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Whistle Blower



Learning Target: *I can identify the term whistle blower.*

Read the following article, underline what is important and write a minimum 100 word essay summarizing the article.

The Latest Headache for Companies: That Every Employee Has a Whistle

By Ashby Jones

Members of corporate boards and audit committees, in-house lawyers and ethics officers are all still nervously awaiting the impact of one key component of the Dodd-Frank law that passed in July.

The provision concerns one key, frightening word: "whistleblower."

Dodd-Frank provides significant financial incentives for employees to tell regulators about securities fraud and other wrongdoing. Not only are corporate insiders worried about unexpected liability, but the provision also threatens to increase costs for companies and undermine internal fraud detection efforts launched under the 2002 Sarbanes-Oxley law. Click [here](#) for the WSJ story on the topic, written by me and Joann Lublin.

The "bounty" provision "runs in direct opposition" to internal fraud-detection efforts put in place or beefed up under the Sarbanes-Oxley law that passed after a wave of accounting scandals, says Richard Crist, chief ethics and compliance officer at Allstate Insurance Co. "It undermines a lot of work that a lot of us have done."

In the past, companies typically attempted to address certain fraud allegations internally by setting up confidential hotlines through which employees report alleged ethical misdeeds and illegal behavior. But the Dodd-Frank provision offers a financial incentive

to ignore a company's own process and run straight to the government, management lawyers say.

Corporate whistleblowers who take original evidence of financial fraud under the Dodd-Frank law directly to the Securities & Exchange Commission and Commodity Futures Trading Commission stand to get between 10% and 30% of a penalty that is over \$1 million.

Meanwhile, plaintiffs lawyers eager to handle complaints on behalf of whistleblowers are getting the word out, issuing press releases and publishing articles about the new law and in some instances, running ads soliciting work.

Other experts say companies might consider offering small incentives to encourage employees to come forward. "You can give spot financial awards—\$1,000 here and \$1,000 there—to people who keep their concerns inside the company," said Dan Westman, a labor and employment lawyer at Morrison & Foerster in northern Virginia.

Still, such incentives would have to be paid in a timely fashion to be effective. Even then, some have doubts. "Which do you think is going to win—an internal whistleblower program that relies on trust or one that offers a huge financial bounty?" asks Kenneth Grady, the general counsel at Wolverine World Wide, the owner of Hush Puppies, Merrell and other shoe brands. "For a whistleblower, it's a no brainer."