



CLUB FRAUD HOTLINE FAQ'S

Who is *Club Tax Network*?

Created by Mitchell L. Stump, CPA, author of *Club Tax Book* and consultant to the Private Club Industry, *Club Tax Network* provides educational and useful tools to selected CPA firms, Lawyers and other Club Consultants that have an appreciation for the role that state and federal taxes play in Club transactions.

Who should lead the charge on this Ethics endeavor?

It is suggested Ethics starts at the top. Thus, with direction from the Club Board, the Club Manager will be the driving force by setting the tone from the top. Regular reinforcement during the year is encouraged, making Ethics as much a part of the Club culture as Member service.

Why should we consider adopting a Club Fraud Hotline?

Frauds are perpetrated on small and large businesses alike with small businesses victimized by fraud more frequently than larger organizations. Clubs would be classified as small business and statistics suggest the average theft in a small business is around \$147,000 per occurrence. A Hotline gives Members and employees of the Club the vehicle to report unethical activity in a safe and anonymous way.

Why has a Club Fraud Hotline been created specifically for the Private Club Industry?

Clubs must be concerned about undisclosed frauds having an effect on their source of funds for operations. CPA's conducting financial audits of Clubs would be interested in where Club frauds are most likely to occur. With a Club Fraud Hotline created specifically for the Private Club Industry, frauds can be detected and procedures can be suggested and implemented to prevent them in the future.

Who thought a Club Fraud Hotline would be beneficial to the Club Industry?

A CPA, and *Club Tax Network* Member, noted that it would be beneficial to his Club clients to have a vehicle for employees to report ethical improprieties. Having noted Fraud Hotlines work well in other Industries, he questioned whether one could be created for the Club Industry.

What platform is being used for the Club Fraud Hotline?

We have contracted with an organization called "The Network", (not to be confused with *The Club Tax Network*). "The Network" www.tnwinc.com is an established leader in developing, managing, and maintaining effective hotline programs for global corporations in countries around the world.

Why did you choose to use "The Network"?

They've been in existence for almost 30 years and their experience and expertise made them uniquely suited to provide innovative, integrated GRC solutions (Governance; Risk and Compliance.)

Could a Club go directly to "The Network" to set up its own Hotline?

Absolutely. We believe, however, that we have taken some of the pain out of the decision making and administration process by creating a general hotline for Clubs while keeping the price affordable for all. Additionally, using *Club Tax Network's* Club Fraud Hotline allows us to gather valuable statistics about the Club Industry that is not currently being captured.

Are Fraud Hotlines a new tool being used in business?

No. These are big in the Health Care Industry and with large corporations who have experienced the success of Hotlines in combating fraud and other unethical activity.

Club Tax Network, Inc.

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Is a Fraud Hotline required by any law?

No. Although mandated for publicly-traded companies, Hotlines have been widely employed by private corporations, governments, colleges & universities and non-profits as part of their business strategy to promote organizational health.

What features are found in this Club Fraud Hotline?

- Phone – The contact center is 24/7/365. Offering online, web intake, report submission is important, but it's essential that you also offer a phone hotline because an interactive, two-way conversation yields more actionable information than a one-way form submission. "The Network's" interview specialists follow the industry-leading, proprietary interview methodology called CAT (Compliant, Accurate & Thorough) that results in very substantial incident reports so you have the best information to start your investigation process.
- Web intake – This solution provides you with secure and customized self-reporting capabilities via the web.

Can a person be anonymous in reporting?

The anonymous reporting hotline is a critical part of the reporting because that's where the rubber meets the road. All the training and policies in the world won't be worth much if your employees are hesitant to report misconduct or you are unable to securely and reliably capture their reports.

Does the Fraud Hotline handle multiple languages?

This Fraud Hotline captures confidential reports via phone and the web in both English and Spanish.

Can a person report sexual harassment claims and other non-fraud whistleblower claims?

Absolutely. Any unethical or illegal activity is encouraged to be reported. These claims will be reported to the Club in the same manner as a financial fraud.

Will "silly stuff" be reported that will bog down the system of reporting?

Silliness may be in the eyes of the beholder. If it is important enough for a reporting, it will be reported to the Club.

Once a report is made, how does the Club respond?

- The Club Fraud Hotline captures confidential reports via phone and the web;
- Quickly disseminates them to you so the Club can begin your investigation process
- An Ethics and Compliance Reporting report will be sent to either the Club Manager or the Club President depending on the person being reported on
- After reviewing the report, the Club will submit additional questions they may have for the caller. This will be accomplished via e-mail to NetworkCallbacks@twinc.com
- The Club will be responsible for the follow-up

What if there is imminent danger being reported?

Escalation matters will be routed via a telephone call to a *Club Tax Network* representative who then calls the designated Club representative to relay the issue reported.

Because *Club Tax Network* will receive summary reports, what are the Club's privacy expectations?

We are bound by professional standards regarding privacy and confidentiality. General information regarding types of frauds and locations of frauds will be gathered and shared with the Club Industry insuring that specifics and locations cannot be identified.

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How many calls are made to the Hotline on average per year?

Without a history for the Club Industry, we do not actually know. Small businesses with 100 employees have on average 10 calls per year, as stated by “The Network” in setting up the Hotline.

How easy is it to sign-up?

On the *Club Tax Network* website, www.clubtaxnetwork.com, a Club will find each of the forms and contract you need to complete to get the process started. Once we receive the necessary signed documents and payment we will begin the process of setting up the Club for the Club Fraud Hotline. “The Network” will activate your account in their system within 15 days and will notify you when you can begin using the Hotline. This activation date will serve as your contract renewal date.

How long does the contract last with *Club Tax Network*?

We have established a contract that is renewable annually from the date of activation.

Can the Club Fraud Hotline be cancelled at any time?

The contract can be cancelled at any time; however, there will not be a refund as most of our costs are upfront. We are committed to ensuring your satisfaction with the Hotline and will respond quickly to any issues or concerns that may arise.

Why the cutoff of 200 full time employees for the higher fee?

The larger the Club, the more anticipated calls to the Club Fraud Hotline there is anticipated. More than 200 full time employees differentiate what we considered smaller Clubs from larger Clubs.

How do I know if the CPA firm that conducts our financial audit is a Member of *Club Tax Network*?

www.clubtaxnetwork.com has a complete and current list of all *Club Tax Network* CPA Firms.

Will a Club be looked upon differently by our outside CPA if we do not have a Fraud Hotline?

CPA’s must analyze the effectiveness of Internal Controls during the financial audit process. Having effective Internal Controls, including the establishment of a Fraud Hotline, gives the CPA greater level of confidence that controls are in place to insure the accuracy of a Clubs financial statement.