Whereas fraud, abuse, and corruption may be as much as 5 percent of U.S. GDP ($652 billion)\(^1\) or as much as $1 trillion annually in the U.S. But whatever the figure or amount, fraud is pervasive and imposes enormous costs on organizations.

Whereas a survey indicates that public sector employees reported relatively higher rates of misconduct compared with private organizations.\(^2\) Another well-known survey indicates that government is the second highest fraud industry.\(^3\) Louisiana, itself, has a history of being a corrupt state.

Whereas a national survey indicates that 74 percent of employees had observed misconduct within the prior year (76 percent in the 2000 survey). Public sector employees were at a much higher 81 percent. Over a third (38 percent) of employees would call an ethics or compliance hotline to report misconduct. More than one-half (52 percent) of employees would prefer to report misconduct to an ethics or compliance hotline.\(^4\)

Whereas nearly one-half (48 percent) of owners/executives initial detection of occupational frauds is by tips and 34.2\% of over all initial detections of fraud is by tips. In other words, tips is the number one method of catching fraud, abuse, and corruption.\(^5\)

Whereas one fraud organization indicates that a hotline would reduce fraud by almost 50 percent.\(^6\) As to effectiveness, an organization with a hotline had a medium loss of $100,000 per scheme and detected fraud within 15 months. Alternatively, organizations without hotlines experienced twice the medium loss ($200,000) and took 24 months to detect the fraud.\(^7\)

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\(^1\) 2006 Association of Certified Fraud Examiners (ACFE) survey. The 2004 report stated that 25\% of fraud incidents occurred in government agencies, with a $48,000 medium loss ($652 b x .25 = $163 b).

\(^2\) KPMG Forensic Integrity Survey, 2005-2006.

\(^3\) 2006 ACFE survey. The internet site Ashcraft & Gerel indicates that 10\% of the U.S. annual budget is paid to companies or persons who are defrauding the government.

\(^4\) KPMG Forensic Integrity Survey, 2005-2006.

\(^5\) 2006 ACFE survey.

\(^6\) 2002 ACFE survey.

\(^7\) 2006 ACFE survey. The Sarbanes-Oxley Act requires audit committees of public companies to establish procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
**Now, Therefore, Be It Resolved,** that LSU should install an anonymous hot-line system for inside and outside persons to report fraud, abuse, and corruption.\(^8\)

If a hot-line is found to be too expensive initially, locked suggestion boxes should be placed in various convenient locations around the campus (where there are no cameras). The boxes should be only opened by a designated person in the L.S.U. internal audit department.\(^9\)

**Be it further resolved,** if the university has not put out suggestions boxes after six months, the Faculty Senate will buy boxes and start the process.

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\(^8\) The Business Roundtable (May 2002) believes that “a corporation should have a code of conduct with effective reporting and enforcement mechanisms. Employees should have a means of alerting management and the Board to potential misconduct without the fear of retribution, and violations of the code should be addressed promptly and effectively.”

\(^9\) The U.S. sentencing guidelines provide reduced penalties for entities that have an “effective program to prevent and detect violations of law.”