in many times perform well. This finding is consistent with bureaupathology literature, which says bureaupathology can cause employees to obsessively adhere to organizational rules and procedures. However, this finding is contrary to the expectations of some that bureaucracy was causing the SEC hotline to underperform.

To revisit the bureaucracy literature, there were three possible outcomes of a state of organizational bureaupathology that were posited at the onset of this work. Those were crime concealment, reduced fraud reporting and reduced hotline performance.

This study determined hotline performance does not have a consistent relationship to organizational bureaucracy. However, per the literature, the possibility of crime concealment and reduced fraud reporting are still potential outcomes of a well functioning hotline. This work considered employee sentiment, historical context and the state of organizational fraud, in the evaluation of a given hotline. Those factors tended to indicate the hotlines may not be receiving all possible fraud tips, despite the apparent functionality of several hotlines assessed in this work.

In other words, a hotline functionality assessment may not shed light on the health of a company from an anti-fraud perspective.

Here, each of the organizations had bureaupathology and internal fraud. Therefore, this study determined a relationship between bureaupathology and employee fraud.

General Findings

Overall, this study determined there was no consistent relationship between organizational bureaupathology and fraud hotline performance. In fact, at times, where the organization had more bureaupathology, the hotline tended to perform better, in terms of its metrics, functionality and adherence to best practices. Organizations with a high presence of the bureaucracy indicator "Insistence on the Rights of Office" and "Impersonal Treatment" tended to have a better adherence to best practices. It was also determined the organizations with the best levels of adherence to best practice had a higher instance of internal fraud.

Regardless of hotline performance, it is important to note that all of the subject organizations experienced employee crime, had a historical context, giving rise to crime, and had employees who were disgruntled, which is a condition that also gives rise to crime. Perhaps this means that hotlines cannot both function well and control fraud at the same time. The conditions that give rise to a successful hotline may also give rise to fraud, and or inhibit fraud reporting, in the same organizations.

As demonstrated in the table below, there were no cases in which a hotline with a high level of bureaupathology performed poorly. In one case (PS2), when the organization had lower levels of bureaupathology, the hotline performed better. In another case, when the organization had more bureaupathology, the hotline performed worse (GS2). In yet another case, when the organization had lower levels of bureaupathology, the hotline performed worse (PS1). At times, when an organization had worse bureaupathology, the hotline tended to perform better (NP1, GS1).

Table 29 Primary Research Question Results

	Bureaupathology Worse	Bureaupathology Elevated	Bureaupathology Better
Hotline Performance Worse		GS2	PS1
Hotline Performance Better	NP1 GS1	GS3	PS2

This finding is contrary to expectations. It was assumed that bureaupathology would have a negative effect on fraud hotline processes. While this happened in one case (GS2) it was not true in other cases.

Upon review, it was determined organizations with a high presence of the bureaucracy indicator "Insistence on the Rights of Office" and "Impersonal Treatment" tended to have a better adherence to best practices. It is believed these organizational attributes resulted in a greater

adherence to organizational rules, which resulted in better functioning hotlines.

While this finding seems surprising, it is supported in the bureaupathology literature. According to the literature, both of these attributes, when prominent within an organization, can result in a firm adherence to organizational procedures. Thompson discusses this in his work *Modern Organization*, where he finds that bureaupathic officials that "insist on the right of office" tend to "insist on petty rights and prerogatives, on protocol, on procedure..." (164) Thus it is possible this attention to procedure resulted in a well-functioning hotline from a compliance perspective.

Furthermore, "insistence on the right of office" means authority figures "protect their authority and influence." (Thompson, 165) which could result in the strong execution by management of several best practices components, such as "oversight" (by high level personnel) and "due care" (in delegating substantial discretionary authority). In fact, Thompson finds an official insisting on the rights of office could exercise extreme control of a hotline, as it entails "control[ing]...particular communication channel[s]...to protect[] authority and influence" and "exert[ing] his right to the monopoly of outgoing and incoming communication" and insist[ing] that "everything go through 'formal channels.'" (Thompson, 165)

The other strong bureaupathic attribute in organizations with high bureaupathology whose hotlines performed reasonably well was "impersonal treatment." Again, this management quality can also contribute to a well-functioning hotline from a compliance perspective. According to Thompson, impersonal treatment of superior to subordinate is a bureaupathological response, which can occur when an organizational obligation, such as a fraud hotline, is carried out. In fact, it could be considered a necessary way to implement a service, such as a fraud hotline, where the primary "clients" are

one's own employees. Thompson addresses this issue in Modern Organization, where he concludes the following:

"A certain impersonality is necessary both to protect the goals of the organization and to secure objective and therefore effective service to the client. This impersonality may be exaggerated into a cold disinterest by an insecure official. When officials are caught between demands or "rights" of clients and tight administrative controls from above, dissociation from the clients and disinterest in their problems may seem to be the only way out of their dilemma." (Thompson, 162)

As demonstrated, the literature supports the observed phenomenon, that organizational bureaucratic pathology can result in a well-functioning hotline from a compliance perspective. However, it does not address the issue of fraud. The case studies determined organizational fraud existed in each organization despite the existence of a well-functioning hotline.

The data also shows a lack of relationship between the individual hotline performance indicators on each other. For instance, at times where the hotline metrics were low (below benchmarking) the functionality of the hotline was sometimes better (GS3). Inversely, when metrics were better (at or above benchmarking), the functionality was sometimes worse (PS2). When hotline functionality was better, often times, their adherence to best practices was better (GS1, GS3, NP1). The table also demonstrates that when an organization's hotline metrics were worse, their level of adherence to best practices was better.

Table 30 Bureaucracy Attributes and Hotline Performance

	B- Hierarch y of Authorit y	B- Career Servic e	B- Insistenc e on the Rights of Office	BP- Prolonge d Role Enactmen t	BP- Impersona l Treatment	BP- Resistanc e to Change
Metrics Better	PS2	GS1	PS2 NP1	PS2 GS1	NP1	
Metrics Worse	PS1		GS2 GS3	PS1	GS2 GS3	GS3
Functionali ty Better		GS1	GS3 NP1	GS1	GS3 NP1	GS3
Functionali ty Worse	PS1 PS2		PS2 GS2	PS1 PS2	GS2	

	B- Hierarch y of Authorit y	B- Career Servic e	B- Insistenc e on the Rights of Office	BP- Prolonge d Role Enactmen t	BP- Impersona l Treatment	BP- Resistanc e to Change
Best Practices Better	PS2	GS1	PS2 GS2 GS3 NP1	PS2 GS1	GS2 GS3 NP1	GS3
Best Practices Worse	PS1			PS1		
Fraud Worse	PS1 PS2		NP1 GS2 PS2	PS1	NP1 GS2 PS2	
Fraud Better	GS1		GS3	GS1 GS3	GS3	

The table above further demonstrates that while a hotline can function better, or worse, under the condition of excessive organizational bureaucracy, the level of fraud experienced in the organizations where "Insistence on the Rights of Office" and "Impersonal Treatment" are also particularly strong.

This phenomenon, in part, might be due to the organizational challenge of having an internal service (a fraud hotline) where the "clients" are also the employees. While ordinarily, a highly bureaucratic organization may have managers who "insist on the rights of office" in executing organizational duties, perhaps this approach does not work when soliciting fraud tips from employees. For instance, this approach explains why certain organizations directed potential callers to first go to their supervisor, and then consider calling the hotline. A manager exerting authority may wish to hear all complaints, in his capacity as boss, for instance, rather than have them go to a hotline. However, this approach fails to consider that the "clients" are employees may not wish to report crime to their supervisor.

This study further determined employees in the subject studies were largely subject to "impersonal treatment." The impersonal treatment of employees may also cause them not to report crime, which would manifest only

in corporate fraud statistics and not by examining hotline functionality. Therefore, examination of hotline metrics, functionality and best practices may only tell an organization whether their hotline is successful from a procedural perspective. It will not tell the organization whether the hotline is receiving all known internal crime information from employees.

This study reveals that benchmarking and functionality assessments of hotlines will not tell an organization the true state of employee crime. For that, organizations may need to take a more intuitive approach; examining their individual hotline against known crime in light of historical context to determine whether all crime is truly being reported.

Overall, organizations with fraud hotlines may find themselves in a precarious position. While it was assumed investors, employees, and the general public were the potential unknowing "victims" of ill-functioning fraud hotlines, it is now possible that organizations who rely on hotlines may also themselves be victims. Organizations are also potentially assuming hotlines are protecting them from crime. By benchmarking their hotline statistics, following best practices, and observing all of the other guidelines, they might be giving themselves a false sense of security.

When benchmarking their hotline, and otherwise examining the functionality, they may find, as this study found, that the hotline is performing like its peers, or functioning "well" and may often conclude the hotline is protecting them against crime. However, unless they are fully examining the hotline against known crime, considering the historical context when benchmarking to see if the calls are actually sufficient in light of any known conditions giving rise to crime, and reviewing statements of employees to see if they are withholding crime knowledge, perhaps they will assume their hotline is "protecting" them.

Again, fraud hotlines will always be a unique service in any organization, in that the "clients" are employees and the information they

provide, helps organizations meet their goals, yet is also unpleasant news for the organization. According to the literature, bureaucratic pathologies seen in the subject organizations whose hotlines performed well include management barriers to the natural flow of information. Thompson says this is a true organizational challenge; finding it is "one of the great difficulties of modern organization arising from the inescapable fact that specialist communication much break through..blockades."

An example of this was seen in many of the fraud hotlines managed by third party providers. The caller first visits their company website, calls the number, is routed to a third party who receives their information, routes that to various channels then back to the organization, who routes it through internal channels, before it is ultimately handled. From a fraud prevention perspective, this may not be the best way of receiving information about fraud.

The bureaucracy literature is critical of a process, such as a fraud hotline, that relies on client information to survive in light of the excessive bureaucracy conditions seen in the subject organizations. Researchers have determined that information flow can be hindered by the impersonal experience in a bureaucracy. They recommend a departure from bureaucratic process to foster information sharing. In *Exchange and Power in Social Life*, sociologist Peter Michael Blau found the following:

"The situation of bureaucratic officials who provide services to clients is similar to that of professionals. Officials in a bureaucracy are expected to treat clients in a detached manner in accordance with official rules, and this requires that officials abstain with exchange relations with clients, because exchange transactions would make them obligated to and dependent for rewards on clients. Even if its only the gratitude and approval of clients an official wants to earn, his concern with doing so can hardly fail to influence his decisions and may lead him to depart from official procedures. If officials become dependent on clients either for rewards they personally seek or for services of clients the organization needs, which mean that they cannot strictly follow bureaucratic procedures in their relation with clients. Two studies found that situations in which officials were dependent on clients engendered

debureaucratization, that is, departures from bureaucratic principles. An essential element of professional and bureaucratic detachment is the absence of exchange relations with clients. Exchange transactions create obligations that make it impossible to conform undeviatingly to professional or bureaucratic standards. Treatment of clients in accordance with these standards suppresses direct exchange with them and substitutes for it a series of indirect social transactions between collectivities and their individual members and sometimes also among collectivities." (263)

In the subject organizations examined, it was noted that information sharing resulted in a reduced instance of fraud, compared to the other subjects. Many subjects of this study were not very transparent about their fraud hotline process. It was noted one organization was extremely transparent; providing hotline statistics and reports detailing specific complaints received and their outcomes, experienced less internal fraud (GS3) than the other subjects in this study.

Table 31 Primary Question Summary of Results

	Bureaupathology	Strongest Indicators	Hotline Performance	Performance Details
PS1	Level 3 (23%)	Hierarchy of Authority; Prolonged Role Enactment	Low	Metrics: Low Functionality: Poor Best Practices: Weak
PS2	Level 4 (38.5%)	Hierarchy of Authority/Insistence on the Rights of Office; Prolonged Role Enactment	Average	Metrics: High Functionality: Poor Best Practices: Moderate
GS1	Level 8 (72%)	Career Service; Prolonged Role Enactment	Above Average	Metrics: High Functionality: Moderate Best Practices: Moderate
GS2	Level 7 (64%)	Insistence on the Rights of Office; Impersonal Treatment	Below Average	Metrics: Low Functionality: Poor Best Practices: Good
GS3	Level 7 (67%)	Insistence on the	High	Metrics: Low

	Bureaupathology	Strongest Indicators	Hotline Performance	Performance Details
		Rights of Office; Impersonal Treatment/Resistance to Change		Functionality: Great Best Practices: High
NP1	Level 9 (88%)	Insistence on the Rights of Office; Impersonal Treatment	Above Average	Metrics: High Functionality: Moderate Best Practices: Moderate

Detailed Findings

Sub-questions

The sub-questions explored in this work were as follows:

- I. Does dysfunctional organizational bureaucracy exist in the six subject organizations?
- II. Do employees perceive bureaupathology in the six subject organizations?
- III. Does bureaupathology result in low number of hotline calls?
- IV. Does bureaupathology result in reduced hotline functionality?
- V. Does bureaupathology result in reduced best practices compliance?
- VI. Does bureaupathology result in fraud, waste and abuse?

Does dysfunctional organizational bureaucracy exist in the six subject organizations?

Dysfunctional organizational bureaucracy was determined to exist in all of the subject organizations. A review of their organizational charts and other documents validated this finding.

For PS1, their bureaucracy was well documented. In their organizational materials, they acknowledged the complexity of their business and the resulting possibility of financial loss to clients.

For PS2, their state of organizational bureaucracy was established. The CEO acknowledged their organization's bureaucracy in the public domain, finding they needed to "unclog [their] vast bureaucracy."

For GS1, a federal government agency, the existence of bureaucracy was established. President Obama has made public statements regarding the

"excessive complex [ity]" of the federal government, and researchers have reported the bureaucracy at GS1.

At GS2, their bureaucracy was established in the public record, where several recent articles discussed the "massive" bureaucracy.

At GS3, their bureaucracy was also established in the public record. In fact, it was reported special forums were being held where local businesses could discuss the City's bureaucracy problem directly with the City Council.

At NP1, their state of bureaucracy was also well documented. News articles documented their problems with bureaucracy. This agency was also subject to federal citations as a result of their bureaucratic structure, which was determined to lack adequate processes for inspection and review.

Do employees perceive bureaupathology in the six subject organizations?

Bureaupathology was found to exist in each of the subject organizations. Research indicated anywhere between 23% and 88% of respondents indicated the presence of dysfunctional bureaucracy and bureaupathology. This study determined the strongest bureaucracy indicator in all of the subject organizations was Insistence on the Rights of Office (4 of 6) and the strongest bureaupathology indicators were Prolonged Role Enactment (3 of 6) and Impersonal Treatment (3 of 6).

Furthermore, employees in all of the subject organizations indicated this bureaucracy was at a bureaupathological level.

At PS1, 23% of employees perceived agency bureaucracy. This was evaluated as a Level 3 out of 10. The strongest indicator present was "Hierarchy of Authority." They further indicated bureaupathology. The strongest indicator present was "Prolonged Role Enactment."

At PS2, 38.5% of employees perceived agency bureaucracy. This was evaluated as a Level 4 out of 10. The strongest indicators present were

Hierarchy of Authority and Insistence on the Rights of Office. Employees further indicated bureaupathology. The strongest indicator present was Prolonged Role Enactment.

At GS1, 72% of employees perceived agency bureaucracy. This was evaluated as a Level 8 out of 10. The strongest indicator present was Career Service. Employees further indicated bureaupathology. The strongest indicator present was Prolonged Role Enactment.

At GS2, 64% of employees perceived agency bureaucracy. This was evaluated as a Level 7 out of 10. The strongest indicator present was Insistence on the Rights of Office. Employees further indicated bureaupathology. The strongest indicator present was Prolonged Role Enactment.

At GS3, 67% of employees perceived agency bureaucracy. This was evaluated as a Level 7 out of 10. The strongest indicator present was Insistence on the Rights of Office. Employees further indicated bureaupathology. The strongest indicators present were Impersonal Treatment and Resistance to Change.

At NP1, 88% of employees perceived agency bureaucracy. This was evaluated as a Level 9 out of 10. The strongest indicator present was Insistence on the Rights of Office. Employees further indicated bureaupathology. The strongest indicator present was Impersonal Treatment.

In summary, the answers to the previous questions established the presence of dysfunctional bureaucracy and bureaupathology in all of the subject organizations. Next, it is important to determine whether this bureaucracy affected the fraud hotline process. The following three questions will explore that issue.

Does bureaupathology result in low number of hotline calls?

In half of the cases, 3 of 6 organizations, the calls were below benchmarking levels. Those organizations were assessed as having a "Low" level of hotline metrics. Overall, calls were below benchmarking levels in 3 of the 6 organizations, the medium-sized private sector organization, the state government organization and the city government organization (PS1, GS2, and GS3). In one of the three subjects that experienced low call volumes (GS3), calls were above benchmarking until 2010, when they sharply declined to below benchmarking levels. Internal documents were located which suggested agency personnel might have made conscious efforts to reduce call volume due to cost concerns. This managerial choice was against the best interest of the organization, which was experiencing internal fraud that was being reported via the hotline. The choice by management to reduce the call volume is thus believed to be a result of organizational bureaupathology.

Does bureaupathology result in reduced hotline functionality?

In summary, the functionality of the subject hotlines varied wildly. Overall, functionality ranged from "Poor" to "Great." It was noted that hotlines that had lower levels of bureaupathology actually functioned worse than their counterparts (PS1, PS2). Both of these hotlines were also in the private sector, and are both in the financial industry, which could also explain the difference. None of the hotlines examined were determined to function at a "high" level, as defined by succeeding in the areas of marketing, mechanics, intake/processing, and incentives.

For PS1, the functionality was determined to be poor, performing under expectations in 3 of 4 key areas. As for marketing, the number was difficult to locate externally. As for mechanics, the hotline had only one administrator, which is not a recommended practice in the literature. It is suggested that hotlines have several parties managing the hotline for a broad perspective and the appearance of impartiality. With respect to

intake/processing, this hotline performed well, as it is managed by a third-party provider. As for incentives, based on the evidence, there were little incentives offered. The hotline was not well advertised. The hotline administrator said they planned to increase promotion of the hotline in the future. However, they didn't seem to have a sense of urgency to increase calls, despite the fact the hotline calls were very low relative to the size of the organization, and the industry. Therefore, it can be assumed management didn't really understand the value of the hotline.

PS2's hotline functionality was also determined to be poor, performing under expectations in 3 of 4 key areas. As for marketing, the number was difficult to locate externally. With respect to mechanics, this hotline performed well. This organization's hotline was managed by a third-party and was also managed internally. As for intake/processing, PS2's process was determined to be heavily bureaucratic. From interviews with hotline administrators, it was learned that the information flow from intake to resolution was quite complex, and involved multiple internal and external parties. In addition, it was determined this organization does not report back to the third-party hotline administrator to share the outcome/resolution of complaints.

As for incentives, this hotline didn't perform well. The third-party hotline administrator said this organization, like others in this sector; prefer to keep call volume low. Management attention to call volume is believed to be contrary to a successful hotline.

For GS1, their hotline functionality was determined to be moderate, functioning well in 2 of 4 areas. As for marketing, this hotline performed well. This hotline was easily accessible to external parties, and was located via a simple "Google" search for "GS1 fraud hotline" or "GS1 ethics hotline." In terms of mechanics, this hotline performed well, as it was managed by their Office of Inspector General (OIG). As for the

intake/processing, a review of their hotline website and associated materials determined their process was very complex and difficult to navigate. This is believed to hinder hotline reporting. Finally, as for incentives, organizational documents suggested employees are deterred from using the hotline. In an organizational survey, 44% said they didn't believe the process was truly anonymous and feared retaliation.

GS2's hotline was determined to function poorly. For GS2, the hotline marketing was well marketed. It was easily located by an external party. As for mechanics, intake and processing, this hotline was managed by a single, internal party. This practice is not recommended due to the appearance of reporting and process bias. With respect to incentives, the practice of having a sole employee serve as hotline manager/intake personnel is contrary to best practices. The use of one person in this function can serve as a disincentive to potential callers.

GS3's hotline was determined to function at a moderate level, functioning well in 2 of 4 areas. This hotline was well marketed. The hotline number was easily located externally. As for mechanics, this hotline was managed by a third-party provider. Therefore, this hotline is mechanically sound.

With respect to intake/processing, this hotline performed well. This hotline is managed by a third-party provider, and on an internal level, this organization had a robust process in place for handling calls, which was well documented. GS3 also publicized the outcome of their complaints. This practice is advised; as it gives assurance to callers their complaints are appropriately handled. This fact was expected to positively influence their incentives rating. However, upon further review, it was determined this organization may have actively deterred callers from reporting.

Therefore, as for incentives, this hotline performed below expectations. Research determined this organization discouraged callers from

reporting. On their website, they encouraged callers to report their concerns in person, saying "face to face reporting is always the best form of communication..." This instruction is contrary to the very spirit of an anonymous hotline.

In addition, it was also noted this hotline experienced a severe drop in calls following an internal memo, which said they had reached their "complaint cap" with the third-party provider. Additional internal documents also documented strain experienced on the department handling complaints. This news was a disappointing finding, given this hotline was proven to be generating valid and actionable complaints.

As for NP1, this hotline performed at a moderate level, underperforming in 2 of 4 areas. With respect to marketing, their hotline number was easily located. As for mechanics, it was determined this hotline lacked the engagement of internal parties. The intake/processing for this hotline were determined to be good. They use a third party provider. As for incentives, this hotline performed below standards. Their website encouraged callers to "first notify their supervisor, human resources representative, or any manager..." then only if "attempts to resolve the issue at the local level are unsuccessful, the [hotline] is the next step." This instruction is contrary to the spirit of an anonymous reporting mechanism.

Does bureaupathology result in reduced best practices compliance?

Best practice compliance also varied wildly. Best practice compliance was at Weak to Moderate levels in four of six of the subject organizations, and at Good to High levels in the other two organizations. The six assessment areas were (i) oversight (by high level personnel), (ii) due care (in delegating substantial discretionary authority), (iii) effective communication (to all levels of employees), (iv) reasonable steps to achieve compliance (which include systems for monitoring, auditing, and reporting

suspected wrongdoing without fear of reprisal, (v) consistent enforcement (of compliance standards including disciplinary mechanisms), and (vi) reasonable steps (to respond to and prevent further similar offenses upon detection of a violation) ("response").

As for PS1, the best practice compliance was evaluated as weak, underperforming in 4 of 6 key areas. As for oversight, this hotline had only one internal delegate to handle complaints. With respect to due care, this hotline had a clear process. As for communication, this hotline was determined to not be well communicated. Their personnel confirmed the lack of communication. As for compliance, yes, this hotline had taken appropriate compliance measures, in that they were managed by a third party provider. With respect to enforcement and response, the data was unavailable. The absence of data to this effect indicates this organization is not communicating outcomes, which is contrary to best practices.

As for PS2, the best practice compliance was evaluated as moderate, underperforming in 3 of 6 key areas. As for oversight, this hotline had substantial oversight, with an internal manager and associated team designated for this purpose. With respect to due care, this hotline had a clear process, also, with appropriate designees. As for communication, this hotline was determined to not be well communicated. Information concerning this hotline was very difficult to locate in the public domain. As for compliance, yes, this hotline had taken appropriate compliance measures in that they were managed by a third party provider. With respect to enforcement and response, the data was unavailable. The absence of data to this effect indicates this organization is not communicating outcomes, which is contrary to best practices.

At GS1, the best practice compliance was evaluated as moderate, underperforming in 3 of 6 key areas. As for oversight, this hotline had high level oversight in place. With respect to due care, this hotline had a clear

process. As for communication, this hotline was determined to be well communicated. As for compliance, this hotline fell short of expectations. While this hotline was managed by a third party, their OIG, internal surveys indicated a large number of employees didn't believe their complaints were anonymous. With respect to enforcement and response, the data was unavailable. The absence of data to this effect indicates this organization is not communicating outcomes, which is contrary to best practices.

At GS2, the best practice compliance was evaluated as good, performing well in 4 of 6 key areas. As for oversight, this hotline had high-level oversight in place. With respect to due care, this hotline's escalation process involved only one employee. Therefore, they were not determined to have a clear, well-managed escalation process. As for communication, this hotline was determined to be well communicated. As for compliance, this hotline performed well. Data was disseminated and communicated to employees and the general public. With respect to enforcement and response, this hotline made reports available to the public, which confirmed they conduct proper enforcement and also respond appropriately.

At GS3, the best practice compliance was evaluated as high, performing well in 6 key areas. As for oversight, this hotline had high-level oversight in place. With respect to due care, this hotline had a clear escalation process. As for communication, this hotline met expectations. However, there was one difference worth noting. While GS3 made information available externally, this was the only government organization analyzed in this study that didn't have a hotline poster available to the public on their website. As for compliance, this hotline performed well. Data was disseminated and communicated to employees and the general public. They used a third party provider and also had an internal escalation process. With respect to enforcement and response, this hotline made reports available to the public,

which confirmed they conduct proper enforcement and also respond appropriately.

At NP1, the best practice compliance was evaluated as moderate, performing well in 3 of 6 key areas. As for oversight, this hotline had high-level oversight in place. With respect to due care, this hotline had a clear escalation process. As for communication, this hotline fell short of expectations. While GS3 made certain information available externally, this hotline discouraged potential callers with language on their website. They were also the only government organization analyzed in this study that didn't have a hotline poster available to the public on their website. As for compliance, this hotline performed well. Data was disseminated and communicated to employees and the general public. They used a third party provider and also had an internal escalation process. With respect to enforcement and response, this hotline fell short of expectations. NP1 didn't make any information available to the public about their hotline's enforcement or response to complaints received. This practice is consistent with bureaupathology theory.

Does bureaupathology result in fraud, waste and abuse?

In each of the subject organizations, substantial evidence of internal fraud committed during the relevant time period, corresponding to the individual hotline data analyzed.

Overall, this study determined the organizations lost \$281,308,000 due to employee fraud. The greatest amount of fraud was seen in the private sector, where \$280.5 million was lost due to fraud-related loss, fines and settlements. In the government and nonprofit sector, the actual fraud loss was smaller, but there were more instances of corruption.

For PS1 and PS2, they publicized in their client disclosures bureaucracy could lead to fraud.

In their 2007 Annual Report, PS1 said "the transactions we process are increasingly complex...we rely on the ability of our employees...in the event of a breakdown or improper action by third parties or employees, we could suffer financial loss..." At PS2, in their 2010 Form 10K, they said employees could be responsible for fraud, when they disclosed, "cyber attacks and other events that could have an adverse security impact...may originate from within PS2." In addition, they said, "There have also been a number of highly publicized cases involving fraud or other misconduct by employees in the financial services industry in recent years and PS2 runs the risk that employee misconduct could occur."

This study also determined employees have knowledge of fraud. For GS2, in their reviews, certain employees alluded to the existence of internal fraud by calling coworkers "criminals." At GS3, it was noted in the public record that one employee crime was discovered via the hotline.

Table 32 on the next page displays the results of the fraud analysis for each case study. Table 33 provides the results for each of the sub-questions.

Table 32 Fraud Table

Org	PS1	PS2	GS1	GS2	GS3	NP1	Totals
Time-frame	March 1, 2006- November 31, 2007	2004-2010	2003-2012	2008-2012	2006-2012	July 1, 2012-June 30, 2013	
Time Period	1 yr	6 yrs	9 yrs	4 yrs	6 yrs	1 yr	
Fraud Amount	\$9 million	\$112 million	Unknown	\$428k	\$100k	\$200k	\$121,728,000
Penalties Paid (Fraudster)	N/A	N/A	N/A	N/A	\$80k	N/A	\$80k
Fines to Firm	N/A	\$1.5 million	N/A	N/A	N/A	N/A	\$1.5 million
Settlements Paid (Firm)	N/A	\$158mm	N/A	N/A	N/A	N/A	\$158 million
Employees Involved	5	9	69	10	7	1	101 total; 32 (w/ loss amounts)
Fraud Type	Embezzlement, data theft, corruption	Embezzlement, data theft	Employee misconduct	Embezzlement, data theft, corruption	Embezzlement, corruption	Embezzlement	Embezzlement, data theft, corruption, employee misconduct
Linked to Financial Crisis	Yes	Yes	N/A	N/A	Yes	N/A	Yes, 3
Total Loss	\$9 million	\$271.5 million	Unknown	\$428k	\$180k	\$200k	\$281,308,000
Average Loss Per Year	\$9 million	\$45.25 million	Unknown	\$107k	\$30k	\$200k	
Average Loss Per Employee	\$1.8 million	\$30.2 million	Unknown	\$42.8k	\$26k	\$200k	

Table 33 Sub-question Results Table

Research Sub-questions	Organization	PS1	PS2	GS1	GS2	GS3	NP1
	Sector	Private Sector	Private Sector	Federal Government	State Government	City Government	Nonprofit
	Specific Finding						
1. Does Dysfunctional Organizational Bureaucracy exist?	Yes	Yes; acknowledged by org.	Yes; acknowledged by org.	Yes; news articles, President reported	Yes; news articles	Yes; news articles, special forums created	Yes; news articles; federal citations
2. Do employees perceive bureau pathology?	Yes	Yes, 23%	Yes, 38.5%	Yes, 72%	Yes, 64%	Yes, 67%	Yes, 88%
	Strongest Indicator Present: Insistence on the Rights of Office	Hierarchy of Authority	Hierarchy of Authority and Insistence on the Rights of Office	Career Service	Insistence on the Rights of Office	Insistence on the Rights of Office	Insistence on the Rights of Office
	Bureau-pathology?	Yes	Yes	Yes	Yes	Yes	Yes
	Strongest Indicator Present	Prolonged Role Enactment	Prolonged Role Enactment	Prolonged Role Enactment	Impersonal Treatment	Impersonal Treatment and Resistance to Change	Impersonal Treatment
3. Does	Not always.	Yes, call	No, Call	No call	Yes, call	Yes;	No, Call level was

Research Sub-questions	Organization	PS1	PS2	GS1	GS2	GS3	NP1
bureaupathology result in low hotline calls?	In 50% of cases. In half of the organizations had call levels below benchmarking.	level was Low, below benchmarking	level was High; above benchmarking	level was High; above benchmarking	level was Low; below benchmarking	Exceeded benchmarking for 4 years, until 2010, then calls dropped	High; calls exceeded benchmarking
4. Does bureaupathology result in reduced hotline functionality?		Poor, 3 of 4 k (number hard to find internally and externally) l (not enough parties engaged) m (3rd party managed) n (managers didn't understand value of hotline)	Poor, 3 of 4 k (hard to find number externally) l (3rd party managed; dedicated internal team) m (heavily bureaucratic process; managers do not report resolution back to The Network) n (The Network said financial firms like to keep call volume low)	Moderate, 2 of 4 k (easily found via a Google search for GS1 Fraud Hotline or GS1 Ethics Hotline" a Poster is available) l (managed by OIG) m (process seems overly bureaucratic and difficult to navigate) n (avg. 44% emp. said they fear of retaliation, anonymity is not	Poor, 3 of 4 k (easily located externally) l (hotline only has a single person handling calls) m (a single actor adds a perceived reporting and process bias) n (employees especially disgruntled due to historical context)	Great, 3 of 4 k (easily located externally) l (3rd party provider) m (3rd party provider and internal handling process; however, believed to be suffering due to below) n (reporting discouraged; potential callers urged to report in	Moderate, 2 of 4 Marketing (employees are encouraged to contact manager first) Mechanics (not enough parties engaged) Intake (3rd Party managed) Processing (3rd party managed) Incentives (administrator didn't understand value of hotline; callers were persuaded against calling)

Research Sub-questions	Organization	PS1	PS2	GS1	GS2	GS3	NP1
				guaranteed)		person)	
5. Does bureaupathology result in reduced best practices compliance?	Not always. The hotlines performed at Weak to High levels, despite the presence of bureaupathology.	Weak, 4 of 6 p (1 delegate only) q (clear process) r (not well communicated) s (yes, 3rd party managed) t (data unavailable) u (data unavailable)	Moderate, 3 of 6 P (oversight present) q (Ethics office) r (not well communicated externally) s (yes, 3rd party managed) t (data unavailable) u (data unavailable)	Moderate, 3 of 6 p (high level oversight) q (clear escalation process) r (data communicated externally) s (OIG managed, however, surveys say employees fear reprisal) t (data unavailable) u (data unavailable)	Good, 4 of 6 p (high level oversight) q (escalation process is unclear) r (data is communicated externally) s (a single staffer is noted) t (reports indicate enforcement) u (reports indicate escalation)	High, 6 of 6 p (high level oversight) q (escalation process is clear) r (data is reported externally) s (3rd party provider with internal escalation process) t (reports indicate enforcement) u (reports indicate escalation)	Moderate, 3 of 6 Oversight (internal oversight) Due Care (clear process) Effective Communication (well communicated, but employees discouraged from calling) Reasonable Steps to Achieve Compliance (yes, 3rd party managed) Consistent Enforcement (data unavailable) Reasonable Steps to Respond and Prevent Similar Offenses (data unavailable)
6. Does bureaupathology	Yes, internal fraud was	\$9 million is losses by	\$271.5 million in	Employee misconduct	\$428k by 10	\$180k by 7	\$200k by 1 employee

Research Sub-questions	Organization	PS1	PS2	GS1	GS2	GS3	NP1
y result in fraud, waste and abuse?	discovered in each organization	5 employees	losses by 9 employees	by 69 employees reported; loss amounts not provided	employees	employees	

Discussion

There were some important takeaways from this work, to include: hotline functionality and crime, the concept of organizations as victims, and the employees as clients.

This study demonstrated benchmarking alone might not tell an organization how well their hotline is actually functioning to prevent and detect crime. Organizations may need to conduct more comprehensive examinations of their hotline, to include known crime and external or historical factors to determine the true health of their hotline. But today, only the organizations can determine their own true hotline functionality, as they are the only party with access to their organizational crime data.

It is possible that organizations might have a false sense of security about their own hotlines. Organizations may assume, after benchmarking, their hotlines are functioning well, so they are protected against internal crime. However, as demonstrated in this study, a hotline functionality assessment may not have a consistent relationship with internal crime levels.

Overall, hotlines will always be unique in that the organization's primary clients are also their employees. This factor provides a unique challenge for hotlines, in that the bureaucratic pathology of the organization cannot be easily separated from the client.

Conclusion

This study determined organizational bureaucracy does not have a consistent relationship to hotline performance. The literature said organizational bureaucracy could have resulted in decreased hotline performance. That was not consistently proven in this study. Rather, the stronger the level of bureaucracy in an agency, the better the hotline performed from a metrics, functionality and best practices perspective.

This means that the media reports which posited that the SEC hotline is suffering due to excessive bureaucracy may be false.

However, those reports said the complainants might believe, due to excessive bureaucracy their complaints are not being handled appropriately. Here, it was learned that perception could be an outcome of the lack of communication to complainants about the process, which was a noted shortcoming of many hotlines, even in those hotlines that followed best practices.

This study further established the value of reviewing the historical context when analyzing a fraud hotline. In several instances in this study, a subject hotline "benchmarked" appropriately. A full evaluation of the historical context and the state of organizational fraud was often times the sole indicator that the hotline potentially may not be performing according to expectations.

Here, the strongest bureaucracy indicator was "Insistence on the Rights of Office, and the strongest bureaupathology indicator present was "Impersonal Treatment." Both conditions gave rise to better hotline performance, but may also give rise to internal fraud.

This study considered social media in evaluating fraud hotlines. In their "Recommended Practices for Office of Inspector General Hotlines," the Department of Homeland Security advances the use of social media in fraud hotlines. (2010)

This work set forth a hotline assessment methodology that can be replicated in any organization. This study used a holistic approach to analyze fraud hotlines that included several unique factors, such as historical context and social media analysis of employee sentiment. This methodology is advanced with the end goal of all organizations evaluating their present fraud hotlines, for effectiveness, and their organizations, for

internal fraud. Further hotline assessments will serve to further build the general body of knowledge regarding fraud hotlines. In Patrick Scott's work, "Examining Red Rape in Public and Private Organizations," he suggests as "one of the most effective strategies to advance the state of knowledge is to continue to expand the use of different methodologies (both qualitative and quantitative) and different populations to study red tape." (2002, p. 481).

Table 34 on the next page provides a detailed summary of the findings in this study.

Table 34 Detailed Summary of Findings

Org Assessment Element	PS1	PS2	GS1	GS2	GS3	NP1
Org Type	Private Sector	Private Sector	Federal Government	State Government	City Government	Nonprofit
Size	48,256	260,000	17,359	17,891	19,500	31,000
Hotline Name	Integrity Hotline	Ethics Hotline	OIG Hotline	Fraud, Waste and Mismanagement Hotline	Fraud, Waste and Abuse Hotline	Concern Connection Line
Management	3 rd Party and Internal	3 rd Party and Internal	Office of Inspector General (OIG)	GS2 Legislative Audit Bureau	3 rd Party and City Auditor	3 rd Party and Internal
Respondents Indicating IV	23% (Sample Size 195; 45 indicated IV; 54 comments indicated IV)	38.5% (Sample Size, 403; 155 indicated IV; 186 comments indicated IV)	72% (Population 85; 61 indicated presence of IV; 99 comments indicated IV)	64% (Population 29; 18 indicated presence of IV; 32 comments indicated IV)	67% (Population 18; 12 respondents indicating presence of IV; 22 comments indicated IV)	88% (Sample Size 170; 150 indicated IV; 343 comments indicated IV)
Bureaucracy IV	5 of 5 General (12); a (4) b (3) c (3) d (3) e (6)	5 of 5 General (48); a (22) b (7) c (5) d (9) e (21)	5 of 5 General (20) a (2) b (6) c (1) d (14) e (8)	3 of 5 General (4) a (3) b (0) c (0) d (3) e (5)	5 of 5 General (1) a (3) b (1) c (1) d (1) e (4)	5 of 5 General(6) a (23) b (20) c (2) d (14) e (34)
Bureaupathology IV	f (6) g (9) h (1) I (5) j (2)	f (16) g (19) h (17) I (13) J (9)	f (8) g (17) h (11) i (11) j (5)	f (7) g (3) h (3) I (3) J (1)	f (3) g (2) h (3) I (1) J (2)	f (113) g (15) h (35) I (79) J (2)
Hotline Metrics (DV)	Low; below benchmarking	High; above benchmarking	High; above benchmarking	Low; below benchmarking	Low, Exceeded benchmarking for 4 years, until 2010	High; Calls exceed benchmarking
Hotline	Poor, 3 of 4	Poor, 3 of 4	Moderate, 2	Poor, 4 of 5	Great, 3 of 4	Moderate, 2 of 4

Org	PS1	PS2	GS1	GS2	GS3	NP1
Assessment Element						
Functionality (DV)	k (number hard to find internally and externally) l (not enough parties engaged) m (3 rd party managed) n (managers didn't understand value of hotline)	k (hard to find number externally) l (3 rd party managed; dedicated internal team) m (heavily bureaucratic process; managers do not report resolution back to The Network) n (The Network said financial firms like to keep call volume low)	of 4 k (easily found via a Google search for GS1 Fraud Hotline or GS1 Ethics Hotline" a Poster is available) l (managed by OIG) m (process seems overly bureaucratic and difficult to navigate) n (avg. 44% emp. said they fear of retaliation, anonymity is not guaranteed)	k (easily located externally) l (hotline only has a single person handling calls) m (a single actor adds a perceived reporting and process bias) n (employees especially disgruntled due to historical context)	k (easily located externally) l (3 rd party provider) m (3 rd party provider and internal handling process; however, believed to be suffering due to below) n (reporting discouraged; potential callers urged to report in person)	k (number located easily) l (not enough parties engaged) m (3 rd Party managed) n (administrator didn't understand value of hotline)
Best Practices (DV)	Weak, 4 of 6 p (1 delegate only) q (clear process) r (not well communicated) s (yes, 3 rd party managed) t (data unavailable) u (data unavailable)	Moderate, 3 of 6 P (oversight present) q (Ethics office) r (not well communicated externally) s (yes, 3 rd party managed) t (data unavailable) u (data unavailable)	Moderate, 3 of 6 p (high level oversight) q (clear escalation process) r (data communicated externally) s (OIG managed, however, surveys say employees fear)	Good, 2 of 6 p (high level oversight) q (escalation process is unclear) r (data is communicated externally) s (a single staffer is noted) t (reports indicate enforcement) u (reports	High, 6 of 6 p (high level oversight) q (escalation process is clear) r (data is reported externally, calls are discouraged; no poster) s (3 rd party provider with internal escalation	Moderate, 3 of 6 Oversight (internal oversight) Due Care (clear process) Effective Communication (well communicated, but employees discouraged from calling) Reasonable Steps to Achieve Compliance (yes, 3 rd party managed) Consistent Enforcement (data unavailable) Reasonabl

Org	PS1	PS2	GS1	GS2	GS3	NP1
Assessment Element						
			reprisal) t (data unavailable) u (data unavailable)	indicate escalation)	process) t (reports indicate enforcement) u (reports indicate escalation)	e Steps to Respond and Prevent Similar Offenses (data unavailable)
Historical Context (DV)	Conducive to Fraud; Conducive to Increased Calls (Financial Crisis 2008)	Conducive to Fraud; Conducive to Increased Calls (Financial Crisis 2008)	Conducive to Fraud; Conducive to Increased Calls (2008; 2012 emp. surveys; average 44% believe retaliation for reporting)	Conducive to Fraud; Conducive to Increased Calls (2011 end of collective bargaining; unprecedented level of protests and other demonstrations during this time)	Conducive to Fraud; Conducive to Increased Calls (Calls declined after 2009 Hotline report said there was a cap on the hotline calls received by the provider)	Conducive to Fraud; Conducive to Increased Calls (Hurricane Sandy)
Evidence of Internal Fraud	Yes	Yes	Yes	Yes	Yes	Yes
Evidence of Negative Employee Sentiment	Yes	Yes	Yes	Yes	Yes	Yes
Result IV Bureaucracy Strongest Presence	Hierarchy of Authority Insistence on the Rights of Office	Hierarchy of Authority Insistence on the Rights of Office	Career Service Insistence on the Rights of Office	Hierarchy of Authority Career Service Insistence on the Rights of Office	Hierarchy of Authority Insistence on the Rights of Office	Hierarchy of Authority Insistence on the Rights of Office
Bureaupathology	Impersonal Treatment	Prolonged Role	Prolonged Role	Impersonal Treatment	Impersonal Treatment	Impersonal Treatment

Org	PS1	PS2	GS1	GS2	GS3	NP1
Assessment Element						
	Prolonged Role Enactment	Enactment Resistance to Change	Enactment Resistance to Change	Prolonged Role Enactment Resistance to Change Resistance to Interrogation and Investigation	Resistance to Change	Resistance to Interrogation and Investigation
Result DV	Metrics, Functionality and Best Practices Affected Metrics- poor Functionality - poor Best Practices- weak Evidence of Historical Context, Internal Fraud, Disgruntled Employees	DV Functionality Affected Metrics- moderate Functionality - poor Best Practices- moderate Evidence of Historical Context, Internal Fraud, Disgruntled Employees	DV Performing Moderately Metrics- moderate Functionality - moderate Best Practices- moderate Evidence of Historical Context, Internal Fraud, Disgruntled Employees	DV Metrics, Functionality Affected Metrics- low Functionality - poor Best Practices- good Evidence of Historical Context, Internal Fraud, Disgruntled Employees	DV Metrics Affected Metrics- low Functionality - great Best Practices- great Evidence of Historical Context, Internal Fraud, Disgruntled Employees	DV Metrics, Functionality and Best Practices Affected Metrics- great Functionality- Moderate Best Practices- Moderate Evidence of Historical Context, Internal Fraud, Disgruntled Employees
Notes	Despite an "average" rating, comments indicate fraud, massive bureaucracy	Despite an "average" rating, comments indicate fraud, massive bureaucracy	Employee reviews contained information that could be actionable to managers. Specific jobs positions and departments	The historical context suggests employees of the State of GS2 at this time would be especially disgruntled -	Evidence that an internal crime was reported via the hotline; According to one report, from 2010-2012, 82% of their	Despite an "average" rating, comments indicate fraud, massive bureaucracy

Org	PS1	PS2	GS1	GS2	GS3	NP1
Assessment Element						
			were referenced.	a condition that is known to give rise to fraud and can further inhibit fraud reporting.	complaints received were substantiated	

Policy Implications

There are several policy implications to this work. If organizational bureaucracy can result in a hotline that performs well, or not, there are a number of important implications. Those implications will be addressed with respect to functionality, transparency, rationality, and costs.

Functionality

One key policy implication of this study is that well functioning hotlines may exist in organizations with bureaupathology, disgruntled employees, fraud, and other problems. As a result, management may have to determine how to alleviate bureaupathologies without adversely affecting their fraud hotlines.

Some organizations in this study had better functionality and best practice adherence, despite the presence of bureaupathology. This finding demonstrates the importance for management to consider known fraud and any external factors giving rise to fraud, when evaluating the performance of their hotline. According to this study, it is possible for organizations to have well-functioning hotlines despite organizational bureaucracy.

Here, this study determined internal fraud existed regardless of the performance of the hotline. However, this study didn't have the internal data to determine whether all known fraud was being reported to the hotline. Internally, management can use this information to inform the performance of their hotline.

Management may also be able to alleviate certain bureaupathologies if it believed they are affecting employee fraud. According to the literature, managers can directly affect the level of bureaupathology in a given organization.

This study determined there were unique combinations of bureaucracy and bureaupathology indicators in organizations. Therefore, it is believed that managers can control the specific excessive bureaucracy conditions in their organizations, once identified.

Bureaucracy Theory strongly supports this notion. Bureaucracy theorists find managers are uniquely empowered to monitor organization conditions and alleviate any known excess (Tompkins, 2005). Tompkins views this as a process a dynamic one, where managers are constantly adapting to internal and external organizational change (2005, p. 65). For organizations, Perez and Barkhurst (2012) recommend an "inflexible accountability mechanism" management can use to monitor and control excessive bureaucracy (p. 168).

General recommendations for managers to assess and control organizational bureaupathology include adjustments to agency personnel, reorganization, obtaining feedback on its performance from outside sources, and creating overlapping administrative responsibilities. (Meier & Krause, 2003, p. 7; Inside Bureaucracy) (Giblin, 1981)

Transparency

This study found organizations that were transparent about their hotlines performed better. This transparency is also a part of hotline best practices. Transparency into hotline complaints and their outcomes is said to provide reassurance to past and potential callers their complaints are heard. As part of that transparency, it is also important the existence of the hotline is well communicated.

For hotlines that performed better, the organization shared their hotline statistics, complaints and outcomes with the rest of the organization. This study learned that management has the ability to control the transparency of hotline data. In the case of PS2, the hotline data was

previously always made transparent to the organization and beyond. When the internal hotline management changed in or around 2010, the data was suddenly no longer available. It would seem as though this was a management decision.

This study noted that private sector hotline numbers were not as readily accessible as their public sector and nonprofit sector counterparts. One reason for this is that the public sector and nonprofit organizations are assuming callers will originate externally whereas private sector callers do not. However, callers often originate externally.

According to available statistics, most employee callers call hotlines from outside the office and outside of business hours. In addition, callers can be third parties (i.e. vendors, or other suppliers) who will also likely seek the number externally.

Organizations can make their hotline numbers readily accessible to external users. One of doing this is to embed generic keywords in the page, regardless of the hotline name. Hotlines in this study had many naming conventions. While individual organizations have latitude to select the name for their hotlines, it made it more challenging for the number to be located. Some hotlines, when the term "fraud hotline" was searched, didn't return a result because the hotline, despite being a "fraud hotline" by definition, was known by a different name. Hotlines should consider embedding keywords in their hotline webpage or otherwise which will allow for searches for "fraud hotline" and similar to return their hotline page.

Rationality

Bureaupathology theories assume employees are rational actors who may choose not to report fraud. The policy implication of this finding is that employees can be persuaded and/or conditioned to report internal fraud.

Caiden's premise of bureaupathology assumes employees are rational actors.

Per Caiden, employees who are exposed to excessive bureaucracy will respond

by "not inform[ing] on wrongdoing." (p. 25) Here, Caiden is assuming employees are making a conscious decision to withhold information from the company concerning known internal fraud.

In this study, most subject organizations didn't report the outcome of their hotline investigations (PS1, PS2, GS1, NP1). This practice is also consistent with bureaupathology theories, which say that employees tend to conceal information. Per best practices, making hotline outcomes transparent can increase the likelihood of reporting. Providing data and information regarding outcomes also gives confidence to the public that the organization is well managed from an anti-fraud perspective.

Cost

This study determined management response to cost concerns might be affect hotline reporting. An Interview with a third party hotline administrator confirmed that clients prefer to keep costs down, and they are charged based on the number of reports. The GS3 hotline administrators, managed by this provider, documented a "complaint cap" in their organizational documents and immediately following, the number of reports received to their hotline dropped. It is unknown whether management implicitly or explicitly discouraged future reporting, and how this reduction was achieved. However, the data shows that the concerns expressed by management immediately preceded a steep reporting decline.

Table 35 Key

Indices

Bureaucracy: (a) Hierarchy of Authority, (b) System of Rules, (c) Technical Expertise, (d) Career Service, and (e) Insistence on the Rights of Office.

Bureaupathology: (f) Impersonal Treatment, (g) Prolonged Role Enactment, (h) Resistance to Change, (i) Resistance to Interrogation and Investigation, and (j) Strict Reliance on Organizational Rules and Procedures.

Functionality: (k) marketing, (l) mechanics, (m) intake/processing, and (n) incentives.

Best practices: (p) oversight (by high level personnel), (q) due care (in delegating substantial discretionary authority), (r) effective communication (to all levels of employees), (s) reasonable steps to achieve compliance (which include systems for monitoring, auditing, and reporting suspected wrongdoing without fear of reprisal (t) consistent enforcement (of compliance standards including disciplinary mechanisms), and (u) reasonable steps (to respond to and prevent further similar offenses upon detection of a violation.

Scales

Hotline Metrics

(1 point) High- Meets or exceeds benchmarking in each year of analysis

(3 points) Low- Does not meet benchmarking estimates in many years of analysis

(5 points) Poor- Does not meet benchmarking estimates in any year of analysis

Functionality Scale

(points) 4 of 4 Failure; 3 of 4 Poor; 2 of 4 Moderate; 1 of 4 Great; 0 of 4 High

Best Practices Scale

(points) 6 of 6 Failure; 5 of 6 Poor; 4 of 6 Weak; 3 of 6 Moderate; 2 of 6 Good; 1 of 6 Great; 0 of 6 High

Performance Scale

Low: 14-15 points

Below Average: 10-13 points

Average: 7-9 points

Above Average: 5-8 points

High: 0-4 points

Bureaupathology Scale (by % of comments)

11. 0-10% Present
12. 11-20%
13. 21-30%
14. 31-40%
15. 41-50% Elevated
16. 51-60%
17. 61-70%
18. 71-80%
19. 81-90%
20. 91-100% Extreme

Historical Context

- Conducive to fraud if it is established that conditions indicate there was significant employee fraud at the time of analysis and it is believed to have been underreported via the hotline
- Conducive to increased calls if it is established that conditions indicate the hotline should have been getting a higher volume of calls, or if it is determined employees are underreporting
- Not conducive to fraud if it is established that conditions indicate there was not significant employee fraud at the time of the analysis and it is not believed to be underreported via the hotline
- Not conducive to increased calls if it is established that conditions indicate the hotline was receiving the proper amount of calls, or if it is determined employees have reported crimes via the hotline

Study Limitations

The limitations of the study included purposive sampling methods, non-probability sampling methods, representation, absence of hotline data, aggregated benchmarking data, absence of reporting documentation, the use of social media data and internal fraud reporting limitations.

Purposive Sampling Methods

This collective case study was limited to include the case study analysis of six hotlines whose data was accessible. While research efforts were made to include organizations of varying sectors, types and sizes, via purposive sampling method, the scope was largely limited by the ability of the study to obtain the data from the public domain.

Non-Probability Sampling Methods

Another limitation is this study used a non-probability sampling method. The study used a purposive sampling method. Specifically, of those limited hotlines for which data was available, the researcher used judgment to include a variety of organizations. Although it is a non-probability sampling method, the use of purposive sampling is appropriate in a study where the data is limited and the sample being analyzed is small and when the subject is challenging to locate. (Bernard, 2012) In fact, qualitative researcher Barnard finds that sampling "almost always" has to be used when "studying hard-to-find populations." (2012, p. 166)

Representation

Another limitation, inherent in case study research, is the challenge of representation. According to Stake, while "a sample of just a few is unlikely to be a strong representation of others. Case study research is not sampling research. We do not study a case to understand other cases. Our

first obligation is to understand this one case." (1995, p. 4) Stake finds the most important criteria in selecting subjects for case studies is to "maximize what we can learn." (Stake, 1995, p. 4) Here, despite the limited availability of data, case subjects were selected with an eye towards gaining a varied perspective (small, large financial firm; city, state and federal government, non profit organization).

Data Limitations

Hotline Data

There are several limitations of this study that should be noted. First, one limitation was a lack of available hotline data. Due to an absence of reporting requirements, individual level hotline data is not widely available. In the private sector, it is quite limited' as it is largely not reported in the public domain and is often restricted internally. When interviewed, private sector hotline administrators advised they had discretion in deciding whether their hotline information would be reported in the public domain. Public sector data is somewhat less scarce, but it is not consistently reported in the public domain, and the availability and granularity of the data varies wildly based on the agency.

Aggregated Benchmarking Data

Another limitation was the absence of disaggregated data for benchmarking purposes in the financial sector. The leading benchmarking reports do not disaggregate the data from the financial sector, but rather group it with the real estate and insurance industries. When asked, the company (The Network) would not provide disaggregated data for research (or any) purpose. As a result, the data used to benchmark the financial industry hotlines included the statistics from all three sectors.

A limitation also exists in the time frame of the hotline data. Ideally, the time period for all six hotlines' data would correspond to foster comparison analysis. However, one hotline's data, PS1's, was from a limited time period (2006-2007). Due to availability constraints, this limitation could not be overcome. Nevertheless, the data period is research-relevant in that it represents the first two years of that hotline's operation. It was also the time period leading up to the financial crisis.

Absence of Supporting Documentation

Another data limitation is the absence of supporting documentation. While the raw data concerning the number of calls in a given time period was located, supporting documentation, which could illuminate the time when the call/tip was received, the nature of complaint, final resolution, etc., is confidential and thus unavailable for research purposes. While this is a limitation in a qualitative study, it is a limitation inherent in a study of an unregulated and largely confidential process.

Another limitation, due to the lack of available data, is the inability of this study to determine certain hotline reporting limitations and process flaws. For instance, available data will not clarify which hotline calls failed to illuminate a major fraud. Likewise, it is impossible to ascertain the complainants whose data was perhaps mishandled or erroneously categorized as non-urgent. For instance, while a complaint regarding an employee who appeared to be "living beyond their means" or "disgruntled" or "does not take vacation" could seem innocuous to one hotline representative, to another, it could be seen as a fraud indicator (and research suggests all of these attributes can indicate fraud). This study will also not be able to identify potential complainants who decided not to come forward with information.

Absence of Reported Outcomes

This study determined outcomes of fraud hotline reports are not consistently reported back to the third party provider. As a result, it is challenging to gauge the effectiveness of the hotline in terms of its ability to receive high quality complaints (those resulting in a conviction, etc.). When analyzing the key industry benchmarking data, this study learned they did not have a single recorded conviction resulting from any of the hotlines they manage. This statistic is problematic, as it may not be accurate, due to a lack of reporting on the part of the client organizations.

Fraud Data

This study noted the challenge of obtaining internal company fraud statistics in the public domain. Here, the lack of fraud data made it difficult to determine the true state of employee fraud and crime. As a result, this study was unable to say definitively whether the hotline was preventing and detecting all known internal crime.

Incomplete white-collar crime data is a limitation that is well documented in the law enforcement/research community (Steffensmeier, 1989; Barnett, 2000; Bookman, 2007; U.S. Department of Justice, 2009) and consequently, is also a limitation in this study.

The fraud data used in this study consisted of internal frauds reported in the public domain. However, that data is not assumed to be a complete and accurate source of internal fraud in a given organization. Internal frauds are not always reported in the public domain, and are often not reflected in hotline data. It is believed that organizations are aware of additional internal frauds, and this data (housed privately in their legal, compliance, human resources, or other departments) is not available to researchers.

Social Media Data

Another limitation is this study's use of existing social media data. Ideally, researchers would have access to employees and have the ability to conduct interviews, rather than use existing data. However, in this study, such interviews were not possible.

There are limitations inherent in online reviews, including the possibility of falsified data (from a competitor, etc.). As a result, a certain margin of error can be expected. However, in this study, the reviews were found to be significantly detailed, which makes them less likely to have been fabricated. Workers also discussed company specifics, which would be unknown to those outside the company.

Nevertheless, there is a possibility for bias or false reviews. In this study, sample sets for PS1 and PS2 consisted of reviews that were below average for that organization. Here, this limitation reduces the likelihood the review has been created by the company or their agent (as their review is unlikely to be negative). Additionally, it was believed this sample set of respondents would be more likely to have communicated the company might exhibit signs of excessive bureaucracy. The level of "bureaucracy" and excessive bureaucracy, or bureaucpathic behaviors were examined together, as laypersons often use the word "bureaucracy" with a negative connotation. Therefore, when examining employee comments, this was considered a negative term.

Using existing review data as an information source, in certain qualitative studies, such as this study, is both a necessity and an advantage. Anonymous reviews contain candid information. The website Glassdoor is also a known forum for employees to share grievances. Researchers may not have been able to glean this information in a traditional interview format.

While a certain margin of error can be expected. However, overall, the research community cannot invalidate anonymous online reviews because in this case, to do so, would serve to invalidate the entire spirit of an anonymous hotline, which operates entirely based on anonymous comments.

Future Research

The following recommendations for future research can serve to further solidify and expand upon the existing knowledge base concerning fraud hotlines and build upon what was learned in this study.

Additional Case Studies

This case study has gleaned some important findings about fraud hotlines. However, replication, via additional case studies, will further expand upon these findings. Further case studies will serve to further establish what this study learned about individual hotlines, the state of organizational bureaucracy, the role of the individual manager, and the effects of organizational bureaucracy on fraud hotline performance and on organizational fraud.

The replication of this study in additional organizations may also yield additional important findings about the presence of particular bureaucracy and bureaupathology indicators in other organization types (i.e., federal government organizations), which could not be concluded in this study due to its use of single organization types (i.e., nonprofit).

Content Analysis

When analyzing the individual hotlines, it was noted they varied greatly in the way they were named and marketed. One potential area of

expansion for this study would be to further explore those differences. This analysis could include a content analysis of various individual hotline websites, their hotline naming conventions, means of communication and advertisement and further explore the relationship between that content and the performance of their hotline.

Another interesting finding in this study was the uniqueness, and similarities in particular bureaucracy and bureaupathology indicators in social media data. Also significant was the mention by employees of crime in their organizations. Further analysis of this content could yield important outcomes.

Transparency

This study noted that many organizations, even those who adhered well to best practices, often didn't offer transparency into their hotline data, their complaints, or their outcomes. Many organizations didn't report follow up investigations and outcomes of hotline reports. Transparency into hotline data is recommended as a part of best practices, because it can give the potential complainant confidence their complaint will be handled.

It is believed complainants to the SEC whistleblower hotline may believe their complaints are not being handled appropriately due to a lack of disclosure in this regard. Thus it would be of interest to query to the population of complainants to that hotline to see if that is in fact true.

White Collar Crime Metric

This study acknowledged the challenge in determining white-collar crime levels in organizations. While scholars have previously acknowledged this limitation, little has been done to close this research gap.

Here, the white-collar crime metric was challenging to determine, and the results are incomplete. The researcher had to rely on media reports and

other third party documentation to determine organizational crime. Much of the internal crime in organizations is not reported outside the organization. Thus it is assumed the level of crime, if known, would be higher than what was determined in this study.

Therefore today, the organizations themselves are the only party that will ever know for certain whether their hotlines are truly catching all of their organizational crime. Future research efforts in the area of fraud hotlines could include collaboration with individual organizations, which could be done anonymously, to analyze this data and determine the true assessment of their hotline in preventing and detecting crime in their organization.

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