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## Internal Control Strategies to Limit Nonprofit Organization Fraud and Embezzlement Costs.

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# Walden University

College of Management and Technology

This is to certify that the doctoral study by

Ralston Tracey

has been found to be complete and satisfactory in all respects,  
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the review committee have been made.

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Walden University  
2023

Abstract

Internal Control Strategies to Limit Nonprofit Organization Fraud and Embezzlement  
Costs

by

Ralston Tracey

MS, Strayer University, 2017

BS, Strayer University, 2014

Doctoral Study Submitted in Partial Fulfillment  
of the Requirements for the Degree of  
Doctor of Business Administration

Walden University

March 2023

## Abstract

Employee intent to commit fraud and embezzlement costs has the potential for adverse business outcomes. Nonprofit leaders are concerned with employee fraud and embezzlement costs as it is the main predictor of employee wrongdoing and increase the chances of their organization's failure. Grounded in fraud triangle theory, the purpose of this qualitative multiple-case study was to explore internal control strategies nonprofit leaders use to limit fraud and embezzlement costs. The participants were eight leaders from four nonprofit organizations in the Southeastern United States who successfully used strategies to prevent fraudulent financial losses in their organizations. Data were collected from semistructured interviews and a review of income and expenditure statements, balance sheets, operational budgets, training policies, and meeting minutes. Using Yin's 5-step analysis process, three themes emerged: (a) procedures established helped leaders prevent losses from employee fraud and embezzlement costs, (b) board of director oversight to mitigate risk and fraud, and (c) transparency and communication amongst leaders. A key recommendation is for nonprofit leaders to implement cash processing procedures, checks and credit card procedures, and ethics and training programs to limit employee fraud and embezzlement costs. The implications for positive social change include the potential to mitigate the risk of fraud and embezzlement costs within organizations and to provide enhanced business success, increasing nonprofit resource availability for improving the economic status of the local community.

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## Dedication

While completing this terminal degree and my doctoral study, I faced numerous challenges and obstacles. There was no way I could have achieved this massive task without God's continuous help and guidance. Thank you, Lord, thank you. I dedicate this study, first and foremost, to my mother, Valerie Grocia, and my late stepdad Kipling Grocia. He was a man of principles who always wanted the best for me.

My mom and stepdad also believed that education was a critical element of human life and always wished that I would become a medical doctor. I failed to be a medical doctor, but I am proud to complete my dissertation and be classified as a doctor. Next to my extraordinary wife, Nicola, who has always supported me in everything I have tried to accomplish, this terminal degree is no different. I cannot thank you enough for your love. Thank you for your support, Nicola.

Also, to my loving and supporting son Rashaun. Thank you for your patience and strong belief in me. I hope that I have provided an example of the persistence, hard work, and dedication needed to accomplish your life goals. I love you immensely.

## Acknowledgments

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Finally, Mrs. Melodie Messam-Gayle, who was not a member of my committee or a faculty of this University, positively influenced my passion for furthering my knowledge and contributing to the areas of my doctoral study. She was one of my mentors during my Master of Arts Degree program. Thank you, all. Without these individuals and various other professors and scholars, this journey would have been more difficult for me. The learning experience has been intense and further developed me as an independent scholar.

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## Section 1: Foundation of the Study

The rise of fraud and embezzlement costs affects many stakeholders of a nonprofit organization. The consequences of fraud and embezzlement costs are damaging (Association of Certified Fraud Examiners, 2018). Fraud found in nonprofit organizations is mainly caused by occupational fraud defined as the misuse of an employer's asset, including theft, cash-related issues, and asset misappropriation (Davis & Harris, 2020). To lower the risk of fraud and embezzlement costs in nonprofit organizations, managers and directors must provide an ethical and fraud-free environment.

### **Background of the Problem**

Nonprofit organizations see the rise of fraud due to weak internal controls and unethical leadership. Thirty percent of the fraud found in nonprofit organizations is due to the lack of leaders implementing more robust internal control practices (Zuber & Andersen, 2020). In 2016, charitable organizations received \$390 billion in donations with \$19.5 billion reported as a loss to fraud and increased embezzlement costs due to the lack of leaders implementing strategies to reduce fraud (Eining et al., 2020). According to Balfour et al. (2021), nonprofit organizations are more prone to fraud for reasons such as poor leadership and placing trust in the staff who lack proper training. Due to the rise of fraud within nonprofit organizations, it has become a significant concern with donors and community leaders.

### **Problem and Purpose**

The specific business problem was that some nonprofit organization leaders lack internal control strategies to limit fraud and embezzlement costs. The purpose of this qualitative multiple case study was to explore internal control strategies that some nonprofit leaders use to limit fraud and embezzlement costs.

### **Population and Sampling**

Data were collected from eight nonprofit leaders from four nonprofit organizations in the southeastern United States area who were interviewed using a semistructured design to gather their experience from successfully implementing strategies that lowered the risk of fraud and embezzlement costs within their nonprofit organizations. I requested and reviewed organizational documents for additional information.

### **Nature of the Study**

The three research methods include qualitative, quantitative, and mixed methods (Yin, 2018). Qualitative researchers seek to explore what, why, and how questions, rather than seek an immediate outcome or phenomenon (Yin, 2018). I chose the qualitative method to use what, why, and how questions to obtain and analyze data related to the strategies to prevent the rise of fraud and embezzlement costs in nonprofits. A quantitative researcher tests hypotheses to verify the relationship among variables using numerical data and statistical analysis (Stake, 2005). I did not choose the quantitative method because I was not testing hypotheses or verifying the relationship among variables. The mixed method is a combination of quantitative and qualitative methods

(Stake, 2005). I did not choose the mixed method because it is part of a quantitative study, and I did not test for a hypothesis to answer the research question. The qualitative research method was the most appropriate design for this study because the qualitative method provided a more in-depth level into the phenomenon of a real-life situation.

I considered three research designs to use for a qualitative study on fraud and embezzlement costs in nonprofit organizations: (a) case study, (b) ethnography, and (c) narrative. A researcher uses a case study design to explore a more in-depth approach to real life events (Yin, 2018). I chose the case study design for this study to get a real-life experience of the issues related to fraud and embezzlement costs in nonprofit organizations. A single case study is one case design, and a multiple case study includes multiple cases (Yin, 2018). A multiple case design provides data from more than one source, adding a richness of detail that covers multiple cultural influences not found in a single case study (Yin, 2018). Ethnographic scholars study the culture of social groups (Stake, 2005). I did not choose the ethnography method because I did not surround the study on an ethnic group. A researcher may also choose the narrative design which focuses on individual narratives that are based on self-interest gains or a set of special events (Mohajan, 2018). The narrative design was not appropriate for this study because the study was not based on individual achievements or special events.

### **Research Question**

What internal control strategies do nonprofit leaders in southeastern United States use to limit fraud and embezzlement costs?

### **Interview Questions**

1. What internal control strategies have you used to successfully limit fraud and embezzlement costs?
2. How did your organization benefit from implementing those strategies?
3. How did you measure the success of implementing internal control strategies in your organization?
4. What were the key barriers to implementing your internal control strategies to successfully limit fraud and embezzlement costs?
5. How did you overcome the key barriers to implementing your internal control strategies to successfully limit fraud and embezzlement costs?
6. How did you know that your strategies were successful?
7. What additional information would you like to share about internal control strategies used to limit fraud and embezzlement costs?

### **Conceptual Framework**

The theory that grounded this proposed study was the fraud triangle theory. The fraud triangle was introduced by Cressey (1952), who developed the theory to explain the reasons why individuals commit fraud. The fraud triangle theory is made up of three factors: (a) fraud committed for financial needs due to having debt and personal issues, (b) the process of rationalization where the employee considers committing the fraud, and (c) the opportunity to commit the fraud (Cressey, 1952). The Association of Certified Fraud Examiners (ACFE) supports the implementation of internal fraud control policies in organizations and assent that the fraud triangle assists in the detection of fraud

(Lederman, 2021). Many scholars use the fraud triangle when researching fraud and embezzlement issues because it has a clear explanation of reason, rationalization, and opportunity which can be used to develop strategies for mitigating employee fraud. The fraud triangle provided a potential lens for understanding the internal control strategies nonprofit leaders can use to mitigate fraud and embezzlement costs.

### **Operational Definitions**

*Asset misappropriation:* Asset misappropriation is the theft or misuse of assets (Robinson-Fish et al., 2020).

*Internal control:* Internal control is a system that organizations use to enhance accounting disclosures, improve performance, and give accurate controls of their operations (Ali et al., 2021).

*Occupational fraud:* Occupational fraud is when an employee, manager, director, or owner of an organization commits fraud to affect the organization daily operations (Chung et al., 2021).

*Unethical behavior:* Unethical behavior is failing to comply with an organization core principles, values, laws, and ways of operating in a proper conduct (Tang et al., 2020).

### **Assumptions, Limitations, and Delimitations**

#### **Assumptions**

Assumptions are facts considered to be accurate but are not verified (Mir, 2018). Assumptions carry risks and should be treated as such (Mir, 2018). My first assumption for this study was that the participants would be honest when providing information. My



second assumption was that the participants would fully participate by answering all the questions to the best of their knowledge. My third assumption was that the participants know their organization's internal controls, ethical and unethical behaviors, and leadership standards within their organizations.

### **Limitations**

Limitations are potential weaknesses found in any study, which is out of the researcher's control (Theofanidis & Fountouki, 2018). Limitations can affect a researcher's ability to understand the research data and create appropriate conclusions (Kodden & van Ingen, 2019). Data collection may be limited due to unforeseen reasons (Kodden & van Ingen, 2019). One limitation was that the participants might not be fully accessible for the interview and member checking due to the COVID-19 pandemic. Another limitation was that a participant's perception of employee fraud might influence their response and biases.

### **Delimitations**

Delimitations are the boundaries and limits of a study set by the author (Theofanidis & Fountouki, 2018). A delimitation of the study was what strategies nonprofit leaders in the southeastern United States use to limit fraud and embezzlement costs. The study was delimited to nonprofit organizations in the southeastern United States.

## **Significance of the Study**

### **Contribution to Business Practice**

The study's findings may be valuable for restoring credibility within the nonprofit organizations to counteract negative impressions caused by allegations or loss from fraud. The findings from this study may be effective in improving organizational effectiveness and mission accomplishment to reduce fraud. Results from this study could be effective in restoring a nonprofit reputational loss from abusive fraud and embezzlement costs. Loss of revenue from the lack of internal control not only damages an organization's livelihood, but also affects its reputation. The information from this study may assist nonprofit leaders in implementing internal controls to limit the rise of fraud and embezzlement costs.

### **Implications for Social Change**

The findings from this study may have implications for positive social change that include increased knowledge related to strategies that nonprofit leaders use to become effective leaders to mitigate the rise of fraud and embezzlement costs within their organizations. By adopting fraud prevention strategies, business leaders could implement internal controls to increase the likelihood of business success. Enhanced business success may increase nonprofit resource availability for improving the economic status of the local community. Nonprofit leaders may gain a positive perspective from this study to implement internal controls within their organization to create a positive and fraud-free environment.

## **A Review of the Professional and Academic Literature**

The purpose of this qualitative multiple case study was to explore internal control strategies that some nonprofit leaders use to limit fraud and embezzlement costs. In preparing the literature review, I examined professional and academic literature on fraud-related theories that may help leaders understand strategies small business owners use to support their businesses. I reviewed the literature on employee fraud and ethical leadership, and the fraud triangle that appeared in various studies and academic articles, which provides a foundation for this study concerning strategies to mitigate fraud and embezzlement costs. I also reviewed peer-reviewed literature on ethical issues for employee fraud, internal control, the fraud triangle, and fraud theories. These articles aligned with the research question, “What internal control strategies do nonprofit leaders in south Florida use to limit fraud and embezzlement costs?”

The strategy for searching existing literature included using keywords in the following databases: ABI/INFORM Complete, EBSCOhost, NEDSI, ProQuest Central and Sage Premier. I also reviewed open access journals such as AOSIS, Journal of Accountancy, Journal of Criminal Law, Journal of Education and Research in Accounting, and Journal of Governmental & Nonprofit Accounting, which provided access to many peer-reviewed scholarly articles. I also searched Google Scholar by using the most recent articles and journals tab for 2018 and later.

I applied specific filters to all databases to limit the search results on nonprofit fraud. The keywords used for searching the Walden University library databases included *asset misappropriation, ethical issues in nonprofits, ethical leadership, ethical*

*workplace, fraud diamond, fraud in nonprofit organizations, fraud triangle, internal control and fraud found in nonprofit organizations, occupational fraud, nonprofit fraud and embezzlement costs, and unethical behavior in organizations.* Ninety-five percent of the articles researched were published between 2018 and 2022. I selected articles that emphasized fraud theories, internal control, and embezzlement.

The review is organized by topics reflecting how leaders of small nonprofit organizations can mitigate the risk of fraud and embezzlement costs. The review begins with an explanation and introduction to the theory of the fraud triangle. This is followed by an overview of the fraud triangle theory, occupational fraud, asset misappropriation, internal control, fraud diamond theories, and the COSO Framework.

### **The Fraud Triangle Theory**

The fraud triangle was selected for this study because it is the preferred framework for understanding the dynamics of fraud. The fraud triangle was introduced by Cressey (1952), who developed the theory to explain why individuals commit fraud by studying over 125 inmates incarcerated for being trust violators. Cressey suggested that there must be a severe financial need, a need to rationalize, and an opportunity to commit fraud. Three factors constitute the triangle: fraud committed for financial needs due to having debt and personal issues; the process of rationalization, when the employee considers committing the fraud; and the opportunity to commit the fraud (Cressey, 1952). These elements help explain why employees commit fraud. The fraud triangle has played an essential role in explaining fraud in many organizations since the 1950s (Maragno &

Borba, 2017). Therefore, the fraud triangle is proven to be effective in explaining why employees commit fraud.

The fraud triangle has been effective in researching many fraud and embezzlement cases. Scholars use the fraud triangle to research fraud and embezzlement because it clearly explains the motivation, rationalization, and opportunity that may be used when developing strategies for mitigating employee fraud (Burke & Sanney, 2018). Greed and desperation due to financial pressure among employees have led to embezzlement and financial fraud (Treadwell, 2020). The theories underlying the triangle have been used to examine an organization's documents and identify discrepancies between the nonprofit's associated bank and their accounting records (Chui & Matson, 2019). In another study on cheating behavior, the theory elements showed a behavioral intention to cheat among students, defining the reason for fraud (Obeid Al Shbail et al., 2022). Further, the three elements play an important role in why CEOs commit fraud and wrongdoing within their organizations (Schatterly et al., 2018). The fraud triangle also provides a potential lens for understanding nonprofit leaders' internal control strategies to reduce costs associated with fraud and embezzlement (Lederman, 2021). The fraud triangle has thus been a beneficial model for rooting out fraud within organizations (Ismail & Hamidah, 2019). Therefore, the fraud triangle may be an effective tool in explaining why organization CEOs commit fraud.

The three elements of the fraud triangle also effectively explain why employees commit fraud. Additionally, organizational leaders need to learn more to be able to determine the factors influencing employees to commit fraud (Maulidi, 2020b). For

instance, fraudulent behavior increases when individuals are under tremendous pressure and have high autonomy within their surroundings (Anindya & Adhariani, 2019; Rustiarini et al., 2019). Opportunity is defined as employees or individuals being in a position in which they are responsible for fraud. For example, an individual can take advantage of a weak internal control system (Azam, 2018). The essential feature in the decision to commit fraud, though, is rationalization which serves as the individual's explanation for making unethical choices (Maulidi, 2020a). Therefore, the three elements of the fraud triangle may effectively explain why employees commit fraud.

Nonprofit organizations are experiencing the increase of fraud. There is no perfect internal control system, but systems can be implemented to lessen fraudulent activities (Azam, 2018). This is needed because the rise of fraud in smaller organizations affects organizational growth and success (Archambeault & Webber, 2018; Ohalehi, 2019). The increase of fraud in small charities affects donor confidence to continue to donate and tarnishes the charity's reputation (Ohalehi, 2019). However, fraud reporting is more likely to occur in larger organizations than in smaller ones because smaller entities are not tied to the actions of larger organizations (Scheetz et al., 2020). Thus, the rise of fraud in smaller organizations may affect their future growth.

### **Weaknesses in the Fraud Triangle**

Several researchers have found the fraud triangle to be weak. The fraud triangle was found to be weak and incomplete when defining acts of fraud and fraudulent misconduct (Lokanan, 2018; van Driel, 2019). The main reason was its inadequate explanations of fraud (Desai, 2020). For example, the factors of pressure and opportunity

do not drive all fraud cases (Desai, 2020). Many fraud cases occur due to greed, a weak system of beliefs, and coercion and force of ego by organizational leaders who may influence lower-level employees to commit fraudulent activities (Desai, 2020). Thus, some researchers found the fraud triangle to be weak and incomplete.

The fraud triangle was found to be effective in identifying employee fraud. In addition, individual acts of fraud are influenced by employee social settings, and provoking behaviors influence them to fulfill desired goals (Maulidi, 2020b). Further, Cressey's hypothesis was not able to account for all instances of fraud because of other motives for trust violation (Burke & Sanney, 2018). The population Cressey studied was primarily imprisoned, non-habitual, and all male (Tickner & Button, 2021). However, the fraud triangle accurately explains the reasons underlining fraudulent behavior (Ergin & Erturan, 2019; Lokanan, 2018). Thus, the fraud triangle may still be effective in identifying and explaining why employees commit fraud.

Some researchers found the three elements to be weak and incomplete. Other weaknesses of the theory are that all three elements of the fraud triangle must be present for fraud to occur; if any are missing, the act of fraud would be unlikely (Maulidi, 2020b). Pressure and opportunity are also weak aspects of the fraud triangle and do not provide an adequate picture of why acts of wrongdoing are perpetrated (Maulidi, 2020b). In addition, the aspects of the fraud triangle do not always reveal the intent, capacity, or confidence to commit fraud, which is what led to the fourth element of capability being added by Wolfe and Hermanson (2004) to create a complete theory (Tickner & Button, 2021). Though defenders of the fraud triangle theory noted that the elements were

incorrectly used or used out of context for explaining the reasons for fraud, it was still suggested that the fraud triangle theory was weak in identifying fraud (Huber, 2017).

Therefore, some researchers found the fraud triangle to be weak in explaining reasons for fraud.

### **Contrasting Theories of the Fraud Triangle**

In this section, I introduce the fraud diamond and other contrasting theories. The fraud diamond was created by adding a fourth element capability to expand the fraud triangle theory (Wolfe & Hermanson, 2004). The fraud diamond was noted as a modification of the fraud triangle to better explain the causes of fraud (Smith et al., 2021; Yendrawati et al., 2019). Capability is defined as the expertise of a person committing the fraud, but also relates to their position and level in their company (Yendrawati et al., 2019). Additionally, the fraud diamond was found to be an effective modification of the fraud triangle theory.

The effect of the fraud diamond fourth element. Fraud is not likely to occur unless the fourth element of capability exists alongside the other elements of the fraud triangle (Wolfe & Hermanson, 2004). The fraud diamond helped clarify why fraud exists (Azam, 2018). The pressure of greed, rationalization of lowered morals, and the possibility of committing fraud due to weak internal controls make possible the capability to execute the actions needed for fraud (Azam, 2018). It is proven that the fourth element of capability helps to clarify the reason for fraud.

Another contrasting theory is the fraud scale. This was created from the fraud triangle and relies on the elements of pressure and opportunity to explain the reasons for



fraud (Albrecht et al., 1984; Kakati & Goswami, 2019). The fraud scale theory removed rationalization from the fraud triangle and replaced it with personal integrity (Kakati & Goswami, 2019). The fraud scale combines personal activities and occupational settings to describe fraud committed when one is under increasing pressure. This is measurable on the fraud scale (Huber, 2017). Thus, the fraud scale is found to be effective in combining activities and occupational settings to describe fraudulent activities.

There are other theories influenced by the fraud triangle using three elements to explain the reason for fraud. A similar theory influenced by the fraud triangle includes the triangle of fraud action (Kakati & Goswami, 2019). The triangle of fraud action also has three elements: act, concealment, and conversion. The act is called the method of fraud, concealment is known as hiding the act, and conversion represents treating the act of fraud as legitimate. Thus, the fraud triangle was frequently used to help create other theories that explain the reason for fraud.

The rise and effect of the SCORE theory was highly influenced by the fraud diamond theory. The fraud diamond theory is an extension of the fraud triangle theory. The SCORE model (Vousinas, 2019) was influenced by both the fraud triangle and the fraud diamond theory. The model is an extension of the fraud diamond theory. SCORE is an acronym for Stimulus, Capability, Opportunity, Rationalization, and Ego. The element of ego describes the mental process of criminals' intent on committing fraud (Vousinas, 2019). Ego prevents an individual from acting rationally and suppress urges to commit illegal acts such as fraud (Vousinas, 2019). In this study, using the SCORE model would not have been able to explore the available strategies that nonprofits use to mitigate fraud

and embezzlement costs. SCORE would not have been as effective and efficient as the fraud triangle, because the element of ego could hinder the collection of substantial data.

## **Fraud**

Nonprofit organizations are affected by fraud due to employee misuse of assets and reporting financial losses. Fraud in nonprofits is very damaging on a number of levels. Charitable organizations in the United States are negatively impacted due to rising fraud scandals (Abu Khadra & Delen, 2020; Ohalehi, 2019). Nonprofit organizations lose an average of \$75,000 annually, damaging the organization's well-being and its mission goals (Abu Khadra & Delen, 2020). Fraud is an issue for organizations of every size and industry. However, small nonprofits are vulnerable to financial losses due to fraud from employees and volunteers (Marchetti, 2020). Nonprofits with less than 100 employees are the primary victims of fraud in the United States (Bunn et al., 2019). Therefore, smaller nonprofit organizations are more vulnerable to fraudulent activities.

The high presence of family and friends can lead to fraud in nonprofit organizations. Most nonprofits consist of family and friends who support their culture of love and mutual trust (Bunn et al., 2019). The high level of friendship between employees and volunteers within the organization, combined with a laissez-faire style of management often creates an environment for fraud opportunities (Bunn et al., 2019). Fraud is an area of ongoing investigation (Sánchez-Aguayo, 2021). Nonprofits and charities are not exempt from fraud compared to for-profit organizations (Ohalehi, 2019). Fraud in nonprofit organizations is divided in three categories: fraudulent reporting of books, records, and asset misappropriation (Bunn et al., 2019). Employee theft is the

main reason for nonprofit fraud. Nonprofit organizations are more susceptible to fraud due to the lack of finances and hesitancy to hire a fraud examiner (Kennedy, 2018). Therefore, fraud can damage nonprofits because employee misuse of assets and financial loss is detrimental to the organization's success.

Charitable organizations are affected by fraud due to their size, budget, and overall minimal level of finances. Small businesses, on the other hand, suffer losses mainly through fraud and tend to have more acts of fraud committed against them than any other size of business (Kennedy, 2018). Fraud, in essence, is the largest competitor for many organizations (Anders, 2020). In 2018, nonprofit organizations lost 5% of their annual earnings to fraud (Eining et al., 2020). Fraud is a deliberate way of deceiving others and is a false representation used for personal gain (Rahmawati et al., 2019). Therefore, smaller nonprofits are affected by fraud due to their size and budget.

There is a need for more studies on nonprofit fraud. Further, fraud has a damaging impact on nonprofits and researchers emphasized the need for nonprofit fraud cases to be studied more and expose the consequences found after discovering each case (Archambeault & Webber, 2018). In addition, a two-way corruption scheme that includes hard corruption and soft corruption is found in many nonprofits. Hard corruption is a non-considered act of fraud, while soft corruption refers to inappropriate use of an organization's assets (Lamothe et al., 2022). The rise of fraud in nonprofits require further studies to determine when the fraud should be classified as hard corruption or soft corruption.

Most nonprofits are affected due to their size and limited funding. Charity fraud is considered both internal and external fraud. Internal fraud relates to volunteers stealing for personal gain, while external fraud relates to outsiders defrauding the charity (Goel, 2020). Identity theft happens when thieves set up bogus charities to divert donors' funds intended for charitable purposes (Goel, 2020). One of the most common types of fraud found in nonprofits is occupational fraud in which an employer's assets are misused. This can include employee theft, external theft from fraudsters, and misappropriation of assets (Davis & Harris, 2020). Therefore, smaller nonprofit organizations are affected by size and limited spending to limit internal and external fraud.

### **Leaders' Role in Mitigating Fraud**

Nonprofit leaders play an essential role in delegating duties and leading employees to conduct ethical behavior in financial reporting to avoid fraudulent behavior. Moyes et al. (2019) noted that for businesses to reduce the risk of fraud, managers must implement programs for training employees and to improve internal control policies to detect the possibility of fraud arising in the organization. Molk and Sokol (2021) revealed that managerial misconduct is a leading factor in creating fraud within nonprofits. Ethical leaders are needed in this sector to lower the risk of fraudulent activities. Reducing fraud in nonprofit organizations is possible only with governance and ethical management practices (Molk & Sokol, 2021). However, boards of directors are responsible for providing oversight to the organization's managers and staff (Molk & Sokol, 2021). Nonprofit organizations may benefit from having ethical leaders create a fraud-free environment give oversight of delegated duties.

In order for nonprofit organizations to thrive and survive fraud, their managers should make routine internal control checks. Managers in nonprofits must report discrepancies in assets when they are found during routine internal control checks (Waymire et al., 2018). Nonprofit leaders are responsible for providing strong oversight, assuring the independence of internal auditors, and implementing internal control policies (Waymire et al., 2018). For nonprofit organization managers to reduce the rising tide of fraud scandals, managers should implement strategies to prevent the rise of fraud within their organizations (Chapman et al., 2021). However, leaders who lead with strong ethics by presenting a good reputation can lead with preventive measures to lower the risk of employee fraud (Chapman et al., 2021). Applying internal controls and practices of routine internal control checks will greatly assist nonprofits to survive and thrive without fraud.

### **Occupational Fraud**

Many nonprofits are experiencing fraud in financial reporting, corruption, and asset misappropriation. Charities are experiencing a rise in fraud mainly from employees' misuse of assets and financial reporting (Marchetti, 2020). Occupational fraud, also known as employee fraud, is one of the most common types of fraud in nonprofit organizations. Many nonprofit leaders are slow to implement proper protocols that could prevent and mitigate fraud (Marchetti, 2020). Nonprofits that have volunteers review their books and records is one of the primary reasons occupational fraud is growing in this sector. Almost all nonprofit staff are volunteers who have no experience in internal controls or auditing to implement measures within the organization to prevent

occupational fraud (Sahloul et al., 2019). Therefore, nonprofit organization leaders may see a rise in occupational fraud due to no experience in internal controls and auditing.

Nonprofits lose revenue due to a lack of internal controls and governance to stem the growth of occupational fraud. The rise of this crime is very damaging to organizations, and nonprofits need strong internal measures to prevent it. Denman (2019) investigated the 2018 report on occupational fraud reported by the Association of Certified Fraud Examiners (ACFE) who investigated the cases. Occupational fraud rose in nonprofits by 5% in 2018 and is considered the leading type of fraud found in nonprofits (Denman, 2019). The rise of occupational fraud is affecting the growth and success of nonprofit organizations across the United States.

Occupational fraud covers a broad area to include other types of fraud such as asset misappropriation and financial reporting, which are commonly found in nonprofit organizations. The rise of occupational fraud is defined as an employee or manager engaging in fraudulent activities that damages or deters achieving organizational goals (Chung et al., 2021). Employees exposed to organizational finance have more opportunity to commit this type of fraud (Suh et al., 2018). White-collar crimes damage the entire economy (Suh et al., 2018). Thus, the rise of occupational fraud and asset misappropriation may lead to increase white-collar crimes in nonprofit organizations.

Some of the challenges found in family operated organizations are due to occupational fraud. Occupational fraud often occurs in many family enterprises but is generally not challenged due to the parties' relationship (Raut, 2019). Weak internal controls and minimal auditing procedures are the main reasons occupational fraud

escalates within an organization (Sahloul et al., 2019). Additionally, employee fraud is a broad area with multiple crimes associated with it (Nigrini, 2019). Organizations with weak internal controls, operated by family members may have a high risk to occupational fraud.

Employee misuse of an organization's assets may lead to fraudulent financial reporting. Asset misappropriation is a deception used to steal assets, while inaccurate financial reporting is known as manipulating financial statements (Nigrini, 2019). Rationalization is an employee's explanation for fraud (Shepherd & Button, 2019). The driving factors for occupational fraud are the availability of opportunity and economic motivation (Kumar et al., 2018). Occupational fraud occurs when employees commit fraud at work. Most organizations experience occupational fraud when an employee rationalizes the crime (Shepherd & Button, 2019). Employees who justify stealing cash from a nonprofit or prepare fraudulent financial reports are more likely to defraud their employer. In addition, occupational fraud is likely to occur if the organization does not have strong fraud prevention measures, which help fraudsters rationalize their actions (Kumar et al., 2018). The effect of occupational fraud has led to employees' misuse of nonprofit assets and fraudulent financial reporting. These acts of fraud are motivated by rationalizing.

Occupational fraud can be detrimental to small businesses and nonprofits. One reason is because one person engaging in fraud can cause an entire enterprise to fail (Nawawi & Salin, 2018). Many small organizations are not financially strong enough to absorb occupational fraud within their organization (Nawawi & Salin, 2018). The theft of

cash, misuse of cash and cash equivalents, and wrongful reimbursements are the most common types of occupational fraud found in small businesses (Weirich & Churyk, 2018). Occupational fraud happens mainly in organizations that do not monitor their internal operations (Nawawi & Salin, 2018). Therefore, by not having strong internal controls will lead to the rise of occupational fraud in small organizations that are not financially strong.

Volunteers and employees of nonprofit organizations who are not monitored by an internal control system may pursue fraudulent activities. The rise of occupational fraud may be attributable to selfishness by employees to benefit their needs and wants through wrongful acts (Feess & Timofeyev, 2020). The ACFE data model questionnaire is open-ended in to identify red flags indicating occupational fraud within organizations (Feess & Timofeyev, 2020). Thus, nonprofit organization leaders may reduce red flags by setting in place strong internal control policies designed to lessen costs from fraud and embezzlement.

### **Asset Misappropriation**

Asset misappropriation is a common type of fraud found in nonprofits. According to a study from the ACFE (2018), 2,394 of the 2,690 studied cases involved asset misappropriation. When describing asset misappropriations, such as theft and misuse of funds in nonprofits, this type of fraud is the most common found in the small nonprofit sector (Archambeault & Webber 2018). The most robust preventative for nonprofit organizations to use to mitigate fraud is internal control (Applegate, 2019). Thus, the



impact of asset misappropriation found in nonprofit organizations are damaging their finances and growth.

The lack of strategies and leadership contribute to asset misappropriation in nonprofit organizations. Nonprofits are susceptible to fraud due to a lack of governance, trust, and a lack of internal controls (Robinson-Fish et al., 2020). Asset misappropriation can substantially affect payroll, hiring, and purchasing (Kennedy, 2018). The increase of such cases also affects employee well-being and reduces the ability to grow and opens a door for other employees to steal cash (Kennedy, 2018). Nonprofit organizations are less likely to survive when they have cases of asset misappropriation.

The effects of fraud when nonprofit leaders solely rely on trust. McDonnell and Rutherford (2018) conducted a quantitative study on British charities and included U.S. charities experiencing fraud and found the lack of ethical leadership led to a greater incidence of asset misappropriation cases in nonprofit organizations. Employee-manager relationships based on trust can be abused and create opportunities for fraud. However, nonprofit organizations emphasize employee trust due to the lack of internal controls, leading to significant misuse of assets (McDonnell & Rutherford, 2018). Thus, nonprofit organizations are affected by fraud when there are no internal controls in place, and when the organization depends on trust.

The fraud triangle is effective in solving cases of theft, misuse of assets, and fraudulent reporting within nonprofits. Students who used the fraud triangle's components and the fraud diamond conducted a case study to identify red flags within an organization in which the finance manager was misappropriating assets (Taylor, 2021).

The finance manager also had the opportunity to commit fraud, and a lavish lifestyle was the element of pressure. The elements of these models were effective in identifying the reasons why the manager carried out acts of fraud.

The fraud triangle is effective in analyzing theft and fraudulent reporting. The financial manager in this instance was able to rationalize creating a false financial statement due to the power of control (Taylor, 2021). The manager's actions indicated red flags, and the students were able to identify the issues by using the fraud triangle's elements (Taylor, 2021). Additionally, losses from asset misappropriation could most accurately measure losses from financial reporting (Feess & Timofeyev, 2020).

Therefore, the impact of the fraud triangle is highly effective in analyzing theft, misuse of assets, and fraudulent financial reporting in nonprofit organizations.

The fraud triangle has been shown to be valuable in identifying fraud. The use of the fraud triangle and fraud diamond can effectively analyze fraud and asset misappropriation cases within an organization (Kazemian et al., 2019). The opportunity for employees to commit fraud is due to the lack of internal controls. Pressure of various kinds can precipitate financial pressure to commit fraud with the goal of taking a certain sum of cash (Kazemian et al. 2019). Rationalization is the way employees justify their wrongdoing (Kazemian et al., 2019). A study on the fraud triangle evaluated rationalization and financial pressure, testing their relationship with asset misappropriation. The results indicated that rationalization and financial pressure triggered fraudulent activities (Yusrianti et al., 2020). In addition, employees use asset misappropriation to incrementally steal their organizations' assets (Yusrianti et al., 2020).

Thus, the fraud triangle is proven to be effective in identifying fraud and asset misappropriation in organizations.

Stealing assets was hard for managers to detect. However, experts believe the fraud triangle was beneficial in analyzing fraud and asset misappropriation cases (Yusrianti et al., 2020). Rationalization and financial pressure also caused fraud once an opportunity presented itself for employees to commit fraud (Yusrianti et al., 2020). The lack of internal controls influences asset misappropriation and nonprofit leaders should put controls in place to lessen the risk of employee theft and misuse of assets (Yusrianti et al., 2020). Financial pressure is considered the primary motive behind employees committing asset misappropriation, cash misuse, and overall financial wrongdoing within an organization (Yusrianti et al., 2020). Using the elements of the fraud triangle has been effective in finding fraud and fraudulent reporting within nonprofits.

### **Internal Control**

Internal control is the most effective way to lower the risk of fraud in nonprofits. The most effective framework for internal control is from the Committee of Sponsoring Organizations of the Treadway Commission (COSO; COSO.org, 2022). The fraud triangle theory was developed to identify why individuals commit fraud. Internal controls deter the opportunities for employees to commit fraud (Cressey, 1952). However, internal control is an organization most effective way to prevent fraud and embezzlement costs (Arfamaini, 2020). Applying internal controls developed by COSO is a very effective means of providing internal control measures (Arfamaini, 2020). Therefore, internal control is proven to be very effective in preventing fraud and embezzlement costs.

The most used framework, COSO 1992, implemented for control and documentation issues under Section 404 of the *Sarbanes-Oxley Act of 2002* was replaced by COSO 2013 (Park et al., 2021). COSO 2013 revised COSO 1992 to help organizations design and implement internal control policies (Park et al., 2021). Noncompliance with COSO 2013 or failure to implement it negatively affected organizations (Park et al., 2021). Therefore, COSO 2013 is the most effective internal control framework to lower the risk of fraud in nonprofits.

Internal control processes are more effective when COSO 2013 is applied to determine internal control weaknesses. Nawawi and Salin (2018) used the pilot data collection approach by conducting surveys and questionnaires. The researchers found that the internal control process of expenditure claim procedures was fragile. However, a robust internal control process with segregation of duties could reduce the risk of occupational fraud within many organizations (Nawawi & Salin, 2018). By having a robust internal control and segregation of duties as proven to be effective in lowering the risk of occupational fraud in organizations.

The COSO 2013 was found to be very effective in limiting organizational fraud. Controlled environments with unauthorized expenditures, lack of documentation, and missing documents allowed investigators to use the COSO 2013 framework to better understand and demonstrate the business process (Grace & Davis, 2019). There were identifiable internal control risks and deficiencies using the COSO 2013 framework, which led to recommendations for internal control improvements (Grace & Davis, 2019). A study was done on the challenges of nonprofit governance in larger nonprofit

organizations and the findings indicated that COSO 2013 was the most effective and current framework to lower the risk of loss from fraud and embezzlement in nonprofit organizations (Grace & Davis, 2019). Thus, the COSO 2013 is proven to be very effective in limiting the risk of fraud and embezzlement costs.

Nonprofit organizations can lower the risk of fraud by adding internal controls and having an effective governance system. Nonprofits generally lack the governance for oversight, including the oversight of books and records (Molk & Sokol, 2021). This lack of governance often leads to fraud. However, by enforcing more robust governance which covers internal controls and management of funds, nonprofit organizations would operate more effectively (Molk & Sokol, 2021). Charitable organizations are also more effective in lowering the risk of fraud when there is a strong governance system and internal controls are in place (Feng, 2020). Organizations found with deficiencies in internal controls tend to receive poorer reviews by auditors because weak internal controls often lead to potential audits and litigation risk (Feng, 2020). Therefore, internal controls with an effective oversight of books and records may be the most effective strategy to lower the risk of fraud in nonprofit organizations.

There are other effects of implementing COSO 2013 in nonprofit organizations. The COSO 2013 framework also affects whistleblowing (Scheetz et al. 2021). Control systems for internal controls in nonprofit organizations should lower the risk of fraud and be effective enough to increase the likelihood of encouraging whistleblowing. Scheetz et al. (2021) found that the control systems in nonprofit organizations and their monitoring system does not increase whistleblowing intentions. Internal control policies have been

effective in lowering the risk of fraud but have not proven to be effective in encouraging whistleblowing intent (Scheetz et al., 2021). In addition, nonprofit organization directors should implement internal controls to reduce violations and gain public trust (Chapman et al., 2021). Thus, the study of the COSO framework revealed internal control as the most effective strategy to lower the risk of fraud in nonprofit organizations, but the least effective strategy to increase whistleblowing reports about fraud (Scheetz et al., 2021). The COSO 2013 is proven to be effective in lowering the risk of fraud, but improvements are needed in increasing whistleblowing reports.

Promoting strong internal controls is very effective in lowering fraud. Internal controls systems widely impact an organization's quality of controls and financial reporting (Setyaningsih et al., 2021). Most educational educators and practitioners selected internal control as the most important topic to use for educating others about fraud in small and large organizations (Sahloul et al., 2019). Internal controls, though, can be costly for small nonprofits (Sahloul et al., 2019). Due to the lack of resources in many nonprofit organizations, nonprofit leaders generally use volunteers who lack adequate experience and education to administer internal control measures to prevent employee fraud (Sahloul et al., 2019). Therefore, internal control is proven to be the most effective tool to limit fraud and embezzlement costs in nonprofit organizations.

### **Leaders' Role in Implementing Internal Control**

Leaders should implement a method to hire and vet knowledgeable staff and volunteers. Internal control managers are responsible for maintaining and establishing a proper internal control system to minimize the risk of fraud (Shin & Park, 2020).

Nonprofit organizations often do not have a human resources department, but there is always a board of directors that takes the role of the HR department. However, the HR department should be essential for bringing on knowledgeable managers to oversee internal controls. Internal control managers are the key factor that enhances an organization's operational stability (Shin & Park, 2020). Leaders with diverse backgrounds and knowledge of internal control systems increase internal control stability (Shin & Park, 2020). Knowledgeable managers may be the most effective support system for nonprofits in their daily operations.

Organization leaders play an important role in internal control reporting.

Weaknesses in financial oversight mechanisms and fraud prove a company's internal control processes are ineffective in ensuring financial control (Keune & Keune, 2018). Also, when there is a flaw in internal controls, managers tend to adjust and make changes to strengthen the process to avoid the same mistakes (Keune & Keune, 2018). Leaders of organizations who follow the Section 404 requirements of the Sarbanes-Oxley Act are more likely to report changes in internal controls than those not following the rules of Section 404. (Keune & Keune, 2018). Section 404 of the *Sarbanes-Oxley Act* requires auditors to give their assessment of the internal control system (Singer et al., 2022). Therefore, managers that adjust shortcomings and report management assessments help provide stronger internal control systems.

The challenge of finding knowledgeable financial leaders is often due to a lack of resources. A study was conducted on volunteers in nonprofit organizations in the United States, Australia, and Canada (Kappelides & Johnson, 2020). The investigators found that

volunteer managers and volunteer workers were found to be essential in western countries because they comprise at least 80% nonprofit workforce in the United States. (Kappelides & Johnson, 2020). However, nonprofit managers struggled to maintain the quality of their workforce because volunteers are not employees that must adhere to organizational rules and code of conduct (Kappelides & Johnson, 2020). Even with volunteer support, many nonprofits lacked the resources to support their volunteer system (Kappelides & Johnson, 2020). Therefore, the challenge of finding financial leaders is due to the lack of having a strong volunteer support system in nonprofit organizations.

There can be many effects found in nonprofit organizations when there are lack of resources. Having to rely on volunteers to consistently report for work impacts managers in nonprofit organizations (Kappelides & Johnson, 2020). Nonprofit organizations without a human resource management program find it challenging to recruit knowledgeable staff and was a challenge for them to find volunteers for roles in many nonprofits. Additionally, the lack of funding affects the ability to vet volunteers for the roles of overseeing internal controls or finance managers (Kappelides & Johnson, 2020). Thus, the overall impact of not having enough funding and resources may affect small nonprofit organizations in their search for experienced volunteer leaders to oversee their internal control policies.

### **Ethical and Unethical Issues**

The fraud triangle was found to be successful in creating an ethical work environment. Fiolleau et al. (2018) studied dysfunctional behavior by using the elements of the fraud triangle. Opportunity could be a clear picture of dysfunctional behavior that



goes undetected between managers and senior leadership when there is an agency relationship (Fiolleau et al., 2018). Pressure leads employees to act selfishly, and rationalization gives employees an excuse to deny dysfunctional behavior (Fiolleau et al., 2018). Leaders who are allowed free reign in an organization tend to make unethical decisions involving the organization (Fiolleau et al., 2018). The elements of the fraud triangle can identify fraudulent activities; once these activities are mitigated it creates an ethical environment (Fiolleau et al., 2018). Some leaders may try to control fraudulent financial accounting reporting (Fiolleau et al., 2018). Additionally, control systems help reduce unethical behavior, but sometimes control systems are insufficient to stop managers from wrongfully reporting. Yet, internal control does lower the risk of misconduct and unethical behavior (Fiolleau et al., 2018). Therefore, combining the fraud triangle and control systems may be effective in creating an ethical workplace.

Unethical financial reporting is damaging to nonprofit organizations. A leader's unethical reporting negatively affects an organization's culture and performance (Amore et al., 2022). Additionally, unethical behavior and wrongdoing are frequently kept quiet in an organization, making it hard to detect (Amore et al., 2022). Nonprofits need ethical leaders to manage volunteers and staff ethically. Employees responsible for self-reporting the books and records tend to manipulate compared to computer-generated reports (Amore et al., 2022). Nonprofit organizations need ethical leaders to help avoid unethical employee behavior and fraudulent reporting.

Most employees tend to act more ethically once leaders act ethically. Leaders' actions tend to affect their employees when they act unethically; their poor example

filters down to the employees, who also act unethically (Amore et al., 2022). However, when organizations begin internal controls and other regulatory measures, employees tend to behave responsibly (Cornwell & Korenman, 2021). A regulatory system could lead to unethical behavior if the system is not strong or well-organized (Cornwell & Korenman, 2021). Unethical employee behavior can be mitigated in nonprofits by having ethical leaders and a strong internal control policy.

The Internal Revenue Service (IRS) oversees the activities of nonprofit organizations using Form 990. Board members have a duty-of-care to protect the organization's assets (Baker et al., 2019). Over 177 private, nonprofit colleges have been closed due to faulty financial reporting and unethical behavior by board members (Baker et al., 2019). Nonprofits often lack oversight and cannot be sued. This can lead to unethical behavior by board members (Baker et al., 2019). Some nonprofits report diversion of assets on Form 990 incorrectly (Scheetz et al., 2021). Diverting assets occurs when the organization uses assets in an unauthorized way, including embezzlement and fraud, and is outside their approved use (Scheetz et al., 2021). Employees sometimes alter Form 990 to protect their unethical behavior (Baker et al., 2019). Though Form 990 requires disclosing a nonprofit's assets and liabilities (Baker et al., 2019), the form alone is not enough to ensure ethical reporting (Baker et al., 2019). Thus, Form 990 is not enough to ensure better financial reporting in nonprofit organizations.

The impact of having corrupt leadership can be damaging to an organization's reputation. Nonprofit organizations are closed due to corrupt leadership, misreporting on Form 990, and costly land purchase's that they cannot afford (Baker et al., 2019).

Nonprofit board members at academic institutions accessing funds for personal gains is, of course, unethical behavior (Baker et al., 2019). The overall impact of the IRS is effective in lowering the risk of fraud, but nonprofit organizations need to implement strong internal control, and have ethical leaders to support honest reporting on Form 990.

Having a good ethical climate is highly effective in nonprofits. The place of ethics in an organization depends on its, board of directors, and volunteer managers. A high level of organizational ethics is vital in nonprofit organizations (Ito & Slatten, 2020). Nonprofits that rely solely on donations to operate and have unethical behavior within them, and donors' gifts are stolen, will ultimately receive less support (Ito & Slatten, 2020). Organizations could improve their overall strategies and code of ethics by conducting more training and implementing a code of ethics (Ito & Slatten, 2020). Training staff is part of the nonprofit's culture and those that do so regularly can create an ethical and fraud-free environment (Hoffmann & Hahn, 2020). Therefore, nonprofit organizations rely on leaders' ethical behavior to gain donors' support.

Organization ethics and training is very important in both nonprofit leadership and governance. Critical characteristics of organizational ethics include respecting others, avoiding harmful actions, being fair, and understanding others (Hoffmann & Hahn, 2020). The ethics of care were introduced as four dimensions of trust: showing mutual concern; promoting human needs; discovering the relationship between nonprofit organizations; and partnering with other philanthropies (Formentin & Bortree, 2019). Engaging in the ethics of care permit nonprofit organizations and their philanthropic partners to communicate more effectively (Formentin & Bortree, 2019). The results are

always positive when leaders of nonprofits respect those within the organization and provide a culture that includes training employees to respect others.

Boards of directors are responsible for providing oversight and governance to create an ethical work environment for nonprofits. Having a strong oversight committee with solid internal controls lowers the risk of unethical behavior and fraud within nonprofit organizations (Abu Khadra & Delen, 2020). Board members are responsible for policies such as an organizational citizens behavior system (OCB) and oversight of books and records in nonprofit organizations (Lee & Ha, 2018). Employees that embrace an OCB tend to be more inclined to follow their organization's rules and guidelines (Lee & Ha, 2018). Organizations with an ethical climate provide a better work climate that impacts the organization's overall success (Lee & Ha, 2018). An OCB could define an organizational structure in which a reward system does not empower employees to improve organizational performance (Lee & Ha, 2018). When an organization implements an ethical framework for employees to follow, it typically promotes positive and ethical conditions (Lee & Ha, 2018). Thus, it is proven that having a strong board of directors provides a better working environment.

The overall impact of having good organizational ethics and OCB may affect a nonprofit organization's culture. Employees tend not to adopt an OCB system when an organization has an unethical culture (Lee & Ha, 2018). Operating a nonprofit depends on its board to lead ethically, provide oversight and governance, and create an organizational culture that leads ethically at all levels. Ethics influences behavior within an organization once it is put in place (Frye, 2020). However, the principles that are the

most important and influence good organizational ethics and personal ethical decisions guide individual decisions (Frye, 2020). Thus, it is necessary to have good organizational ethics and OCB to create a healthy working environment.

The lack of oversight and organization ethics can increase workplace stress in nonprofit organizations. The human resource development process is responsible for adding programs and training to improve organizational ethics (Frye, 2020). The board of directors plays a vital role in implementing oversight and ethical guidelines for employees and volunteers (Frye, 2020). Even though most nonprofits do not have an HR department, it follows the lead of the board of directors who have complete oversight and decision-making ability to implement procedures to maintain organizational ethics (Frye, 2020). When employees are unhappy, stressed, and annoyed with their workplace, it usually leads to unethical behavior (Haldorai et al., 2020). Employees often develop stress from working long hours as volunteers in nonprofit organizations (Erks et al., 2021). Therefore, workplace stress and long hours may lead to unethical behavior.

The implementation of OCB in charitable organizations helps to create an ethical working environment. Nonprofit organizations that embody an OCB can create an ethical environment among volunteers and staff. Some employees volunteer to ease stress from personal and work-related issues (Frye, 2020). Some workplace engagement improves volunteering and provides a better ethical environment that develops a positive OCB (Frye, 2020). For volunteers to perform ethically and fully engage, the nonprofit's mission must be meaningful to the volunteer to for better ethical results (Frye, 2020). Managers acknowledging volunteers' performance helps create a happier and more

ethical environment to work in a nonprofit organization (Frye, 2020). The overall impact of embracing an OCB can improve how volunteers and staff are treated by managers in nonprofit organizations.

Workplace ethics in nonprofit organizations relies on an effective board of director system. Governance and organizational ethics begin at the top (Aulgur et al., 2021) and help create an ethical working environment. The lack of a positive workplace leads to unethical employee behavior (Aulgur et al., 2021). This behavior damages the nonprofit's standards, and organization leaders are responsible for establishing proper internal controls (Aulgur et al., 2021). They are also responsible for creating and applying ethical guidelines for employees and volunteers. Nonprofit organizations that lead ethically from the top provide an ethical environment where people want to work. The board implements strong guidelines, managers adopt them, and volunteers and employees follow their lead and practice good organizational ethics (Aulgur et al., 2021). Once an organization has an ethics policy, new employees will adapt and adjust to it (Aulgur et al., 2021). Thus, this system of leading by example from board of directors to department managers can lead to an ethical environment in nonprofit organizations (Aulgur et al., 2021). Effective workplace behavior in nonprofit organizations relies on ethical leadership from the board of directors and organization leaders.

### **Ethical Leadership and Ethical Internal Control Processes**

Internal control systems that detect red flags for fraud are necessary for a fraud-free environment. Many organizations are at risk for fraudulent activities, and some create programs and implement training in an effort to stop such activities (Moyes et al.,

2019). Implementing a red flag system is necessary to lower the risk of unethical behavior within nonprofits (Moyes et al., 2019). For a red flag system to be effective, it requires experience and qualified individuals to monitor it within and outside the organization (Moyes et al., 2019). The most common type of fraud found within an organization was embezzlement, theft, and improper credit card activities (Moyes et al., 2019). Therefore, it is proven that a red flag system is effective in lowering unethical behavior, theft, and embezzlement in nonprofit organizations.

Internal controls let nonprofits identify red flags such as asset misappropriation, tax fraud, and other illegal activities commonly identified. Nine types of fraud have been identified within organizations: identity theft, internet misuse, money laundering, tax fraud, false documents, computer misuse, billing matters, payroll, and asset misappropriation (Moyes et al., 2019). Seven less common frauds were: insurance, fraudulent transactions, check forgery, misappropriation of cash flow, unauthorized purchases and payments, unauthorized signatures, and double-dipping (Moyes et al., 2019). Embezzlement was the most frequent fraud found in research on the effectiveness of a red flag system (Moyes et al., 2019). Managers have the ability to make changes to the system and override inputs, which makes it easier for auditors to identify fraud committed by managers (Moyes et al., 2019). Therefore, nonprofit organizations that have an internal control system in place to identify red flags are more likely to lower the risk of fraud and embezzlement.

Ethical leadership is effective in providing a fraud-free environment. Constandt and Willem (2019) conducted a quantitative study on ethical leadership in nonprofit

soccer clubs. Scandals involving ethical issues among soccer clubs has grown from the nonprofit level to the international professional organization level (Constandt & Willem, 2019). In addition, ethical leadership is considered the board of directors' responsibility and lower-level staff, such as coaches, must support the ethical program in order for it to be successful (Constandt & Willem, 2019). Good leadership begins at the top, but the trickle-down effect is more effective when the board sets the rules and habitually practice ethical standards (Constandt & Willem, 2019). Therefore, ethical leadership policies are effective in creating a fraud-free environment.

To reduce organizational fraud, nonprofit leaders need to lead ethically. When leaders practice their organization's ethical code presented by the board and live up to its standards as an ethical leader, organizations would see the effects of having less unethical behavior and scandals (Constandt & Willem, 2019). An ethical leader is a moral person, moral manager, and moral entrepreneur (Constandt & Willem, 2019). A moral person is honest. The moral manager promotes ethical empowerment, and the moral entrepreneur innovates existing ethical standards and guidelines (Constandt & Willem, 2019). Therefore, leading ethically from the top may encourage the lower line staff and managers to act ethically.

Organizations obtain positive results when they are governed ethically. Good governance must connect with managers and the board of directors and align them with a sound control system that has a strong governance structure (Scoleze Ferrer et al., 2020). The method of governance is defined as making ethical decisions, regulating conduct, and setting work culture standards (Scoleze Ferrer et al., 2020). Internal control is an



essential aspect of governance used to ensure that rules are set using the organization's governance system to maintain its goals (Scoleze Ferrer et al., 2020). Organizational ethics is the only bridge that sustains the nonprofit when governance and internal controls fail (Scoleze Ferrer et al., 2020). Thus, nonprofit leaders need to lead ethically to provide a fraud free environment.

Having effective organization ethics and internal control is important for nonprofit organizations. Ethics is a self-control process based on a person's values and decision to do what is right (Scoleze Ferrer et al., 2020). Additionally, sound ethics are a product of strong, governance, leadership, and flexible internal control principles (Scoleze Ferrer et al., 2020). The overall impact of good governance in nonprofit organizations is the framework for internal controls, and ethical leadership creates a connection between managers and the board of directors that all should lead ethically.

Unethical behavior is one of the leading causes of undesirable working conditions in nonprofits and requires good governance to create a successful workplace. Financial losses increase with unethical behavior, and performances decreases with the presence of unethical behavior (Jannat et al., 2022). Reducing unethical behavior is a challenge for many organizations (Jannat et al., 2022). Those that implement governance and internal controls lower the risk of unethical behavior (Jannat et al., 2022). Failures in governance and controls have led to doubts that the process of governance is able to end unethical behavior (Jannat et al., 2022). Leaders should implement additional measures such as a code of ethics, training officers, anonymous reporting, disciplinary actions, and more robust internal controls to make clear the ability of governance and controls to impact the

organization (Jannat et al., 2022). Nonprofit organizations can address unethical behavior by implementing a governance board. Having internal auditors and oversight of books and records with the guidance and supervision of HR staff provides a better control system than using artificial intelligence (AI) to resolve fraud and dishonest financial reporting (Mehta et al., 2021). An audit committee and internal auditors that manage proper financial reporting can lower the risk of unethical behavior and correct miscalculations from AI software (Mehta et al., 2021). Nonprofit organizations that implement strong internal control measures and codes of ethics are therefore more likely to reduce the risk of fraud and unethical behavior within the organization.

Boards of directors must implement an expense reporting plan that accounts for the actions of the board of directors, managers, volunteers, and staff. Some internal governance systems are set up only to reduce fraud by name and do not reflect the ethics of the person setting the rules (Nalukenge et al., 2018). Nonprofit organizations can lead ethically with an accountability plan for all members that parallels a strong internal control process. Organizations can prevent fraud and unethical behavior only by using systems that emphasize concern for good practices (Nalukenge et al., 2018). Weak internal controls prevent managers from making accurate decisions and lead to fraud and errors in reporting (Nalukenge et al., 2018). Having a robust internal control system along with ethical management improves employee behavior (Nalukenge et al., 2018). A strong internal control with an accountability plan for all volunteers and staff can be used to lower the risk of fraud and embezzlement in nonprofit organizations.

### **Transition**

In Section 1, I provided a detailed description of the foundation of study, problem statement, purpose statement, and background of the problem. I then presented the nature of the study, research question, and interview questions for the participants of the study. In addition, I also revealed the significance of the study, conceptual framework, operational operations, and assumptions, limitations, and delimitations. In Section 1, I included a detailed presentation of the academic literature and the implications for a positive social change on the strategies that nonprofit leaders use to limit fraud and embezzlement costs.

In Section 2, I will include my role as a researcher. I will provide the participants, problem, and purpose statement. In addition, I will reveal the research method, research design, population and sampling, and ethical research. Furthermore, in Section 2, I will provide details on the data collection instruments and techniques, data organization techniques, and data analysis. Section 2 concludes with the reliability and validity of the study. Section 3 includes findings and presentation of applications to professional practice and implications for social change. In addition, I will provide recommendations for action and future research consideration to mitigate fraud and embezzlement costs in nonprofits. In Section 3, I also include my discussion on the doctoral journey and the conclusion of the study.

## Section 2: The Project

In Section 2, I provide details of the purpose statement, participants, the role of the researcher, qualitative research method, case study research design, and population sampling. Additionally, I provide details on the data collection and technique, data organization techniques, data analysis, validity, and reliability of the study.

### **Purpose Statement**

The specific business problem was some nonprofit organization leaders lack internal control strategies to limit fraud and embezzlement costs. The purpose of this qualitative multiple case study was to explore internal control strategies that some nonprofit leaders use to limit fraud and embezzlement costs.

### **Role of the Researcher**

The role of the researcher includes gathering data from the participants during the interview of the study. A researcher's role is to create the research question, collect reliable data information, develop good communication with the participants, and analyze and interpret the data received (Karagiozis, 2018). As the researcher, my roles included full participation in providing factual and accurate information about the study, selecting the participants, collecting, and analyzing the data gathered, developing codes, and transcribing the information received. The objective was to fully understand the strategies nonprofit leaders use to mitigate fraud and embezzlement costs.

According to Yin (2018), a well-trained and fully experienced researcher can conduct quality case studies due to emerging issues found in the study itself and the data collected. As a researcher, I was the primary data collection instrument. I conducted

interviews using open-ended questions that will encourage lengthy responses from the participants. According to Yin (2018), using additional sources to gather relevant information is helpful in a case study, I gathered relevant information by requesting organizational documents relevant to the study. I also communicated with nonprofit leaders and reviewed their list of candidates who knew more about its operations. I then recorded semistructured interviews with open-ended questions, transcribed the recorded audio responses, and ensured data saturation using probing questions based on the study design and interview questions.

I hold a master's degree in accounting and am currently an auditor for nonprofit, exempt organizations. I have 4 years' experience working as an auditor, which signifies expertise in fraud accounting, internal controls, reading Form 990 for nonprofits, and determining compliance with the law. I am a trained expert in determining the areas of potential fraud. As an auditor by profession, it is critical to be independent of the participants when gathering data. I did not have a personal relationship with any of the participants in this study. I chose southeastern United States for the study because I live in South Florida.

A researcher must conduct research ethically and avoid preconceived decisions (Yin, 2018). The researcher should avoid research bias and sway away from decisions that are opposite in nature of the study (Yin, 2018). The Belmont Report presents a moral guideline for researchers to follow when conducting research (Redman & Caplan, 2021). The Belmont Report represents the ethical guidelines that researchers follow when conducting studies with humans (National Commission for the Protection of Human

Subjects of Biomedical and Behavioral Research, 1979). The three basic ethical principles of research found in the Belmont Report regarding studies on humans are respect, beneficence, and justice (National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research, 1979). The respect for persons principle supports the participants' autonomy and the participants with diminished autonomy should be protected by the researchers (National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research, 1979). The beneficence principle requires participants to be treated ethically and researchers are required to ensure participants safety with no harm (National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research, 1979). Researchers are required to treat participants without causing burden when applying the principle of justice, and not to reap benefits for any particular group when conducting the study (National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research, 1979).

The Belmont Report provides a summary of ethical foundational principles. Researchers use the summary of principles to address the requirements of the informed consent, assessment of benefits and risks. The three major elements of the informed consent relate to the disclosure of information, competency to make decision, voluntary nature of the participant decision (National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research, 1979). I adhered to the (a) the Belmont Report (b) the requirements of the participating organization (c) the additional ethical requirements of the participating organizations. I did not start the research until receiving

approval from the IRB. Conducting unethical research can cause harm to the research subject and individuals based on false research reporting (Redman & Caplan, 2021). The use of misconduct in research directly harms the participants and ensuring the protection of participants by conducting honest research complies with the Belmont Report (Redman & Caplan, 2021). Research misconduct is explained in three concepts: fabrication, falsification, and plagiarism (Redman & Caplan, 2021). Fabrication is making up data and reporting false information, and falsification is manipulating data and research information and getting rid of research information. Plagiarism is stealing other people's work and information (Redman & Caplan, 2021). A researcher must avoid biased reporting while conducting their research, and good researchers strive to maintain the highest level of ethical reporting (Yin, 2018).

Due to the increase in social work inquiry, social work researchers live with the reality of addressing bias in qualitative research (Mackieson et al., 2019). Qualitative research lacks rigor, which often leads to bias (Mackieson et al., 2019). Qualitative researchers often encounter issues relating to making vast assumptions in their studies (Mackieson et al., 2019). To avoid making assumptions and biased reports, qualitative researchers must prepare valid interview questions aligned with their research question to avoid making assumptions and biases to determine the outcome of their study (Mackieson et al., 2019). Research ethics is fundamental in research writing to avoid creating damage and harm to the sensitive members of the community (Brothers et al., 2019). To avoid damage and bias, I treated all participants equally and provided updated

reminders to all participants that their involvement was voluntary and that they could exit the study when needed.

Interview protocols are used to gather information by means of interview techniques consisting of interview questions, prompts, and cues (Siedlecki, 2022). Researchers use the interview protocol to conduct research in a timely and respectful manner and to ask the appropriate interview questions (Siedlecki, 2022). I used an interview protocol for this study (see Appendix A) to guide me through the interview process, ensuring that all participants were treated the same. I then used the interview questions to gather responses to answer the research question.

### **Participants**

Researchers must select knowledgeable participants who know the in and out of their organization's functions and activities (Mozersky et al., 2020). To meet eligibility for this study, participants have to successfully implement strategies to prevent losses from fraud and embezzlement costs in nonprofit organizations from the southeastern United States area. Participants meet eligibility criteria if they possess successful experience and knowledge about the phenomenon under investigation (Yin, 2018). I only selected nonprofit leaders who had successfully implemented strategies to prevent fraud and embezzlement cost for this study.

Researchers need to show that there is no constraint on a participant decision to participate, once the decision is voluntary (Yin, 2018). The primary researcher tends to experience challenges finding suitable participants to conduct their research studies, gaining access to organization leaders, and convincing the suitable employees to



participate in the study (Yin, 2018). I researched Guidestar.org for nonprofit organizations in the southeastern United States area and contacted leaders of nonprofit organizations to participate in the study via telephone and emailing to minimize challenges of communication. An explanation of the study was provided to each participant with an email copy of the consent form. The objective of the study should be presented with a straightforward approach (Yin, 2018). Participants were asked to complete the consent form once they agreed to contribute to the study.

Qualitative researchers have discovered that the lack of communication with participants in the actual data collection process have led to mistrust, especially from the participants who provide information based on trust (Mozersky et al., 2020). Participants were from the southeastern United States, and all participants' information and organization was protected in a lockbox and will remain there for 5 years. Researchers tend to face the constant barrier of recruiting participants to complete their studies on time (Dubé et al., 2019). The primary researcher tends to implement strategies to recruit participants through internet connections, phone calls, and email to avoid recruiting challenges (Dubé et al., 2019). I recruited all participants by reviewing nonprofit organizations in the southeastern United States area that successfully implemented strategies to prevent employee fraud and embezzlement costs.

Researchers build trust and relationship with participants to obtain rich and thick data (Fusch et al., 2018). Communicating with participants to keep them informed is a great strategy to build trust amongst participants (Guenther et al., 2017). I communicated

with participants on a regular basis to gain their trust and create a bond to gather rich and thick data.

## **Research Method and Design**

### **Research Method**

The study research method was qualitative. The three types of research methods are (a) qualitative, (b) quantitative, and (c) mixed methods. I chose the qualitative method for this study to explore the strategies used to prevent fraud and embezzlement costs in nonprofit organizations. Researchers use the qualitative method to identify the phenomenon of what, how, and why in a real-life setting (Yin, 2018). I chose the qualitative method to use what, why, and how questions to obtain and analyze data related to the strategies used to prevent the rise of fraud and embezzlement costs in nonprofit organizations. I chose the qualitative method and asked questions to obtain, analyze, and gathered data related to the strategies for preventing the rise of fraud and embezzlement costs in nonprofit organizations.

This qualitative study aimed to determine the strategies that nonprofit leaders use to mitigate the risk of fraud and embezzlement costs. A qualitative study provides a detailed explanation of a real-life experience (Yin, 2018). Qualitative research represents the views and depth of the participants in the study (Yin, 2018). Qualitative research was the most appropriate method for this study because it provided a more in-depth approach for gathering data from nonprofit leaders regarding the strategies to prevent fraud and embezzlement costs in nonprofit organizations.

A quantitative researcher tests hypotheses to verify the relationship amongst variables using numerical data (Sharpe, 2018). Quantitative researchers use statistics data, whereas qualitative researchers analyze data by coding and triangulation techniques (Yin, 2018). The quantitative research method was not suitable for this study because there was no testing of hypotheses by using numerical and statistical data. The mixed method combines a quantitative and qualitative method (Stake, 2005). Mixed-methods researchers use an inductive and deductive reasoning voice in their studies (Yin, 2018). I did not choose the quantitative or mixed method because I did not use the quantitative method to evaluate numerical data.

### **Research Design**

I reviewed the case study, ethnography, and narrative qualitative research designs for my study. Researchers use case study design to explore a more in-depth approach to gathering real-life events (Yin, 2018). I chose the case study design to get a more in-depth approach to real-life events when conducting the research. Researchers use the case study design to triangulate data by asking open-ended questions and requesting organizational documents better to understand the phenomenon (Yin, 2018). Ethnographic scholars study the culture of a social group (Sharpe, 2018). The emphasis of this study was not on a particular culture or social group, so I did not use the ethnographic design. A case study design researcher focuses on business-related issues from real-life events (Stake, 2005).

A researcher may also choose the narrative design, which focuses on narratives related to self-interest gains or a set of special events (Mohajan, 2018). I did not choose

the narrative design because the research was not on personal experiences or self-interest gains. Researchers use the case study design to gather information from different sources and explore the phenomenon of real-life events (Yin, 2018). I chose the case study design to explore the why, what, and how of the real-life event, which is the strategies business leaders use to prevent the rise of fraud and embezzlement costs in nonprofit organizations. A single case study includes a one case design, and a multiple case study includes multiple cases (Yin, 2018). Multiple case study provides more in-depth research, and a multiple case study adds a richness of detail that covers multiple cultural influences not found in a single case study (Yin, 2018). I interviewed four nonprofit organizations in southeastern United States, to provide more in-depth research that adds richness to ensure data saturation, than completing a single case study with one organization. I ensured data saturation when there was no new data and themes from semistructured interviews with participants and review of organizational documents.

### **Population and Sampling**

Data were from eight nonprofit organization leaders from four nonprofit organizations in the southeastern United States area, who will be interviewed using open-ended questions. I used a semistructured design to gather their experiences from successfully implementing strategies that lowered the risk of fraud and embezzlement costs within their organizations. Organizational documents were requested and reviewed for relevant information.

Researchers can attain a better insight into a phenomenon by using the purposive sampling method to reduce the participants' pool to ensure participants meet the required

criteria (Yin, 2018). I chose the purposive sampling method for this study to help identify and select the participants that meets the required criteria. Data were collected from eight participants from four nonprofit organizations located in southeastern United States.

These participants had to be successful and experienced in using strategies to mitigate the risk of fraud and embezzlement costs from employee theft found in nonprofit organizations. Researchers determine the sample size based on the richness of data and the expansion of the findings to larger population size (Blaikie, 2018). Participants must be knowledgeable and experienced about the topic to make meaningful contributions (Blaikie, 2018). It is not straightforward to determine the actual sample size in a case study design, but it can be by two or three duplicates or participants (Yin, 2018).

Data saturations are when participants cannot provide new information and meaningful themes (Braun & Clarke, 2019). In qualitative research data saturation can be reached by conducting semistructured interviews and obtaining organizational documents for the rich and thick data source (Braun & Clarke, 2019). I reached the data saturation when participants had exhausted all information and no new themes or information were provided. Member checking is the procedure where a study finding is shared with the participants (Yin, 2018). I employed member checking by presenting responses from the interview questions to participants in a subsequent interview to verify the accuracy and ensure data saturation.

Researchers suggest that participants be comfortable while conducting interviews (DeJonckheere & Vaughn, 2019). I selected a location that was suitable and comfortable for the participants. I also coordinated with the participants' schedules and hosted

interviews at the participants' most convenient locations such as offices. In addition, I selected any location that was comfortable for the participants to allow the participants to communicate better with the researcher.

### **Ethical Research**

Many qualitative research studies are ethically structured and approved by a moral authority board like the Institutional Review Board (IRB) (Wilets et al., 2019). I adhered to the university's research ethical planning worksheet of the Walden University IRB to conduct the study. I conducted the study after obtaining the Walden University IRB approval number 09-30-22-1060201.

An essential requirement by the IRB is for all researchers to gain informed consent from all participants (Wilets et al., 2019). All participants were required to sign the leader consent form before participating in this study. The consent form included the potential risks, nature of the study, expectations, participants and its benefits, and my contact information for participants who had questions. Payments and gifts to participants for research participation can lead to harm and research bias (Wilets et al., 2019). I did not provide gifts or compensation to any participants for this study to avoid research bias. The research was 100% voluntary for all participants. Participants' policies were per Walden University IRB process. I informed all participants of their autonomy to make decisions on participating in this study, as recommended by scholars (Wilets et al., 2019). When conducting a research study, the ethical practice is to maintain the privacy and confidentiality of all participants (Hansen et al., 2017). All participants were notified via email or of their voluntary contributions. Participants had the option of withdrawing from

the study without any reason. There was one circumstance when a participant withdrew, and the participant provided an oral notice to withdraw from the study.

To conduct this study, I used purposive sampling to select two participants from three nonprofits and one participant from one organization in the southeastern United States. Participants were informed about the request for organizational documents, minutes, financial statements, and general ledger. Participants were informed about the interview process. All participants were required to have successfully implemented strategies to prevent the rise of fraud and embezzlement costs in nonprofit organizations. I only requested documents that the participants were allowed to share or have the authority to share, by emailing the organization agreement form.

Conducting qualitative research should not harm or hurt any of the human participants (Maxwell, 2019). I followed the Walden University IRB policies on protecting human subjects while conducting this study. All participants were treated with respect, and their privacy remained confidential. I used letters and numbers for example, P1, P2 to disguise participants name and their organization (O1, O2) to ensure that their privacy and confidentiality were protected. The researcher should provide reliable and ethical results while assuring no impact to the participants (Hansen et al., 2017). I stored all information for this study on a password-protected zip file folder. As required by Walden University, I stored all documents for this study in a lockbox or safe area and I will destroy all documents related to this study after 5 years of completing the study.

### **Data Collection Instruments**

Researchers become the primary research instrument when conducting qualitative research, because the researcher can collect rich data from interviews, and analyzing company documents (Yin, 2018). I was the primary data collection instrument for this study. Semistructured in-depth interviews are frequently used in qualitative research to provide a rich data source (DeJonckheere & Vaughn, 2019). I used the semistructured in-depth interviews with eight nonprofit leaders from four nonprofit organizations in southeastern United States.

In qualitative research, researchers use semistructured interviews with open-ended questions to gather rich data sources (DeJonckheere & Vaughn, 2019). Researchers gain a better understanding when interviewing qualified participants that meet the study's criteria (Stake, 2005). Researchers can ask open-ended questions that provide more information, leading to a rich data source when conducting semistructured interviews (DeJonckheere & Vaughn, 2019). As the primary data collection instrument for this study, I collected data using semistructured interviews with open-ended questions to understand the phenomenon better. To get a rich data source, I then asked follow-up questions to gather more information for data saturation.

Semistructured interviews are done in many ways: face-to-face, telephone, text, email, individual, and group (DeJonckheere & Vaughn, 2019). Because I was the primary data collection instrument for this study, I conducted the interview process using an interview protocol (see Appendix A) to collect data by recording and transcribing face-to-face semistructured interviews. I followed the interview protocols and asked all



participants the same interview questions. As the primary research instrument, the qualitative researcher plays a vital role in gathering details for qualitative research (Yin, 2018). Researchers can conduct interviews to aid in collecting a rich data source.

Researchers frequently use the data collection process known as document analysis (Yin, 2018). Documents can be reviewed by using different formats such as graphical, textual, and pictorial (Williams & Moser, 2019). Researchers use data triangulation by conducting semistructured interviews and reviewing documents to analyze a study's quality and vigor (Jaspersen & Stein, 2019). Documents may also be supportive in providing information on the case study and details of events (Yin, 2018). During the interviews I asked each participant for supporting documents and I was presented with minutes, bylaws, balance sheets, educational conference documents, Form 990, operational budgets that supported the strategies in preventing fraud and embezzlement costs within the studied organizations.

Member checking allows participants to correct, clarify, confirm, and add information for the data collected to increase the study's integrity (Liao & Hitchcock, 2018). I used member checking to interpret participants' answers to interview questions and verify their responses to my interpretations. I took notes during the initial interviews to enhance the validity and reliability of the information received. Researchers rely on reflexivity to reflect on decisions and thoughts to collect data (Rich & Misener, 2017). The use of reflexivity addresses research bias and increases the study's transparency (Rich & Misener, 2017).

### **Data Collection Technique**

There are many advantages on utilizing a semistructured interview process. Structured interviews are limited in utilizing trends and contextual conditions (Yin, 2018). The researcher gets the participants to use their own words when conducting semistructured interviews versus the single-word response found in structured interviews (Yin, 2018). A semistructured interview is the most appropriate interview process for this study to gain the participant's own words and perspectives. I conducted semistructured interviews to gain the strategies nonprofit leaders use to prevent the rise of fraud and embezzlement costs. Besides conducting semistructured interviews, researchers review organizational documents related to the phenomenon studied (Williams & Moser, 2019).

Researchers understand the real-life phenomenon when there are different data collection methods and when they can conduct a triangulation of the data (Jaspersen & Stein, 2019). I reviewed organizational documents for strategies nonprofit leaders use to prevent fraud and embezzlement costs. There are some disadvantages when using semistructured interview process that can affect the quality of data collected. Participants feeling nervous about complex constructs is a common issue found in the interview process of data collection (Braaten et al., 2020). The primary researcher body language and perspectives may promote participant bias (Braaten et al., 2020). I used interview protocols to reduce participant bias and researcher anxiety.

In order to test the quality of the interview protocols, researchers use a pilot study to gather feedback about the overall experience of the interview (Braaten et al., 2020). Researchers use the feedback from participants to improve the interview protocol process

(Malmqvist et al., 2019). Pilot studies are commonly associated with a quantitative study to test a particular instrument (Majid et al., 2017). I did not conduct a pilot study approach because I was not testing a particular research instrument.

Researchers use member checking as a credibility technique to allow participants to clarify their interview transcripts (Liao & Hitchcock, 2018). The checking allows the participants to improve and correct any issues found with a study (Yin, 2018). I provided drafts of the study findings to the participants to enhance the study's validity. I collected data from participants by conducting semistructured interviews, using a face-to-face data collection method from interview questions. I transcribed all responses to the interview questions from all participants and request that participants verify the interpretation of their answers to the interview questions to avoid any form of bias. Researchers improve credibility of their study when participants are engaged in member checking (Yin, 2018).

Using a document analysis approach and interviewing process allows the researcher to understand better the phenomenon of the study (Yin, 2018). Annual reports, budget analyses, financial statements, and general ledgers are essential documents that may be useful for document analysis review (Yin, 2018). I requested company general ledgers, balance sheet, and Form 990 as a second source of data collection for all participants. Researchers request documents to verify name spellings and detail of activities (Yin, 2018). I requested access to documents from the participants after receiving IRB approval to conduct this study. I protected all documents by scanning and uploading them in a safe encrypted folder.

### **Data Organization Technique**

Data organization includes the use of an electronic data storing system to retrieve data and analysis during a research study. Researchers conduct more rigorous research when their data is organized (Yin, 2018). According to Yin (2018), collecting data in an organized manner is more beneficial, similar to collecting data from a quantitative database. I asked each question timely according to the interview protocol (see Appendix A) with follow up, probing questions to get a more rigorous and organize data from each participant.

I conducted semistructured interviews with nonprofit leaders using open-ended questions. Researchers assign secure codes to participants to protect their identity (Hansen et al., 2017). I assigned secure codes to all participants to protect their identities. The assigned codes for this study; for example, the letter P and a number between 1 and 2 were the codes for each nonprofit leader.

According to Yin (2018), the best practices to secure data are (a) identify the reason for collecting data, (b) consent forms, (c) collecting information needed for the study (interviews and analysis), (d) data usage only for a research study (e) retaining information for a limited time, and (f) safe keeping the information. According to Walden University, the raw data should be secured for 5 years in a safe place after completing the study. I safeguarded and secured all raw data for this study in a safe place using a lockbox and I will permanently delete all voice recording and destroy all financial documents obtained after 5 years to protect the participants' identities.

## Data Analysis

Researchers increase the depth, richness, and breadth of a study using triangulation (Yin, 2018). Triangulation is a good practice for conducting case studies (Farquhar et al., 2020). According to Fusch et al. (2018), the four types of triangulation are: (a) data triangulation, (b) investigator triangulation, (c) theory triangulation, and (d) methodological triangulation. Researchers use methodological triangulation to increase the validity and credibility of their study (Farquhar et al., 2020). Researchers can gain insight into the phenomenon when they use methodological triangulation to review the data collected (Farquhar et al., 2020). I used methodological triangulation to increase the credibility and validity of this study. In addition, researchers can develop convergent evidence when they triangulate data from semistructured interviews and organizational documents. Yin (2018) suggested that convergence of evidence in case studies strengthens construct validity. I used methodological triangulation to gather evidence from multiple sources, including reviewing interview notes and verified information from balance sheets, meeting minutes, and operational budgets. The use of multiple sources helps to provide confirmation of the findings and it helps to increase the validity of the study. I used methodological triangulation to confirm the validity and credibility of the data collected to validate the interpretations of the semistructured interviews. I also conducted member checking with the participants to verify the accuracy of the data collected. I asked the participants to verify the interpretation of their responses to confirm the accuracy and avoid biases. I also used member checking to align and confirm the data collected from the review of organizational documents.

A necessary process that occurs parallel to data collection is the use of data analysis (Yin, 2018). There are three types of qualitative data analysis: content, thematic, and discourse. Researchers use thematic analysis in case studies to thoroughly review interview transcripts to understand the data (Ramakrishna, 2018). I used thematic data analysis to review the interview text to get a complete and credible understanding of the data source.

Yin (2011) introduced the five steps to analyze data efficiently: (a) compile, (b) disassemble, (c) reassemble, (d) clarify, and (e) conclude. Step 1 includes data sources from recorded interviews, notes taken during interviews, request of balance sheet, meeting minutes, operational budgets, Form 990 transcripts and compiled all data. Williams and Moser (2019) suggest using NVivo to analyze and code research evidence. NVivo is a helpful tool for sorting, organizing, and analyzing qualitative data (Dhakal, 2022). Step 2 is disassembling the data, which includes coding the data. Step 3 is the reassembling and organizing of the data into themes. Step 4 includes the interpretation of data compared with the interview transcripts. The 5th step is to conclude by answering the research question or purpose of the study (Castleberry & Nolen, 2018). To ensure validity using thematic analysis, compiling, disassembling, reassembling, interpreting, and concluding has to be outlined (Castleberry & Nolen, 2018). I used NVivo to interpret, organize, and code the raw data from interviews and review organizational documents. I also used NVivo to create thematic maps, organize codes, and identify themes and relationships with codes. I verified the accuracy of the data using member

checking. In addition, I provided the participants with my interpretation of their responses to interview questions to ensure validity and reliability of the study.

Yin (2018) revealed that researchers use triangulation to increase the richness and depth of data collected. Researchers use methodological triangulation to triangulate the data from multiple sources of data collection (Fusch et al., 2018). Requesting organizational documents is the second source of data triangulation for this study. Researchers can use different types of data analysis to analyze documents (Jaspersen & Stein, 2019). The methods for researchers to analyze documents are thematic analysis and content analysis (Yin, 2018). I analyzed the organizational documents by using content analysis. Content analysis can analyze data, classify codes, and identify themes (Ramakrishna, 2018). Content analysis effectively identifies and interprets small pieces of data in a recorded form (Kleinheksel et al., 2020). When using content analysis, documents are analyzed in three phases: organization, preparation, and reporting (Kleinheksel et al., 2020). I used methodological triangulation to review data from semistructured interviews and organizational documents. The step 5 process is where researchers develop a conclusion and make recommendations to answer the research question (Yin, 2018). In addition, I used the Yin (2018) 5 step process to identify and understand the phenomenon by using thematic analysis to interpret the findings and generate a conclusion from the study.

Researchers can use mapping to focus on central themes for different data sets to answer overarching research questions (Yin, 2018). Researchers can correlate the main ideas with the conceptual framework and current literature (Yin, 2018). I also used the

key themes from this study to correlate with the conceptual framework and literature. Data labels effectively connect central ideas explored in a research study (Williams & Moser, 2019). I manually coded and mapped the key themes by reviewing all of the transcribed interview notes and pulled all the common themes that each organization leader reflected on. I also used the meeting minutes, balance sheets, and operational budgets to verify the common themes found in the recorded interview notes and written notes to enhance the study's credibility.

### **Reliability and Validity**

#### **Reliability**

Both reliability and validity are used in qualitative writing to increase the study's trustworthiness (Coleman, 2021). Researchers find it challenging to demonstrate reliability in qualitative writing (Coleman, 2021). To eliminate challenges, qualitative researchers can use dependability and triangulation to increase reliability (Coleman, 2021). I conducted semistructured interviews and request organizational documents as a source of evidence to increase the reliability of the study. Yin (2018) suggested that researchers should acknowledge all sources of evidence and include different data sources to increase reliability.

#### ***Dependability***

Dependability which is also known as consistency provides rigor and trustworthiness in a qualitative study (Janis, 2022). I used member checking to increase reliability. Member checking is the process of getting feedback from the participants about the interpretation of their words (Motulsky, 2021). Member checking ensures that



the research is ethical and rigorous to improve trustworthiness (Motulsky, 2021). I provided a summary list to each participant and the review committee of the findings and interpretations to confirm that the study results are dependable. To increase reliability and dependability, I used methodological triangulation to avoid biases by matching the information gathered from recorded interviews with the information written down during each interview and verified each theme by matching it with the minutes, operational budgets, balance sheet, and bylaws. Triangulation uses multiple sources to saturate the data and increase validity of the study (Fusch et al., 2018).

### **Validity**

It is essential in qualitative research to lower the risk of misrepresenting the participants' responses to interview questions. Researchers increase credibility with the study's validity (Yin, 2018). Validity is the appropriateness of reporting the findings of a study (Coleman, 2021). I validated the interpretations of interview questions by getting feedback from all participants that may ensure validity. I also performed member checking to ensure accuracy of participants' responses by verifying the accuracy of the interpretation, as recommended by experts (see Fusch et al., 2018).

### ***Credibility***

Credibility is a measure of providing the correct and accurate findings of a qualitative study (Shufutinsky, 2020). In order to achieve credibility for this study, I performed member checking and triangulation to ensure credibility. Member checking is the most important technique to ensure credibility of the study (Motulsky, 2021). The researcher is the main instrument of the study by collecting, reporting, and interpreting

the findings (Shufutinsky, 2020). The researcher increases credibility by correctly reporting and interpreting the study's findings (Shufutinsky, 2020). I correctly record, interpret, and report the information received from all participants of this study to maintain the credibility of the study. Member checking is required as a validity check to increase the research's rigor and quality (Motulsky, 2021). Member checking involves paraphrasing and seeking more clarification during interviews with participants (Coleman, 2021). I performed member checking by reviewing participants' transcripts to increase credibility. Once the interview process is over, I provided the participants with the findings, so they can confirm their interpretation of the findings. I continued to interview until no new themes or information are revealed to enhance credibility of the study.

I used triangulation to increase and ensure data credibility. Researchers increase the validity of a study by using multiple resources of evidence that provide multiple support for the same phenomenon (Yin, 2018). Researchers increase triangulation by searching for continuous alternative interpretations until the interpretations make sense (Fusch et al., 2018). I compared interview notes with organization documents to ensure credibility. Triangulation adds depth and richness to qualitative research using multiple data resources (Fusch et al., 2018). Methodological triangulation uses multiple sources found within one design, such as semistructured interviews (Fusch et al., 2018). I collected data during the interviews with participants, and I also requested organizational documents with financial statement, minutes, and general ledger information.

### ***Transferability***

Transferability is posing the implications of a conceptual study level higher than the initial study's findings (Yin, 2018). Transferability is when findings from one study can apply to other groups (Daniel, 2019). Researchers use rich data from real-life settings and participants' interpretations to achieve transferability (Daniel, 2019). I documented the findings and details of the study that may demonstrate transferability to other organizations. I followed the interview protocol and provided details of the research and data collection that may ensure transferability.

### ***Confirmability***

Confirmability in qualitative research is when the researcher perspective of participant responses includes no form of biases, and it usually occurs after the establishment of dependability, credibility, and transferability in the study (Abdalla et al., 2018). I carefully listened to participants to avoid biases, opinions, and perspectives. I carefully transcribed the responses from participants and conducted member checking to ensure confirmability.

### ***Data Saturation***

Data saturation occurs when all essential points and issues are exhausted from collecting data during a study (Hennink & Kaiser, 2021). Reaching data saturation is when the researcher reaches saturation when the same information is repeated repeatedly without adding new information (Hennink & Kaiser, 2021). I conducted semi structured interviews and collected balance sheets, bylaws, meeting minutes, operational budgets, written notes and analyzed data until no new information emerges to satisfy the data saturation process.

### **Transition and Summary**

In Section 2, I included my role as a researcher. I also included the participants, problem, and purpose statement. In addition, I included the research method, research design, population and sampling, and ethical research. Furthermore, in Section 2, I provided details on the data collection instruments and techniques, data organization techniques, and data analysis. Section 2 concluded with the reliability and validity of the study with dependability, credibility, transferability, confirmability, and data saturation to end the section.

In Section 3, I will present the following: (a) introduction, (b) presentation of the findings, (c) application to professional practice, (d) implications for social change, (e) recommendations for action, (f) recommendations for further study, (g) reflections, and (h) conclusion.

### Section 3: Application to Professional Practice and Implications for Change

#### **Introduction**

The purpose of this qualitative multiple case study was to explore internal control strategies that some nonprofit leaders use to limit fraud and embezzlement costs. I conducted semistructured face-to-face interviews with eight nonprofit leaders who successfully create strategies to limit fraud and embezzlement costs. The data came from asking seven open-ended questions, and review of organizational documents at four nonprofit organizations in the southeastern United States.

The findings showed strategies that the leaders used to limit the risk of fraud and embezzlement costs. I reviewed meeting minutes, general ledger, balance sheets, income and expenditure statements, training manuals, and operational budgets. Additionally, I employed member checking to validate my findings. The analyses of data resulted in three themes. The identified themes included (a) established procedures helped leaders prevent losses from employee fraud and embezzlement costs, (b) board of director oversight mitigated risk and fraud, and (c) transparency and communication amongst leaders and stakeholders that limited fraud and embezzlement costs in nonprofit organizations. The section also includes the application to professional practice, implications for social change, recommendations for action, and recommendations for further research. In addition, I included my reflections on the study and the study's conclusion.

## **Presentation of Findings**

The overarching research question for this qualitative multiple case study was: *What strategies do nonprofit leaders in the southeastern United States use to limit fraud and embezzlement costs?* I conducted face-to-face, semistructured interviews with eight nonprofit organization leaders for data collection using seven open-ended questions. For participants confidentiality I coded my participants as P1, P2, from O1; P3, P4, P5, from O2; P6 from O3; and P7, P8 from O4.

Managers at each organization established procedures to help limit the risk of fraud and embezzlement costs. The strategies that each organization leader implemented were successful in reducing fraud. Additionally, all managers interviewed were enthusiastic about the established procedures used to mitigate the risk of fraud within their organizations. All three themes indicated the strategies needed for nonprofit leaders to limit fraud and embezzlement costs in their organizations.

For data triangulation, I used interview notes, handwritten policies, training log book and organizational documents such as general ledger, audit reports, balance sheets, financial statements, and public records of Form 990 filings for all four organizations. I requested operational budgets from P3, P4, and P5 organization to triangulate the data I gathered from the interviews. Additionally, I requested financial statements from P1, P2, and P6 to verify their reporting system. I reviewed the organization summary of significant accounting policies to verify the nature of the organization operations with their accounts payable. I also requested a financial report document from P6 which showed all of their check processing. I was able to verify the cash and check deposits by

matching the GL postings with the bank statements for P6, who provided the organization general ledger during the interview. I also triangulated the data by reviewing notes that I took during the initial interview with all participants. The review of meeting minutes, and operational budget documents were used to identify the policies discussed and implemented by each organization during board meetings to support the procedures listed to develop the emerging themes.

### **Theme 1: Established Procedures Helped Leaders to Limit Losses**

The first theme that emerged from the data were the procedures established to help leaders prevent losses from employee theft and embezzlement costs. While interviews were conducted, the identified procedures came from the participants responses. The strategies implemented were common among all four participating organizations. Additionally, the eight participants mentioned that the procedures to identify employee theft and embezzlement costs involved cash handling, checks and credit card processing procedures (see Table 1).

**Table 1**

*Number of Participants who Mentioned Cash, Credit Card, and Check Processes*

Subthemes/Themes	Number of participants	Participant engagement (%)
Cash procedures	8	100
Credit Card /check processes	6	75

### *Cash Handling Procedures*

The cash handling procedure was the first emerged subtheme. All four participating organizations provided successful strategies for securing cash transactions during the interviews. The cash handling procedures were taken seriously by all eight participants. In addition, P1 and P2 stated that the cash policy was to get all cash to the bank immediately after a fundraising event. The treasurer verifies all the reports, counts the cash, then takes it to the bank on a Monday if the fundraiser falls on a weekend. P6's of O3 procedure was to put all cash in a lockbox in the office and when there is \$500 or more, it would then be taken to the bank. In the cashbox was a ledger used to report all cash transactions received from all activities. Additionally, P6 stated only three people had keys to the lockbox: the president, treasurer, and assistant treasurer/secretary. If one of the officers changed, the organization would cut new keys to access the office to ensure strong internal controls.

In addition, when asked about the internal control strategies used to successfully limit fraud and embezzlement costs. P7 responded:

We pretty often do cash pickup at each location and we developed a process that makes it secure and easy and we end up using those cash deposit bags from the bank, those one time bags and literally just put all the cash in that bag seal it and we have to scan the ID of the bag and so there is a chain of trust as we process that bag, both from the person that does the cash pickup, there is an ID with the date and time of the bag for whoever received it in the room then whoever opens the bag and counts them and that coupled with our square locks allow us to keep



good security on the actual cash transactions. It is about 130,000-140,000 in cash I think the last time, the first time the assistant treasurer and I was in charge of that it was a concern, we followed the original process but it was very, very, time consuming we were here until 2 or 3am doing counting.

P8 responded:

The new method for doing cash collection and counting that had, it did, we used the zero trust model, we did not trust anyone in path but we did have records of who was, who touched the money at any given time, we actually had sign out bags and sign back in the empty bags, so it was a whole process to it, it was well received and if we did not get the counting of bag one night we would put in the safe bring in the next morning and we do the chain of trust on that bag.

To verify the information during the interview with P7 and P8 from O4, I requested their handwritten policies on cash collection and cash ledger from both P7 and P8 to triangulate the information collected. I reviewed the general ledger, bank statements and income statement to verify the cash amounts received from the fundraiser events matched the 130,000- 140,000 in cash received. During the interview with P6, I requested the cash ledger that was stored in the cash box, bank statements, general ledger from P6 and was able to verify the total cash of \$11,465 received and recorded via cash box totals by comparing the deposits found on their bank statements to the cash deposited on their general ledger account.

### ***Check Signing and Credit Card Processing Procedures***

The checks and credit card processing procedure was the second subtheme found when coding the participants interviews. The procedure for processing checks and credit cards was an important strategy found throughout three of the four organizations in their handwritten policies. P1 and P2 mentioned as part of their check signing policies all checks are required to be signed by two or three persons: the treasurer, assistant treasurer, and the president. P3, P4 and P5 from O2 revealed that their check signing process also includes three signors: a combination of the CFO, CEO, COO, treasurer, or sometimes the vice president of operations. O4 requires two signatures on signing of all checks. The check signing policies were also found in the organizations' handwritten policies. The participants from O2 mentioned the Positive Pay (PP) as their check processing measure. P3 went into depth and said:

However, when it comes to the more technology aspect of things, we use PP with our bank to ensure that no one is stealing checks to whitewash them or whatever technology is, it is verified that nobody is changing the amounts.

The organization leader also explained the use and operation of the software system. P3 revealed:

That's what a lot of banks call it essentially with that is when we generate checks our accounting software will spin out a report that says the check number, the check amount and the payee, and we upload that information into the bank and when the bank receives a check that's to be paid from one account it will look through to make sure that all those components matched and if they don't match

we get a notification “hey”, your, we have a PP exception can you please verify it, we can go into our bank account look at the checking question verify that the name, the amount, and all of that is still matched, and is who it is, cause often times you know with our accounting software, names will be cut short and the checks how the Accounts Payable (AP) is written sometimes the AP has a longer name than the check does.

The organization leaders explained the effectiveness of the accounting software policies to successfully limit fraud and embezzlement costs. P3 revealed:

Like I mentioned before, our accounting department is only two people so it kind of limits what we as an accounting department can do when it comes to segregation of duties, and we were able to kind of overcome that by utilizing other departments for certain task, also cost, like I said we are using an accounting software that is meant for State societies, and we have been using that from before I got here and switching to something more sophisticated is going to be a big lift for a company of our size, it’s going to be expensive and we don’t necessarily have the resources or the people to do something like that, fortunately because we are who we are, and serving CPAs any conversation on internal controls is going to be very well received because we want to be seen , nothing would look worse for us than an accounting member organization has internal control crises, so we are very open, and we rely on our existing software to provide a solid internal control system.

I conducted a methodological triangulation on the software policies implemented for the Positive Pay by reviewing the organizations handwritten policies, bank reports on the amount of checks verified and paid using the Positive Pay system. The hand written policy stated that the Positive Pay software system is designed to verify and process checks through a digital communication between the bank and the organization. The bank statement reports showed the amount of checks processed using the Positive Pay each month.

Another strategy used to secure the deposit of checks to avoid embezzlement was explained by P6 from O3:

Once we receive checks from our clients we deposited the same day using mobile deposit via the cellphones, the check themselves are kept for 2 weeks just to ensure that nothing goes wrong and then get shredded, the checks are also stored in a fire safe, the checks are deposited right away and you can sign on the back of the checks and mark deposited, so one we get it directly to the bank and two no one can take the check and cash it on their own because its already written on the back deposited, then those go into a fire safe and get shredded after 2 weeks and if the bank has a problem it will be asked to be brought in. I usually write deposited for whoever deposits, it would be for example, I deposited so its detailed when it was and how it happened and who did it.

Organization leaders also mentioned new strategies for implementing their internal controls to successfully limit fraud and embezzlement costs. P6 responded:

Most of these new strategies have only been in place since February or March, the biggest hurdles were getting the president and vice president to correctly log things for all the cash from the cash box, the ledger reporting and training on using the credit card terminal, setting them up with the mobile banking app on their phones teaching them to deposit checks, most of our accounts were possible especially the ones that store documents for financial information, membership information. The organization leaders were newly appointed, and implementing the cash box, mobile banking, and members' financial information systems storage helped improve the organization's internal controls.

P5 revealed their new strategies as:

As an executive director, I encourage my team to provide transparency when they are offered lucrative deals from members outside of our organization. I told my team that revealing this type of offers to the board or executive leaders shows that the organization is operating in an ethical manner.

To verify the new strategies in O2 and O3, I triangulated the findings of the cash box ledger, mobile banking app, mobile deposits, credit card terminals, and the information on providing transparency by reviewing the organization minutes on new agendas. I also reviewed the organization's handwritten policies to verify the implementation dates and steps to get the policies into effect. In addition, I reviewed the organization's cash ledger, bank statements, and credit card terminal agreements to verify that the organization's new strategies existed and were in operation.

Organizations also had implemented strategies to limit fraud and embezzlement from credit cards. P6 explained O3's strategy:

Well the credit cards are processed by using Square which is a credit card processor so we don't have credit card numbers are anything like that it goes straight to square and square makes the deposit to the bank the next day, and the credit card is our favorite because we don't have to hold anybody financial details like credit card numbers are anything like that its handled directly by the processor it will get denied if there is a problem right away it leaves a digital trail that you can easily double check every transaction which is the reason why we deposit the checks using mobile banking, because the checks are deposited right away and you can sign on back deposited.

The organization also implemented credit card procedures. P3 explained:

Our credit card procedures included all board members providing receipts and expense reports of all usage which is verified by each user director and a second person from another department. This was an internal strategy implemented to have the department director for credit card users verify the statements with the expenses.

To triangulate the findings on the credit card procedures, I reviewed the handwritten policies, which stated that " all users of credit cards should provide copies of their credit card statements and receipts to their director for review and processing."

### ***Correlation to the Literature***

The findings found in Theme 1 aligned with the results of Karim et al. (2018) and revealed that the lack of cash handling protocols and the absence of reasonable operating procedures could lead to problems and weaknesses in internal controls. Many organizations are challenged with ethical issues, while others must meet compliance requirements (Batae, 2018). Fraud can result from the high inflows of cash handled by employees and the lack of scrutiny within the organizations (Ohalehi, 2019). The current study findings revealed that business leaders used effective internal controls for check signing and credit card processing, to effectively lower the risk of fraud within their organizations.

Leaders implementing other fraud controls can reduce the cost of implementing strategies and promote earlier fraud discovery and having cheaper fraud controls may be more attractive to smaller organizations (Scheetz et al., 2020). The use of the cash box, credit card processing, Positive Pay system, and the deposit of cash to the bank on a Monday when the fundraiser is on the weekend indicated that the four organizations implemented fraud strategies that promoted early fraud discovery and were more affordable to maintain.

### ***Correlation to the Conceptual Framework***

Theme 1 of this study consistently aligned with the conceptual framework of Cressey's (1952) fraud triangle theory. The correlation included the cash, credit card procedures, and accounting software each leader used as a strategy to prevent employee fraud and embezzlement costs. Cressey revealed that proper internal controls help to

minimize losses and deter employees from fraudulent opportunities. The multiple signor check policy, cash bag, cash box deposits are considered solid internal control policies to protect against fraud and embezzlement costs at each organization. Additionally, honest people will commit fraud when they have severe financial pressure (Azam, 2018). The internal control measures implemented at all four organizations prevented the opportunity, pressure, and rationalization of employees to commit fraud.

Individuals may feel pressured to commit fraud to support an expensive lifestyle and justify their actions as morally correct (Kagias et al., 2021). Business managers may reduce the risk of fraud by using the fraud triangle to understand and uphold the credibility of their organization (Kagias et al., 2021). Strong internal control measures to lower the risk of fraud include segregation of duties and limitation to access cash (Archambeault & Webber, 2018). All participants who used cash discussed their restricted use of cash and segregation of duties as part of their internal control process. O4 effectively used the cash bags with the codes and O3 used the cash box to effectively monitor the use of cash. O1 and O2 effectively used segregation of duties by assigning different employees on projects to lower the risk of fraud within their organizations.

## **Theme 2: Board of Director Oversight**

The data retrieved from the participants interviews revealed that the Board of Directors oversight, ethics, and training helps to limit the risk of fraud and embezzlement costs (see Table 2).



**Table 2***Number of Participants who Mentioned Board, Ethics, and Training*

Subthemes/themes	Number of participants	Participant engagement (%)
Board of director	8	100
Ethics and training	5	60

Additionally, all eight participants mentioned governance and oversight as an effective way of mitigating the risk of fraud within their organization. P1 and P2 from O1 explained that for all organization purchases have to be authorized by the controlling board and then the treasurer, assistant treasurer, and president executes the payment. P3, P4, and P5 mentioned that they have a board of 13 CPAs, and P5 is the 14<sup>th</sup> member as president and CEO. P5 revealed:

As the 14<sup>th</sup> member of the board and none of the other members want to be in leadership when, if an accounting or financial scandal will happen, you understand what I am saying and like so, their level of diligence I think is elevated as a result of their fiduciary role on being on the board.

P3 mentioned that:

There are so many eyes looking in on their activities and it also gives more eyes to avoid errors because it's going through so many review processors, also we are notified of any suspicious checks which is kind of nice basically we have a board of 13 CPAs so we want to make sure that everything that's going through is

accurate so it's kind of giving, it shows our board that we are taking these processes seriously.

P7 and P8 revealed that all budget has to be approved by the parish council board and all decisions has to go through the parish council meeting. When asked, how the success of implementing these strategies were measured. P7 responded:

Everything is kind of or you are looking at is been peer reviewed and that we make presentations, actually we have what is called the general assembly we have a meeting and all the stewards are there, and we go over financials for the year our budgeting, what's going on they have to vote on that also, we have to give yearly, give financial reports that gets used to calculate the for the archdiocese, so the organization setup in kind of sections so when we were in the archdiocese, we were in the metropolis of the city, that's the kind of region that covers six-seven states, so we get information every single year around April time, we have to give then a report of our finances, what we pay, you know, what our income and expenses, capital expenditure, and stuff like that and then they, their financial people look at.

To triangulate the review of the organization's financial reports by the general assembly. I reviewed the organization audit report and the notes on the findings of the general audit conducted by the assembly. The audit report findings revealed that the organization's financial reporting was correct, and there was no sign of malpractice or misreporting.

### *Ethics*

Ethics was the first sub-theme found after the coding of Theme 2 Board of Directors' Oversight. The board of directors in all four organization played an important role in maintaining organization ethics. Managers using drive, professionalism, and effective behavior methods in securing the organization mission can avoid unethical behavior (Melé et al., 2017). P1 and P2 ensured ethical standards were followed after their organization bank account was compromised. However, all members of the board communicated with the bank and went to the bank and updated their debit cards and pin access.

P5 of O2 explained ethics as:

A manager you can do with your employees that , that can lower the incentive or the to commit fraud or the building up of resentment over time that might compel somebody to do but certainly you can't control their personal circumstances, but there are little things like our staff deal with vendors of hotels and speakers umm all kinds of different groups of other businesses that provide things for our businesses and at times they are perks that comes with that you, you know might get invited to, you know a free trip to a resort or something because they want to you to come and consider there resort or whatever, and some, a lot of businesses have policies that you can't, you know you can't do that stuff you can't have that stuff or whatever, our policy is that you essentially have to disclose it, you don't automatically get to take it right, you have to disclose it and then as an organization or as a group we decide how that get or if it gets accepted and how it

best gets used, and more often or not the person that might get gift or be invited to do something if it got a business purpose.

To triangulate the findings on organization ethics, I requested the handwritten policies, meeting minutes, mission statements, and bank statements to verify that O1 made changes to their debit card numbers. I reviewed O2 policies on accepting gifts. The policy indicate that all outside gifts must be reported to the president for consent.

### ***Training***

In nonprofit organizations, promoting employee training is strategic in increasing knowledge, skills, and changes in an organization (Nelissen et al., 2017). The results of the data analysis indicated that participants used training to help other leaders better understand business practices and limit the risk of fraud within the organization. The training of leaders and organization staff was conducted by O3, and O4. The training provided by both organizations included; how to file documents, how to use password manager and multifactor authentication, credit card terminals, what information needed to put on the cash box ledger. P6 of organization O3 explained:

Most of these new strategies for reporting and documenting cash, and checks have only been in place since February or March, the biggest hurdles were getting the president and vice president to correctly log things for all the cash from the cash box, the ledger reporting and training on using the credit card terminal setting them up with the mobile banking app on their phones teaching them to deposit checks, most of our accounts were possible especially the ones that store documents for financial information, membership information, we have digital, so

that also required additional training with the president and vice president on how to use multifactorial authentication.

When asked, was there any issue training your president to use the MFA. P6 responded:

I trained the president and vice president to use the Muti-factorial authentication (MFA). The MFA is when you sign into your bank account you get a text message and you sign a code in and then there is more secure ways of that TLTP which is time base one time password where you would use an app on your phone and provide a code that's sent to your phone to verify what the website ask for, the files themselves can be sync to local computers. There were no issues found during the training of the leaders.

To protect their organization assets, P7 and P8 of O4 implemented ways to train their members. P7 explained:

We trained the members on using Stripe, key storage, and applying security codes to the cash bags for fundraising events. The members got trained to process credit card transactions for fundraiser events using Stripe, and others got trained on proper key storage. All keys were stored in the main office and picked up by each designated member. In addition, multiple keys were to access the many departments of the organization, so the proper replacement and storage of all keys were essential. The cash bag training was a significant security measure because all cash bags had to have codes to secure the cash in the bags. Additionally, getting the members on board was difficult because some people were much

older, and you had to walk them through to understand what they were doing and why they were doing it. After all, I will get the odd looks like why you did not, because you know how much it costs us to re-key something because someone wants the key that lost access control and I got so trust me, I am doing the work upfront here so I do not have it later and nobody else is doing.

To triangulate the findings on training conducted by O3 and O4. I requested the organization's training policies and meeting minutes to verify when the training sessions occurred. The training policies for both organizations revealed that implementing new equipment or software usage requires all staff that has access to or uses the software/equipment to get trained.

### ***Correlation to the Literature***

The findings in Theme 2 aligned with Ghafoor et al. (2019) findings that an effective board of directors is effective in fraud prevention. Additionally, a good oversight function helps to reduce the likelihood of fraud (Ghafoor et al., 2019). The data revealed that all participants mentioned their board of directors' review of financial activities. An active board of directors provides a useful source of monitoring managers and leaders (Archambeault & Webber, 2018). O4 revealed that an effective board of director that leads ethically provides strong governance for accurate financial reporting.

Nonprofit employees with financial needs and the opportunity will likely engage in fraudulent behavior (Ohalehi, 2019). However, having a board of directors that provides consistent oversight of an organization's activities will lower the risk of

employees committing fraud. Thus, all four organizations board of directors effectively demonstrated consistent oversight of their organization activities.

### ***Correlation to the Conceptual Framework***

Theme 2 of this study correlates with Cressey's (1952) fraud triangle theory. The correlation to the fraud triangle theory is the board of directors' oversight policies that each organization used to prevent losses from employee theft and embezzlement costs. Most organizations' practices are better when upper management or the board of directors leads with an ethical tone (Cressey, 1952). An oversight function with a solid director reduces the likelihood of fraud (Ghafoor et al., 2019). Leaders and boards of directors with a practical component help mitigate fraud risk. An effective board of directors is vital in preventing corporate fraud (Ghafoor et al., 2019). The board of directors' responsibility is to make the necessary effort to ensure the implementation of the strategies and policies to protect the organization's assets from fraud (Uyar et al., 2021). All four organizations were influenced by a strong board of directors who committed to ethical practices and limited the risk of fraud and embezzlement costs. O4 effectively demonstrated during their annual review of books by the board that ethical practices can limit fraud within nonprofit organizations.

### **Theme 3: Transparency and Communication**

Data from the eight participant interviews showed transparency and effective communication as a positive measure used to lower the risk of fraud and embezzlement costs in nonprofit organizations (see Table 3).

**Table 3***Number of Participants who Mentioned Transparency and Communication*

Subthemes/themes	Number of participants	Participant engagement (%)
Transparency	8	100
Communication	7	90

The participants mentioned effective communication and transparency in most of the responses to the interview questions. During the interview with P1 and P2, when asked about effective strategies the organization used to provide transparency and communication P2 mentioned:

Well, we have a group and for example for our bank account which is very important we have to monitor that very carefully, we have three signees on the account, three people only who can manipulate or move around funds are anything related. I am the treasurer and we have a vice-treasurer or assistant treasurer rather, one gentleman who was the president of the association and who started the group, he is the owner basically, we don't do anything unless two people knows what's going on, example if I am going to be out of town being the treasurer, I would make sure I call the assistant treasurer and give him permission to conduct transactions on my behalf if I was around. I only provide him with three check leaves to do any business transactions deemed necessary by the president, another thing is when we are depositing funds, two of us go to the bank to provide transparency with handling the organization money.



P2 also mentioned the organization procedures to conduct banking transactions for withdrawals and payments. P2 explained:

Yes, and if we are making or sometimes if we have to do withdrawals also, for example I will not actually go, but if we are doing wire transfers you know, he goes and we would inform each other that they have a transaction to send money to the school, he will go to the bank and let me know.

P1 shared effective strategies used to limit fraud and embezzlement costs:

I would say that anyone or any organization that is setting up a bank account that entity needs to make sure the bank communicates with them whenever any withdrawal or statement alteration is done, or attempted, is attempted or done.

P6 of O3 pointed out that the challenges of getting the president and vice president to communicate with each other about training was successful. P6 explained:

The training was successful because the president and vice president communicated with each other daily to understand the MFA training and inputting information on the cash box ledger. However, it needed some follow up, some items worked on entirely the way it intended to like deposit checks right away or they would just type in a number on the credit card processor rather than marking what it's for, the president and vice president would have issues completing the cash ledger correctly and stuff like that so I had to follow back up with the president vice president to remind them to follow the formats which basically gives us more data to work with and allows us to try to control the

transactions, based on the training we provided transparency and communication amongst all leaders by sharing knowledge.

To verify the effective communication among leaders. I triangulated the data on the success of leaders communicating during training by matching the interview notes from O3 with the meeting minutes on the dates that the training took place. I also looked at the training log book to verify that the instructing leader followed up with the president and vice president during the training. Additionally, I looked at the handwritten policies for O1. I verified that a minimum of two leaders must communicate with each other while making transactions on behalf of the organization.

Additionally, P6 explained the success of communicating about the training of the president and vice president on the organization strategies to limit fraud and embezzlement costs, P6 explained:

The communication about training seems to be successful so far and have not had any issues. Occasionally I do have to follow up if they don't fill out something and verify who did the transaction and did not put their name on it, and would get a little bit more detail on something again there is always some checks and balances as long as it's not cash, checks deposited check images so I can easily match name on the check with Wells Fargo, the credit card processor most of the time with it has a name linked to it in square system, otherwise it just shows up as Visa, Mastercard or American Express.

By communicating these processes the president and vice president were able to adopt the new principles. Effective communication among leaders to understand the organization's strategies helps to create robust internal control measures.

I triangulated the data received during the interview by going over notes that I took from all participants of O1, O2, O3, and O4 on banking withdrawals, training communications and verified the information with the transcribed recordings, general ledger, bank statements, and meeting minutes to determine the accuracy. To create the themes, I verified the transcribed interview notes with O1, O2, and O4 financial statement and reviewed O3's general ledger transactions and matched with the notes that were taken during the interview.

All participants argued that promoting transparency and increasing full disclosure of their organization reporting contributed to limit fraud and embezzlement costs. For example, During the interview with P3, P4, and P5 of O2, P5 emphasized on providing transparency as the main factor to lead ethically. P5 also shared internal control strategies that were used to successfully limit fraud and embezzlement costs. P5 explained:

As an executive management my philosophy is that to our volunteer leaders, to our board of directors we are an open book so if anybody on our board wants to know or examine or see anything that's absolutely there right privilege , and so I think transparency is, that's number one for me in terms of protecting assets and ensuring that they are used in proper ways and things like that, and we have a number of mechanisms in terms of reporting and structures that, you know that provide routine assurances and that stuff so.

P5 shared ways of how organization leaders should disclose of incentives and offers from vendors, and business partners to successfully limit fraud, P5 revealed:

A lot of businesses have policies that you can't, you know you can't do that stuff you can't have that stuff or whatever, our policy is that you essentially have to disclose it, you don't automatically get to take it right, you have to disclose it and then as an organization or as a group we decide how that get, or if it gets accepted and how it best gets used, and more often or not the person that might get gift or be invited to do something if it got a business purpose particularly and yes accept the gift and yes go do the thing, so I think it provide unless our staff get some of those perks but at the same time keeps us all in that together so I think that it lowers resentment for those type of things, so I think there is a lot of things that you can do within your own organization to keep everybody a team player and not feeling like they don't get some of those things, so does, am I making sense, I don't know that I am articulating it very well, so I do like that open door policy strategy where they are allowed to accept the perk, or perks but they have to mention it, disclose it, disclose it.

To verify the findings on O2 policies for transparency among leaders and for accepting gifts. I reviewed the organization's mission statement and handwritten policies on disclosures. The policy indicates that the organization leaders must report all operational and organizational happenings to the board of governors. The policy also

stated that a member receiving gifts while working at the organization must report the offer to their department leader.

P5 also mentioned, how the organization leaders responded to high value offers from vendors and business associates. P5 explained:

There have been times we decline things I will give you an example because I am just not going to articulate well, but when we moved from our offices to this space we had to engage in signing with a commercial real estate broker, whoever got that business, whoever got that business to be our commercial real estate broker was going to make a significant sum of money helping us negotiating this lease right because they get that back from the building wherever you end up signing the lease, we had, I can't remember the number, but it was a couple of dozen commercial real estate firms that wanted our business and they all want to wine you and dine you because the dollars were so big, we went into that process saying we are not just going to accept any of those things because only one was going to get the work and they were going to get the work because they are the best at what they did, not because they provided a nicer steak dinner, a better bottle of wine, or whatever it may be. Thank you, but were not accepting those gifts now, but now once we had an agent that we are working with and the deal was done and they want to take us to a celebratory dinner and we did that, but that was after all the work was done and the board approved and all that stuff.

The word transparency was also mentioned by P7 and P8 of O4. P7 responded:

When I explained to them, and hopefully It has to do with my ability to effectively explain why we do things certain ways , why we need the key locks, why we have to have strong internal security as we know with between phishing attacks and spam ware, spyware intrusion this stuff has been bombarding everybody every single way we see what happens with identity theft and I go this is important you, I go you know simple policies like don't just do, ask first ask somebody else that we, transparency is a, is very important here mostly not because we do care we don't want people think that we are hiding stuff but transparency involves people to see with different eyes . If I can't explain to the parish council people who see this all the time , I go you can't tell me that you look at the financials I did and you don't have questions, you want to know why, I did it and I have questions that I have to go back and ask myself why did I did it that way and oh I see why I did it that way, and that's why it's important and another part of it too is having multiple eyes on what we are doing , you can't run an organization especially one that has obligations like we do being a 501(c)(3) and being responsible for a lot of this money, you don't want anything to be above and you don't want anyone to ever question what you're doing and that's why we put these in place because you cannot question ah this stuff, I mean you know what I am saying like you ask the question but the answer is right there, its there for everyone to see so, there is no we tell people there is no taboo subject matter, if you have a question you ask and go from there.

To verify the findings from O4, I requested the handwritten policies for transparency, and I reviewed the organizational and operational budget reports that are shared with the members quarterly. The policy indicates that all financial obligations must be shared with the entire organization quarterly. The operational budgets provided the amounts and dates when the quarterly reports got distributed to the organization members.

When asked, so how did your organization benefitted from implementing these new strategies that you and P7, brought to the table. P8 responded:

What I think significantly improved the trust from the community, is the fact that we were transparent in our accounting, that and at the general assembly's we do provide detailed information and our parish council we provide more detailed information so there isn't any adversarial relationship between money and the parish , the problems that we had in the past were not due to embezzlement, it was just poor practices, poor implementation, and poor management, whatever the executive wanted, too much power without oversight. it's how you prioritize your expenses and projects, okay.

To verify the findings of trust and transparency within the organization. I requested and reviewed the most recent organizational chart, mission statement, and handwritten policies on transparency and verified that the organization had a change in leadership for the president, treasurer, and assistant treasurer. I also reviewed the financial reports and saw where the prior treasurer needed to be more fully transparent in

preparing reports such as balance sheets, operational budgets, and handwritten policies to develop the trust of being transparent with all members.

### ***Correlation to the Literature***

The findings found in Theme 3 aligned with Striebing's (2017) findings that transparency is an organizational attribute important for openness of leaders and the outside community. Transparency is developing a relationship of accountability with the organization's stakeholders and leaders (Striebing, 2017). An important method used to provide accountability in nonprofit organizations is to provide information disclosure and transparency (Lu et al., 2018). All four organizations provided transparency and communication. O1 leaders communicated when going to the bank, O2 created policies for their employees to be transparent about bribes and incentive offers, O3 leaders communicated during training to learn about new policies and O4 leaders communicated with their members and provided transparent final disclosure at their annual conferences.

The use of transparency in nonprofit organizations helps to improve the organization's credibility with donors, and it also helps to reduce the risk of an outbreak of fraud scandals (Lu et al., 2018). The disclosure of financial reports and the refusal of incentive offers revealed by P5 indicated that transparency is effective in limiting the risk of fraud and embezzlement costs in nonprofit organizations.

### ***Correlation to the Conceptual Framework***

Theme 3 of this study aligns with Cressey's (1952) study on the fraud triangle theory. The correlation is based on the open communication and transparency between O3 leaders who provided follow-up on internal training programs and O4 who provided



an open-door policy on the organization's financial operations and reporting. Cressey indicated that people acquire patterns of unlawful behavior the same way they acquire patterns of lawful behavior. The trusted person possesses appropriate verbalizing skills to adjust his conception as a trusted person (Cressey, 1952). The trusted person were the 4 organization leaders. However, they did not used their trust within the organizations to create a misconception.

Nonprofit organizations face high public expectations for increased accountability and transparency (Zhou et al., 2021). To eliminate the risk of pretense and conception of a trusted person, organization leaders must voluntarily share factual information to inform other leaders and the general public about the organization (Zhou et al., 2021). Therefore, the pattern of practicing good communication and transparency creates a pattern of lawful behavior.

### **Applications to Professional Practice**

The findings from this study are relevant in helping other business leaders prevent losses from employee theft and embezzlement costs. Other business leaders could take advantage of the information provided regarding successful strategies that nonprofit leaders use to prevent the risk of fraud and embezzlement costs. Fraudulent activities mainly flourish from fraud carried out by unethical behavior from wrongdoers, who develop creative ways to deceive the crime-free organization (Azam, 2018).

All organizations are susceptible to the risk of fraud; therefore, to reduce fraud, managers are implementing training policies and procedures to detect fraud (Moyes et al., 2019). Internal control is defined as an essential process that leaders use to achieve

organizational goals effectively from the risk of fraud (Hendri & Amelia, 2019).

Additionally, the internal control policies of an organization are to improve its objective of reducing fraud, providing reliable financial documents, and including compliance with the relevant regulations and laws (Hendri & Amelia, 2019).

Therefore, leaders can improve the value of their organization by having an internal control policy that effectively lowers unethical behavior, such as fraudulent activities (Peterson, 2018). The findings from this study aligned with Cressey's (1952) fraud triangle theory, where leaders can use the fraud triangle theory to understand better the reasons why individuals commit fraud. Managers who understand and use the fraud triangle theory may gain insight into fraud to help lead a successful business (Akuh, 2018).

The findings of this study indicate strategies that nonprofit leaders use to limit the risk of fraud and embezzlement costs. The nonprofit leaders used the following strategies:

1. Established procedures for check signing and cash reporting
2. Board of directors' governance and oversight
3. Communication and transparency amongst business leaders that reduce unethical business practices

In addition, the findings indicated that for nonprofit leaders to reduce fraud and embezzlement costs, leaders can offer internal control policies such as; multiple check signors, secure cash boxes, and cash bags, and improve communication and transparency amongst leaders. To provide robust financial reporting, leaders can offer governance and ethical review from the board of directors to improve ethical financial reporting. Other

business leaders could gain information about these different internal control policies to prevent weaknesses in their internal control procedures.

### **Implications for Social Change**

This study's findings may contribute to social change by reducing fraudulent activities in smaller nonprofit organizations. Nothing threatens trust for nonprofits more than having a scandal involving unethical behavior from its leaders and employees (Archambeault & Webber, 2018). The public disclosure of an organization's employee committing fraud can extensively damage the organization's brand, lower revenue, and destroy the organization's image (Rahman et al., 2017).

Employee theft and embezzlement can be minimized if organizations implement fraud risk procedures. The impact of fraud can be damaging to any business but losing money to employee fraud in the nonprofit sector can destroy morale and lower the reputation of public confidence in nonprofits (Ohalehi, 2019). The significant financial losses within the nonprofit sector could affect other organizations' employees, leaders, customers, and donors. Nonprofit organizations' reputations are strongly dependent on their transparency and accuracy of reporting, so it is essential to avoid staining them with scandals to avoid the organization's demise (Archambeault & Webber, 2018). Therefore, employee theft and embezzlement costs may minimize when nonprofit organizations implement the fraud risk procedures cited in this study.

The findings from this study may have implications for positive social change that include increased knowledge related to strategies that nonprofit leaders use to become effective leaders to mitigate the risk of fraud and embezzlement costs within their

organizations. By adopting fraud prevention strategies, business leaders could implement internal controls to increase the likelihood of business success. Enhanced business success may increase nonprofit resource availability for improving the economic status of the local community. Nonprofit leaders may gain a positive perspective from this study to implement internal controls within their organization to create a positive and fraud-free environment.

### **Recommendations for Action**

Organization leaders of nonprofit organizations should review the findings of this study and consider implementing the strategies used to limit fraud and embezzlement costs. Based on the findings displayed in this study, I propose three recommendations for actions to be taken to improve strategies to prevent employee theft and embezzlement costs in nonprofit organizations:

1. Leaders of nonprofit organizations should lead with transparency and ethical tendencies to provide successful strategies to protect against unethical behavior.

2. Create and implement training policies to help leaders of nonprofit organizations to prevent the risk of employee theft and embezzlement costs. Nonprofit leaders may consider implementing training policies on using credit card terminals, setting up access to mobile banking apps for quick check deposits, and providing training on Multi-factorial Authentication (MFA). The MFA provides an electronic authentication method in which users who make online deposits can be granted access to the bank website application after verifying two pieces of evidence to say who it is.

3. The boards of directors should have an oversight committee to review all financial transactions. The board's responsibilities include reviewing all purchases, disbursements, budgets, and financial reporting and providing independence with an ethical review of books and records. Organizational leaders should also look at the financial records to provide transparent, honest reporting for the public to see what is happening within the organization. Some of the oversight that the board of directors may develop are the rules for processing checks and cash deposits, communication amongst leaders, more robust ethical policies, the tracking of cash transactions, and lead with transparency in financial reporting internally and externally. Leaders of nonprofits and Board members may implement robust procedures that support the segregation of duties for all employees.

The findings of this study may minimize fraud risk and reduce financial losses in small nonprofit organizations. I recommend scholars, researchers, students, business leaders, small nonprofit organization leaders, entrepreneurs, and government agencies to promote the findings of this study at conferences and training sessions to the perception of the risk of fraud in organizations. Additionally, my research will be available in the ProQuest database for scholarly researchers and student researchers to review. I will disseminate my study findings by preparing a one- or two-page summary of recommendations to each participant. I will also publish my research in journals to reach other organizations or individuals interested in my study.

### **Recommendations for Further Research**

This qualitative multiple-case study explores internal control strategies that some nonprofit leaders use to limit fraud and embezzlement costs. The findings revealed in this study are from interviews conducted and the review of organizational documents such as minutes, bank statements, balance sheets, training programs, and profit and loss statements. The study population was limited in scope, and further research is needed to determine other strategies that nonprofit organization leaders could use to limit fraud and embezzlement costs. I recommend the following four suggestions for future research:

1. Additional qualitative study in other nonprofits across the United States, such as the northern states, western states, and other southern states.
2. Future researchers should consider interviewing employees to obtain different perspectives about the strategies used to limit fraud and embezzlement costs.
3. Other researchers should consider using the mixed-method or quantitative method to examine the relationship between employee fraud and other existing variables. Researchers conducting studies such as longitudinal may provide leaders of nonprofits with new data that may help limit fraud and embezzlement costs.
4. Future researchers should also consider conducting similar research on for-profit organizations to collect rich data on strategies limiting fraud and embezzlement costs. The examination and study of other internal control procedures may require more profound studies.

## Reflections

During my pursuit of completing this study, I have grown academically as a researcher. Additionally, I learned that my role as the sole researcher is to avoid personal bias and not create my own conclusions. During the data collection process, I was aware that personal bias could affect the validity and reliability of this study. However, my attempt to avoid personal bias includes following the interview protocol to provide a fair and honest way of treating all participants the same, and I also conducted member checking for all interview notes to review for accuracy from each participant. Additionally, during the interviews, I discovered that all participants were confident and ready to discuss procedures that their organizations put in place to limit fraud and embezzlement costs.

The interview location and settings were most convenient to the participants; they were allowed to discuss their organization strategies without distractions or interruptions openly. In addition, I gained a positive insight into successful strategies that nonprofit organization leaders used to limit fraud and embezzlement costs. Upon reviewing the interview notes with the eight participants, it was clear that all eight participants were practicing robust internal control procedures, and they all had a passion for their organization's mission.

Each participating organization in this study has proven to lead ethically, and all aggressively supported the

1. Procedures created to limit fraud and embezzlement costs,
2. Board of Directors' oversight to help mitigate fraud the risk of fraud, and

3. Communication and transparency between leaders and stakeholders to limit the risk of fraud.

The DBA study has allowed me to develop strong research skills. I have better understood the research process and developed a strong passion for gathering data, coding, and qualitative analysis. I intend to expand upon my initial study and explore other strategies nonprofit leaders use to limit fraud and embezzlement costs.

Additionally, I want to continue researching and presenting findings with the hope that they will be beneficial in helping organizations to avoid losses from fraud and embezzlement costs.

### **Conclusion**

This research aimed to share strategies that nonprofit leaders successfully used to limit fraud and embezzlement costs by identifying,

1. Established procedures to help leaders to prevent losses from employee theft to motivate employees to meet organization goals effectively.

2. Board of director oversight to mitigate risk and fraud to secure organization assets and lead ethically through training and leadership skills, and

3. Transparency and communication among leaders promote transparency for stakeholders and employees to gain confidence in the organization's operations.

Nonprofit leaders can minimize risks and improve business outcomes with access to internal controls, training, and ethics. With minimized risks and improved business outcomes, nonprofit leaders would be better able to expand their organization services.



This study and the available recommendations may provide valuable and practical solutions for other nonprofit organizations regarding implementing effective internal control systems. The information provided may enable the nonprofit community to minimize fraud costs effectively and reduce financial and reputational losses from business failure due to fraud and increased embezzlement costs.

Nonprofit organization leaders should use all resources to apply strategies to sustain their organization's growth effectively. Current nonprofit organization leaders struggling to limit fraud, small business owners, academic scholars, and governmental agencies may use the findings of this study to learn and limit fraud and embezzlement costs. The findings may also be successful in implementing business procedures or strategies to sustain organizational growth. Thus, the study findings may promote positive social change by supporting small startup business programs and children's education, improving adults' knowledge of nonprofit fraud, and enhancing the development of local community programs.

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### Appendix: Interview Protocol

The purpose of this interview is to explore strategies that nonprofit organization leaders use to lower the rise of fraud and embezzlement costs. The main research question is: What internal control strategies do nonprofit leaders in south Florida use to limit fraud and embezzlement costs? The interview will also consist of seven other open-ended questions to gain insights from experienced nonprofit leaders of two nonprofit organizations located in south Florida. The order of the interview process will be as follows:

*Selecting the Participants:* I will contact participants by phone or email.

*Setting Time and Place for Interview:* I will arrange for interviews to be in the participants' offices or any place most comfortable for the participant.

*Greeting and Brief Introduction:* I will explain the purpose of the study, give verbal consent, and provide a consent form to each participant to sign before conducting the interviews.

*Recording the Interview:* I will audio-record each participants' interview with a voice recorder.

*Appreciation:* I will thank each interviewee in person after both interviews and send an email as a second thank you

*Transcribing the Interview:* I will transcribe data of each interview and email my interpretation and transcription to the participants to ensure accuracy and credibility.

*Member Checking:* I will confirm the accuracy of the transcription by contacting each participant to approve my interpretation of their responses.

### **Interview Questions**

1. What internal control strategies have you used to successfully limit fraud and embezzlement costs?
2. How did your organization benefit from implementing those strategies?
3. How did you measure the success of implementing internal control strategies in your organization?
4. What were the key barriers to implementing your internal control strategies to successfully limit fraud and embezzlement costs?
5. How did you overcome the key barriers to implementing your internal control strategies to successfully limit fraud and embezzlement costs?
6. How did you know that your strategies were successful?
7. What additional information would you like to share about internal control strategies used to limit fraud and embezzlement costs?