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FACULTY AND STAFF PERCEPTION OF FINANCIAL FRAUD IN HIGHER
EDUCATION

A Capstone Project Presented in Partial Fulfillment
of the Requirements for the Degree Bachelor of Science
with Mahurin Honors College Graduate Distinction at
Western Kentucky University

By

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2019

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ABSTRACT

This research was designed to survey full-time faculty and staff, from multiple universities, about their experience of fraud within their current and previous institution. Through the survey, we were provided insight into the perception of fraud within higher education institutions and the faculty and staff perception of how the institution handled it. Through the information provided in the survey, it is revealed if whether fraud is a rare occurrence at most institutions or if whether it is a bigger problem than it appears to be. In addition, we will learn how many instances of fraud within different institutions participants have experienced. We will learn if whether the respondents perceive fraud as an issue, which may need addressing by institution administration. This work will also provide insight as to the views of faculty and staff on how cases of proven fraud should be handled, and if the institutions cases of fraud properly.

Keywords: Fraud, Faculty, Staff, Higher Education,

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FIELD OF STUDY

Major Field: Accounting

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INTRODUCTION

Financial fraud in higher education, as a whole, is an area with very little research. Most cases are about a single person, or a group of people working together to commit one instance of fraud (Vazquez, n.d., Parr, June 2015). Finding data concerning financial fraud at higher education institutions across the U.S. is difficult. The only information stating a total number of cases is the Association of Certified Fraud Examiner's Report to the Nation (ACFE Report to the Nations, 2018). Although on-campus crimes at degree-granting postsecondary institutions are noted on the National Center for Education Statistics website, it does not disclose information on occupational fraud (Digest of Education Statistics, 2017).

This research examines faculty and staff perception of financial fraud, documents the perceived prevalence of financial fraud, and identifies what kind of financial fraud faculty and staff experience within higher education institutions. The study further examines faculty and staff perceptions of institutional responses and if the responses were appropriate for each incident. The research scrutinizes if legal actions were pursued and why. This research is to be informative to higher education administration by outlining the tone that is set when fraud occurs, how the administration's actions can affect job satisfaction of faculty and staff, and ways to combat fraud risk.

LITERATURE REVIEW

Defining Fraud in Higher Education

Fraud is broadly defined as wrongful or criminal deception intended to result in financial or personal gain (Oxford Dictionary, n.d.) While there is no specific term used solely for labeling fraud in higher education institutions, the type of fraud committed by faculty and staff at the institutions is occupational fraud. According to ACFE occupational fraud is the use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the organization's resources or assets (ACFE Report to the Nations 2018). Occupational fraud includes payment fraud, procurement fraud, and travel and subsistence fraud, personnel management, exploiting assets or information, and receipt fraud (IGI Global).

Occupational fraud can be classified into three primary categories: asset misappropriation, corruption schemes, and financial statement fraud (Coenen, 2008). Asset misappropriation involves employees abusing their position to steal from the organization including embezzlement, deception, false expense claims, payroll fraud, and data and intellectual property theft (Cheshire Police, n.d.). Corruption schemes include bribery, kickbacks, bid-rigging, and illegal gratuities (ACFE Module 13, n.d.). Financial statement fraud is usually the over statement of assets, revenues, and profits or

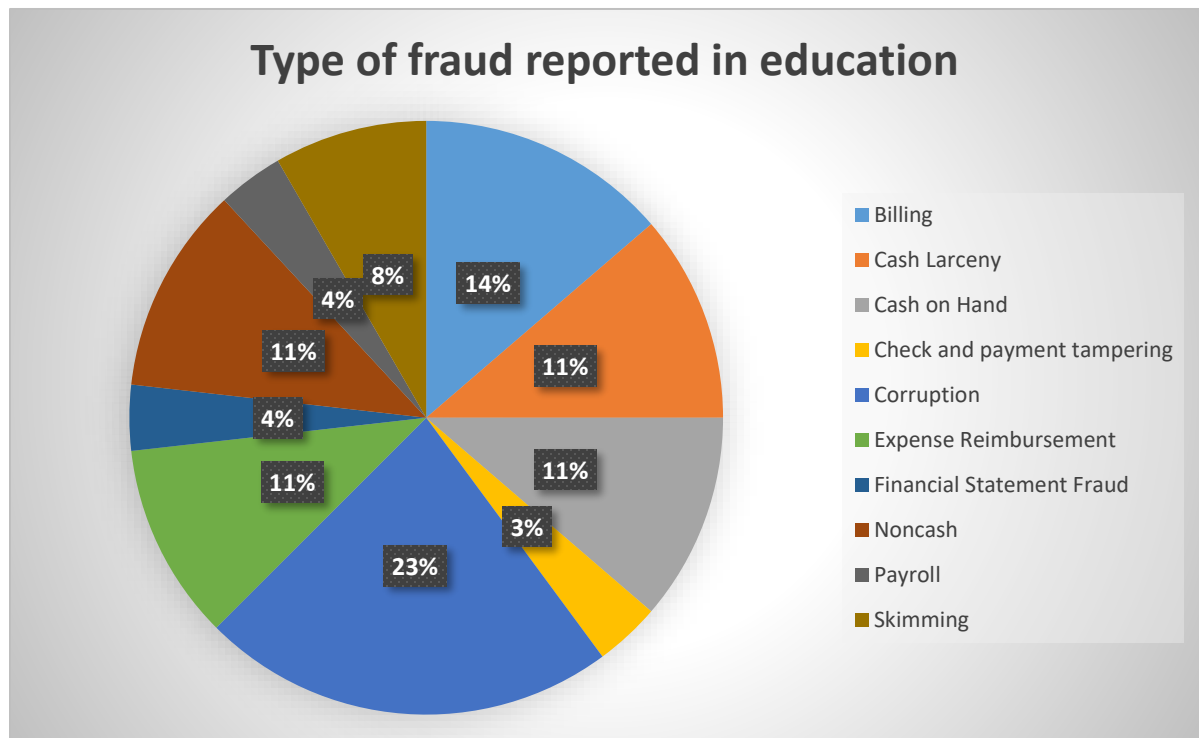
understating liabilities, expenses, or losses (Fraud Magazine, 2003). The primary focus in this report is asset misappropriation and for the purposes of this paper, financial fraud is referring to occupational fraud.

Frequency and Cost of Fraud Higher Education

As stated previously, the NCES's Digest of Education Statistics records information about “On-campus crimes, arrests, and referrals for disciplinary action at degree-granting postsecondary institutions...” however, it does not provide information on financial fraud committed by faculty and staff (Digest of Education Statistics, 2017). Perhaps this is because financial fraud committed by faculty and staff in higher education is so rare it does not warrant a stand-alone document. Perhaps it is not publicized because the financial fraud committed by faculty and staff occurs in immaterial amounts. Since financial fraud can be complicated to prove, as stated in “The Difficulty of Proving financial Crimes” article by Peter J. Henning of the New York Times (2010), especially in smaller amounts, institutional administrators may assume that most cases are simply errors. In the study provided by ACFE, the amounts provide conflicting information.

According to the ACFE Report to The Nations (2018), 55% of organizations that encounter incidents of occupational fraud stated the cost of the fraud was less than \$200,000, while 22% recorded the cost at over \$1m. Additionally, the total loss expressed in the study of 2690 cases, across 23 industries, was over \$7.1b. The assumption or argument could be made that the total amount is higher than \$7.1b, due to the amount only includes calculating known cases of fraud. In the report, we also see education was

ranked as the seventh highest industry with a total number of cases, even though the median loss per case amount was second to last. The 2018 ACFE Report to the Nations states 96 disclosed cases of fraud are in education institutions from all over the world. The chart below shows a breakdown of the most common fraud schemes in higher education¹.



Because there are 2,690 real cases of occupational fraud stated in the ACFE Report to the Nations (2018), it makes fraud in higher education only 3.5% of total occupational fraud. According to the National Center for Education Statistics, there were

¹ The information in the chart was provided by the American Certified Fraud Examiners 2018 Report to the Nations p. 25

4,360 degree-granting institutions in the United States in 2016-17 (2017-18 not yet released) (Digest of Education Statistics, 2017). If there were only 96 total cases of fraud provided in the study in education, from 125 countries, and 4,360 degree-granting institutions in the US alone, then this information would lead most to conclude that fraud in higher education, within the U.S., is rare. As of December 1, 2018, there are 525 schools on the U.S. Department of Education Federal Student Aid Cash Monitoring list (Kreighbaum, 2018). These schools include public, private, proprietary, and foreign public institutions and they are on the list for reasons ranging from "under the inspection of the Office of the Inspector General" to "provisional certificate" (Kreighbaum, 2018). If there are 526 universities on a watch list in the U.S., why are there only 96 reported cases of fraud throughout the world? The data collected in this survey would provide evidence that fraud may happen more often than institutions report.

Reasons Financial Fraud is Committed:

Gaining insight into why individuals commit fraud can be deciphered by understanding the fraud triangle. Pressure, rationalization, and opportunity are the three aspects of the triangle (Whittington, 2018).

Pressure can come from internal or external factors and involves personal situations that create a demand for more money or pressure can arise from problems on the job such as performance (Intergov, n.d). Once the pressure and opportunity has presented itself, an individual may rationalize fraudulent behavior.

Rationalizing actions to commit fraud may could include feelings that the institution owes them for all the time they spend doing work for the university outside of regular operating hours. Additionally, if there is no legal action or accountability sought by institutions, a person could also rationalize committing fraud because the odds are in their favor that nothing will happen to them, if they are even caught at all (Intergov, n.d). Matt Dettman, whose case is discussed later in this article, stated in a letter to the court before sentencing “I learned that once you begin to lose discipline in certain areas of your life, even the small things, all discipline begins to fade fairly rapidly,” Dettman said in his statement. "I have heard that the first transgression is the hardest, and the rest is easier. This was certainly true for me." (Story, 2019). Pressure and rationalization do not open the door to fraud. An opportunity to commit fraud must present itself as well.

Opportunities are found when there is a lack of working controls in place and an individual sees a way to benefit his or her self (Intergov, n.d). Good internal controls can lower the risk of fraud.

Legal Action Taken by Institutions:

In March 2018, an external auditor found financial aid fraud committed by six Howard University staff members, ranging from the Director of Financial Aid to a student assistant. The staff members received grants and tuition payments that exceeded the total cost of attendance and pocketed the difference, starting in 2007 through 2016. A whistleblower stated that the total amount stolen was near \$1m (CBS News, 2018). It was

later released that \$689,375 was the actual amount taken by the employees (Harriot, 2018). Howard University fired the employees involved, but no charges were filed (Bird, 2018). There was no explanation given as to why the institution did not see criminal charges against the employees. Although the former Howard University did not have charges filed against them, some cases of financial fraud committed by employees of the institutions are prosecuted. The literature shows that the punishment may not be equal for offenders in higher education as in other professions.

In an effort to prove the equality of the punishments of higher education employees versus non-higher education employees, we compare two cases of fraud committed by faculty members to two cases where the offender is not in higher education. Matthew Dettman, a former Western Kentucky University (WKU) engineer professor, pleaded guilty to wire fraud in September 2018. As part of his responsibilities, Dettman supervised the WKU Engineering Lab. According to court records, the wire fraud was \$236,000 in consulting fees, which Dettman billed and collected directly to/from clients from 2006 through October 2017 while utilizing university-owned equipment to perform services, instead of invoicing and appropriately recognizing revenue through WKU (Story, 2019). Dettman received a sentence of 52 weekends in the local jail, and he will pay restitution of \$236,000 (Story, 2019). This sentence was issued in Kentucky where the penalties for stealing \$10,000 or more is a fine of \$1,000 to \$10,000, at least five (up to ten) years in prison, or both (Steiner, 2017). Similarly, a former Brigham Young University employee, who stole \$200,000 from the university by

purchasing computers with university funds, and then selling the computers for a personal gain, receiving only 180 days in jail (Peterson, 2010). Again, according to Stiener (2017), in Utah, the punishment for embezzling \$5,000 or more includes a fine of up to \$10,000 and at least one year (up to fifteen years) in prison, or both. Both instances may be an appropriate punishment for two people who stole from their respective universities and, by extension, students, faculty, staff, and taxpayers. Nonetheless, these cases need to be compared to cases in which financial fraud was committed for nearly the same amount to understand if there is an inequality of sentencing between the offenders in higher education and offenders who do not work in higher education.

A case of a person who committed financial fraud and who does not work in higher education is a former fire chief who was sentenced to serve a minimum of three years in a New Hampshire prison and ordered to pay restitution for embezzling \$216,000 (Harlow, 2015). In New Hampshire the penalty for stealing more than \$1,500 could include restitution of up to double the amount embezzled and up to 15 years in prison (Stiener, 2017). Also, we compare higher education cases to the case of a Fred Meyer loss prevention manager who stole nearly \$230,000 from self-checkout machines (Green, 2019). According to Green, the former loss prevention manager had no criminal history, and the state sentencing guidelines would have recommended probation. Since the Fred Meyer employee committed the fraudulent act more than once before being caught (the same as the two higher education offenders), she was charged with 21 counts of first-degree theft and aggravated first-degree theft (Green, 2019). The loss prevention

employee received four years in prison and ordered to pay nearly all that was stolen in restitution (Green, 2019). The sentencing for the members at higher education institutions are seemingly less harsh by comparison.

Administration Reaction to Fraud:

According to Madeleine Rhyneer (2017) when discussing university response to bad publicity, "...significant negative media attention may have a material impact on the number of applications in future years. Although the number of applications is not the only metric that matters in institutional financial health, a significant drop may negatively impact institutional capacity to reach enrollment and revenue goals." When financial fraud occurs within a higher education institution, the assumption is the administration would want to get out in front of it and take a no-tolerance stance. Would it not be positive publicity if a university takes a no-tolerance stance for any dishonesty?

If we look at the Howard University case, we see there was no information disseminated from the administration, to address the issue with its students, faculty, staff, and public. The information was not given until the whistleblower made an anonymous post a year and a half after an investigation had started (Kiely & Brocchetto, 2018). Furthermore, it was not until the students themselves started to protest the university's lack of transparency that the president made a statement on the total amount stolen (NBC Washington, 2018).

Faculty and Staff Job Satisfaction:

According to the Teachers Insurance and Annuity Association (TIAA) Institute Research Dialogue (March 2018) Faculty had previously reported factors contributing to job transparency as demographic characteristics, life-stage issues, personal work accomplishments, collegial relationships, and individual institutional experience. Additionally, research in the report found perceptions of the campus culture and environment to be especially important. While this report does not directly address fraud, an institution that has a culture of ignoring fraud or dealing with fraud in a nontransparent manner could affect the job satisfaction of faculty and staff. The Fraud Magazine (n.d.) online article states *“employee fraud is closely linked with how employees perceive their working conditions. When employees view the work environment as enjoyable, supportive, respectful, fair, ethical, etc., there tends to be higher job satisfaction and lower fraud risk.”*

Research Questions:

Due to the research gap for occupational fraud that happens within higher education institutions, the exploration of research questions related to these issues is warranted. The questions in the research seek knowledge from those who work inside the institutions. Are the cases disclosed in the ACFE Report to the Nations (2018) an accurate representation of the fraud in higher education or are there more that needs to be investigated? Additionally, this research seeks to determine the perception of faculty and

staff who work in higher education institutions. Even though the ACFE Report to the Nations (2018) addresses ten areas where fraud has been recorded, the questions in the survey were developed to understand types of fraud that faculty and staff are exposed to at the institutions. Furthermore, this study addresses how universities handle different types of fraud and what factors affect the actions taken in these situations.

Research Method

Overview:

Using the National Collegiate Honors Council listserv and Western Kentucky University listserv, emails were sent to faculty and staff in the United States asking for their participation in the survey. The survey sought to find out about the participant's perceptions of fraud within their current or previous institution. There were 2460 faculty and staff emailed in total and 232 responses received (10.6% response rate). Of those received, one response was eliminated because he or she did not consent to the terms of the survey, leaving 231 usable responses.

Procedure:

An email was sent (see Appendix) to each listserv. The email was brief, explaining the purpose of the survey and indicating that it should take no more than five minutes to complete.

The survey was created using Qualtrics. As part of creating the survey, the survey was first sent to a small group of colleagues, asking them to complete the survey and provide

feedback. After receiving their suggestions, the survey was edited and sent out to the National Collegiate Honors Council and Western Kentucky University faculty and staff listserv.

The first set of questions address the amount of fraud faculty and staff have experienced within their previous and current institutions. Specifically, the questions were designed to gain an understanding of the prominence of fraud at the faculty and staff's current or previous institution and collect examples which lead to the answer provided. In the end, the participants were asked to provide an estimate of the number of times they had witnessed fraud or had heard of it happening. For the fifth question of this set, the participants were provided specific examples of fraud and asked to mark which of the examples they had heard of happening or witnessed themselves. For example, personal purchase with institutional and/or grant funds, using institutional lab/facilities for professional consulting or research work, using student designated departmental funds for faculty/staff travel or research, using conference locations as a paid vacation or trip to hometown, or giving scholarship or tuition waivers to friends or family instead of more qualified candidates.

Q1. Financial fraud can be broadly defined as an intentional act of deception involving financial transactions for personal gain and can happen within any institution. In your opinion, to what degree does financial fraud happen within higher education institutions?

Q3. In your opinion, does your current or previous institutions have a problem with fraud?

Q5. Of the examples below, please choose all forms of financial fraud your current or previous institutions have experienced, to your knowledge.

Q6. Within all higher education institutions, you have worked, estimate how many times have you heard of or witnessed financial fraud?

For the second set of research questions, the focus was on whether the institutions sought legal action against discovered fraud. The questions explored if the actions taken by the institutions were fair, appropriate, and in general, handled properly. The question was also posed regarding if more institutions should seek legal actions. By asking these questions, we get an understanding of how many times there were noted incidents of fraud versus how often the university took legal action and if it was appropriate.

Q7. When was the fraud reported was legal action sought?

Q8. In your opinion was the legal action by the university fair and appropriate?

Q9. In your opinion, should more higher education institutions seek legal action when financial fraud has been discovered?

The third set of questions describe on the participant's perception of what institutions tend to do when they discover fraud. Question 10 - 15 is geared toward understanding if the perception is that institutions conceal the fraud, handle it properly or is handled based on the circumstances of which fraud occurred. Additionally, examples were given to the participants to get an understanding of the perception as to why institutions may not see criminal charges. The question is designed to discern if the perception of the action taken, by the institution, is influenced by the offender's position held within the institution. If the perception was based on the position held by the

offender, what role does tenure play in the consequences? Also, the questions answered if the perception was that the crime was not financially worth it seeking legal action or would make the institution appear less than perfect. Finally, we asked for the participant's perceptions if the fraud incident should be a part of the person's permanent record.

Q10. In your opinion, do higher education institutions, in general, handle cases of fraud properly?

Q11. In your opinion do universities tend to conceal the fraud, handle it within the institution, handle it differently based on who committed it or how much was taken.

Q12. In your opinion, under what circumstance are guilty parties not legally penalized, or criminal charges sought, by higher education institutions.

Q13. In your opinion, should institutions seek criminal charges every time fraud is committed?

Q14. In your opinion, does tenure affect the legal consequences of the fraud committed by the person(s)?

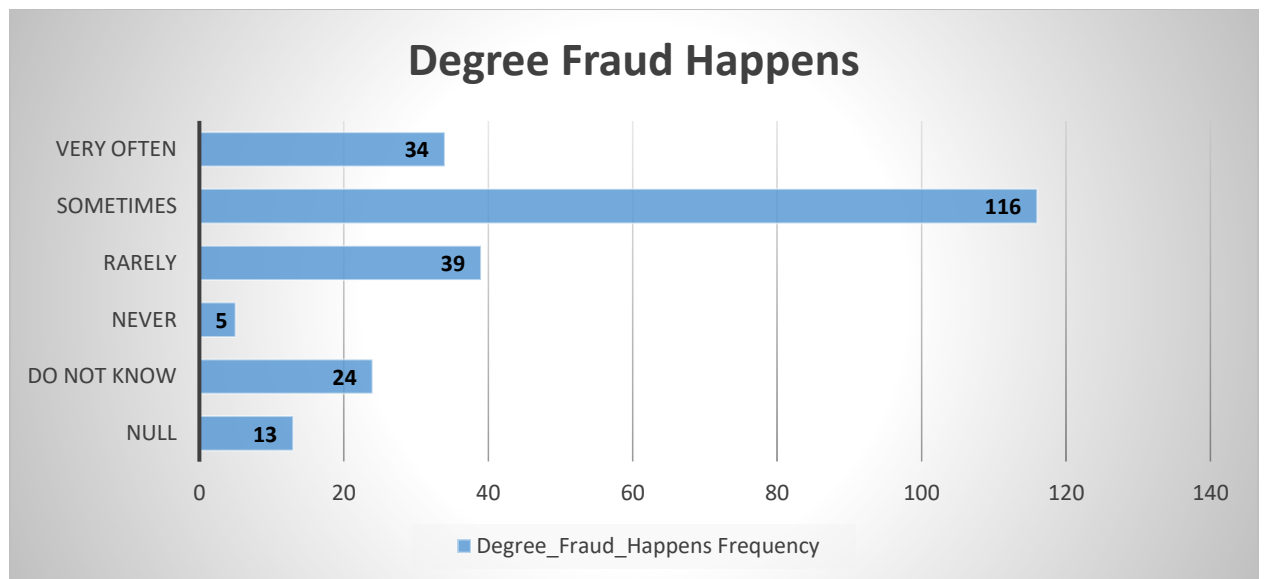
Q15. In your opinion, should the person who committed fraud have the transgression on their permanent public record?

Results

Fraud Experience:

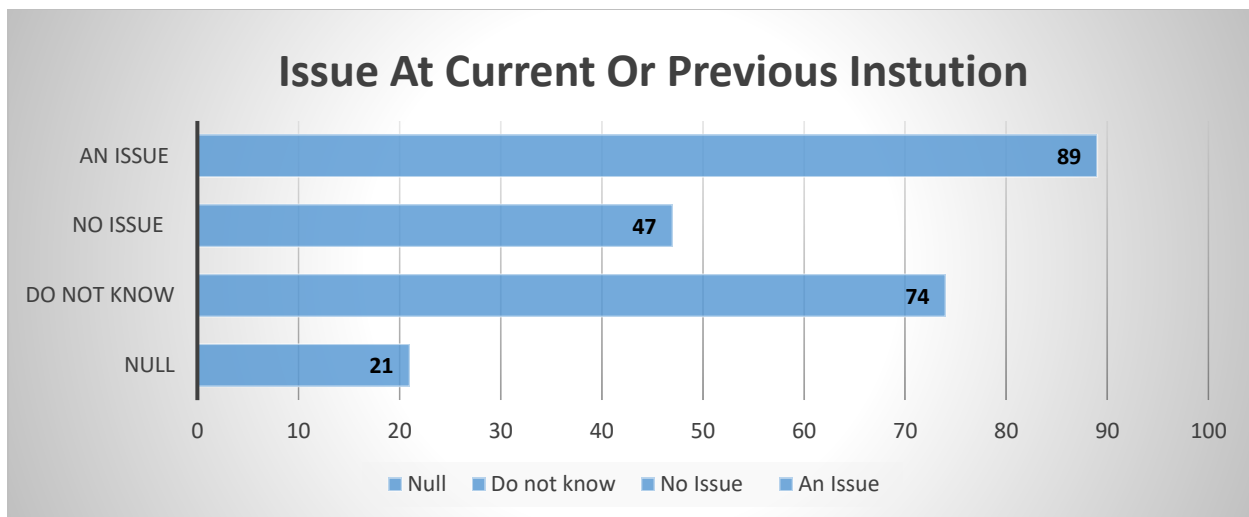
Q1. Financial fraud can be broadly defined as an intentional act of deception involving financial transactions for the purpose of personal gain and can happen within any institution. In your opinion, to what degree does financial fraud happen within higher education institutions?

When asked to what degree financial fraud happens within the higher education institutions, 50.2% of participants believed fraud happens “sometimes.” What is even more interesting with these results is that only 17% of the participants could answer the question with “rarely.” With such little coverage done on the topic, one would believe there are few instances of fraud, yet only 17% perceive it as rarely happening.



Q3. In your opinion, does your current or previous institutions have a problem with fraud?

Although 50.2% of the participants agree that occupational fraud happens sometimes, 38.5% of the participants say there is an issue of fraud at their current or previous institution.

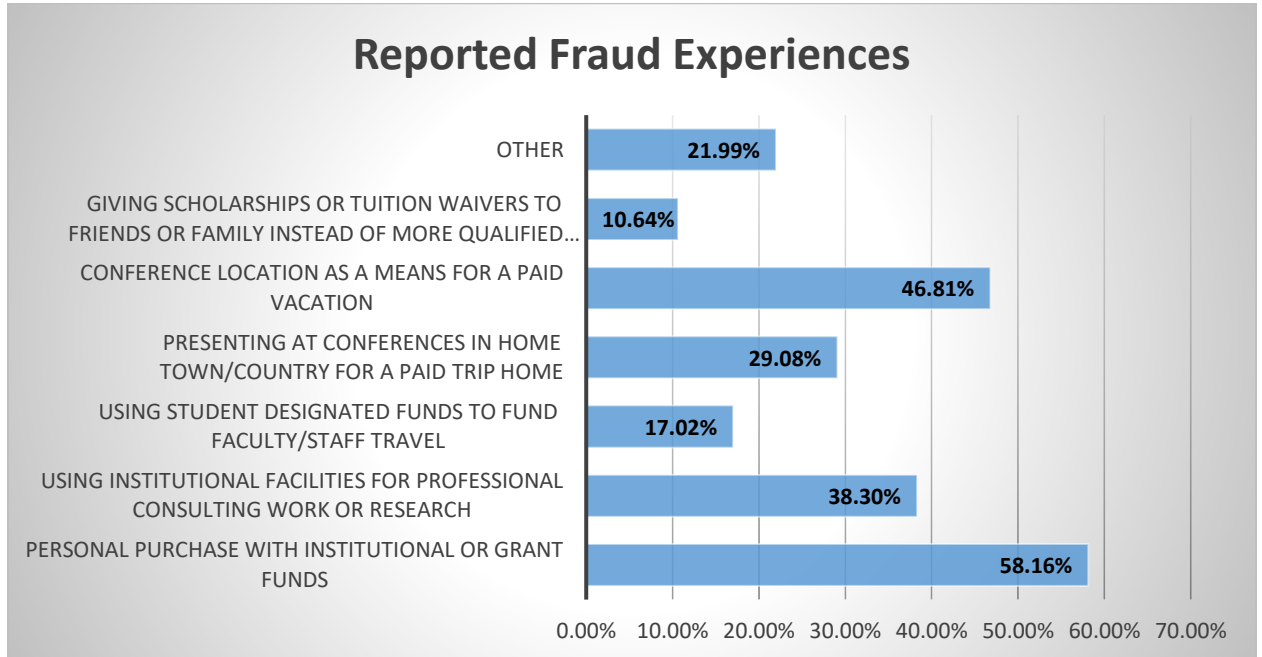


These responses are interesting because there is a total of 2,690 real cases of occupational fraud stated in the ACFE Report to the Nation, which makes fraud in higher education only 3.5% of total disclosed occupational fraud. Given the results from this question, we conclude faculty and staff perceive that fraud occurs much more frequently than is reported.

Q5. Of the examples below, please choose all forms of financial fraud your current or previous institutions have experienced, to your knowledge.

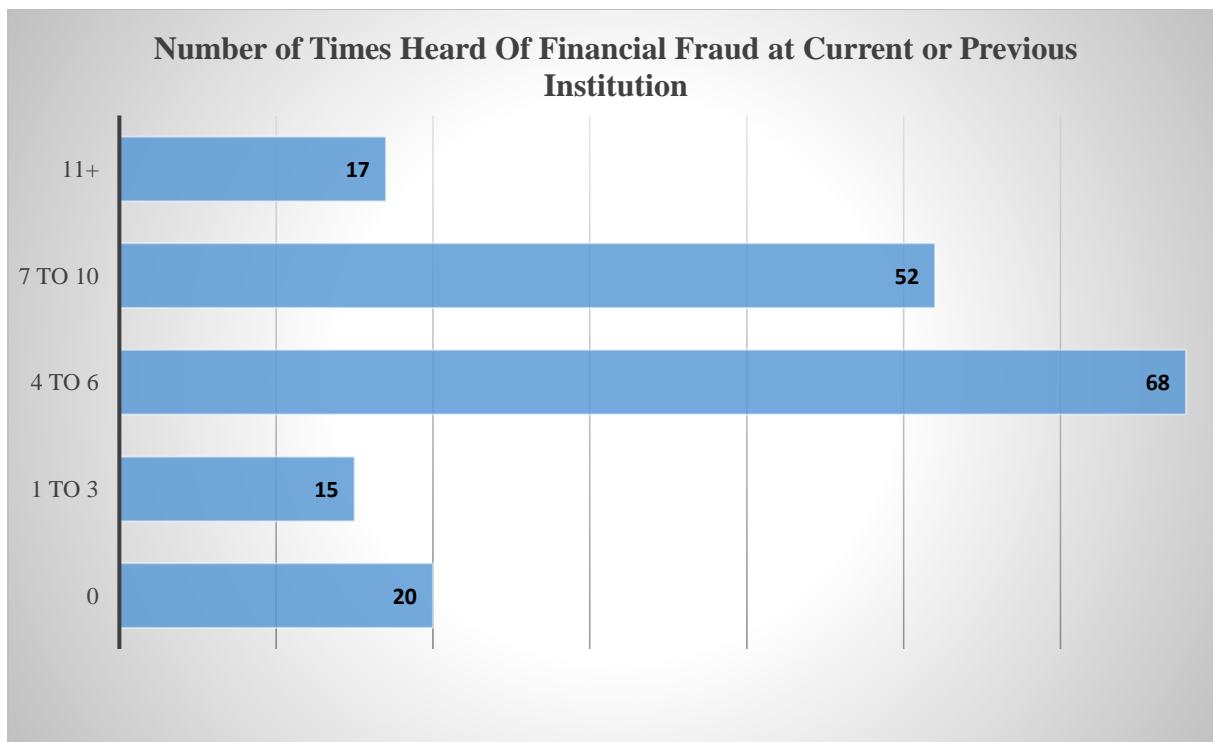
When given examples of potential fraud, and the participants were asked to mark all they had heard of happening or witness, the answers were mostly even across the board. Personal purchases with institutional or grant funds total 58.16%, which is the area where higher education institutions should have the most internal control. On the other hand, where there are fewer internal control measures available, attending conferences at a location used as a means of a paid vacation or a trip to the faculty or staff’s hometown

came in at a total of 75.89%. Travel arrangements may need further investigation by each institution and possibly more internal controls in place.



Q6. Within all higher education institutions, you have worked, estimate how many times have you heard of or witnessed financial fraud?

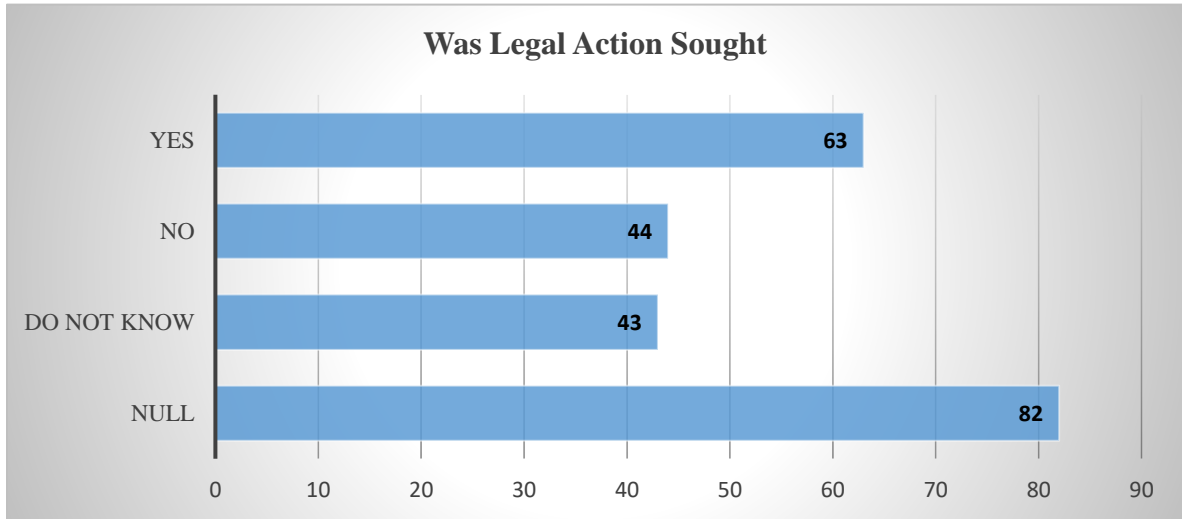
From a faculty and staff perspective, occupational fraud is not rare at all. According to participants who work within higher education institutions, there is much more fraud that remains unreported. In the survey, 51.9% of the participants stated hearing between 4 to 10 cases of fraudulent activities within their current or previous university, while only 8.7% stated they had heard of zero fraudulent activities.



Legal Action

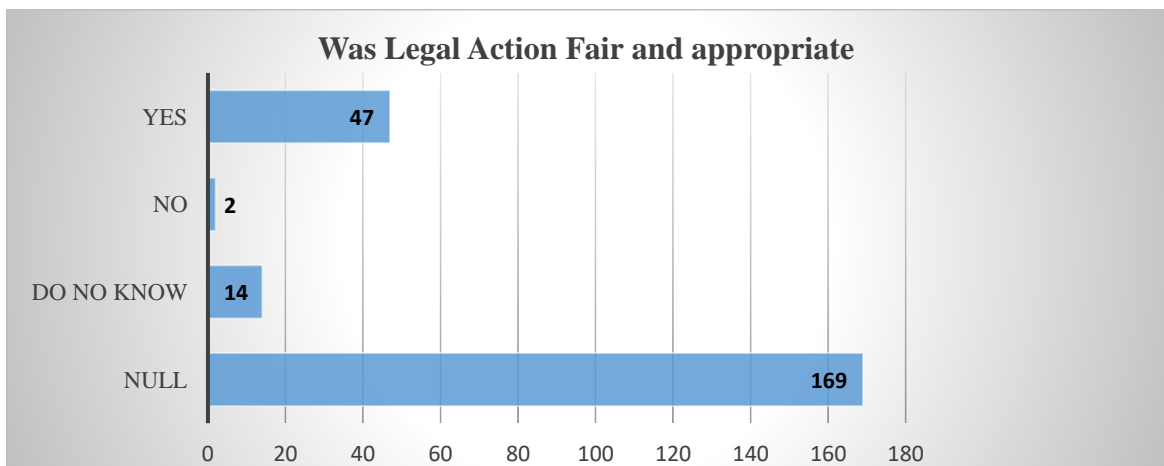
Q7. When the fraud was reported was legal action sought?

An unexpected result from the survey came when the participants were asked if legal action was sought in cases of fraud, they had experienced. Although 82 of the participants chose not to answer the question, 63 of the 149 participants, or 27%, who answered this question stated that legal action was sought.



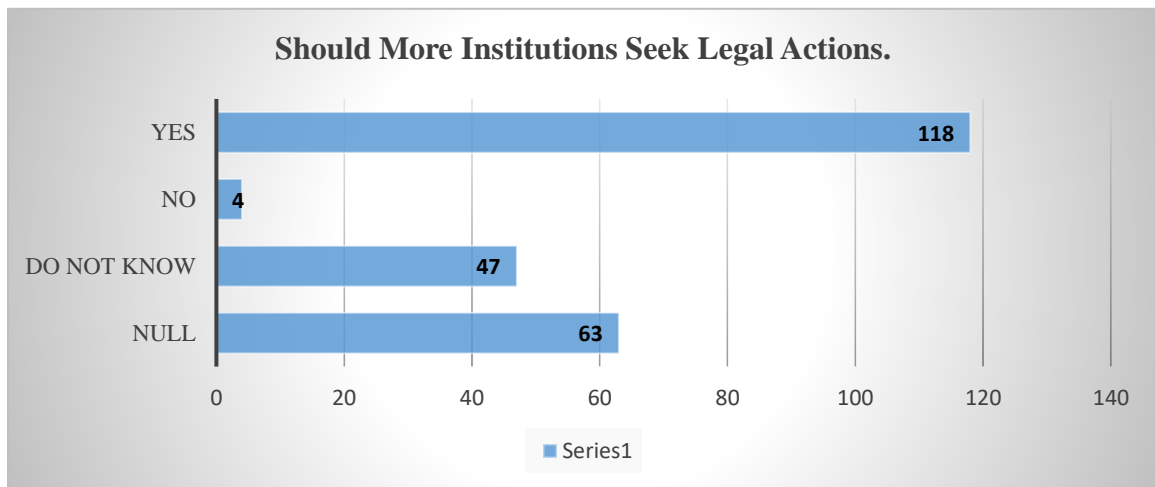
Q8. In your opinion was the legal action by the university fair and appropriate?

In the survey, when asked if legal action was fair and appropriate for cases of fraud was proven, only 63 participants chose to answer, and 20.3% of the total participants agreed it was appropriate. Alternatively, only two participants said it was inappropriate, with fourteen participants who did not know either way.



Q9. In your opinion, should more higher education institutions seek legal action when financial fraud has been discovered?

When asked if the participants felt the institutions should seek legal action more often, 50.9% said yes, although only 16.5% believe institutions need to seek legal action every time.

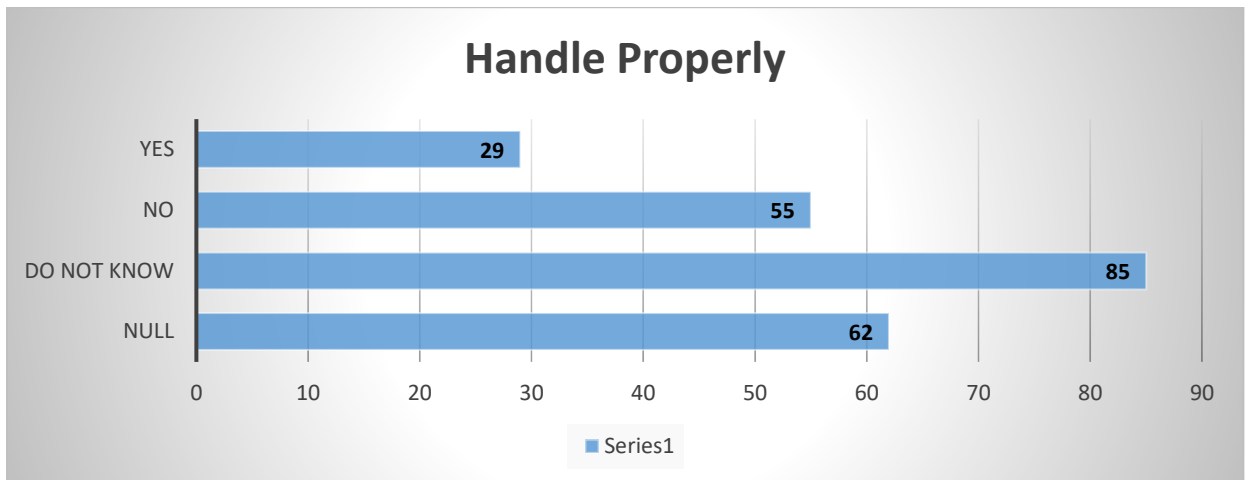


One participant wrote: "The amount of the fraud should determine the need for criminal charges to be pursued. A person stealing \$200 should be immediately terminated, but criminal charges should not be pursued. However, a person committing a felony should be actively referred for criminal charges."

Institutions Approach to Handle Fraud

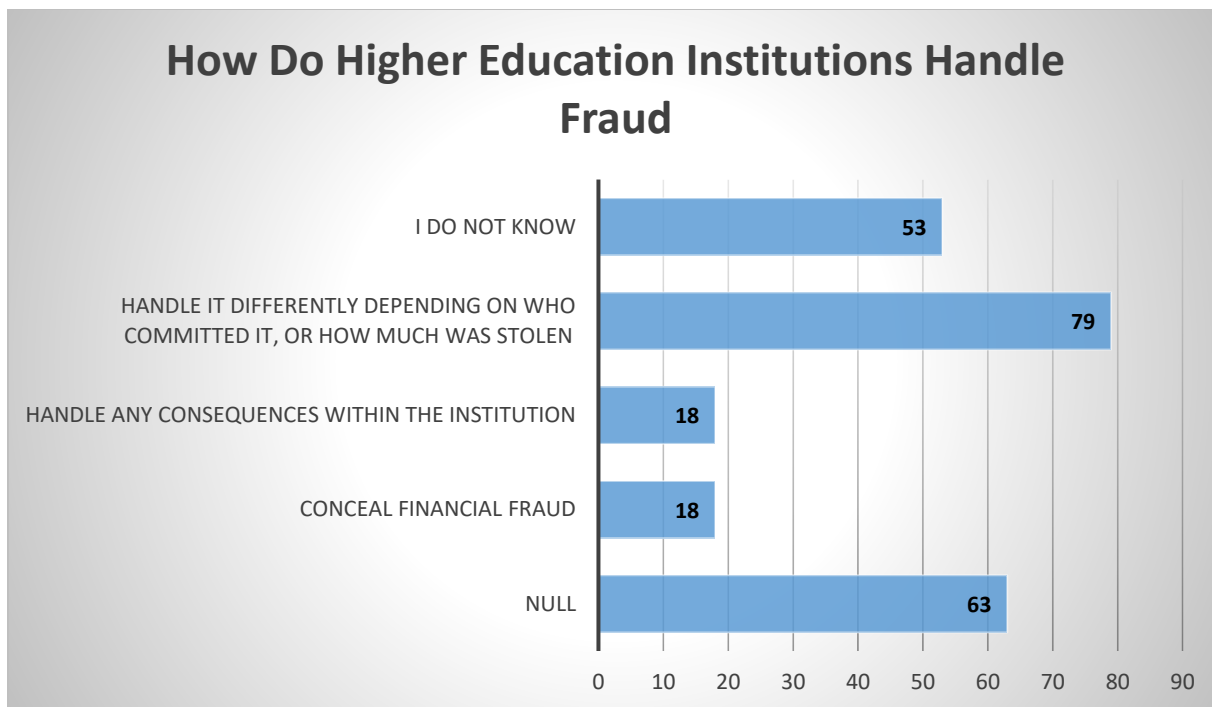
Q10. In your opinion, do higher education institutions, in general, handle cases of fraud properly?

In the survey, the participants answered that it was their opinion that the institution had handled fraud cases properly. 12.6% participants said they did handle it properly, while 23.8% said institutions did not handle it properly.



Q11. In your opinion, do universities tend to conceal fraud, handle it within the institution, and handle it differently based on who committed it or how much was taken?

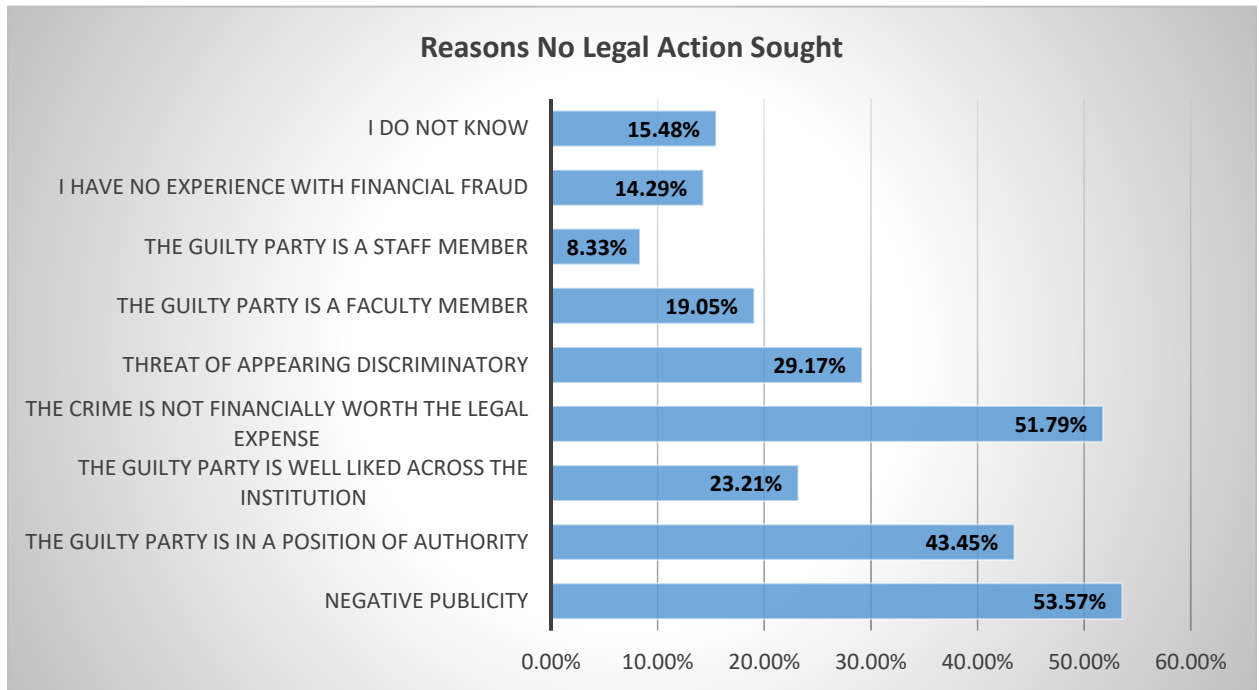
When asked their opinion on how universities handle cases of fraud, 79 of the 168 participants who chose to answer this question stated each case is handled differently, based on who committed the act of fraud and how much. Only 18 of the participants felt the universities conceal fraud or handled it within the institution.



Q12. In your opinion, under what circumstance are guilty parties not legally penalized, or criminal charges sought, by higher education institutions.

The opinion stated in Q9 seems to be the opinion of over half the participants because when asked why the participant thought their current or previous institution did not press charges, 51.79% stated that the crime was not financially worth the legal expense.

In addition to the financial worthiness of the crime, 53.57% of the participants said they believed their current or previous institution did not press charges due to potential negative publicity.

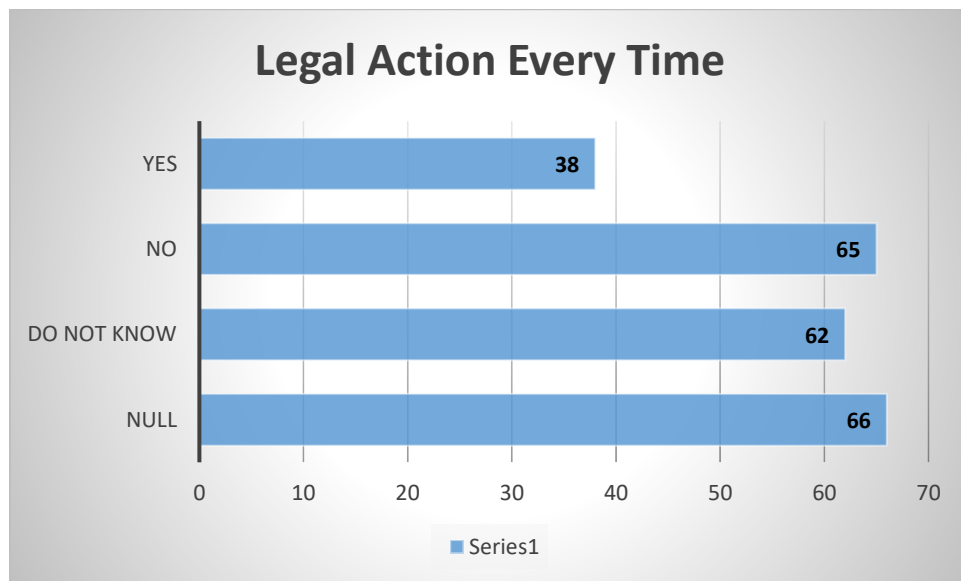


The participants also responded by offering reasons why, in their opinion, the institution did not see legal action. One participant thought university administration would not seek legal action because of political pressure, while a different participant's opinion is that the "good ole boy club protects offenders." A participant also disclosed that seeking legal action may be perceived as the wrong use of resources.

Q13. In your opinion, should institutions seek criminal charges every time fraud is committed?

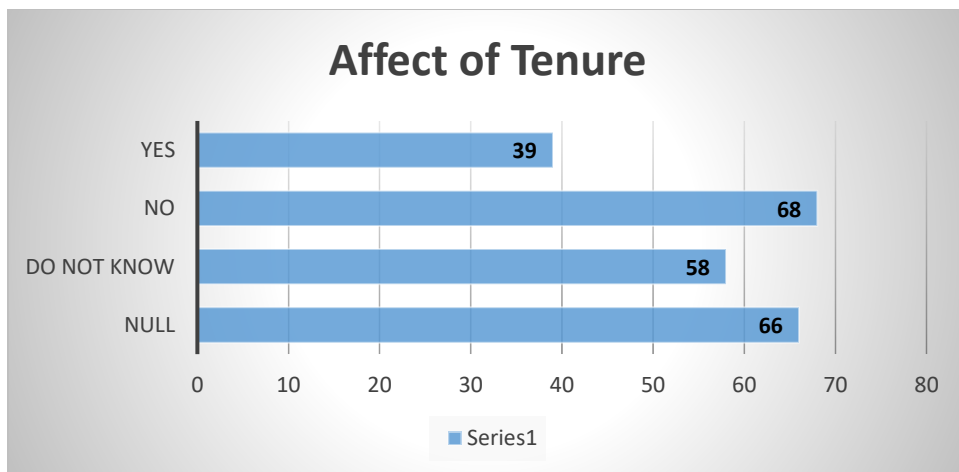
Of the 165 who chose to answer the question, 38 stated their opinion was that institution should seek criminal charges every time, but 65 state the institutions should

not. Nearly the same number of participants who state the institutions should not seek charges every time, state they did not know if that is what the university should do.



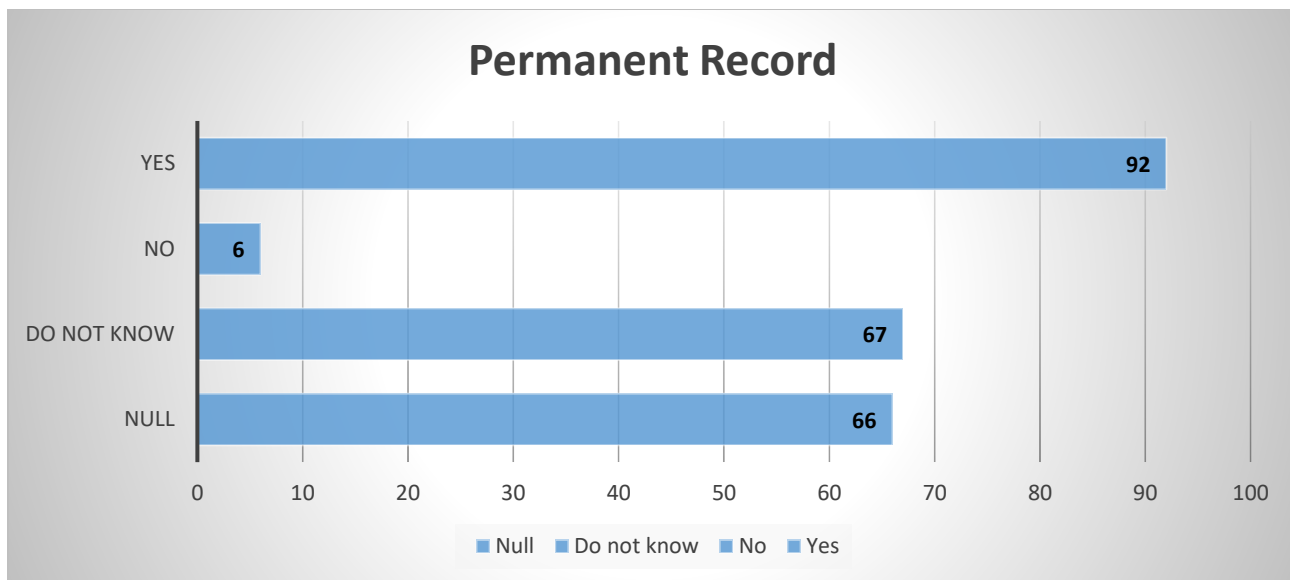
Q14. In your opinion, does tenure affect the legal consequences of the fraud committed by the person(s)?

The of the 165 participants who chose to answer this question, 68 participants felt tenure had nothing to do with the decision to take legal action against people proven to commit fraud. However, 58 participants were undecided on the affect tenure has on legal action. Only 39 of the 165 felt tenure played a role on the action institutions took in regard to the person who committed the fraud.



Q15. In your opinion, should the person who committed fraud have the transgression on their permanent public record?

Of the 165 participants who chose to answer this only 3.6% felt the transgression should not be on the offender’s permanent record. While a majority felt that the transgression should follow the offender throughout their career. Nearly the same number of participants who did not know if legal action should be taken every time also stated they did not know if it should be on the offender’s permanent record, which could mean faculty and staff feel it is a judgement based on offense and not a set standard.



Examples of Unpublicized Fraud:

The act of committing financial fraud can take many forms. One example of unrecorded financial fraud in higher education institutions, which was questioned in the survey, was the purchase of personal items using grant or institutional funds. One participant described incidents of purchasing personal computing equipment. Another participant noted that a staff member bought male enhancement drugs for a university board member, along with clothing, jewelry, and toothbrushes. Of all the participants, 58.16% expressed this type of fraud happening at their current or previous institution.

A second example provided in the survey was using institutional facilities for professional consulting work or research. One participant communicated, “I am aware that several former administrators and faculty have received numerous and lucrative consulting contracts both while and after serving in their role on campus. Several of these

projects would constitute either a conflict of interest or receiving state money for services which overlap that which the individual is contracted to provide as part of their employment.” Another participant divulged that at their institution an Instructional Technology (IT) office, was instructed to perform duties for the institutions, but instead of performing work during working hours, contracted it out to a private company. The private company consisted entirely of personnel from the IT office.

Also reported by a participant, was when a university did not take legal action when an administrator of a university had taken over \$100,000 from the university by purchasing personal items and gas for farm equipment on her university credit card and falsifying travel reimbursements. When proven that the employee had committed fraud, the university dismissed the employee without any repercussions. Because there were no repercussions for the fraud, this same administrator is now an Associate Dean at a large research university.

Personal reports of fraud were not limited to university funds. Participants also noted that colleagues were "skimming" off cash accounts when collecting payment for organizational t-shirts, or travel, and other similar types of purchases.

Concluding Remarks

This study surveyed faculty and staff's perception of fraud in higher education. From the 231 respondents, it was found that fraud is not a rare occurrence. We see that

most of our participants have experienced numerous cases of fraud at current or previous institution, either directly or indirectly. Additionally, nearly 40% state fraud is an issue which may need to be addressed by institution administration.

When asked if legal action was sought, a large portion of the participants chose not to answer. Of those that chose to answer the indication was legal action was sought. The participants express institutions should seek legal actions more often and nearly the same number specify that it should be on the offender's permanent records. Also, only a small portion of faculty and staff give opinions that institutions handle cases of fraud properly. The participants agree that most institutions take no legal action either because of negative publicity or the institution deems the offense not worth the financial expense. The administration needs to understand faculty and staff perceive fraud as an issue in higher education and that there is a perception of inaction on the part of the administration. The combination of fraud and inaction to the acts of fraud can diminish the job satisfaction for faculty and staff. In order to maintain job satisfaction of the faculty and staff, the administration needs to take steps to address the potential of fraud before it takes place.

There are many ways to deter fraudulent activity before it happens. By establishing a code of conduct it can establish that fraud of any form, no matter the position in the institution, will not be tolerated. The code of conduct may also deter most of the fraudulent behavior. Additionally, requiring periodic training on policies and

procedures along with ethics training can be a reminder of what is expected of each employee and to help prevent errors as well.

In a letter to Howard announcing the decision, the Education Department said only that its action arose from "serious administrative capability issues" found in the university's compliance audits for the 2015 through 2017 award years and in a May 2018 program review. Among those issues were a lack of internal controls and failure to make sure students were eligible for Title IV funds (Kreighbaum, 2018). Institutions must establish satisfactory internal controls to create a checks and balance system (Cheshire Police, n.d). The internal controls should include, but are not limited to, a separation of duties, a monthly reconciliation done by employees and supervisors who are not involved in other aspects of the purchases, and restricted use of university funds for travel.

By creating a travel request submission, it could help ensure that faculty staff are attending legitimate professional development opportunities if staff submitted travel requests for dean approval and office personnel were responsible for completing the reservations and registrations. As good internal controls protect university assets, ensure reliability, and promote efficient and effective operations, it would be beneficial to establish and communicate clear and direct policies that remove grey areas.

The employees should be trained thoroughly on their job responsibilities and how their position plays a vital role in the checks and balances system, both within and outside the department to ensure compliance with rules and policy. Random internal audits performed within departments every year will deter fraudulent activity as well.

Empowering others and being proactive to report suspicious behavior or circumstances to administration within their department is vital in deterring fraudulent behavior.

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Appendix

Email Message

Dear Colleagues: You are being invited to participate in a survey to learn about perceptions of consequences of fraud in higher education, and the perceptions of how universities have handled such cases. We are interested in hearing from those who have witnessed, heard, or have an opinion about the consequences in higher education and how universities, in general, handle fraudulent activity. You are being asked to take part in the research study because you are a faculty or staff member within higher education.

You have a choice whether or not to complete the survey, and if you do participate, you are free to discontinue at any time. The survey will take approximately 5 minutes to complete. There are no known risks to participating in this study. Your response to the survey will be kept confidential and only aggregate data will be reported.

If you have questions about the research study, please e-mail Stephanie.hammons@wku.edu

Follow this link to take the survey:

https://wku.co1.qualtrics.com/jfe/form/SV_3xYajLHxNHcPhop

Survey Questions

Welcome

We are interested in understanding consequences of fraud in higher education. You will be presented with information relevant to consequences of fraud in higher education and asked to answer some questions about it. Although your responses will be kept completely confidential, if you choose to provide examples, please do not provide any names. The study should take you around five minutes to complete. If you would like to contact the Principal Investigators in the study to discuss this research, please e-mail stephanie.hammons@wku.edu or melloney.simerly@wku.edu.

By clicking the I consent button below, you acknowledge that your participation in the study is voluntary, you are 18 years of age, and that you are aware that you may choose to terminate your participation in the study at any time and for any reason.

Please note that this survey will be best displayed on a laptop or desktop computer. Some features may be less compatible for use on a mobile device.

Survey Questions

- 1) Financial fraud can be broadly defined as an intentional act of deception involving financial transactions for purpose of personal gain, and can happen within any institution. In your opinion, to what degree does financial fraud happen within higher education institutions?
Choices: Never, Rarely, Sometimes, Very Often, and Do Not Know
- 2) Please provide a few specific reasons or examples (please, no names) which led to your answer in previous question.
Choices: Open ended
- 3) In your opinion, does your current or previous institutions have a problem with fraud?
Choices: Yes, No, Do not know
- 4) Please provide information or examples (please, no names) which led you to your answer in previous question.
Choices: Open ended
- 5) Of the examples below, please choose all forms of financial fraud your current or previous institutions have experienced, to your knowledge.

Choices: Personal purchase with institutional and/or grant funds, Using institutional lab/facilities for professional consulting or research work, Using student designated departmental funds to fund faculty/staff travel or research, Hiring friends and relatives instead of more qualified candidates, Presenting at conferences in hometown or country for a paid trip home, Choosing conference location as a means for a paid vacation, Giving scholarships or tuition waivers to friends or family instead of more qualified candidates, Other

- 6) Of the choices selected in question 12, please rank your choice in order according to severity, with first being the least severe and the last the most severe. (Click and drag to change order)

Choices: See question 5 choices

- 7) Within all higher education institutions you have worked, estimate how many times have you heard of or witnessed financial fraud?

Choices: 0,1-3,4-6,7-10,11+

- 8) When fraud was reported was legal action sought?

Choices: Yes, No, Do not know

- 9) In your opinion was the legal action by the university fair and appropriate?

Choices: Yes, No, Do not know

- 10) In your opinion, should more higher education institutions seek legal action when financial fraud has been discovered?

Choices: Yes, No, Do not know

- 11) In your opinion, do higher education institutions, in general, handle cases of fraud properly?

Choices: Yes, No, Do not know

- 12) In your opinion do universities, in general, tend to:

Choices: Conceal financial fraud, Handle any consequences within the institution, Handle it differently depending on who committed it, or how much was stolen

- 13) In your opinion, under what circumstance are guilty parties not legally penalized, or criminal charges sought, by higher education institutions. (Pick all that apply)

Choices: Negative publicity, the guilty party is in a position of authority, the guilty party is well liked across the institution, the crime is not financially worth the legal expense, threat of appearing discriminatory, the guilty party is a faculty member, the guilty party is a staff member, I have no experience with financial fraud, I do not know

- 14) In your opinion, should institutions seek criminal charges every time fraud is committed?

Choices: Yes, no, do not know

- 15) In your opinion, does having tenure effect the legal consequences of the fraud committed by the person(s)?

Choices: Yes, no, do not know

16) In your opinion, should the person who committed fraud have the transgression on their permanent public record?

Choices: Yes, no, do not know

17) In your opinion, for what reasons would an institution fail to pursue legal action or seek criminal charges to person(s) proven guilty of fraud?

a. Choices: Yes, no, do not know