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# Understanding Employee Perceptions of Fraudulent Activities and Their Propensity to Report Those Activities Using Anonymous Tip Lines: The Influence of Fraud Type, Perpetrator Gender, and Observer Demographics

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Jane E. Baird and Robert C. Zelin II

It is rare today to pick up a newspaper or listen to a newscast without being confronted with reports of some type of recent fraud. In addition to the impact on the individuals involved, these incidents of unethical and fraudulent behavior can be devastating to businesses. Much of the media attention has centered on known incidents of financial

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statement fraud, such as occurred with Enron, WorldCom, and other high profile cases; however, businesses are negatively impacted by multiple types of fraud, many of which are never made public.

The Association of Certified Fraud Examiners (ACFE) has been tracking fraud for several years. The organization's 2006 ACFE Report to the Nation on Occupational Fraud and Abuse is the fourth comprehensive fraud study to be released by the organization. In the study, occupational fraud is defined as

The use of one's occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization's resources or assets ... The

activity is clandestine; violates the perpetrator's fiduciary duties to the victim organization; is committed for the purpose of direct or indirect financial benefit to the perpetrator; and costs the employing organization assets, revenue or reserves ACFE (2006, pg 6)."

The ACFE conducted the study over a twenty-five month period commencing January 2004 and ending January 2006. Information was gathered from Certified Fraud Examiners (CFE) and was based on 1,134 cases of occupational fraud. When the CFEs were asked to estimate the percentage of annual revenues lost to occupational fraud, the median loss

estimate was a sizable five percent.

The ACFE classifies occupational fraud into three major types: asset misappropriation, corruption, and fraudulent financial statements. Asset misappropriation results from the misuse or theft of an entity's assets. This includes theft of cash, billing schemes, expense reimbursement schemes, check tampering, payroll fraud, fraudulent wire transfers, cash register disbursement schemes, theft of securities, theft or misuse of propriety information, and inventory theft. Corruption results from an individual using his or her influence in order to receive an unauthorized benefit. These activities include conflicts of interest, bribery, illegal gratuities, and extortion. Fraudulent financial statements result from one or more falsified entries in the entity's accounting system that causes the entity to look more or less profitable. Asset misappropriation occurred in the vast majority of cases reported in the ACFE's report (91.5 percent for asset misappropriation, 30.8 percent for corruption and 10.6 percent for fraudulent statements (some frauds fell into more than one category)) but the median loss was greatest for fraudulent financial statements. Median reported losses by category were \$150,000 for asset misappropriation, \$538,000 for corruption and

\$2,000,000 for fraudulent statements (ACFE, 2006).

The ACFE found that fraud was initially discovered by tips (34.2% of cases), accident (25.4% of cases), internal audits (20.2% of cases), internal controls (19.2% of cases), external audit (12% of cases), and police notification (3.8% of cases). The sum of the above percentages exceeds 100 percent due to the overlapping of detection methods. As these data indicate, tips are a more successful fraud detection mechanism than other internal controls or either external or internal auditors. Tips are most often reported by employees (64.1% of the time, according to the ACFE survey). Other sources of tips include anonymous sources (18.1%), customers (10.7%), and vendors (7.1%).

The prevalence of fraud and the wide array of fraudulent activities occurring in United States businesses show a need to understand how people will react when confronted with situations involving fraudulent behaviors. Since businesses rely on tips to discover many frauds, and a sizable portion of those tips come from employees, it is critical for employees to be aware of what activities are considered fraudulent. Employers must understand individuals' perceptions of what is appropriate behavior and under what conditions employees would be likely to report or not report

undesirable activities. Prior studies have shown that the fact an activity is illegal or against company policy does not always mean that employees view the act as wrong (Libby & Agnello, 2000; Terpstra, Rozell, & Robinson, 1994). If the act is not perceived by employees as wrong, the employees would be unlikely to report the activity. This study attempts to answer these questions through use of a questionnaire administered to undergraduate business students. Since business students are the future employees of corporate America (and most are currently already employed in at least part time jobs), their perceptions of the appropriateness of various activities and their propensity to report such activities must be known if corporations are to effectively reduce incidents of fraud.

### **Prior Literature**

Numerous prior studies have examined student and employee opinions of actions taken by others, mostly from an ethics perspective using scenarios depicting individuals facing ethical dilemmas. Summary analyses of these studies can be found in Borkowski and Ugras (1998), Ford and Richardson (1994), Low, Ferrell, and Mansfield (2000), and O'Fallon and Butterfield (2005). The results of these studies, collectively, have been somewhat inconclusive, partly due to the wide range of ethical scenarios

involved and the varying participant factors examined. What is known is that in some cases, the choice of career of the individuals evaluating the actions has an impact on the evaluations (Arrington & Reckers, 1985; Baird, Zelin, & Brennan, 2006; Beltramini, Peterson, & Kozmetsky, 1984; Fulmer & Cargile, 1987; Hawkins & Cocanougher, 1972; Knotts, Lopez, & Mesak, 2000; Lopez, Rechner, & Olson-Buchanan, 2005; McNichols & Zimmerer, 1985). Other studies have found no impact for the participants' choice of career (Barnett, Brown, & Bass, 1994; Curren & Harich, 1996; Giacomino, 1992; Goodman & Crawford, 1974; Lacznia & Inderrieden, 1987). Often, the study participants are students, so the choice of occupation is measured by the student's academic major.

Gender of the study participant has also been found in many studies to influence the participant's evaluations of others' behaviors in ethical dilemma scenarios (Baldry, 1987; Barnett & Karson, 1987; Barnett et al., 1994; Deshpande, 1997; Gable & Topol, 1988; Hasseldine & Hite, 2003; Hetherington & Feldman, 1964; Hunt & Chonko, 1984; Jacobsen, Berger, & Millham, 1970; Jones & Gautschi, 1988; Kelley, Ferrell, & Skinner, 1990; Knotts et al., 2000;

Lane & Schaupp, 1989; Miesing & Preble, 1985; Roskens & Dizney, 1966; Ruegger & King, 1992; Terpstra et al., 1993). These studies have predominantly shown females to exhibit less tolerance for unethical behavior than their male counterparts, but some studies have shown opposite results. Other studies have found no significant differences in the evaluations of male and female observers regarding actions taken by others in ethical dilemma scenarios (Derry & Kelly, 1989; Giacomino, 1992; Houston, 1977; Kidwell, Stevens, & Bethke, 1987; McNichols & Zimmerer, 1985; Serwinek, 1992). Valentine and Rittenburg (2007) found that males and females exhibited similar ethical judgments, but that women's intentions to act ethically were significantly higher than those of the male participants.

Fewer studies have examined the effect of the gender of the transgressor on others' evaluations of their behavior. This is an important variable to examine because, if individuals hold stereotypical viewpoints of others based on gender, then their evaluations of the behaviors of those others may be affected by those stereotypes. For example, if women are judged less harshly for certain behaviors than men, employees may be less likely to report behaviors to the

company if women are involved. Past studies have supported the concept that such biases may exist (Valantine & Page, 2006; Maher & Bailey, 1999). McNichols and Zimmerer (1985), McCuddy and Peery, (1996), Schminke (1997) and Maher and Bailey (1999) found that the gender of the transgressor did not significantly affect others' evaluations of the transgressor's behavior. Tsalikis, Seaton, and Tomaras (2002) examined the impact of the organizational status of the transgressor, the transgressor's gender, and the significance of the transgression on others' perceptions of the transgression and found that the transgressor's gender was the least important of the three factors in influencing others' perceptions.

Collectively, the results of prior studies indicate that individuals' reactions to ethically-questionable activities may be situation specific and may be influenced by the observer's age, gender, personal values, or other characteristics as well as characteristics of the transgressors. The current study seeks to apply the scenario methodology utilized in the ethics literature to study perceptions of occupational frauds, while considering the potential impact of situational and demographic factors.

## Methodology

### Questionnaire Development

Six scenarios were developed, each describing an employee committing fraud. These scenarios are shown in Exhibit 1. Occupational frauds can be categorized into three key types: corruption, asset misappropriation, and financial statement fraud (ACFE, 2006). While the most prevalent frauds fall into the asset misappropriation category, financial statement frauds result in the largest dollar losses. Since mixed results in prior ethics research indicate individuals' reactions to unethical and/or illegal actions may be situation dependent, this study sought to explore reactions to all three categories of fraud. Therefore, two of the scenarios represented asset misappropriations (scenarios one and four), two represented acts of corruption (scenarios two and five), and two scenarios illustrated fraudulent financial reporting activity (scenarios three and six). Two sets of six scenarios were used, with each questionnaire only including one set. The two sets were identical except that the names of all the individuals in the scenarios were all male names in one set and all female names in the other set. This was necessary to determine if the gender of the transgressor, or perpetrator, had any impact on the results. Each scenario was followed by two questions. Participants

were asked to indicate, on a seven point Likert-type scale, the extent to which they agreed with the action taken in the scenario (1 = completely disagree, 7 = completely agree). The second item asked participants to indicate the likelihood they would report the action if an anonymous tip line was available (1 = definitely would not report, 7 = definitely would report). Finally, participants were asked to complete a few demographic questions, indicating their major, gender, year in school, average hours worked per week, and years of work experience.

Surveys were distributed in three required sophomore-level College of Business courses at one Midwestern state university (financial accounting, management accounting, and legal environment of business). Half of the students received the version with all male characters and half received the version with all female characters. The two versions were otherwise identical in all respects. One of the authors was present to administer the questionnaires in each course with the instructor out of the room. Students were told that participation was voluntary and that results would be anonymous. Students who were enrolled in more than one of the courses completed the survey once only. A total of 236 usable questionnaires were completed (118 of each version). Three others were

turned in with incomplete responses and were omitted from the analyses.

### Expectations

Since the six scenarios represented three categories of occupational fraud (asset misappropriation, corruption, and financial statement fraud), responses are expected to be similar for scenarios depicting frauds in the same category, while we would expect responses may differ for scenarios representing different categories of fraud. Therefore, the first analyses will be to compare mean ratings for scenarios one, two and three (each depicting a different fraud type) to see if they are statistically different, and to compare mean ratings for scenarios four, five and six (each depicting a different fraud type) to see if they are statistically different. Then, we will compare mean ratings for scenarios that we would expect to be similar (scenarios one and four, both asset misappropriations; scenarios two and five, both corruption activities; and scenarios three and six, both financial statement frauds). Because each student evaluated the actions in all six scenarios, a repeated measures analysis will be used to compare the mean responses.

The second expectation is that a low level of agreement with the action in a scenario would result in a high propensity to report the action. That is, the more the observer views the act as

wrong, the more likely he or she should be to report it when an anonymous tip line is available. The more the observer agrees with the action, the less likely he or she should be to report it. This expectation will be examined through use of correlation analysis.

Prior studies have been inconclusive as to what factors may impact an observer's evaluation of another's actions in an ethical dilemma. Factors that have been shown in some studies to affect observer ratings include the gender of the observer, the age of the observer, and the academic major of the observer. Only limited studies have examined the impact of the gender of the perpetrator, and these have shown no impact; however, the body of research taken as a whole suggests that observer's evaluations may vary due to a variety of situational factors and interactions among factors have often been ignored. Therefore, the current study examines whether the gender of the perpetrator committing a variety of acts of occupational fraud would influence the observers' evaluations of the actions, while factoring in the impact of the observers' year in college, academic major, and gender. This examination will be exploratory in nature, since prior literature does not definitively support an expectation of a difference in ratings or an expectation of no difference in ratings based on

the perpetrator's gender. We will use Multivariate Analysis of Variance (MANOVA) with year in college, academic major, and gender used as covariates. This will allow us to study the impact of the perpetrator's gender on all six scenario evaluations, after controlling for the impact of the students' demographic factors.

### Participants

There were 153 (64.8 percent) males and 83 (35.2 percent) females participating in this study. In terms of academic major, 26.3 percent were management majors, 19.9 percent were marketing majors, 16.1 percent were finance majors, 12.3 percent were accounting majors, 11 percent were construction management majors, 5.9 percent were majoring in nonbusiness majors such as biology and political science, 3.8 percent were management information systems majors, 3 percent were sports management majors, and 1.7 percent were majoring in aviation management. Only one student (.4 percent) was identified as a freshman, 36 (15.3 percent) were sophomores, 145 (61.4 percent) were juniors, 53 (22.5 percent) were seniors, and one (.4 percent) was a nondegree student. The students reported having substantial work experience, with over 75 percent having worked at least part time for two years or more.

### Results

The students were asked the extent to which they agreed with the action taken in each of the scenarios, with a rating of seven indicating complete agreement and a rating of one indicating complete disagreement. The results are shown in Table 1. The respondents reported the least amount of agreement with Scenario 3, the financial statement falsification for a large company, and Scenario 6, financial statement falsification for a sole proprietorship. Thus, the participants must have viewed the financial statement falsifications as more egregious than the acts committed in the other scenarios even though all acts clearly are in violation of the law. Respondents viewed the first scenario as the least egregious. Respondents may have viewed this scenario as a minor crime or as an act that is common in business. The participants' agreement reactions to the other three scenarios resulted in means that are relatively close and fall between what is presumed to be the most egregious and the least egregious. A repeated measures ANOVA comparing the participants' ratings of agreement with the actions across the six scenarios indicates a significant difference in the ratings ( $F = 24.432$ , significance = .000).

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## **Exhibit 1**

### **Occupation Fraud Scenarios**

#### **Scenario 1**

Phil works for a consulting firm, and his job requires that he travel out of town approximately 70 percent of the time. His company's expense policy allows him to be reimbursed for the actual cost of meals when traveling, up to \$40 per day. He is not required to turn in receipts for meal costs. He routinely submits his expense reports claiming the full \$40 per day meal allowance, even though his clients typically provide him with free meals in their company cafeterias. During the past year, he has received approximately \$6,000 in "reimbursement" for meals he never actually paid for.

#### **Scenario 2**

Scott is in charge of merchandise purchases for SportsWorld, a large chain of sporting goods stores. He decides what merchandise to buy and what suppliers to buy it from. One year ago, Scott's brother purchased ExCo, a small company that is a wholesale distributor of exercise machines. Since then, Scott has used ExCo as the sole supplier of exercise equipment for SportsWorld, even though SportsWorld could purchase the same or better equipment from other suppliers at a lower cost. Over the past year, purchases from ExCo have cost SportsWorld approximately \$20,000 more than what the company would have paid other suppliers. The upper management of SportsWorld is not aware of Scott's brother's ownership interest in ExCo. This arrangement would be considered a conflict of interest that would be a violation of SportsWorld's corporate ethics policy.

#### **Scenario 3**

Jason is an accountant for a medium-sized manufacturing company. The company is in the process of trying to get new investors so that it can expand its operations. The company's goal is to raise \$20 million. Jason's boss, Steve, is anxious to show an increased profit for the current year so that the company will look attractive to potential investors. Steve asked Jason to delay the recording of some large consulting and repair bills until next year, even though this practice is illegal because it violates accounting rules. Failing to report the costs will improve the current year's profits by 20 percent. Jason knows how important the new financing is for the company's success, so he agrees not to record the costs until the following year.

#### **Scenario 4**

Joe is an assistant manager for a Pub style restaurant and bar. On weeknights, Joe is in charge of closing up the restaurant at 1:00 a.m. The restaurant stops serving food at 10:00 p.m. but serves drinks until closing time. The restaurant typically has little business on weeknights after 11:00 p.m., so Joe is the only employee scheduled to work between 11:00 p.m. and 1:00 a.m. on Monday, Tuesday, and Wednesday nights. Since he is there alone, Joe often closes the restaurant early (sometimes as early as 11:30) when there are no customers, but he reports his full shift hours on his time sheet to his boss.

#### **Scenario 5**

Tom is the purchasing director for a mid-sized manufacturing company. He has been in his position for several years and knows his suppliers well. He and the sales representative from his biggest supplier have worked out an arrangement under which he receives \$100 in cash for every \$25,000 of merchandise purchased from that company. Over the past two years Tom has used his authority get his company to purchase more and more products from that supplier, even when his company really

**Exhibit 1**  
**(continued)**

did not need the items. Tom's company has a policy against these "kickbacks," but the company's management has never found out about his arrangement.

**Scenario 6**

Jake is the owner of a local construction company specializing in residential home construction. Business has slowed down over the past year and Jake needs more cash to keep the company going. He applied for a \$100,000 loan from the bank. Jake had to give the bank his company's financial reports for the year as part of the loan application. He was sure he wouldn't get the loan if the bank knew how bad business was this year, so he created some fake building contracts that would make his income figures look better than they really were. The bank gave Jake the loan.

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To determine if the type of fraud might result in different ratings, two repeated measures ANOVAs were run, with one comparing ratings for Scenarios 1, 2, and 3 and the other comparing ratings for Scenarios 4, 5, and 6. Results of both tests were significant at the .000 level, meaning that the students rated the corruption, asset misappropriation, and fraudulent financial statement activities significantly different from each other. Comparing the ratings within each category of fraud revealed that the difference between the ratings for Scenarios 2 and 5, the two corruption scenarios, the difference was not significant. The difference between the ratings for the two financial statement fraud scenarios (Scenarios 3 and 6); however, it was significant when comparing the ratings on only scenarios one and four, the asset misappropriation actions. The students clearly felt that the padding of the expense reports was less

significant than the falsifying of the time cards. The data do not provide evidence of why this would be true, but the differences in the scenarios might provide insight. It may be that the students' experiences have shown that when meal allowances are used by companies, the common practice is for employees to claim the full amount of the allowance, even though the company's policy is to reimburse for actual costs up to a maximum of the allowance amount. Secondly, students may perceive the company is partly to blame by not requiring the employees to turn in receipts for meals. Future research could examine these types of asset misappropriation schemes in such a manner as to inquire about the reasons behind the evaluations of the actions.

Participants were also asked to indicate the likelihood that they would report the action if an anonymous tip line was available, with a rating of

seven indicating they would definitely report the activity and a rating of one indicating they would definitely not report the activity. As can be seen from the results in Table 2, respondents felt most strongly about reporting the financial statement falsification in Scenario 3. Respondents were least likely to report the falsified expense report in Scenario 1. These responses are consistent with the answers given to the action agreement question; however, results of repeated measures ANOVAs comparing the intentions to report the activities are not as definitive as with the action evaluation ratings. When comparing all six ratings of intention to report the activities, the result is significant ( $p = .000$ ). To determine if the category of fraud made a difference in the propensity to report, a repeated measures ANOVA was run with only the ratings for scenarios one, two and three. These results were significant at the .000 level,



**Table 1**  
**Descriptive Statistics for Agreement with Actions**  
**N = 236**

Scenario	Minimum	Maximum	Mean	Std. Deviation
Scenario 1	1	7	3.19	1.800
Scenario 2	1	7	2.47	1.437
Scenario 3	1	7	1.99	1.277
Scenario 4	1	7	2.42	1.556
Scenario 5	1	6	2.37	1.232
Scenario 6	1	7	1.98	1.250

**Table 2**  
**Descriptive Statistics for Ratings of Intention to Report Activities**  
**N = 236**

Scenario	Minimum	Maximum	Mean	Std. Deviation
Scenario 1	1	7	3.62	1.768
Scenario 2	1	7	4.83	1.749
Scenario 3	1	7	5.02	1.733
Scenario 4	1	7	4.58	1.987
Scenario 5	1	7	4.69	1.746
Scenario 6	1	7	4.76	1.990

indicating the propensity to report the activity differed significantly based on the category of fraud. A similar ANOVA was run comparing the ratings on scenarios four, five, and six. These ratings were found not to be significantly different ( $p = .449$ ). Comparing the ratings of the frauds within each category (Scenario 1 versus Scenario 4, Scenario 2 versus

Scenario 5, and Scenario 3 versus Scenario 6), only the comparison for scenarios two and five was as expected, with the difference being found not significant ( $p = .184$ ). The ratings on scenarios one and four were significantly different ( $p = .000$ ) as were those of three and six ( $p = .035$ ). The students were less likely to report the financial statement fraud perpetrated

by the owner needing a loan than in the case of the employees of the company that was trying to obtain financing. The students were also much more likely to report the worker who closed the Pub early and reported the hours as worked than the employee who padded his expense account for meal costs not actually incurred. These results collectively suggest that

the activity, participants, and/or situation surrounding the activity may be more influential in the decision to report the activity than the category of fraud taking place.

In order to determine if the participants' level of agreement with the action in each scenario was related to the intention to report the activity, a correlation analysis was performed. It was expected that for each scenario, there would be a significant, negative correlation between the agreement with the action and the intention to report it. That is, the more the individual disagreed with the action, the more likely he or she would be to report it. The results of the analysis supported this contention for all six scenarios, with negative correlations for each scenario, all significant at the .000 level. This supports data from the ACFE survey indicating that anonymous tip lines are useful in detecting fraud, assuming that employees can identify fraudulent activities as wrongful activities.

A Multivariate Analysis of Variance (MANOVA) was performed to determine if the perpetrator's gender (signified by the "version" factor) had an effect on the ratings of agreement with the actions in the scenarios. The students' gender, academic major, and year in school were included as covariates to determine their impact on the results. As can be seen in Table 3, the main effect for the version, which represents the gender of the perpetrator, was not significant when the covariates were factored in. What does show as significant to the ratings is the gender of the students and their year in college.

Further analysis indicates there may be an interaction effect with gender of the perpetrator and gender of the observer. As can be seen in Table 4, the male students (observers) fairly consistently agreed more with the actions in the scenarios than did the female observers. Except for Scenario 4, the male observers tended to agree more with the actions when the perpetrators

were male than when the perpetrators were female. Females, on the other hand, tended to agree more with the actions when the perpetrators were female than when they were male. As shown in Table 5, this relationship does not hold true for the propensity to report the actions. In all but one case (Scenario 1 ratings of male observers), the observers indicated a higher likelihood of reporting the actions when the action was committed by a male perpetrator, regardless of whether or not the observer was male or female.

Interestingly, an examination of the mean responses by the observers' year in school indicates that the junior and senior students agreed with the actions in the scenarios more than the freshmen and sophomores. One would think that perhaps the juniors and seniors would have been exposed to more discussions of ethics and fraud in the curriculum and would have been more aware of the illegal nature of the activities depicted in the scenarios.

**Table 3**  
**Multivariate Test of Ratings of Agreement with Actions with Perpetrator Gender as Main Effect and Student Major, Gender and Year in School as Covariates**

<b>Effect</b>	<b>Value</b>	<b>F</b>	<b>Hypothesis df</b>	<b>Error df</b>	<b>Sig.</b>
Intercept	.772	11.133	6.000	226.000	.000
Version	.992	.310	6.000	226.000	.931
Major	.985	.591	6.000	226.000	.737
Gender	.929	2.858	6.000	226.000	.011
Year	.927	2.972	6.000	226.000	.008

**Table 4**  
**Mean Values by Gender of Perpetrator and**  
**Gender of Observer Agreement with Actions**  
**N = 236**

Scenario	Gender of Observer	Version One (Male Perpetrator)	Version Two (Female Perpetrator)
Scenario 1	M	3.70	3.20
	F	2.51	2.93
Scenario 2	M	2.65	2.61
	F	2.11	2.26
Scenario 3	M	1.99	1.97
	F	2.00	2.00
Scenario 4	M	2.58	2.62
	F	2.24	1.90
Scenario 5	M	2.47	2.46
	F	2.10	2.29
Scenario 6	M	2.16	1.96
	F	1.73	1.93

**Table 5**  
**Mean Values by Gender of Perpetrator and**  
**Gender of Observer Propensity to Report**  
**N = 236**

Scenario	Gender of Observer	Version One (Male Perpetrator)	Version Two (Female Perpetrator)
Scenario 1	M	3.10	3.67
	F	4.40	3.71
Scenario 2	M	4.82	4.78
	F	5.22	4.60
Scenario 3	M	5.23	5.01
	F	4.98	4.67
Scenario 4	M	4.49	4.28
	F	5.10	4.79
Scenario 5	M	4.65	4.53
	F	5.20	4.57
Scenario 6	M	4.90	4.55
	F	5.11	4.52

## Conclusions

The results of this study indicate that the more an individual disagrees with fraudulent behavior being committed within a business organization, the more likely that individual may be to report the behavior if an anonymous tip line is available. This supports the findings of the ACFE survey that tips can be a significant source of information for detecting occupational fraud; however, the wide range of responses to the scenarios, as shown in Table 1 and Table 2, indicates that not all individuals view these fraud activities as wrong. The individuals' views seem to be influenced by the type of fraud involved and specific situational conditions, as well as potentially being influenced by personal characteristics of the individuals. One implication is that business students may need more exposure to fraud-related topics in the curriculum. Another implication is that businesses may need to educate their employees as to what is acceptable behavior and what is not acceptable. Detailed corporate codes of conduct, as well as fraud awareness training for employees, could improve success in combating occupational fraud.

The results also suggest that the combination of the gender of an employee observing fraudulent behavior

and the gender of the employee committing fraudulent behavior may affect the likelihood that the observer would report the fraud to the company. Further examination of this topic is necessary to understanding this relationship. It seems clear from these results, however, combined with results of previous studies, that it is critical for research to examine multiple factors and their relationship to evaluations of fraudulent behavior, as well as the interactions of those factors, rather than studying only one factor, such as gender of the observer, in isolation from other demographic and situational factors.

Of course, this study has limitations that must be considered when interpreting the results. Participants were undergraduate students, so the age range of participants was limited. To the extent that age may moderate results, the results of this study may not hold true with older adults. Additionally, the students were all attending one university in the United States, so results may not generalize to other regions or cultures. Perhaps most significantly, this study, just as had prior studies, was limited to presenting the students with hypothetical scenarios and asking them to evaluate the actions taken in the scenarios. When faced with a similar situation in real life, the individuals may respond

differently than when simply addressing a hypothetical situation.

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