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Exploring Strategies to Protect Nonprofit Organizations' Assets From Fraud

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This is to certify that the doctoral study by

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has been found to be complete and satisfactory in all respects,
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Walden University
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Abstract

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MS, New England College, 2010

BA, Fairleigh Dickenson University, 1993

Doctoral Study Submitted in Partial Fulfillment

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Abstract

Community action agencies serve low-income individuals, families, and communities.

Community action agencies may be at risk of fraud if they do not have board members

with the knowledge to implement effective governance strategies to protect the

organization's assets from fraud. Grounded in agency theory, the purpose of this

qualitative multiple case study was to explore effective governance strategies that some

community action board members use to protect their organization's assets from fraud.

The participants were three board members of two community action agencies in New

Jersey who implemented effective governance strategies to protect the organization's

assets from fraud. Data were collected using semistructured interviews and a review of

organizational documents. Through Yin's five phase data analysis process, three themes

emerged: board competencies, internal and external controls, and the organization's

culture. A key recommendation is for board members to follow a formal recruitment

process based on board member competencies. The implications for positive social

change include opportunities to improve best practices and policy changes to prevent

fraud and to reduce the diversion of assets from mission-driven work by community

action agencies serving low-income individuals, families, and communities.

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Dedication

I dedicate this study in memory of my grandparents, Rose and William Munsey, Florence and "Dutch" Trinkle, and my parents, George and Patricia Trinkle who I miss each and every day. I also dedicate this study to my sisters, the three other parts that make me whole, thank you Trinkle Girls for believing in me starting with my very first day as your little sister, a title I will always bear with pride. Also, to RA for always and emphatically declaring Tony's divine, no matter the questionable state of things. Finally, to my nieces, Patricia and Sydney, may you always know to follow your dreams, all the way, wherever they take you.

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I wish to acknowledge Dr. Sylnovie Merchant, my original first chair, who provided mentoring and positive reinforcement. To my final first chair, Dr. Walter McCollum, who built a community of students, provided abundant resources to assist me, and helped me to produce the highest quality of work. It is an honor to be part of his legacy at Walden University. I would like to acknowledge and thank Dr. Theresa Neal, second chair, who throughout the entire process always prepared me for the next step, provided timely and helpful feedback and resources, and had vast knowledge that improved my study greatly, especially steering me through the final phase of research; I extend my deepest gratitude. I would also like to mention my appreciation of the Walden University librarians and a special acknowledgement to the technical support team who provided live assistance on holidays, weekends, and some late nights too. Thank you to my early readers, especially Jen and Robert. A special thank you to Jen for never tiring of the Monday morning fraud case and for always being surprised. A special thank you to Syd for her edits and assistance with SPSS charts and tables. I would also like to acknowledge the participants of this study who shared their time, knowledge, and expertise and demonstrated the quality of CAA board members driven by mission and purpose to assist individuals in poverty. The NJ CAA network is a special one, and I thank the warriors who fight poverty every day; our communities are better for their efforts.

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Section 1: Foundation of the Study

The roles and responsibilities of nonprofit board members require knowledge and competency in strategies to protect the organization's assets from fraud. However, board members fail to understand their moral, legal, and fiduciary commitments. This breakdown reflects a culture that fails to create equitable accountability for nonprofit and for-profit organizations (Wiehl, 2004). There is a lack of responsibility demanded by society and by the industry. The nonprofit sector lacks the internal controls required of publicly traded companies (Archambeault et al., 2015). However, nonprofit organizations bear a more significant burden in society, especially in delivering critical services during a crisis (Wiehl, 2004). An increased focus on strategies implemented by board members is needed to understand how to protect assets from fraud in the nonprofit sector.

Background of the Problem

Nonprofit organizations are mission-driven organizations that address, improve, eliminate, or alleviate a condition, cause, or issue. These organizations often are the first to respond to disasters, emergency conditions, or critical or emerging problems. The Internal Revenue Service (IRS, n.d.) acknowledges nonprofit organizations for tax-exempt purposes when they exist exclusively for religious or charitable reasons. Other acceptable nonprofit organizations may be faith-based, scientific, or engaged in literary or educational studies. The reach of nonprofit organizations is vast, as social service and helping organizations and as an industry, and they propel the economy and market forward. In the United States, nonprofit organizations account for 5.6% of the gross domestic product (Molk & Sokol, 2021), representing a substantial market value to the

economy. Nonprofit organizations are growing in the United States, with 1.58 million registered and a growth rate of 4.5% from 2010 to 2016 (National Center for Charitable Statistics, 2020). In addition to the growing body of organizations, this sector had a growth in staffing by 20% in the last decade (Woodroof et al., 2021).

Despite the importance of nonprofit organizations in addressing society's philosophical and collective needs and meeting the needs of the community's most vulnerable members, nonprofit organizations are susceptible to fraud. Nonprofit organizations depend on their boards of directors for ethical, legal, and fiduciary responsibilities; these responsibilities are assessed only through self-monitoring (Bloch et al., 2020). Self-monitoring leaves nonprofit organizations susceptible and vulnerable to fraud. Further, 25% of nonprofit organizations experiencing fraud will not be sustainable 3 years after the fraud occurs (Archambeault et al., 2015). The risk of fraud to nonprofit survival requires a comprehensive understanding of effective governance strategies.

Academic research is lacking in the nonprofit sector and rarely addresses the link between governance and fraud in nonprofit organizations. While several studies have explored nonprofit fraud, they have focused on examining opportunities and occurrences of fraud. Other research has focused on the leadership qualities of nonprofit organizations to prevent fraud from occurring. Extraordinarily little research has focused on board members and governance protecting an organization's assets from fraud. Research on effective governance strategies is rare, and research on effective governance strategies with the agent (board member) and the principal (other stakeholders) is also lacking (Guo, 2007). Research on effective governance strategies of nonprofit organizations can

improve the quality of governance practices (Wellens & Jegers, 2014). Efficient and well-governed nonprofit organizations can improve service delivery methods and save their assets from fraud diversions.

Problem and Purpose

The specific business problem is that some board members of community action agencies (CAAs) lack knowledge of effective governance strategies to protect their organization's assets from fraud, resulting in lost dollars to achieve their mission. Therefore, the purpose of this qualitative multiple-case study was to explore effective governance strategies that CAA board members use to protect the organization's assets from fraud.

Population and Sampling

Data were collected from three purposefully sampled nonprofit board members of two nonprofit CAAs in New Jersey who were interviewed using a semistructured interview process to gather their lived experiences and knowledge for implementing governance strategies to protect their organization's assets from fraud. I reviewed organizational documents for a second review including a review of audited financial statements, IRS tax return filings, and board governance documents.

Nature of the Study

Three distinct research methodologies exist, which are (a) qualitative, (b) quantitative, and (c) mixed methods. Qualitative research is closely aligned with social sciences and is a widely recognized fundamental method. Qualitative research involves different data collection sources and input, directing the research strategies and design for

interpretation and inquiry (Keenan, 2020). Quantitative research involves analyzing numeric data and testing a hypothesis. Quantitative research also includes an analysis of two or more variables using inductive study (Scherbaum & Shockley, 2015). Mixed methods research involves integrating qualitative and quantitative research. Mixed methods analysis can be excessively complex and needs the flexibility of a case study design (Plano Clark & Ivankova, 2016).

Qualitative research was the most appropriate methodology as I explored governance strategies that board members utilized to minimize fraud. This topic required exploration and understanding, which were best afforded by qualitative research methodology. Quantitative research methods were not appropriate for this study because the study design involved exploring the knowledge that board members of nonprofit organizations have in implementing strategies to minimize fraud. This research required an exploration best designed through surveys, interviews, or discussions, not numerical data collection or hypothesis testing. The mixed methods approach was not appropriate because examining the knowledge that board members have of governance strategies to reduce fraud is not numerical, and there were not relationships of variables to examine for this study.

Within qualitative research, there are assorted designs. These distinct designs include grounded theory, phenomenological, or case study design. Grounded theory is appropriate for inductive reasoning and allows an idea to emerge from collected data that are constantly analyzed (Chun Tie et al., 2019). Because I did not use large amounts of data to investigate the issue of minimizing fraud, grounded theory was not appropriate.

Phenomenological studies rely on individuals' lived experiences, allowing the researcher to examine human experiences and a suitable design for research areas with limited information (Adams & van Manen, 2017). Because I did not conduct extensive scale interviews or try to understand governance strategies through the perceptions of individuals who experienced fraud, the phenomenological design was inappropriate. Case study design provides an in-depth inquiry into a topic and allows the researcher to generate insights and develop a theory (Saunders et al., 2016). Case study design permits the researcher's knowledge to shape the context of the findings along with the conceptual framework and intensive data collection process (Hyett et al., 2014). I selected the case study design as the most appropriate for this study because it allowed my knowledge to be critical in exploring the problem and interpreting solutions. The in-depth method of case study design research facilitated my ability to gather data to answer the research question regarding board members' knowledge of governance strategies to minimize fraud in nonprofit organizations through in-depth investigation.

The case study research design enables the researcher to explore the complexity of a case in the most complete way possible through in-depth data collection, involving multiple types and sources of information and reporting of descriptive themes (Yin, 2018). According to Yin (2018), a multiple case study design provides more in-depth research. A multiple case study adds rich detail covering multiple cultural influences not found in a single case study. Therefore, this study included a multiple case study design to explore strategies that two organizations in New Jersey deployed that protected their assets from fraud.

Research Question

What effective governance strategies do some nonprofit CAA board members use to protect the organization's assets from fraud?

Interview Questions

1. What governance strategies have you implemented to protect the organization's assets from fraud?

2. What training methods do you utilize to protect the organization's assets from fraud?

3. How do you assess board members' knowledge of governance strategies to protect the organization's assets from fraud?

4. How do you design and implement the strategies used to protect the organization's assets from fraud?

5. How do you assess the effectiveness of implementing strategies to protect the organization's assets from fraud?

6. What strategies have you implemented to improve the reporting of suspected fraud in the organization? Do you implement any strategies to report knowledge of fraudulent behavior?

7. What barriers can you identify that occur when implementing strategies to protect the organization's assets from fraud? How do you mitigate those barriers?

8. What other information about implementing governance strategies to protect the organization's assets from fraud and minimize fraud in nonprofit organizations can you share that we have not discussed?

Conceptual Framework

The theory that grounded this study was agency theory. The history of conflicts in business issues was explored as early as 1776 when Adam Smith determined that disputes arise between owners and shareholders, causing a divergence in the principals' (owners) interest (Smith, 2012). In a seminal work, Jensen and Meckling (1976) extended this argument to relationships between agents and principals. They found that delegating decision-making authority to the agent will result in the agent not always acting in the principal's best interests. This seminal work set the basis for agency theory. I used the conceptual framework of agency theory to understand agent–principal conflicts and identify, explore, and understand strategies to protect New Jersey nonprofit organizations' assets from fraud. I used agency theory to explore the extent of knowledge of techniques used by the board to protect the organizations' assets from fraud. Qualitative research that uses a theory as the lens to examine the research concept results in a deeper understanding of the phenomenon. Lynch et al. (2020) found that the most appropriate theoretical concept, when identified at the start of the research inquiry and applied throughout the process, will provide insight validated by observations and help researchers illuminate the core of the issue more easily under study. Applied to this study, agency theory as the conceptual framework made it possible to explore conflicts between individuals and conflicts that develop when the goals of the owner and manager conflict.

Organizational conflicts often lead to organizational failures, including financial, human, and profitability failures.

Operational Definitions

Agency theory: The foundations of agency theory refer to the principal–agent relationships by which a contract exists between two parties, the principal and the agent. The principal involves another party, the agent, to perform a service on behalf of the principal in which delegation of authority in decision-making is granted to the agent (Jensen & Meckling, 1976).

Association of Certified Fraud Examiners (ACFE): ACFE is the world's largest antifraud organization with a mission to reduce the incidence of fraud and was established in 1988 to investigate, detect, and deter fraud (ACFE, 2022).

Community action agencies (CAAs): A CAA is a local, private nonprofit, or in some cases, a unit of local government that aims to reduce poverty through locally designed and delivered programs and services targeted to the community's specific needs. CAAs are state designated but locally controlled, governed by a tripartite board representing the low-income community, local elected officials, and private and public community stakeholders. CAAs receive funding and authority from the federal Community Services Block Grant (CSBG), originally established under the Economic Opportunity Act of 1964 by President Lyndon Johnson (National Community Action Foundation, 2022).

Fraud: Obtaining something of value through deception, including mispresenting facts or silence when good faith requires expression, with material damage resulting from the deceit (IRS, n.d.).

Nonprofit organizations: Charitable nonprofits are designated by three dozen types of tax-exempt organizations created by Congress. Each section identifies certain conditions required for compliance for exemption from federal income taxes. Nonprofit organizations include 1.3 million organizations in the United States that drive economic growth through feeding, healing, educating, and nurturing individuals of every age, gender, race, and socioeconomic status (National Council of Nonprofits, 2022).

Assumptions, Limitations, and Delimitations

Research studies that are carefully planned include assumptions, limitations, and delimitations that may impact the study's usefulness. Assumptions, limitations, and delimitations may affect the conclusions of the research. This section provides acknowledgment and transparency of boundaries that I controlled as the researcher and those items beyond my reach and provides a rationale for my decisions in the study design.

Assumptions

Assumptions of qualitative research include the statements and assertions made in data collection that are believed to be truthful and honest (Durkin et al., 2020). Multiple data sources, rich in real-life situations, have been described as a distinguishing characteristic of case study methodology (Stake, 2010). I assumed that fraud was occurring in the nonprofit sector and that effective governance strategies could be used to

protect the organization's assets from being diverted from mission-driven work. I assumed that board members with experience minimizing fraud would not be involved in fraud occurrences. I also thought board members would openly report their experiences and findings and be honest and transparent in their answers.

Limitations

Limitations in qualitative research include the complexity of studying a phenomenon using a combination of methods limited to internal and external validity (Leung, 2015). One of the most frequent criticisms of the case study approach is the perception of low validity and reliability (Quintão et al., 2020). Limitations and generalizations can arise in a study that may affect the study's conclusions. This study had several limitations. The first was the number of individuals who have minimized fraud in nonprofit organizations by providing their perspectives on the topic. The second limitation lies in the study design, a case study design. Intense and prolonged proximity is a privilege in case study research, and case study design can be unpredictable (Quintão et al., 2020; Yin, 2018). The final limitation was that the study may be unique and not interchangeable or replicable with other nonprofits or CAAs.

Delimitations

Delimitations are the selection methods that researchers use to identify the scope and boundaries of a complex and complicated area of study (Wendt, 2020). The delimitations of this study included the geographic location of New Jersey and the limitation to CAAs. The participants of this study included only board members of CAAs with knowledge of protecting their organization's assets from fraud.

Significance of the Study

In this qualitative multiple case study, I explored governance strategies that board members use to protect their organization's assets from fraud in nonprofit CAAs. The results of this study may help other nonprofit organizations and CAAs mitigate fraud and implement effective governance strategies to increase their mission-driven work. This study may also reduce the likelihood of nonprofit organizations closing due to fraud and prevent nonprofit organizations from reduced funding from donors or funders due to failure to protect the organization's assets. This study may also help nonprofit board members understand their fiduciary duties as board members, increase their comprehension of fraud risks, and decrease the stigma of nonprofit fraud that results in unreported and undisclosed fraud cases. This study's results may also improve nonprofit organizations' business practices through effective governance, capacity, and organizational sustainability and benefit the communities they serve.

Contribution to Business Practice

Nonprofit organization leaders with effective governance strategies can improve their business practices and protect their organization's assets from fraud. The essential requirements of board members of nonprofit organizations are the legal and moral responsibility for adequate planning and oversight of the mission-driven work of the organization, fiscal responsibility, integrity, and accountability (Picard et al., 2022). The study findings may encourage nonprofit board members, including CAA board members, to review governance strategies, leading to more productive and fiscally responsible spending. Improved governance strategies can help nonprofit organizations to continue

their mission-driven work, including protecting community service block grant funding from misappropriation of fraud.

Implications for Social Change

Nonprofit organizations deliver essential services in the community, and effective board governance is critical to the success of organizations. Board members of nonprofit organizations who fail to implement effective governance strategies and monitor their performance risk fraud and asset diversion from their mission-driven work (Blevins et al., 2020; Harford et al., 2018; Madhani, 2017). The study may improve the performance and management of nonprofit organizations and create services that are provided more efficiently and effectively, in a mission-centered way. Leaders of nonprofit organizations focused on their legal and moral responsibilities may protect their organization's assets from fraud diversion, improve service delivery, serve additional individuals in need, and sustain their existence for community members in the future.

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A Review of the Professional and Academic Literature

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The purpose of this qualitative multiple case study was to explore governance strategies that board members of nonprofit organizations used to protect their assets from fraud. My study's findings may contribute to the existing literature on governance strategies and strategies used in nonprofit organizations to minimize fraud. The conceptual framework for this qualitative case study was agency theory, which has "principal" and "agent" as key concepts developed by Jensen and Meckling (1976). However, knowledge of nonprofit board members' behavior and governance decision-making is vital to protecting nonprofit organizations' assets from fraud. The professional

and academic literature review provided a solid basis for the study to address the central research question: What governance strategies do some board members of nonprofit organizations use to protect the organization's assets from fraud?

I obtained information from various search engines, including Walden University Library, Sage Journals, Google Scholar, and industry publications. The keywords used to search the literature included *fraud and nonprofit*, *fraud and governance fraud and community-based organizations*, *agency theory and fraud and nonprofit*, and *agency theory and corporate governance*. The literature review includes 89 sources, 80% of which were peer reviewed and 70% of which were published between 2019 and 2023.

Using multiple sources, researchers conduct a literature review to demonstrate evidence about the topic and research question. The literature review provides an extensive analysis using a theoretical lens to provide new approaches to the problem. The literature review is the body of knowledge serving as the foundation for the study (Ellis & Levy, 2009). The effects of fraud in nonprofit organizations have detrimental effects. Fraud is a pervasive and harmful issue for the nonprofit industry. Nonprofit organizations with fraud occurrences average financial loss of 5% of revenue each year and have other indirect losses such as harm to reputation or relationships (Archambeault & Webber, 2018). In 2022, religious, charitable, and social service organizations had a median loss of $78,000, with 51% of cases occurring due to a lack of internal controls or management oversight (ACFE, 2022).

Agency Theory

The first theme of the literature review includes a critical analysis and synthesis of the conceptual framework, agency theory. I used agency theory to explore conflicts that impact nonprofit organizations between agents and principals. One element often demonstrated in disputes is the manifestation of two individuals, an agent and a principal, with goals not in harmony. This lack of goal congruency creates conflictual behavior when one chooses a free action. The outcome of the free act is not immediately observable, or the action occurs because of unequal information available to the two individuals (Arrow, 1986). The potential conflict between the two individuals, the agent and the principal, led to many economic and philosophical writings and became the foundation of agency theory.

The foundation of agency theory introduces the agent-principal relationship and the potential for conflict. Jensen and Meckling (1976), as seminal authors of agency theory, defined the agent–principal relationship as a contractual relationship with one person (the principal) engaging another individual (the agent) to perform an activity or service on their behalf. The seminal authors extended the argument of conflict between two individuals to understand relationships. They found that as the principal delegates decision-making authority to the agent, the agent will not always act in the principal's best interests. Further, Jensen and Meckling tried to solve corporate conflicts stemming from the stockholders' minimal influence in management control. The lack of control creates opportunities for managers or agents to make decisions that are not in the shareholder's interest. The two main problems that agency theory addresses are the

conflict that occurs between the goals of the principal and agent, with no mechanisms to verify the agent's ethical behavior, and second, risk-sharing, a conflict occurring when there are different risk preferences between the agent and principal (Eisenhardt, 1989). Jensen and Meckling framed the constructs of agency theory to understand these conflicts that often lead to firm failures. Agency theory may bear an impact on corporate governance, economics, and organizational behavior.

The premise of agency theory may also be a contributing factor to organizational costs. Agency theory explains that if one party engages another party to perform services on its behalf, agency costs will rise because the agent will not always choose to maximize the principal's welfare. The agency theory also outlays the consequences when the agent is motivated or driven by opportunistic behavior, does not follow the principal's instructions, or exploits the principal's trust to further their opportunistic behavior (Noreen, 1988). Opportunistic behavior has consequences for the organization. The potential financial and other losses require an ethical code and mechanisms to monitor behavior between individuals.

Conflicts between agents and principals may also result from mistrust between agents and principals. Trust gaps occur when there is mistrust or a decline in the prospects of the future (Till & Yount, 2019). According to Till and Yount (2019), agency theory highlights the conflict between the principal and the agent. They found that other factors may create a reduction for the community, including income inequity issues resulting in individuals needing to prepare to act morally and ethically, and morality is an

insufficient incentive to maintain trust (Till & Yount, 2019). The anticipation of relationship mistrust demonstrates the importance of a framework for analyzing conflicts.

Because agency theory is associated with different disciplines and links to the study of economics, the approach can be used to explore mechanisms for external and internal strategies to reduce conflicts in organizations. Kultys (2016) asserted that agency theory is closely associated with relationships. Most corporate governance strategies focus on controlling or restricting control over managers' interests, including compensation scales, active monitoring, and an active and engaged board of directors for oversight or control over managers. The self-interest of parties can be controlled through governance strategies to reduce the possibility of opportunistic behaviors (Kultys, 2016). The relationship between nonprofit board members as the principal and the nonprofit executives as agent can easily lead to conflicts and divert the organization's mission-driven work.

Examining the paradigm of roles in nonprofit organizations provides an understanding of how conflicts arise when one party makes decisions for another party or acts in their self-interest, leading to costs and burdens to other stakeholders. Zardkoohi et al. (2017) found that behavior motivated by greed or guilt may have multiple party impacts beyond agent–principal that may cause harm or irrefutable damage to direct or indirect stakeholders. The potential negative societal impact caused when agents or principals have conflict requires exploring the potential harm to the broader society and multiple stakeholders (Eisenhardt, 1989; Zardkoohi et al., 2017). The implications of

damage to the organization when conflict exists requires a comprehensive understanding of the responsibilities of the principal and agent and the boundaries of these relationships.

Perceived Limitations of Agency Theory

The financial disparity between the principal and agent may lead to conflict in organizations. Pay is not an economic predictor of conflict; however, some research suggests that pay inequities may lead to agent–principal conflicts. Agency theory demonstrates the need to manage organizational operations to avoid conflict and how one individual may exploit another party through greed or other motivating factors such as compensation (Jensen & Meckling, 1976). Jensen and Murphy (1990) found significant differences in executive compensation and shareholder stock options, with chief executive officer (CEO) wealth changing merely $3.25 for every $1,000 change in shareholder wealth provides evidence and demonstrates the importance of shareholder wealth leading to potential conflicts. This empirical evidence shows the link and importance of executive compensation to performance (Jensen & Murphy, 1990). Pepper and Gore (2015) found that agency theory is beneficial to incentive alignment, yet extending this theory by focusing on motivating executives through financial compensation for optimal performance requires policies and ongoing assessments. Pay inequity can cause conflict between the agent and principal and requires further study. Board members often need to understand their role in providing and setting financial compensation for the executive. They need to gain knowledge of controls and policies to maintain a positive and productive relationship between the agent and principal.

The nonprofit board is responsible for setting the pay for the executive officer. Adequate pay for executives and fair financial compensation provides the highest level of motivation and may optimize firm performance. Other research suggests that the link between executive compensation and conflict is part of the agency problem (Wiseman & Gomez-Mejia, 1998). This limitation of agency theory extends to the school of thought that explains that executive compensation integrated into behavioral assumptions may not be the most optimal way to manage the potential for harm between the agent and principal. Instead, addressing the potential conflict of inadequate or unfair financial compensation may be best accomplished through established policies. I focused on nonprofit organizations, an industry where employees have different motivational reasons beyond financial incentives and remain mission focused despite other work complications (Prysmakova, 2021). In the nonprofit sector, monetary compensation is often not the leading factor motivating employees to achieve their most effective performance in the industry. Specific to my study, because of the altruistic nature of nonprofit organizations, the industry adopts a more equitable compensation structure than the for-profit industry (see Zhao, 2020). The executive compensation and behavioral assumptions of other sectors had a limited impact on my study.

Contrasting Theories

Agency theory offers a framework to explore strategies to minimize organizational fraud. Frameworks are critical for researchers to view, analyze, and identify solutions to a phenomenon. The framework provides a map to study the problem and creates touchstones throughout the process, spotlighting conclusions and areas of

further research (Lynch et al., 2020). In contrast to agency theory, the fraud triangle

offers insight into the relationship between fraud occurrences within organizations.

Because the framework is an essential and integral part of the research process, an

alternative and contrasting theory, the fraud triangle, was reviewed for this study.

Fraud Triangle

The contrasting theory of the fraud triangle provides insight and a lens to examine

why fraud may occur in organizations. Donald Cressey, a sociologist and criminologist,

and his mentor, Edwin Sutherland, were responsible for expanding the understanding of

financial crimes and viewing these occurrences to understand why individuals embezzle

(Tickner & Button, 2021). Other scholars have developed this theory further since

Donald Cressey's initial work of studying 250 crimes of embezzlement to understand

why fraud occurs (Cressey, 1953). Cressey's work provides insight into how individuals

may become criminals when presented with some specific elements. The fraud triangle

has three elements that will increase the likelihood of fraud in organizations when

occurring individually or simultaneously. These three elements or angles of the triangle

discovered by Cressey are (a) emergency (pressure), (b) a sense of trust the individual has

within the organization (opportunity), and (c) the ability to rationalize the embezzlement

(rationalization; Cressey, 1953). Without pressure, opportunity, and rationalization, fraud

will not occur. Cressey's original work emphasized that all three elements of pressure,

opportunity, and rationalization must exist for fraud to occur. Later interpretations of the

fraud triangle fall short of understanding that fraud occurs for factors other than financial

(Schuchter & Levi, 2016). The fraud triangle demonstrates the elements needed to limit

and prevent fraud occurrences and provides insight into rationalizing the behavior of the individual committing the fraudulent acts.

Awareness of the fraud triangle can help minimize fraud in nonprofit organizations. Organizations can focus on preventative measures to mitigate the risk of fraud, internal control and whistleblower policies, audits, inspections, and awareness and training and still have fraud occurrences. Still, the fraud triangle demonstrates that organizational leaders should identify fraud risks and analyze opportunities for individuals or employees to commit fraud (Tickner & Button, 2021). Analyzing employees can help determine their reluctance to commit fraud and assist with categorizing employees into low-medium and elevated levels of risk to the organization (Kagias et al., 2022). The fraud triangle identifies individual controls as reducing fraud occurrences, unlike the agency theory focusing on the management controls and agent–principal relationship. The fraud triangle views control over individual and organizational behaviors instead of management controls. The fraud theory focuses on separate controls with objectives specific to individuals, a difference from agency theory, which focuses on management control (Fiolleau et al., 2018). Other research also suggests that the fraud triangle is not as practical as the agency theory in implementing effective measures to reduce fraud in organizations. Anindya and Adhariani (2019), in their study on fraud risks and the fraud triangle framework, conducted a random survey sampling of 109 and found that neither pressure, opportunity, nor rationalization had a significant influence on fraud. The authors found that prevention policies through governance, including segregation of duties, reduce the occurrences of fraud through the lens of agency theory

(Anindya & Adhariani, 2019). Because specific factors of pressure, opportunity, and rationalization are inadequate predictors of fraud, understanding other mechanisms beyond the fraud triangle is needed to minimize and prevent fraud in nonprofit organizations.

Despite limitations, the fraud triangle has valuable contributions to understanding why employees commit fraud; however, it is not the most relevant theory for understanding how boards can minimize fraud. The best framework to guide this study was not the fraud triangle. In this study, I focused on preventing fraud occurrences through governance strategies, and this exploration was not conducive to the fraud triangle. A framework that could help in understanding how nonprofit board members can better enhance their understanding of governance and perform their legal and moral duty to protect the organization's assets from fraud occurrences was needed for this study.

Nonprofit Organizations

Research has demonstrated the essential nature of nonprofit organizations in serving the community. Nonprofit organizations address crucial and critical problems, respond to disasters and localized or global needs, or add resources to solve a specific problem as they work toward mission-driven work. Nonprofit organizations may take the service delivery role with long-established contracting protocols or compete for government funding to deliver public services (Levine & Fyall, 2019). The nonprofit field is also a growing field. Established nonprofit organizations in the 2019–2020 reporting year recorded 27,552 organizations with a 3.2% increase in employees and a

sales growth of 10.9%. Nonprofit organizations' gross value also represents a substantial market value of $1.047 trillion (Molk & Sokol, 2021). Social service advocacy organizations accounted for 18,623 employees in the United States in 2019 (Barnes Reports, 2019). In New Jersey, 419 social service advocacy organizations exist, with almost half (49%) employing an average of one to four individuals (Barnes Report, 2019). The critical role nonprofit organizations have in the community, including the growing number of nonprofit organizations and their contributions to the economy, requires further understanding of this sector.

Community Action Agencies

Within the nonprofit sector of social service advocacy organizations are CAAs. CAAs include 1,007 eligible entities providing CSBG-funded services to 99% of the country (Administration for Children and Families, 2022). CAAs have been in existence since the 1964 Economic Opportunity Act, part of the legislation of the Lydon B. Johnson administration of the "War on Poverty." The Economic Opportunity Act of 1964 established a Federal Office of Economic Opportunity, formed state Economic Opportunity offices, and created new community-based organizations called CAAs. In addition to establishing CAAs, the initial federal legislation established other critical programs, including Head Start, Legal Services, Job Corps, and Neighborhood Health Centers (National Community Action Foundation [NCAF], 2022). The funding allowed local nonprofit CAAs to deliver services and programs relevant to their communities, with local decision-making through established tri-partite boards. Since the original establishment of this funding, there have been two significant changes, once in 1975 and

then again in 1981. In 1975, the Office of Economic Opportunity was renamed the Community Service Administration. In 1981, Congress passed the Omnibus Budget Reconciliation Act, which consolidated programs authorized under the Economic Opportunity Act under the new CSBG. The legislation changed the funding structure and the flow of funding from the federal government to local CAAs to the federal government to states and territories. The U.S. Department of Health and Human Services allocates CSBG funds to states that retain a portion for oversight, monitoring, technical assistance, and statewide initiatives. The remaining funding, 90% of each state's federal allotment of CSBG funding, is passed through to designated local agencies (NCAF, 2022). The funding formula helps to protect the intent of the original act that dollars to address poverty occur at the local and community level.

From 1981–1998, there were few changes in annual appropriations to CSBG funding. The CSBG Act was reauthorized in 1998 by PL 105-285. The authorization of appropriations for CSBG and most related programs expired in FY 2003, but Congress has continued to make annual appropriations each year (Spar, 2016). In 2022, the CSBG Modernization Act, HR 5129, passed Congress (National Association for State Community Services Program [NASCSP], 2019). In 2022, CSBG funding included $755 million to reduce poverty and an allocation of $1 billion from the Coronavirus Aid, Relief, and Economic Security Act (NCAF, 2022). The infusion of new dollars and the proposed Modernization Act require an additional understanding of board member roles and responsibilities and a focus on minimizing fraud.

The funding of CAAs in each state is different, although each state must follow the funding formula guidelines. In New Jersey, 25 agencies received CSBG funding in 2019 and served 219,065 low-income individuals (NASCSP, 2019). Specific to CSBG funding, Section 676B of the CSBG Reauthorization Act of 1998 and the CSBG Modernization Act, HR 5129, organizations receiving CSBG funding must have a tripartite board to govern. This requirement includes a board composition of one-third representation of low-income individuals and families, one-third of elected public officials or their representatives, and one-third of the community's major groups and interests. The boards of CAAs must participate in four aspects of the organization: development, planning, programming, and evaluation. CAAs are required to comply with the maximum feasibility of low-income individuals. CAAs are unique as they must include low-income individuals in the program's development, planning, implementation, and evaluation to address the causes and conditions of poverty (Community Opportunities, Accountability, and Training and Educational Services Act, 1998). Each state monitors the responsibility of compliance with composition and roles and responsibilities. The burden of compliance in New Jersey is under the auspices of the New Jersey Department of Community Affairs.

Governance and Nonprofit Organizations

The importance of governance strategies in nonprofit organizations is extensive. The general and quantifiable objectives of governance are to protect stakeholders' interests and provide unambiguous and clear transparency in safeguarding the interest of the stakeholders (Madhani, 2017). Effective governance practices can help nonprofit

boards to operate more effectively and efficiently. Governance practices may also influence the effectiveness of board members in performing their legal, moral, and fiduciary responsibilities.

Good governance requires a responsible board of directors who are transparent and accountable to stakeholders. The most substantial approach nonprofit organizations can pursue to minimize fraud is through governance. An accountable board of directors, the result of good governance, is an essential internal corporate governance mechanism to monitor management (Madhani, 2017). Governance research demonstrates authority as a multidisciplinary approach to finance, economics, law, accounting, and many other disciplines (Kushkowski et al., 2020). Government is not limited to management theories and practices and extends to the moral obligations of board members. Nonprofit organizations can improve performance and divert more money and resources toward meeting their mission with CEO-governance models and boards with high levels of transparency (Blevins et al., 2020). Nonprofit board members who are active and involved and understand transparency and accountability are critical to good governance.

Yet, some governance models fail when board members or principals, donors of organizations, and stakeholders, are too far removed from agency operations and exert little influence on the functions of the organizations. The importance of board members participating in governance builds the legitimacy of the board of directors and results in progressive decision-making processes (Fudge & Leith, 2021). Effective corporate governance with engaged board members can create opportunities to reduce fraud. Governance strategies can impact fraud prevention through knowledge sharing, training,

and individual experience (Harford et al., 2018). When board members as agents fail to engage and extend the relationship between boards and other stakeholders, nonprofit organizations risk continued and sustainable funding (Piscitelli & Geobey, 2020). Sustainability threats to an organization should correlate to better-informed and participatory board members.

In nonprofit organizations, board members have the role of agents and protecting all stakeholders' interests while controlling the work of the principal. The agent-principal relationship can impact the organization's residual loss costs (Jensen & Meckling, 1976). Residual loss costs can occur when the board decreases information asymmetry, increasing agency conflicts (Vitolla et al., 2020). Effective boards have specific characteristics, methods, and processes to minimize these conflicts, including communication. Boards with nonconformity exist when the board is not diverse and knowledgeable, creating an imbalance in the agent-principal relationship. The power imbalance may result in further communication issues when information flows only from the CEO, suggesting this power imbalance can exploit the relationship leading to an erosion of board roles and responsibilities, creating opportunities for fraud (Bruneel et al., 2020). The part of agent-principal emphasizes the importance of nonprofit boards providing information to funders and acting transparently to improve board governance responsibilities and advance their mission-driven work (Blevins et al., 2020). Effective communication strategies to funders may also improve collaborative models and increase funding opportunities based on information provided to funders.

Board members of nonprofit organizations have three primary responsibilities, which include: (a) duty of care, (b) duty of loyalty, and (c) duty of obedience. Duty of care refers to board members' responsibility of being actively engaged and informed of the organization's operations and making informed decisions to protect the organization's assets, including responsible fiduciary decisions (Johnson, 2019). Duty of loyalty is a responsibility that ensures board members act in the best interests of the nonprofit organization and not their self-interest (Johnson, 2019). Duty of loyalty helps identify a potential conflict of interest between individual board members and nonprofit organizations. Duty of obedience focuses on board member responsibilities in ensuring the organization follows federal, state, and local nonprofit compliance rules and organizational compliance with its governance documents (Johnson, 2019). These three distinct duties require agents to act with "care, competence, and diligence" (Shaner, 2010) in executing their duties as nonprofit board members. There are two mechanisms to prevent unethical behavior by agents to improve corporate governance: (a) compliance-based ethics programs and (b) derivative litigation. Derivative litigation can only occur after legal wrongdoing; therefore, it is not the best deterrent to legal and ethical infractions (Shrewsbury & Blount, 2020). An effective compliance-based ethics program utilizes duty of care, loyalty, and obedience to deter and prevent legal and ethical violations.

Investing in board capital is one solution to the insufficient information to help boards comply with their fiduciary obligations of care, loyalty, and obedience. Board capital includes: (a) financial capital, having sufficient, visible resources, including

financial resources; (b) social capital, having adequate resources to develop social networks; and (c) human capital, having diverse expertise, skill sets, and diversity to meet the organization's mission (Adediran, 2022). CAAs that focus on board capital and comply with tripartite requirements, including the provision of one-third of low-income individuals on the board, have more robust connections to social capital. Nonprofit organizations that include clients on their boards bear consideration as a source of social capital networks to the client community providing a more integrated connection to the resources needed by the community.

Beyond board composition, there are governance mechanisms that can improve board performance. Nonprofit organizations with varied governance mechanisms help protect charitable assets from fraud (Harris et al., 2017). Board members are knowledgeable about various governance strategies investing time, knowledge, and resources while serving their mission and fulfilling their duty of care. Harris et al. (2017) found that four governance mechanisms are worth considering preventing asset diversion, including: (a) an external auditor, (b) an audit committee, (c) conflict of interest policies, and (d) a positive culture or "tone at the top" that encourages and empowers employees and reduces outsourcing or third-party employment. However, caution is necessary to implement effective governance strategies as the agent must determine the high and low success probabilities, made increasingly difficult as most nonprofit organizations are without a formal economic approach guiding organizational achievement (Jegers, 2019). Selecting the most effective governance strategies and a board composition willing to invest time, knowledge, and resources can improve performance.

Beyond the time, resources, and cost of implementing and maintaining governance mechanisms, governance impacts the organization's operations but is a challenging, complex, and changing construct in the nonprofit field. Boland et al. (2020) found that good governance can lead to higher contributions, improved performance, more accurate expense reporting, and higher reported mission spending, reducing the possibility of fraud. Evidence demonstrates that effective governance minimizes the misappropriation of assets and mission alignment (Boland et al., 2020). Still, there are gaps in knowledge of governance strategies, the effectiveness of these strategies, and an understanding of why they are fundamentally critical to the organization's survival.

Culture of the Organization

Protecting an organization's assets from fraud also requires exploring the culture of nonprofit organizations. Nonprofit organizations are at an increased risk of fraudulent activity and are more susceptible to fraud because their mission-driven work relies on morality (Abu Khadra & Delen, 2020). At the heart of governance lies the link to establishing an ethical culture in organizations. Suh et al. (2018) studied ethical culture and monitoring controls and discovered that an enhanced ethical corporate culture is the most optimal deterrent to reducing fraud in organizations. The authors found that investing in leadership, values, and ethics cultivates a critical path to reducing occupational fraud (Suh et al., 2018). The evidence demonstrates a positive corporate culture's integral role in diminishing and mitigating the risk of fraud.

Other research using the theory of planned behavior demonstrates that a positive culture can also improve outcomes in employees reporting fraud in the organization.

Tripermata et al. (2021) explored organizational culture and fraud using the theory of planned behavior to measure intention to report fraud and the social learning theory to examine observation and behaviors in reporting fraud. Findings demonstrated that employees possessing ethical conduct could lead to a culture of integrity and honor to prevent fraud (Tripermata et al., 2021). The researchers also found that the importance of a positive culture in organizations leads to an improved environment of ethical behavior through meaningful relationships and reduced fraud opportunities (Tripermata et al., 2021). Therefore, in addition to an enhanced reporting rate of employees identifying fraud in the organization, a positive culture can also include a proactive approach to preventing fraud, with employees focused on a positive culture resulting in increased accountability throughout the organization.

Organizations may also achieve positive results in detecting fraud by investing resources in training, focusing on culturally relevant fraud detection training. Chung et al. (2021) explored the culture and occupational fraud using the national culture theory and the economic theory of crime to examine if asset misappropriation and corruption require similar resources for fraud prevention. The researchers demonstrated that national culture affects asset misappropriation, and investing resources in prevention can minimize fraud risks (Chung et al., 2021). Culturally relevant fraud detection and investigation practices are assets for developing fraud prevention practices.

Board Composition

Specific characteristics of nonprofit CAAs require tripartite composition for board governance. CAAs have been required to have a tripartite board of directors since 1967,

established as the Green Amendment, and a unique feature of CAAs. The tripartite

committee includes one-third of elected public officials, at least one-third of low-income

residents, and the remainder of community representatives (Nernon, 2007). As tripartite

board composition is mandatory for CAAs, qualifications may not be integral in the

board member process selection leading to confusion surrounding board members'

qualifications and training. Further, the literature surrounding board training often fails to

identify who is responsible for the training process leaving gaps in board training

methods (Mason & Kim, 2020). Misunderstanding role assignments in board training can

lead to additional conflicts between the agent and principal. The importance of board

members understanding their role in governing themselves, identifying qualified

candidates, and consistent training and communication on roles and responsibilities,

including the selection process, can improve board performance.

      CAAs have limited capacity in the board selection process to the three areas of

tripartite composition in board governance, it is even more critical to understand the

impact of a board member's actions and effectiveness. Steckler and Clark (2019)

explored morality as part of a board member's responsibility and functions. The

researchers found the importance of authenticity in board member selection is an

essential quality for recruitment, as morality impacts the overall effectiveness of an

organization. The authors asserted that the moral conduct of board members not only

directly correlates to ethical conduct and values but contributes to moral decision-making

in governance when linked to ongoing training practices and requirements.

Low-income representation in the CAA network, also known as the "maximum feasibility" concept established in the Economic Opportunity Act and built upon as part of the Organizational Standards, requires CAAs to include participation by residents and low-income individuals, including board members. Mattiuzzi and Weir (2020) found that low-income individuals face compromised resources, and low-income individuals not living in urban areas are even more vulnerable to a lack of resources and increased dependency on government resources.

While the war on poverty expanded funding dramatically and created a revenue stream for CAAs, assisting poor individuals is complicated. With advocacy, the infrastructure to empower communities is still far more developed, and the governance composition affects the fate of low-income individuals and the delivery of services in the community. Board selection, participation, and advocacy of board members can profoundly affect the availability of resources for low-income residents (Mattiuzzi & Weir, 2020). The vulnerability of low-income residents and communities CAAs serve requires a diligent and unwavering approach to board governance and protecting assets from misappropriation and fraud.

Nonprofit organizations focused on board composition and representing the communities served may also analyze board composition as it relates to gender. VanGronigen et al. (2022) found that who governs is a critical question a governing board should analyze with demographic, gender, and other factors to help improve community representation. The authors demonstrated that board member representation might not reflect the population, and analyzing board characteristics is a sound

governance practice (VanGronigen et al., 2022). The researchers also identified the potential for conflict between agent-principal when board members are elected to represent a segment of the population, such as low-income, and make independent decisions without knowledge and input from low-income individuals (VanGronigen et al., 2022). Fatima and Asghar (2021) found that gender diversity on boards correlates to female representatives demonstrating improved sustainability and social responsibilities in the community. The researchers found that boards with gender diversity have fewer fraud cases. Their study findings also confirmed that the increased inclusion of female board members strengthened the principles of good governance (Fatima & Asghar, 2021). Organizations may improve community representation and minimize fraud by analyzing board member composition and gender identity of board members incorporating recruitment strategies to ensure a reflection of community members.

Board performance can be unpredictable, and gender and gender identity may influence board dynamics and performance (Dula et al., 2020). Nonprofit organizational culture can be highly gendered (Dula et al.). Female board chair performance positively relates to performance measurements. In contrast, a critical mass of 30% or more of board members identifying as female does not relate to improved board performance (Dula et al., 2021). Other research indicates that female directors have a positive relationship with governance and transparency. Nel et al. (2022) examined board composition (gender and ethnic diversity, size, directors over 50 years of age, independence, qualifications, and tenure) and corporate governance, defined for this study as the framework for fairness, transparency, and accountability. They investigated

company websites to determine if the composition of boards positively impacts transparency disclosures. Specifically, agency theory found that board size, female directors, and directors over age 50 have statistical significance in publicly disclosing corporate governance information in a meaningful way through websites through the analysis of 85 companies. The research also found that board diversity correlates to a positive relationship with governance and transparency, and female directors consistently make fair decisions, providing a competitive edge for organizations (Nel et al., 2020).

The importance of board composition in the CAA structure is critical, and boards should consider evaluating their performance and analyzing the characteristics of board members, including an analysis of gender bias. McFadyen and Eynon (2021) found that public trust and confidence are intricately linked, and when failure involves fraud, public trust and confidence are lost. The consequences may include economic, social, or political fallout, and all have sustainability risks. McFadyen and Eynon (2021) also discovered that duty of care, obedience, loyalty, and governance principles and practices must be at the core of board functions and applied with the utmost care and scrutiny.

Exploring Fraud and Nonprofit Organizations

Nonprofit organizations are at risk of different types of fraud that can occur within the organization. Three primary types of fraud that exist in nonprofit organizations include: (a) asset misappropriation, referring to theft or embezzlement of an organization's assets, corruption using undue influence for personal gain; (b) falsifying financial statements, a deliberate misreporting of financial information; and (c) asset misappropriation accounting for 95% of total fraud in nonprofit organizations (Harris et

al., 2017). Evidence of the increase in fraud in nonprofit organizations is also evident, with financial error rates 60% higher than those reported in public, for-profit organizations. More than one-third of nonprofit employees believe their organizations are aware of fraud risks and lack sufficient education to prevent fraud from occurring in the organization (Scheetz et al., 2020). The rising increase in fraud loss in the nonprofit sector may also help reduce the stigma of reporting fraud.

The prevention of loss of donor funding is critical to protect nonprofit organizations' assets from fraud. Burks (2018) found that donations fall following disclosed financial errors, and donors equate erroneous financial reporting as a signal of control deficiencies and are unwilling to risk their financial contributions. When nonprofit employees detect fraud, employees are less likely to report the fraud, especially in smaller nonprofit organizations with less than 50 employees (Scheetz et al., 2020). Lawson (2020) found that preventing employee financial fraud requires written policies to ensure internal control policies guide the cash, checks, credit card, and other purchase policies. The researcher also identified that nonprofit leaders must implement procedures to prevent and detect employee fraud. Procedures and proper internal controls help to minimize fraud occurrences, and they also serve as preventive measures to deter opportunities for fraud. The lack of fraud reporting in nonprofit organizations requires multiple structured resources, including anonymous electronic reporting for employees to support whistleblowing activities to help detect fraud in organizations.

While governance strategies may help nonprofit organizations to detect fraud, donor interest and accountability to funders may also increase fraud prevention. Goldberg

and LeClair (2022) identified a lack of due diligence and investigation into nonprofit

organizations by donors, lack of transparency, and self-regulation as the only mechanism

to deter fraud, the increased risks of fraud, and more significant agency-principal

conflicts that face nonprofit organizations. Critical to the nonprofit fraud literature,

Goldberg and LeClair concluded that the principal-agent theory is a relevant conceptual

framework to study the methodology of preventing fraud and misconduct and added

evidence demonstrating that oversight and governance policies are critical in reducing

fraud. López and Bellostas (2020) explored governance practices to mitigate agency

problems in reducing outside corruption by promoting accountability, stakeholders'

participation, and management systems. The authors researched outside crime by

applying management systems and analyzing board diversity, gender, age, race, and

ethnicity and found that good governance practices can enhance the mission and vision,

reduce agency problems, and prevent outside corruption. The opportunity to prevent

fraud with increased accountability and reduced conflict in roles and responsibilities may

also help to change the stigma of nonprofit fraud that results in unreported fraud.

Even when policies, controls, and practices help identify fraud when fraud is

detected, organizations do not pursue criminal prosecution. In a recent study by fraud

examiners, identified fraud went unreported 42% of the time, and auditors detected fraud

only 16% of the time (ACFE, 2022). Knechel and Mintchik (2022) found empirical

evidence using the World Values Survey to explain individuals' tolerance of fraud and

the correlation between value orientations and tolerance. The authors found that

individuals with firm beliefs in hard work will not only be less likely to commit fraud but

will also have a lower threshold of allowance of fraud in the organization (Knechel & Mintchik, 2022). This evidence suggests that individuals' strong beliefs in values may improve compliance and augment fraud detection in organizations.

Auditors are critical in identifying fraud and reporting fraud to authorities. However, the agency theory demonstrates that the agent-principal relationship influences fraud detection. Gottschalk (2019) found that auditors, as principals, fail to report fraud except when the principal does not want to pursue criminal filings due to the potential loss of indirect costs and conflicting preferences between the agent-principal may cause fraud to go unreported to authorities. An auditor selection process is vital for agencies. Differences in risk aversion, goals, knowledge, or information can cause conflict between the agent-principal and impact fraud detection and reporting (Gottschalk, 2019). The implications of board members understanding their roles and responsibilities, including fraud detection, may have other consequences beyond reporting fraud.

Evidence exists that identifies significant consequences for nonprofit organizations, including survival, when board members do not understand their role in preventing fraud. Bennett et al. (2021) used a qualitative study of seven random nonprofit organizations in Bloomsburg, Pennsylvania, and the surrounding areas to study nonprofit organizations and their vulnerability and risk to the mission and survivability when fraud occurs in a nonprofit organization. Bennett et al. found that after conducting interviews with board members, understanding internal controls and their relationship to accurate reporting was missing in board members' knowledge. The researchers also found that most board members understand internal controls as necessary for operations and internal

controls as a link to the organization's reputation rather than a strategy to reduce fraud. The authors also found that at least one respondent of the seven believed internal controls were the responsibility of others in the organization and not linked to board member responsibilities. Two of the seven organizations in the study had occurrences of fraud, and only one took any action, including changing internal controls to prevent future incidences. Board members who lack knowledge of their role in fraud prevention and fail to act when fraud is detected can create additional conflicts.

Structural deficiencies in governance may also make nonprofit organizations more susceptible to fraud. Lamothe et al. (2023) explored nonprofit fraud through the lens of individual perpetrators to determine and distinguish if the misconduct, financial or non-financial, on a personal level connects to structural deficiencies at the organizational level. The authors concluded that financial fraud and other types of misbehaviors have structural gaps in the governing body not being an independent board and the organization lacking a formal process for CEO compensation and evaluation. Lamothe et al. also found that any fraud involving a nonprofit organization or employee can lead to financial losses for the nonprofit organization in lost donations, lawsuits, or loss of public support. Demonstrating the tangible and intangible losses to nonprofit organizations of fraud may also help nonprofit board members understand the importance of a positive organizational culture in managing fraud risks.

The implications of fraud implore governing bodies to respond to these everyday risks by creating and implementing adequate controls, accountability mechanisms, and a positive culture to mitigate misconduct, corrupt behaviors, and attitudes and make a

positive organizational culture. An exploratory study of 128 nonprofit organizations found that ethical climate and cultural climate are areas that, when accurately assessed, can minimize fraud risks, and help create a proactive fraud prevention strategy (Holtfreter, 2008). The study's findings also suggested that the judicial system is inconsistent with approaches to fraud in the nonprofit sector. This hesitancy may not deter fraud in this industry, unlike in other organizational settings where more severe and harsh penalties have created an awareness of the ramifications of fraud.

Nonprofit organizations can also utilize a screening metric that for-profit organizations have used to help detect fraud by applying Benford's law. This analysis has been absent from nonprofit organizations for fraud detection. Qu et al. (2020) provided the first Benford analysis of the United States nonprofit financial data. The authors determined that Benford's analysis may be a screening tool with additional research and refinement that can be an effective procedure to detect financial misreporting when implemented as part of nonprofit data integrity. The authors also found that the required IRS 990 form with instructions for allocating expenses between the program, fundraising, and management is complicated and may lead to additional misreporting that may be unintentionally miscategorized rather than fraudulently provided financial information. The Benford analysis demonstrates the opportunity nonprofit organizations may have in adopting for-profit practices leading to increased transparency and earlier fraud detection for nonprofit organizations.

New Jersey organizations are also susceptible to fraud and require strategies to prevent fraud in nonprofit and religious-based organizations. A multiple case study of

nonprofit organizations in New Jersey found a gap in understanding the fiduciary roles of board members (Balfour et al., 2021). The study included organizational leaders with a range of educational levels, including 70% with a master's degree, and organization budgets ranging from $7,000 to $80 million. Yet, all leaders agreed that additional training for fiduciary oversight to reduce fraud and asset misappropriation is needed (Balfour et al., 2021). Evidence from studying diverse educational backgrounds and organizational sizes demonstrates the need for continuous training to deter fraud, create fraud awareness, improve reliable internal controls, and improve access to financial professionals to improve policies and practices to prevent and deter fraud activities.

Governance Strategies: Sarbanes-Oxley Act

In 2002, Congress passed the Sarbanes-Oxley Act (SOX, 2002) after several large corporations' fraudulent practices, including Enron, became widely known and publicized. Enron later became synonymous with corporate greed and fraud during its demise, becoming the largest corporation in the United States to file for bankruptcy (Jones & Stanton, 2021). Investors lost billions of dollars, and the public lost confidence. Lawmakers took quick action to improve confidence in financial reporting and transparency for public companies due to pervasive fraud and passed the SOX (Pirrone & Trainor, 2015). The SOX established audit committees, whistleblower policies, and document retention policies and created accountability of management and auditors. The act also required other corporate governance practices, including audit committees, as deterrents to preventing fraud occurrences.

The reforms created by SOX needed to establish a uniform application to the nonprofit sector. Despite the implications on nonprofit governance, more research is needed on SOX and its impact on nonprofit organizations (Nezhina & Brudney, 2012; Saxton & Neely, 2019). The two provisions relevant to all private organizations include whistleblower protection and document preservation policies. Saxton and Neely (2019) examined the spillover to nonprofit organizations on the SOX recommended policies, specifically (a) conflict of interest, (b) records retention, and (c) whistleblower policies in 7,129 charities, to determine if these policies help to prevent fiscal mismanagement and unethical actions and behavior. Saxton and Neely (2019) tested whether organizations implementing SOX policies reduced fraud occurrences and other unethical behaviors and found significant benefits in adopting them, including the importance of good governance policies and practices to deter unethical behavior in fiscal mismanagement. The link between governance policies and fraud detection established by SOX may lead to additional improvements in the nonprofit field in transparency and accountability.

Some nonprofit organizations are required to file the IRS Form 990. Organizations filing Form 990 have some governance disclosures beginning in 2005, requiring disclosing if a conflict of interest policy exists. Then in 2018, additional governance policy disclosures expanded to include the whistleblower policy, document retention, and compensation policies (Boland et al., 2020). Nezhina and Brudney (2012) studied the effects of SOX on nonprofit organizations. They found that 1 in 5 experienced related benefits, including improved financial controls, reduced risk of accounting fraud, and greater effectiveness of the functions of the board. They also determined that 36.5%

reported increased costs, including higher costs relating to training board members on financial requirements, audit fees, and increased indirect costs associated with lengthier meeting times for audit committees. Nezhina and Brudney (2012) also studied if increased private donations correlated to implementing the SOX by nonprofit organizations, increasing public confidence and trust. Still, there was no evidence of any material benefits of private donors contributing to improved whistleblower protection or record retention policies.

Feng and Elder (2017) studied the effects of SOX on auditors and audit markets. They found that auditors are more likely to resign from clients with higher perceived risks of litigation or financial distress after the Act's implementation than before but found no evidence if the effects of this impacted the nonprofit audit market. They further explored nonprofit economic conditions and auditors' perceptions. Large audit firms drop nonprofit clients when accounting and audit problems exist, including material weaknesses, qualified opinions, ongoing concern matters, internal control weakness, misreporting, and misclassifying expenses in external monitoring (Feng & Elder, 2017). Audit switches can identify or signal nonprofit organizations' risk and financial conditions and are another strategy to identify fraud risks.

Independent Audit Committee

Corporate governance responsibility falls to the board of directors, and having sound fiscal policies, practices, and procedures can help not only improve the overall operations of an organization but may also provide opportunities to minimize fraud and risks of fraud. Minimizing the risk of fraud is especially relevant in fiduciary

responsibilities and establishing an audit committee. Shrivastav (2022) explored the role of audit committees in firm performance and as internal controls to enhance the monitoring and testing of procedures within organizations and help build integrity into the processes while minimizing internal control weaknesses that can lead to fraud, mismanagement, and misstatements of financial documents. The study focused on the composition of board committee structures and whether audit committee size, independence, and the number of meetings correlate to firm performance using 178 companies from India during 2008–2015. Shrivastav (2022) found that while the size and number of sessions were positive, they were insignificant. However, an independent audit committee with fiduciary roles and responsibilities positively impacts firm performance.

Nonprofit organizations that understand preventing and detecting fraud is not limited to an auditor can develop expanded roles of auditing to improve performance while lowering risks. Organizations can reduce their risk of fraud by using auditors and monitoring operations (Harford et al., 2018). The importance of an internal auditor is critical to detecting fraud that can have financial implications and affect the standing of an organization to donors and the public (Sandhya, 2021). Internal audits can be a continuous process of testing financial controls and ensuring corporate governance requirements comply with regulations and stated internal processes (Sandhya, 2021). The quality of board governance relies on internal controls and establishing best practices for organizations; an external auditor and audit committees should work together to improve the quality of governance practices (Sandhya, 2021). The audit committee can also reduce information gaps and minimize mismanagement by acting as a separate

governance function within organizations; members' size, independence, and financial background positively impact financial reporting and compliance (Raimo et al., 2021). Governance policies identifying audit committees may also find other benefits to the organization.

Audit committees can improve governance practices in nonprofit organizations by promoting effective governance practices and the existence of an audit committee; however, with no requirement for compliance, policies need more effectiveness with a basis for evaluating or enforcing compliance (Abu Khadra, 2020). The U.S. Securities and Exchange Committee requires all public companies to have an audit committee to reduce fraudulent activities and increase transparency and accountability. There is no such requirement for nonprofit organizations. Abu Khadra (2020) examined 124,980 nonprofit organizations from 2010–2015 to link nonprofit organizations and audit committees to improve governance scores and found that audit committees in nonprofit organizations promote effective governance and have positive impacts on governance practices. Despite no mandates for nonprofit organizations, SOX correlates to beneficial implications for audits. Empirical evidence found that financial reporting quality improved after SOX legislation for nonprofits, and nonprofits improved their performance in reporting fundraising and program ratio expenses (Garven et al., 2018). Enhanced financial reporting resulting in improved performance can help nonprofit organizations strengthen their mission-driven work and demonstrate greater transparency to their stakeholders.

Whistleblower Policies

The SOX presents nonprofit organizations with an opportunity to improve governance by establishing a whistleblowing policy. Whistleblower policies exist to protect employees from retaliation when reporting unethical or illegal activities. A standard definition of a whistleblower is a "former or current member of an organization who discloses illegal, immoral or illegitimate practices under the control of their employers, to persons or organizations that may be able to affect action" (Near & Miceli, 1985, p. 4). Near and Miceli (1985) also raised the issue that whistleblower policies can create stability in the process as organizations are at risk of management chaos and cannot perform their intended tasks. Kang (2022) identified Near and Miceli's definition as an accepted process of implementing governance practices to diminish the tension between individuals and organizations during the whistleblower reporting process.

Whistleblower policies can also help board members in their duty of care obligations. Whistleblowers, often lower-ranking employees, report the suspected fraud to the board. Boards incorporating whistleblower policies into formal governance structures help board members fulfill their duty of care by being actively involved, proactive, and preventative in retaliation efforts (Demott, 2021). Including board members in the process of whistleblowing policies may also lead to greater transparency and a culture of openness. Gijsenbergh (2021) found that integrating an environment of transparency provides long-term positive benefits that can lead to an improved culture and increased legitimacy to encourage internal information reports on acts of wrongdoing. Board members who receive information on suspected fraud in the

organization should have policies to reinforce the actions needed upon fraud identification.

Improved board involvement, transparency in whistleblower cases, and enhanced governance structures may also improve reporting rates of whistleblowing cases. Researchers studying the intent of whistleblowers have found a mixture of motives, consequences, and intentions (Gijsenbergh, 2021; Su, 2020). The 2020 ACFE report demonstrates the need to improve strategies for minimizing fraud links to encouraging whistleblowers, as 42% of fraud detection came from tips, and 55% of fraud tips came directly from employees (ACFE, 2022). Organizations must analyze the potential costs to whistleblowers, including retaliation, job loss, and friction and conflict caused by the reporting. The consequences of whistleblowing may be one of the issues resulting in lower federal rates of whistleblowing, with only 5% of federal employees reporting fraud (Su, 2020). Improving the whistleblower rate requires incentives for whistleblowers, ethical training, and more transparency in handling whistleblowers as a necessary step to decrease practices of silencing whistleblowers (Su, 2020). Encouraging fraud detection involves many approaches and opportunities to minimize the negative consequences.

Leadership Role in Nonprofit Boards

Structure and relationships within a nonprofit organization can influence success in meeting the mission and minimizing fraud. The two most fundamental positions in a nonprofit organization are the board chair and the CEO (Lecovich & Bar-Mor, 2007). The board has the ultimate legal responsibility for the organization and the CEO's hiring, firing, and performance, leading to unclear boundaries and conflict (Tillotson &

Tropman, 2014). The performance of nonprofit boards in managing these tasks is related to the nonprofit organization's performance (Wright & Millesen, 2008). Obstructing the success of board performance is role ambiguity. Boards govern themselves. However, the CEO often directs the implementation of board operations as the CEO commonly has the most specific knowledge on how a board should operate for agency success (Wright & Millesen, 2008). The duality of these roles can lead to conflict.

The board must monitor the CEO's activities and address the separation between ownership and control, creating a relationship dynamic that may lead to adversarial relations. This relationship dynamic may also result in the board limiting agency costs while acting in the best interests of stakeholders (Jensen & Meckling, 1976). When the board makes decisions, they may not have all the necessary operational information that may reside with the CEO to invest or increase agency costs for innovation or other investments that may increase shareholder value over the longer term (Sarto & Saggese, 2022). Further research indicates that information symmetry is a strategy resulting in reduced relationship conflicts. Conflicts between boards and CEOs may occur when there is an unequal expectation of knowledge between the principal and the agent (Mio et al., 2020). Board composition in governance has an impact on information symmetry. Larger boards disclose more information to reduce information asymmetry, thus improving shared decision-making and reducing conflict of interest (Mio et al., 2020). Board structure can improve communication and other functions to minimize friction and improve performance.

Board composition analyzed by board and committee structures yields additional organizational efficiency strategies. A well-cited study on 240 YMCA organizations found that a board's composition links to the organization's performance and efficiency (Siciliano, 1996). Other qualitative research studying board effectiveness as determined by CEOs and board members found that board effectiveness correlates to board involvement, especially in the following areas: (a) board and resource development, (b) strategic planning, (c) fiscal management, and (d) conflict resolution (Green & Griesinger, 1996). Board committee composition may also impact organizational efficiency. The assignment of board committee composition when based on labor division without any linkage between core competencies and committee assignments enacting an irrelevant committee composition; however, when committee assignments utilize expertise and interest of board members, efficiency, and relevancy increase (Callen et al., 2003). Board-governed organizations can improve when considerations of governance, structure, composition, and individual competencies optimize organizational performance.

Interactions between the CEO and board can include miscommunication of roles and responsibilities, leading to ineffective board governance and changes to the linkages of CEO and board interactions. Renz et al. (2023) found that research is needed to understand community board representation, the behavior of board members, officers, and executive leaders, and how the behavior correlates to fulfilling governance tasks. The authors also asserted that the "black box" of board processes needs untangling to explain and predict the behavior of individuals to improve and understand processes influencing

board engagement. Research on nonprofit governance identifies board members with time, skills, experience, vision, cognitive and social intelligence, training, evaluation, and formal structures that can improve board efficiencies (Renz et al., 2023).

Examining the role of the CEO and the relationship with the board can illustrate the dynamic between these groups. Wijethilake and Ekanayake (2020) found that boards consistently monitor the organization's CEO and maintain vigilance in managing the organization. Board vigilance increases the ability to monitor and discipline CEOs effectively. However, researchers have found there are risks associated with overreaching boards leading to conflict, greed, or scandal, and boards with excessive control over CEO's performance risk a CEO who lacks motivation and the ability for the organization to reach its potential. This balance of controlling or collaborating between the board and CEO can impact firm performance and increase CEO turnover (Wijethilake & Ekanayake, 2020). The dynamic relationship between the board and CEO can add to the conditions of an organizational failure.

Structures of boards are also important in organizational performance and communication symmetry and can influence the effectiveness of an organization. Kushner and Poole (1996) determined that specific designs of board committees are associated with higher performance, and other committee structures tend to create structural dysfunctions leading to organizational failure. The authors found that boards that include many committees tend to have decentralized decision-making increasing the risk of deficient performance. Brown and Iverson (2004) studied this theory and organizations' board-level structure and found that nonprofit organizations should be

strategic in creating committee structures. Committee structures can create decentralized decision-making, with too many committees preventing mission-related activities, and boards with fewer committees have centralized decision-making leading to improved strategies and organizational outcomes. Although CAAs must comply with tripartite board compliance, determining the structures of committees within the board is a board decision. CAAs can improve their performance, minimize fraud when they are strategic in their committee structure design, and have a collaborative and strategic decision-making process with the CEO, avoiding communication and power conflicts.

Ramifications of Fraud in Nonprofit Organizations

The ramifications of fraud occurring in nonprofit organizations are immense. The obvious tangible cost of fraud to nonprofit organizations is the loss of financial resources diverted from the organization's mission and potentially impacting the delivery of services. The 2022 ACFE report indicated that nonprofit organizations, including religious, charitable, and social service agencies, have fewer resources to prevent and recover from fraud losses, and nonprofits that suffer from fraud loss can anticipate a median loss of $78,000 (ACFE, 2022). When agency conflicts between the principal and agent result in fraud, the donor base may be lost. CAAs rely on donations to supplement CSBG funding, and trust is critical in securing donors. Donor motivation and intention require nonprofits to maintain transparency and trust and avoid fraud. In situations involving fraud or deceit, the agency's donor base will be at risk, potentially devastating the organization's future, including revenue from private funding and donations (Ford-

Byrd, 2021). A lack of trust in the organization is one of the reasons private funding diminishes in nonprofit organizations.

Another challenge with long-term consequences of fraud emerges in public relations. The evidence of organizational public relations indicates that the need for trust is related to more extensive and frequent donor donations (O'Neil, 2008). Identified fraud in nonprofit organizations can change the public's perception of the organization and lessen the community's and donors' trust. This fraud identification can also be significant for the organization's image to service users, and further implications may include a reduction in annual service users (Chaudhry et al., 2021). A decrease in service users can also have repercussions on the contracted level of services leading to performance issues and failure to meet stated contractual obligations or benchmarks. These effects can also lead to other funding losses beyond detracting from the organization's donor base, including loss of government funding, and further distancing the organization from fulfilling its mission. In some instances, organizations can also lose their nonprofit charitable registration status due to fraud occurrences. Losing charitable registration status can also affect the IRS's tax liabilities, fines, and penalties. In other situations, nonprofit organizations may be dissolved by other means, including bankruptcy or mergers and acquisitions.

Corporate fraud can also detract volunteers from joining the nonprofit organization's efforts. A decrease in volunteers can also impact the organization's ability to meet its mission, be fully staffed and functional, or have service reductions due to reduced volunteer hours. The value of volunteers, in addition to board roles, is immense

to nonprofit organizations. Eighty percent of nonprofit organizations in the United States engage volunteers for service delivery. Nonprofit leaders choose to utilize volunteers for service delivery to increase the quality of services, reduce agency costs, or provide expanded or specialized services available only with volunteer expertise (Hernandez Ortiz et al., 2022). Volunteers are critical to the service delivery of nonprofit organizations, and nonprofit organizations failing to protect from fraud loss can also lose the valuable contributions of volunteers in carrying out their mission.

The survivability of fraud for nonprofit organizations is another ramification of fraud. Pan et al. (2022) used a sample of 104 congregation financial fraud prosecuted by the U.S. Department of Justice over 5 years (2013–2018) and found that financial fraud committed by the clergy negatively affects the organization's survivability compared to fraud perpetrated by executive involvement. Moreover, fraud survivability declines further when an executive team member perpetuates the fraud. Another factor of survivability is the size and maturity of the organization (Archambeault & Webber, 2018). The size and maturity of the organization influence survivability because a mature organization tends to have more financial resources and established governance practices that effectively minimize fraud (Archambeault & Webber, 2018; Archambeault et al., 2015). Lamothe et al. (2023) found that organizations without a deficit are three times more likely to be scandal free from financial and non-financial fraud, even though the study found no compelling predictors for fraud as it occurs widely and randomly across individuals and organizations. The occurrence of fraud in organizations without a deficit may be a critical aspect of understanding how nonprofit organizations survive fraud.

Transition

In Section 1, I presented the foundation of the study, the background of the program, and the program statement. I also provided the purpose statement, nature of the study, research question, and interview questions for this study. I provided the conceptual framework, operational definitions, assumptions, limitations, and delimitations. Further, I reviewed professional and academic literature, described the agency theory framework, and addressed how governance strategies can protect an organization's assets from fraud. I also explored the role of governance strategies in minimizing fraud and the ramifications of fraud on nonprofit organizations.

In Section 2, I begin with the purpose of the study, an overview of my role, and a detailed explanation of the project components and rationale for decisions guiding my study. I also include the selection of the participant criteria, research method design of the study, and population to achieve a study sample. Section 2 is a detailed explanation of the data collection instruments and techniques, a summary of the data collection organization and analysis, and the methods of this study to achieve trustworthiness.

In Section 3, I describe the project's outcomes, the presentation of the study's findings, the application for professional practices, implications for meaningful social change, recommendations for action, and further research. Section 3 also includes reflections and conclusions for successfully implementing governance strategies to minimize fraud in nonprofit organizations.

Section 2: The Project

In Section 2, I begin with the purpose of the study, providing an overview of my role and a detailed explanation of the project's components and rationale for the decisions. I also include the selection of the participant criteria, research method design of the study, and population to achieve a study sample. Section 2 consists of a detailed explanation of the data collection instruments and techniques, a summary of the data collection organization and analysis, and the methods of this study to achieve trustworthiness.

Purpose Statement

The specific business problem is that some board members of CAAs lack knowledge of effective governance strategies to protect the organization's assets from fraud, resulting in lost dollars to achieve their mission. Therefore, the purpose of this qualitative multiple-case study was to explore effective governance strategies that CAA board members use to protect the organization's assets from fraud.

Role of the Researcher

The role of the researcher must be understood, including conduct during research. Qualitative research explores complicated matters, and researchers should conduct themselves with a comprehensive understanding of the process and a consciousness when interviewing others (Collins & Stockton, 2022). My role as the researcher included enlisting board member participants, conducting interviews, collecting data, analyzing data, and interpreting the data collected during the interview process. This role in developing data for interpretation and the researcher's perspective in analyzing material

and views of others is not only a logical path, but also an ideological approach that must examine potential conflicts, undue political influence, and ethical issues for a quality study to emerge (Karagiozis, 2018). My role included every aspect of research, from developing the problem statement, identifying the conceptual framework, creating the research questions, the methodology, and overall study design, to data analysis and coding, interpretations of the data, and thematic analysis, to a rigorous approach to generating and presenting evidence. High-quality research links the lived experiences of others to the knowledge produced through a systematic data analysis process with four key steps: (a) data immersion, (b) coding, (c) creation of categories, and (d) the identification of themes (Green et al., 2007).

My research focused on CAAs in New Jersey. I did not work for any CAA in New Jersey at the time of this study. However, I worked for a nonprofit CAA before starting my doctoral study but not since 2017. Yin (2018) found that case study research requires a rigorous and methodical design that relies on the researcher's skills and expertise. My expertise includes over 20 years in direct service working for a New Jersey CAA, first as a caseworker in a welfare-to-work state-funded program, then as a director of a helpline providing resources and linkages to individuals experiencing crisis and homelessness, and then to designing and implementing programs for low-income individuals. As a deputy director, my duties included (a) supervising CSBG-funded programs, (b) auditing compliance, and (c) investigating and addressing fraud issues. In my service within the CSBG network, I became involved in fraud cases and transitioning services of dismantled agencies. The devastation to individuals and communities that

result from agency closures compelled me to teach board governance strategies to agencies within the network. My knowledge of the impact of fraud later led to my work as an adjunct professor at a community college, providing content on nonprofit skill development for board members and employees. I left the CSBG network in 2017 and launched my own consultant company.

My passion for improving low-income communities led me back to the CSBG network. At the time of my doctoral study, my consultant work included duties as an executive consultant for the Community Action Partnership NJ, a statewide association comprised of members that can consist of CAAs and public organizations receiving CSBG funding. I am not an employee of any CAA and have no personal relationships with board members of public or private CAAs. One of the more common missteps in qualitative research occurs when the researcher needs to disclose knowledge of relationships, the intent of the study, or the protection from harm provided to participants (Merriam & Grenier, 2019). My training and experience in the field of case management and disaster and crisis counseling also signify my ability to be independent of participants when gathering data and asking questions in an interview format.

My role in interviewing board members included disclosing any conflicts of interest and adhering to ethical principles. The principles of *The Belmont Report* guided my research and approach (National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research, 1979). *The Belmont Report* was published in 1979 and established guidelines for ethical research's complex and intricate boundaries (National Commission for the Protection of Human Subjects of Biomedical and

Behavioral Research, 1979). After public and political attention on abuses of individuals who were research subjects, *The Belmont Report* provided to the National Commission concluded that respect for persons, beneficence, and justice should be present in research (Pritchard, 2021). The report provides researchers with a foundation of ethical considerations for acceptable conduct. I also avoided interviewing potentially vulnerable research populations when designing the participant protocols. Ethical issues may surround research studies when vulnerable participants are included (Potthoff et al., 2023). I maintained ethical integrity and conducted honest research based on the guidelines and ethical considerations identified in *The Belmont Report*.

Respect values reflect that individuals should have autonomy in making decisions for themselves and identify that, at times, individuals may need protection, and informed consent is necessary for ethical research; beneficence outlines the need to create no harm requiring analysis of both personal and community consequences, unintended or intentional to protect individuals; and justice requires an equal or fair measure of the distribution of study participants, preventing specific populations from unfair representation (Pritchard, 2021). These three core areas have expanded since the original publication and been revised by the U.S. Department of Health and Human Services in 1991, resulting in 15 federal and state departments establishing a Common Rule that is still in effect today to guide research practices (Pritchard, 2021). I applied the practical application of the principles to my research study. I did not begin the data collection phase of the study until receiving approval from the Institutional Review Board (IRB)

and included the approval number, 04-16-23-0367460, on informed consent forms, provided and agreed upon by all participants in the study.

Sources of evidence for my research included semistructured interviews. Interview protocols are necessary for valid and reliable data collection. As a researcher, I provided interview protocols to the participants and a list of interview questions before the interview. I also obtained permission to record the interview. Producing accurate transcriptions requires documenting interviews and reviewing and validating knowledge obtained from the interview process (MacNealy, 1997). Interviews were conducted with electronic recording to verify accuracy and validation and were guided by Walden University's IRB regulations before recruiting participants or beginning data collection.

Researchers must exercise caution and be aware of bias, even with the most rigorous and principled approach to research, because it is almost impossible to remove all bias. Ethical considerations found in research guidelines are not the only consideration in a reliable study; the role of the researcher is critical to reducing conflict in qualitative research (Merriam & Grenier, 2019). I used open-ended questions that were aligned with the overarching research question. Interview questions that are not leading add to the researcher's ability to set aside their own perceptions and avoid bias in the interview process (Cairns-Lee et al., 2022). To further avoid bias, all participants were asked the same questions in order, were treated equally and fairly, and received updates about the voluntary nature of their involvement in the study and the ability to withdraw at any time during the process of the study. I also followed the interview protocols for each participant to ensure that all participants were treated the same. The interview protocols

(Appendix) helped me to treat all participants equally, and the interview questions helped to guide the data collection process to answer the research question. These steps and open and frequent communication with the participants helped mitigate bias and prevent me from viewing data through a personal lens.

Participants

Participants for this research study consisted of board members of CAAs in New Jersey. The participant selection criteria included board members who successfully implemented strategies by demonstrating proactive identification of governance deficiencies to minimize fraud. The participant's organization needed to have been a designated 501(c)3 organization under the IRS code for at least 3 years. A participant's organization was also eligible if the organization had received CSBG funding through the New Jersey Department of Community Affairs for at least 3 years.

The selection of participants is a critical component of case study research. Yin (2018) identified interviews as one of the essential data sources in qualitative case study research and cautioned that selection should be purposeful, not random, yielding results that predict replication. Interviews require an open dialogue between participants and the researcher. Participant selection for the case study can produce research to help build a new theory to solve a complex business problem (Ebneyamini & Sadeghi Moghadam, 2018). Participants were eligible for this study and recruited through email communication through professional networks of the CAA network and referrals from the community action network in New Jersey. Initial contact with potential participants in the sample outlined the purpose of the study, the need for experienced board members

who successfully implemented strategies to protect the organization's assets from fraud, and board membership of a New Jersey CAA.

Participants also received information on the study's conceptual framework and agency theory to understand the conflicts between principals and agents through logical connection of their experiences to the research topic. The intent of preserving the integrity of the participant's voice is an important message throughout the interview process and helps build a connection between researcher and participant (Gregory, 2020). Communication helps to build trust enhanced with knowledge of the process and opportunities for questions and explanations. I established the relationship with the participants utilizing an open and transparent process, established protocols, and a safe space for their stories to be shared.

Research Method and Design

This subsection presents an expanded discussion and resources on research methods and design description and provides additional evidence and justification for my selection of research methods and design. Researchers require a systematic path of inquiry to identify conclusions to the phenomenon of study. However, selecting the research methodology that will produce valid findings requires a selection creating the direction for the systematic steps that result in a reliable study (Edmonds & Kennedy, 2017). Researchers must comprehensively understand research paradigms to guide the methodological decisions for data collection, analyzing and interpreting information, and formulating conclusions (Stoecker & Avila, 2021). I selected a qualitative research method and multiple case study design.

Research Method

Guiding research method and design decisions are three distinct methodologies researchers may select, which include (a) qualitative, (b) quantitative, and (c) mixed methods (Saunders et al., 2016). Qualitative research involves interpretation and inquiry through systematic steps (Keenan, 2020). Qualitative research may be guided by more than the subjects' experiences and may include the intrinsic experiences of the researcher (Levitt et al., 2022). Qualitative research requires rigorous data collection methods to support the conclusions of studies. The uniqueness of qualitative studies reflects the perspective drawn from the researcher's experiences in identifying outcomes and exploring unique experiences and perspectives (Wester et al., 2021). I selected the qualitative research method to identify and explore the phenomenon, the who, why, and what of the governance strategies board members of nonprofit organizations use to protect the organization's assets from fraud.

Scherbaum and Shockley (2015) identified quantitative research as a method that involves the analysis of numeric data to test a hypothesis, including the analysis of two or more variables using inductive research. Quantitative research was not a method that would have allowed exploration methods of understanding board members' governance strategies to protect the organization's assets from fraud through the exploration of experiences. The quantitative research method is best for a study that includes investigating numeric data of nonprofit organizations to study this phenomenon. I did not analyze fraud loss or test a hypothesis using variables to examine the relationship between board members and asset protection with statistical procedures. In this study, I

intended to focus on understanding board members' knowledge and experiences. For these reasons, I did not select the quantitative research method.

Another method, mixed methods, combines both qualitative and quantitative research in a purposeful approach. Mixing data integration can help researchers have a panoramic view of phenomena from many different lenses, a method best suited when one paradigm is not adequate to understand data collection and analysis (Shorten & Smith, 2017). Mixed methods research is a complex design with inductive and deductive reasons but needs more flexibility than a case study design (Plano Clark & Ivankova, 2016). I did not choose mixed methods research; while this method is comprehensive, my research question was not appropriate for this method. Without numeric data or testing a hypothesis, mixed methods research is not suitable for understanding governance strategies that board members of nonprofit organizations use to protect the organization's assets from fraud.

Each of the three methods is distinct, and one way is not superior or inferior to another. Qualitative research methods are framed in words, quantitative in numbers, and mixed methods are often viewed as the middle of the continuum, with a combination of words and numbers (Creswell & Creswell, 2018). While scholars and researchers may debate the differences, complexities, or approaches to analysis, the researcher's philosophy, research question, and data collection elements primarily guide final research design choices (Shorten & Smith, 2017).

Research Design

The qualitative research designs I considered for my study were grounded theory, phenomenological, and case study design. A grounded theory design allows an idea to emerge using inductive reasoning and constant data analysis (Chun Tie et al., 2019). Grounded theory requires researchers to follow a series of critical stages when applying this design to participants' lived experiences. Grounded theory, as best applied to specific research questions and coding data, is often misunderstood, and misapplied to thematic analysis, with most researchers coding the data to their interpretation instead of the participants' experiences (Carlin & Kim, 2019). Because my research question focused on understanding board members' governance strategies rather than participants' experiences, grounded theory was not appropriate for my study.

I also explored phenomenological design as a potential design. The phenomenological design focuses on lived experiences and examines human experiences (Adams & van Manen, 2017). Researchers without preconceptions of the phenomenon face challenges in understanding the phenomenon's norms and the participants' lived experiences in a phenomenological design (Emiliussen et al., 2021). My research question did not seek to understand fraud experiences, but the knowledge of governance strategies used to protect an organization's assets from fraud; this factor and the inability to include large-scale participants to interview eliminated the phenomenological design for my study.

I selected a multiple case study design. Researchers use a case study design to explore complex phenomena involving in-depth data collection, numerous types and

sources of information, and reporting of descriptive themes (Yin, 2018). I chose a multiple case study design to add to the detail of understanding. A multiple case study is an intentional study of two or more complete cases (Stake, 2010). Numerous case studies may also reinforce the generalization of findings and enhance knowledge of the phenomenon the researcher creates during data collection (Adams et al., 2022). I conducted semistructured interviews with participants from two nonprofit organizations and analyzed documents from those nonprofit organizations. A multiple case study allowed a richer exploration and understanding of the differences in analyzing units of analysis.

Data Saturation

Qualitative research does not provide specific guidelines or an exact formula for researchers. Instead, researchers should provide a data collection plan with an estimated sample size for data saturation. Data saturation can occur differently for each study. Yin (2018) emphasized that a small sample in a case study can efficiently reach data saturation.

Significance testing is absent in qualitative case study research; instead, through a detailed data collection plan, the researcher can conclude and generalize about a phenomenon when a study is well designed (Guetterman, 2015). To achieve data saturation, I used the characteristics of no new data, no new themes, no new coding, and the ability to replicate the study to achieve data saturation. Mwita (2022) identified data saturation for qualitative researchers at the point when there is enough information for reproducing a study, the absence of new information, and when coding is no longer

feasible. I also considered the minimum number of interviews, three for my doctoral study, follow-up inquiry for no new data, and zero further information for my threshold. I chose transcript review to confirm data saturation.

I conducted semistructured interviews with open-ended questions and collected organizational documents that included audited financial statements, IRS tax return filings, and board governance documents, and analyzed data until no new information emerged to satisfy the data saturation process. I began my data analysis process immediately after IRB approval and my first interview was conducted and I continued data analysis as part of an iterative analysis. Moser and Korstjens (2018) suggest qualitative researchers begin data analysis immediately after the first interview as data collection and data analysis are best when there is a fluid process between collection and analysis. I transcribed each interview and provided a transcription to each participant within 5 days of each interview. I used an audio recording to provide accurate transcriptions. I listened to each recording many times to provide accurate transcriptions. I ensured data saturation when no new themes emerged, information was exhausted, and no new information was provided. I used transcript review and returned a full transcription to each participant to verify the accuracy of the transcriptions. Lincoln and Guba (1985) found transcript review as a critical method to check data. I finalized the transcriptions after receiving feedback from each participant.

Population and Sampling

Exploring governance strategies nonprofit board members use to protect their assets from fraud requires a defined process for gathering the lived experiences of board

members. Qualitative research requires procedures in research studies to extend human

experiences narrowing assumptions through data gathering and circular analysis over

time to discover deeper meaning from experiences (Creswell, 2013; Gill, 2020).

Insightful results depend on a sample size that is robust enough to support the research

goals, and the size and method to obtain a sample size are critical to the trustworthiness

of a study. Qualitative researchers may not determine the exact number of participants in

a study until the data analysis stage and data saturation occurs (Ishak & Abu Bakar, 2014;

Moser & Korstjens, 2018). Determining the number of participants in a sample includes

different qualitative study procedures. Ishak and Abu Bakar (2014) found that while

nonprobability sampling, including accidental or convenient pieces, may make

participant selection more accessible and less time-consuming, they are not sampling

techniques resulting in effective samples. Instead, researchers can achieve an acceptable

sampling procedure by applying purposive sampling. Purposive sampling depends on the

researcher identifying specific participants that meet the same set of criteria to illuminate

the understanding of the phenomenon during the investigation (Yin, 2018). I selected

purposive sampling to select board members of nonprofit organizations with knowledge

of governance strategies used to protect the organization's assets from fraud.

Walters (2021) found that researchers who identify the population from the

sample, including the anticipated individuals and organizations, periods, and

geographical areas, reduce methodological errors and produce more credible results.

Researchers have yet to agree on a definitive answer to a study's ideal qualitative sample

size (Guetterman, 2015). Researchers generally agree that qualitative studies include

smaller sample sizes and are dependent on the richness of data (Moser & Korstjens, 2018). I identified a sample size and selection through purposeful sampling and was prepared to extend the number of agencies and the number of participants if data saturation was not reached as the sample size can change during qualitative research.

I used purposeful sampling to identify and select the participants for this study. Through purposeful sampling, data were from three CAA board members of two agencies in New Jersey who were interviewed using open-ended questions. I used a selection criterion of participants over age 18, serving as a board member of a CAA in New Jersey without an occurrence of fraud in the last three years, and knowledge of strategies used to protect nonprofit organization's assets from fraud and who also had knowledge of implementing governance strategies to protect the organization's assets from fraud. I used semistructured questions and open-ended questions to explore their experiences and knowledge. The participants selected possessed knowledge of successfully using governance strategies to protect the organization's assets from fraud in the past 3 years. Participants received information on the selection criteria and acknowledged that they met the criteria resulting in only participants who met the selection criteria included in the case study. Organizational documents were obtained from the participants, agency websites and included audited financial statements, IRS tax return filings, and board governance documents. These organizational documents were reviewed for relevant information on governance and provided verification that there was no diversion of assets from fraud through the review of IRS documents.

Data saturation occurs when no new data occurs. Lincoln and Guba (1985) identified information redundancy and that sampling of data should be terminated when no new themes emerge, no new information, and no new properties are evident. I terminated interviews after three, the minimum number of participants in my study, when no new themes emerged. Data saturation occurs when no new themes emerged (Yin, 2018). I verified data saturation by transcript review. Participants received the interview questions and participant answers and verified the accuracy of the information to confirm data saturation.

I conducted my interviews virtually using the Zoom platform and scheduled the interviews at the convenience of participants. Participants were agreeable to a Zoom platform, and I encouraged participants to select any time that was most convenient for them to conduct the interviews. I used my professional Zoom account and conducted interviews at the selected time choices. Rich data can be obtained from participants when they are comfortable including the characteristics of time and access (Moser & Korstjens, 2018). The virtual setting provided participants with the ability to be in a setting most comfortable to them, improving communication between the participant and the researcher and building trust for participants to share information with the researcher.

Ethical Research

Protecting the participants from harm requires veracity and a transparent and openly communicated process for participants. *The Belmont Report*, the Common Rule, federal regulations, and the IRB provide a framework to guide researchers' ethical practices when including human subjects; however, including human subjects is one of

many facets of ethical considerations (Corbie-Smith et al., 2018). The IRB guided and

approved the informed consent process and requires approval before any research

initiative begins. The IRB and participant procedures are measures taken to ensure no

harm to any participant. The informed consent process consists of a written form

requiring participants' signatures before inclusion in the study, with a copy provided to

the participant. The participant copy included: (a) information on the rights of

participants, including withdrawing from the study at any time; (b) the voluntary nature

of being a participant; (c) the legal rights of privacy by a participant; and (d) before

signing, a statement and affirmation that the participant understands their rights. I ensured

that participants understood all facets of the documentation and the intent of the research.

Research consent procedures that overburden participants with signatures may create

distrust or intensify the risk of harm. A signed consent form remains the research

standard for informed consent (Newman et al., 2021). Researchers should strive to assist

participants in consuming information that enhances their understanding and empowers

them to choose to participate in research. An informed consent process that assesses

capabilities, varying literacy levels, and capacity to provide consent will improve the

ethics in the researcher's process (Newman et al., 2021; O'Shea, 2022). I obtained

written consent from all participants.

Beyond the written and signed informed consent form, ethical considerations

guide engaging human subjects as co-constructors of knowledge. A fair selection of

potential participants and ongoing analysis of potential harm to community stakeholders

requires continuous assessment throughout the research process (Corbie-Smith et al.,

2018). The potential risks of stakeholders exploring nonprofit fraud by participating in my study were limited. I sought to explore board members' knowledge in successfully minimizing fraud, thereby reducing the potential for harm in discovering or identifying fraud. I continuously assessed the potential for adverse consequences.

Participants were provided with a statement on their ability to withdraw from the study and their "at-will" status in the project; this statement shared through email provided continuous opportunities to assess their participation. Signed informed consent forms collected through email reinforced the voluntary nature of the study. I also asked participants to email "I Consent" before any participant-involved research began to confirm their agreement to participate or withdraw at any time. The IRB approval number 04-16-23-0367460 was included in all final data collection documents. Participants demonstrated an understanding of the study's purpose, potential risks, benefits, and contact information of the Walden University's Research Participant Advocate to contact for any questions or concerns.

Participants did not receive compensation for participating in the study, avoiding the potential conflict of incentivizing participation in exchange for involvement or specific answers due to financial gains. Newman et al. (2021) identified monetary compensation to participants as an area of debate; while financial incentives could influence participants, participants may experience a loss of wages or have costs associated with participating (childcare or transportation), creating the potential for a financial burden for the participant. The participants selected the most convenient time reducing any potential loss of wages or costs to participation in the study.

Research interviews can also create ethical challenges due to the subject matter, nonprofit fraud, which may be unpredictable and sensitive. Kostovicova and Knott (2022) found that researchers must also be conscious of the ethical questions and dilemmas that may emerge from the knowledge created during the interview process and approach research ethics beyond the usual consent, anonymity, and bureaucratic approval. Ensuring the ethical protection of the study and as the principal researcher, I assigned coding for participants and used transcription validation to verify the accuracy of the transcripts. The researcher is also responsible to ensure that a personal lens or perspective does not create bias or unfair treatment of participants during the study. Mitigating bias is a critical responsibility of the researcher. I mitigated bias and avoided viewing data through a personal lens following the interview protocols established. I also treated each participant equally and relied on the open-ended questions to mitigate any personal bias. I also completed transcript review during the data collection process. I also built trust with participants through open communication and as the researcher, I am committed to upholding the highest ethical considerations.

I will store all data collected during the study in a secured cabinet, and the contents will be protected and retained for 5 years. No documentation including participant names or identifying information will be retained, thus enhancing confidentiality. I also assigned coding to participants to ensure the ethical protection of participants. I shredded any information collected with names or identifying information.

Data Collection Instruments

A standard qualitative data collection method is interviewing. Interviewing allows the researcher to be the primary data collection instrument (Yin, 2018). As the primary research instrument, I conducted semistructured interviews to gain insight into the phenomenon. The researcher can choose a focus group format or structured, semistructured, or unstructured interviews to explore the phenomenon. Focus groups allow group dynamics as part of the exchange with questions moderated to the group (Gill et al., 2008).

Gill et al. (2008) identified semistructured interviews as the least time-consuming and described this format as a verbal questionnaire. The authors identified semistructured interviews as a process allowing researchers to explore knowledge in an organized fashion. Unstructured interviews are the most time-consuming method, and semistructured interviews include open-ended questions (Gill et al., 2008). I selected semistructured interviews with nonprofit board members as a primary data collection method and the questions for semistructured interviews as the data collection instrument. Semistructured interviews are an acceptable data collection method in qualitative research as the interview approach provides questions within a flexible framework encouraging and soliciting information (Diefenbach, 2009).

In qualitative research, data collection and analysis begin simultaneously (Merriam & Grenier, 2019). The role of the researcher in this dual role requires a careful and systematic approach to data collection. As the primary data collection instruction, I selected semistructured interviews as a primary data collection method. Researchers

conducting semistructured interviews must account for more than neutrality during the interview process. Researchers must assess the setting, language, and culture and develop trust for a successful interview process (Matteson & Lincoln, 2009).

I used a purposive selection of New Jersey nonprofit organizations receiving CSBG funding using semistructured interviews and asked questions to explore my phenomenon. I built trust with participants through exchanges before the interview date and used Zoom to conduct the interviews virtually, minimizing the inconvenience of time. Email communication occurred to gain signed consent and to explain and detail the procedures to withdraw from the study at any time. I also provided a time expectation and range and adhered to the expectations while accommodating each participant's schedule. I followed my interview protocols and asked open-ended questions for the semistructured interviews to elicit dialogue and gain knowledge from participants' direct experiences in minimizing fraud in nonprofit organizations.

Leung (2015) found that in the absence of a standard agreement on acceptable reliability and validity testing of a qualitative study, appropriate tools, data, and processes should be implemented. Interview protocols (see Appendix) were provided to participants before the scheduled interview for review and were received at least 7 days before the agreed date. Reliability is achievable through consistent data analysis and replication. Transcription review is one method to improve reliability that I used along with the recordings of the interviews to review transcripts for accuracy. Recording the interviews and allowing the participants to check the transcriptions and make any changes or corrections improved data accuracy.

The second data collection instrument I selected was the review of organizational documents. Document analysis adds rigor to qualitative studies and is a common secondary form of data collection using a multi-method of triangulation (Cardno, 2018). I obtained secondary data by requesting governance documents from participants. I also conducted a search on the websites of agencies to obtain additional information. I obtained audited financial statements, IRS tax return filings, and board governance documents, including board bylaws, annual reports, and the agency mission statement. I created a review of the organizational documents. I reviewed 3 years of audited financial statements and IRS tax return filings to determine if any diversion of assets required explanation. The purpose of reviewing the information was to confirm that the agencies did not have occurrences of fraud in the past 3 years, a criterion of participation in my study. I also reviewed the tax return filings to review the governance questions submitted to the IRS. The review of this information confirmed compliance with governance questions. The bylaws of the agencies confirmed established processes for board member recruitment, training, and the structure of the board as it relates to governance strategies and board composition. The documents I reviewed were also available on agency websites. However, researchers must be aware of limitations when analyzing documents. These limitations include using documents that may not be complete or organization documents created for other purposes, including compliance with regulations, or funding requirements, rendering available documents incomplete or biased (Cardno, 2018; Merriam & Grenier, 2019). The annual reports of the agencies included an overview of funding and administrative costs and focused on positive occurrences within the

organization. The financial statements and tax filings represent a snapshot of the agency's finances; however, they are a good indication if the agency requires any explanation on any diverted funding that may have been a result of fraud.

Data Collection Technique

Case study research can gather vast amounts of data for analysis. Case study research requires systematic data collection procedures as researchers collect and analyze information simultaneously (Lawrence & Tar, 2013). The data collection techniques for my study include conducting semistructured, open-ended interviews aligned with my research question and a structured record review of organizational documents as a secondary source. Semistructured interviews with open-ended questions can provide additional insight into the study phenomenon. Maxwell (2002) found that qualitative research relies on the ability of researchers to produce factual and accurate information with verifiable methods. I used semistructured interviews to answer my research question of what governance strategies some board members of nonprofit organizations use to protect the organization's assets from fraud. I interviewed participants via Zoom and recorded all the interviews. The recording allowed the interview to be retrieved, verified, and maintained following data collection protocols for security.

Upon approval from IRB, I recruited participants suitable for this study. Relevant participants for this study consisted of three board members of two nonprofit organizations with experience protecting their organization's assets from fraud. Once participants were identified, information on the purpose of the study, the interview process, expectations of the study, and informed consent forms with required signatures

were provided electronically. Participants received written information on how to accept involvement in the research study and clear communication on the ability to decline participation at any time during the process.

Upon confirmation and approval of three participants from two organizations with experience protecting their organization's assets from fraud, I scheduled interviews virtually and at their convenience. I used the interview protocols to guide the interview process. Interview protocols consisted of the interview guidelines, opening script, closing script, and consent form provisions. The audio interviews were recorded on my laptop with a backup recording on my phone. I had a journal for any notes and only proceeded with the interview following confirmation and agreement by the participants. Interviews lasted 45 minutes for each participant. My eight questions were open-ended, and my final question permitted participants to add additional information or ask questions before the interview concluded.

I practiced interview and observation techniques on individuals similar to my study to avoid common mistakes in semistructured interviewing. Stake (2010) encouraged researchers in qualitative case studies, especially new researchers, to understand the importance of clarifying questions during interviews and exploring the researchers' feelings yielding a more interpretative and comprehensive examination of the study. A common mistake in semistructured interviews is when researchers focus on verification or obtaining a quote rather than the nuances of the exchange (Stake, 2010). I avoided this pitfall by having confidence in my recording of the interview and the transcript review step to ensure that transcriptions were accurate. I focused on the

dialogue and exchange of information based on the open-ended questions. My interview

questions were designed for participants to share information and explore their

knowledge and experiences of the phenomenon.

After I conducted the interviews and after each interview, I thanked each

participant and outlined the remainder of their involvement in the study. To ensure

validity, I gave the participants a written transcript of the questions and answers. The

participants agreed or refuted any information in the provided transcript for transcript

review. The transcription of the data was delivered electronically to each participant, who

had the opportunity to review the meaning and intentions of their responses from the

interview. Participants were given a 7-day time limit to review their interview transcript

and provide any comments or additions. If no response was received within 1 week, I

conducted additional outreach and the opportunity for extra time, if necessary. Data

coding occurred after transcript review.

I also inquired about secondary data collection, including any relevant documents

on organizational governance including audited financial statements, IRS tax return

filings, and board governance documents. Document analysis can be beneficial as agency

records can be easy to locate and access and allow the researcher to review information

without intruding into the organization (Cardno, 2018; Yin, 2018). Transcript review and

document analysis helps to validate data collection.

Data collection in qualitative research can have advantages and disadvantages.

Yin (2018) cautions case study researchers to collect evidence that is relevant to

answering the research question. Prior to IRB approval, I tested my interview questions

and practiced my interview techniques to avoid any common mistakes. The use of audio recordings of the semistructured interviews and transcript review helped to determine that the information transcribed from the interviews was accurate. The advantages of organizational document review provided a secondary validation of information relating to board governance and organizational information. In the organizational review, I found both agencies had extensive conflict of interest and whistleblower policies. Gijsenbergh (2021) found organizations with written policies and guidelines may have improved detection of fraud through transparent whistleblowing policies. However, organizational document review can be limited. Merriam and Grenier (2019) caution that there are limitations when using documents that may be created for other purposes including compliance with regulations. IRS filing documents are an example of a review that represents a snapshot of the financial standing of an organization. The document review helped to verify participant responses and provided additional insight to answer my research question. Transcript review helped to reduce the disadvantages of common errors in case study research.

A common type of data triangulation in case study research occurs when researchers use the same method to obtain information from various sources. Yin (2018) proposed construct validity, internal validity, external validity, and reliability as four critical areas of an irrefutable case study. For my research, data triangulation occurred from interview questions, coding, analyzing organizational documents, probing, using open-ended questions, and following the established protocols. The data collected upon

IRB approval will be placed in a locked cabinet in my home office and will be retained

for 5 years before the documents are destroyed.

Data Organization Technique

A qualitative case study, while flexible, requires an organized and systematic

approach to managing data is needed to help explain the data collection and interpretation

process. Given and Olson (2003) identified the need for collected data to be organized

and managed systematically to yield a rigorous data analysis focused on the research

question. My role was to organize and manage the collected data properly. Data

collection, data analysis, and coding, with an aligned research question, must be well

organized for the development of themes and consistency throughout the process (Bansal

et al., 2018). My role as a researcher was to manage all the data I collected and identify

the data collection process and how the collected data will be stored and destroyed after 5

years. Zoom is the platform used to conduct and record semistructured interviews. I had a

journal to take notes on during the discussions, and participant information was coded.

Organizational documents collected were coded and classified. I condensed all the data

for analysis, and continuously interpreted the data.

Dufour and Richard (2019) further refined data analysis into three steps, which

include: (a) consolidating, (b) ranking, and (c) connecting toward the most significant

reading of the data to identify themes. I organized information by code and used Excel to

aid in the analysis of data and to identify themes. All the collected data were secured with

a backup on an electronic removable storage device with password protection. I followed

all standard security protocols to protect the collected data. All paper copies and the

password protected removable storage device were stored in a locked file cabinet in my home office. After 5 years, all the data will be destroyed. Any information with names, individuals, or agencies were removed before data storage. I followed standard data collection removal procedures to destroy all data stored electronically or on the removal data storage device. All information including paper copies will be destroyed following standard document destruction policies.

Data Analysis

Yin's five-step process guided my data analysis. Yin (2018) identified data analysis as circular, and the five-step data process for case study research includes: (a) compiling the data, (b) disassembling the data, (c) reassembling the data, (d) interpreting the meaning of the data, and (e) concluding the data. I followed Yin's five-step data collection using methodological triangulation to ensure the data and interpretation were credible. Alam (2020) found that researchers must not only identify that data saturation was reached but provide examples of the data saturation point to answer not only the what of the research question but also the how and why of a phenomenon resulting in a deeper understanding of the phenomenon. According to Yin (2018), the four methods of triangulation include: (a) data triangulation, (b) investigator triangulation, (c) theory triangulation, and (d) methodological triangulation.

I used methodological data triangulation in my doctoral study. I used a thematic analysis and interpreted data using Yin's five-step process. First, I collected the data in the form of interviews. I used the semistructured interview process to gather and collect information as the primary research tool. I transcribed the interviews in Microsoft Word

and listened to the audio recordings multiple times to ensure accurate transcriptions. I also referenced my interview notes before finalizing the transcriptions of the interviews. I used transcription review to ensure the accuracy of the information. All participants confirmed the accuracy of the interview transcriptions. I used organizational information to confirm the agency did not have any diverted assets in the past three years by reviewing audited financial statements and IRS tax documents. I also requested and received governance documents and reviewed agency annual reports, bylaws of the organization detailing board member requirements, board member composition, whistleblower policies, code of conduct and ethics policies, and agency mission statements.

According to Yin (2018), triangulation occurs by examining multiple data sources to minimize bias and improve validity. I used methodological triangulation to confirm and verify the information reviewing transcriptions, interview notes, agency governance documents, financials and IRS tax return documents including governance questions submitted on IRS documents. Semistructured interviews were conducted using Zoom and an audio recording and I documented notes during the interviews. I reviewed the audio recordings multiple times and used Word to type the transcriptions of the interviews. Participants received an email communication with the word document and were provided 7 days to make any changes. All participants responded within the 7 days' time limit and provided confirmation of the accuracy of the transcriptions. All participants conducted a transcript review and confirmed the accuracy of the information provided to validate the semistructured interview data.

The collection of information from interviews with participants included eight questions which I analyzed to determine the governance strategies that board members use to protect their organization's assets from fraud. I reviewed information from transcripts, interview notes, agency governance documents, financials and IRS tax return documents including governance questions submitted on IRS documents, agency annual reports, and governance bylaws to triangulate. From data collected from interviews, I used an Excel spreadsheet to develop codes and themes. Triangulation improves rigor and quality in research and contributes to internal and external validity by having independent measures of data captured from multiple sources (Farquhar et al., 2020). The review of multiple sources of data improves the accuracy of data to answer my research question of what strategies board members implement to protect their organization's assets from fraud.

I followed Yin's five step method for data analysis: (a) compiling the data, (b) disassembling the data, (c) reassembling the data, (d) interpreting the meaning of the data, and (e) concluding the data. Once the data was compiled from the interviews and verified by participants through the transcript review, I imported the data from Word into Excel to disassemble the data. Disassembling the data included organizing the data into codes and themes. Organizing data as part of the inductive strategy helps the researcher to search for patterns and themes. I used the classic data analysis method and sorted all concepts and ideas on separate sheets of paper as part of the critical analysis process. I used the theoretical lens of agency theory to gain greater insight into the data. First, I disassembled the data by creating one document per question and color coded participant

responses. I analyzed common themes and created subthemes using Excel manually coding and bracketing the common themes and subthemes.

The third step of my data analysis included reassembling the data. I used an Excel spreadsheet to label emerging themes and patterns. I correlated all the data to the central themes of the literature review through the lens of agency theory. I identified higher level concepts and developed themes. I presented the themes and subthemes in an organized and logical format. The fourth step of interpreting the meaning of the data included refining the analysis of data. The most significant data analysis is refined when researchers can connect the data (Dufour &Richard, 2019). I used data mapping to refine the central themes. Yin (2018) found correlating data to the main ideas and conceptual framework and current literature can connect central ideas. I used key themes and correlated this to the agency theory, the conceptual framework, and current literature. I manually coded and mapped the key themes of the interview transcripts, my notes, and the agency organizational information. I verified the common themes through the literature review to enhance the credibility of the study. The final step of concluding the data correlated to the conceptual framework and current literature. An example of the correlation of key themes with recent studies demonstrates the relevance of the material. The theme of internal and external controls for nonprofit organizations is even more crucial since the pandemic. Rottkamp and Gordon (2022) identified pandemic disruptions to external auditors and a lack of supporting documents in audits that switched to virtual during the pandemic creating a greater risk for nonprofit organizations to fraud. I also conducted transcript review to verify the accuracy of the interviews.

Reliability and Validity

Reliability and validity in qualitative research are less defined and structured than in quantitative analysis; however, they are of equal importance. Coleman (2021) posited that qualitative researchers must be concerned with reliability and validity as these factors are critical to the trustworthiness and dependability of a study, and further researchers must have a defined and structured plan to ensure reliability and validity in their research. Researchers can enhance reliability in qualitative studies through structure, transparency, coding, triangulation, presenting information, and leaving a trail for readers who can immerse themselves in replicating the researcher's conclusions (Coleman, 2021). Spiers et al. (2018) found that reliability and validity in qualitative inquiry is the responsibility of the researcher, not the reader, and ensuring data adequacy and appropriateness by continuously checking and analyzing data provides an accurate, distinct, and robust study that meticulously provides context to the phenomenon.

Reliability

Reliability and validity are required to enhance the trustworthiness of research. Observations in research require the researcher to analyze conditions and note observations during the data collection phase (Marshall & Rossman, 2006). I minimized the misinterpretation of data through transcript review and to enhance the dependability of the study. Siedlecki (2020) found purposive sampling can increase the reliability and dependability of a study. I increased the reliability and dependability of my study through following and detailing the established protocols of the study including describing the

secondary source of data analyzed to provide a complete understanding of the phenomenon.

Dependability

Dependability in qualitative research requires trustworthiness. Dependability of research is increased when the rigor and quality of research is maintained (Rose & Johnson, 2020). To increase the dependability of the research, participants completed a transcription review. Data saturation also improves the reliability and dependability of a study. I reached data saturation when there were no new codes and no new information. Absence of new information and no new codes emerging identify data saturation (Mwita, 2022). I also used data triangulation to ensure data saturation and to increase the reliability and dependability of the study.

Validity

Trustworthiness and dependability in a qualitative research study is achieved when researchers have a dependable method to achieve reliable results. Qualitative research should have rigor and precise methodology embedded in the analysis to be recognized as a valid and credible study (Nowell et al., 2017). In qualitative studies, the researcher is studying a phenomenon, and validity in qualitative research can be produced when researchers use precision, consistency, and an analytical approach to data collection. Significance testing is absent in qualitative case study research; instead, through a detailed data collection plan, the researcher can conclude and generalize about a phenomenon when a study is well designed (Guetterman, 2015). Achieving validity in research requires rigorous data collection and analysis, interpreting results accurately, and

avoiding generalizations in findings. My approach to achieving validity included the categories of credibility, transferability, confirmability, and data saturation.

Credibility

Credibility is a measure in qualitative research that can enhance the trustworthiness of a study when information contained in the study is verifiable (Rose & Johnson, 2020). To demonstrate the credibility of my doctoral study, I used transcript review. Lincoln and Guba (1985) identified establishing the credibility of a qualitative research to test findings and interpretations of the inquiry. I addressed dependability through transcript review. Mills et al. (2010) emphasized eliminating bias and having consistent and stable results to improve reliability. However, it is the role of the researcher to be methodological in all aspects and create an audit trail documenting the research process that will demonstrate stability to readers. I also used interview and document analysis for data triangulation to enhance the credibility of the study. I compared governance documents and organizational documents to enhance credibility.

Transferability

Researchers should strive to have a study that is reliable and trustworthy. Transferability is achieved when researchers apply detailed descriptions of the entire research process to determine transferability (Nowell et al., 2017). I detailed my research process, methodically following case study design and identified and followed the selection criteria for participants, and carefully transcribed participant experiences and knowledge so that others can evaluate the research context. I also provided information

on the assumptions I made and the steps I took to mitigate personal bias to enhance the usefulness of my doctoral study to other organizations and researchers.

Confirmability

Research that is bias-free improves the confirmability of a study. Confirmability is established when credibility, transferability, and dependability are achieved (Guba & Lincoln, 1989; Nowell et al., 2017). I achieved confirmability by reviewing the recordings of the interviews and carefully transcribing the information to avoid bias. Participants conducted transcription review to ensure confirmability.

Data Saturation

The theoretical framework also emphasizes the validity of a study as the framework leads to the greater purpose of the study (Merriam, 2010). The lens of my phenomenon, agency theory, also included implications throughout the literature review. I also used the process of an organizational document review as a second method of data collection for verification, thereby increasing the study's validity. I completed transcript review by providing each participant with the full transcription of the interview and provided an opportunity to review the transcriptions. I collected and analyzed organizational documents to confirm no new information was forthcoming and data saturation was reached.

Transition and Summary

In Section 2, I provided details on my role as a researcher, the logic and rationale for my decision-making, and the structure of my case study research design, including participant selection. I provided an overview of the data collection instruments and

techniques for the semistructured interviews and the methods of this study to achieve reliability and validity. Section 2 also provided a detailed review of the data analysis process.

In Section 3, I describe the project's outcomes, the presentation of the study's findings, the application for professional practices, implications for meaningful social change, recommendations for action, and further research. Section 3 also includes reflections and conclusions for successfully implementing governance strategies to minimize fraud in nonprofit organizations. Section 3 provides practical applications for implementing strategies to protect nonprofit organizations' assets from fraud and provides implications for social change.

Section 3: Application to Professional Practice and Implications for Change

Introduction

The purpose of this qualitative multiple case study was to explore governance strategies that nonprofit organizations' board members use to protect the organization's assets from fraud. This exploration of the ability to minimize the risk of fraud in nonprofit organizations adds to the growing body of literature on how nonprofit organizational leaders can protect their assets from fraud. The data came from interviews and public corporate documents from two CAAs in New Jersey. Participants answered eight questions that were open ended in nature. Documentary evidence included organizational documents and financial records.

The findings showed strategies that board members implemented to protect the organization's assets from fraud. I reviewed audited financial statements, IRS tax return filings, and board governance documents for a secondary source of information. I also used transcript review to improve the validity of my study. The data analysis revealed three major themes: (a) board competencies, (b) controls: internal and external, and (c) the culture of the organization. In this final section, I provide an overview of the research study, a presentation of the findings, and a discussion of the applications to professional practice, implications for social change, recommendations for action, further research, reflections, and conclusions.

Presentation of Findings

The research question for this study was the following: What governance strategies do some nonprofit CAA board members use to protect the organization's assets

from fraud? I conducted semistructured online interviews with three participants of two

CAAs in New Jersey selected through purposive sampling to answer this research

question. I also completed an organizational documentation review to provide additional

insight to answer my research question. This study's conceptual framework helped me

understand the conflicts between the agent and principal that often lead to firm failures

and profoundly impact corporate governance, economics, and organizational behavior.

Data were collected and analyzed according to the emerging context and coded and

classified under different themes. The data were collected through in-depth

semistructured interviews. Interview data were recorded, transcribed, and coded, and

coding was categorized manually using Excel to identify themes. I continually checked

and analyzed data to provide an accurate, distinct, and robust study. Three themes

emerged upon transcript review, completing the data analysis, and verifying the

information with organizational documents.

The three primary themes consisted of the following: (a) board competencies can

reduce incidences of fraud, (b) internal and external controls can prevent fraud and lead

to the discovery of fraud earlier, and (c) the culture of the organization to create an

environment absent of fraud acts and aids in the recruitment of individuals connected to

the mission of the organization. I interpreted the data using Yin's five-step process. I used

Microsoft Excel spreadsheets to organize the data and confirm patterns and themes. I

compared themes, concepts, and theories and compared and refined categories and

subthemes that emerged. The first theme, board competencies, included subthemes. The

key subthemes that occurred included board and CEO relationship, succession planning, and the board member selection process.

Theme 1: Board Competencies

Relationship Between the Board and the CEO

The first theme that emerged was the need for board members to understand their duties and responsibilities and the distinct and divisive roles between the board and the CEO. According to the individuals interviewed, one of the most critical areas for board members is understanding the scope of board functions within the organization, and the role of the CEO is essential to protect the organization's assets from fraud. In this study, 100% of participants discussed the importance of understanding board and CEO roles and responsibilities. This theme refers to a competent board whose members are aware of their roles and responsibilities and prepared to execute them competently. Participant AA1 stated, "The board is not responsible for the day-to-day operations, but for knowing where the money is going and being competent and knowledgeable about what is happening at the organization."

The roles of the board and CEO are critical in agency theory, in which they are referred to as the agent and principal; this theory demonstrates the power dynamics that can occur in these relationships and create opportunities for fraud. The first theme was aligned with agency theory and the body of knowledge from the literature review. The literature review identified the relationship dynamic between the board and the CEO that could impact the organization and lead to adversarial relations when the principal is not acting in the agent's best interests (Jensen & Meckling, 1976). Organizations can fail

when board members or principals do not understand or influence the organization's

functions. The importance of board members participating in governance builds the

legitimacy of the board of directors and results in progressive decision-making processes

(Fudge & Leith, 2021). Effective corporate governance with engaged board members can

create opportunities to reduce fraud. Governance strategies can impact fraud prevention

through knowledge sharing, training, and individual experience (Harford et al., 2018).

Board members aware of their duties and functions will be less likely to allow the CEO

or others to make critical decisions under the board's purview.

Nonprofit boards also self-govern, including determining their governance

structure. Yoon (2022) found that policy adoption correlates to environmental

considerations, and accountable nonprofit organizations have adopted good governance

policies that enhance transparency and accountability. The participants of my study

discussed the governance and structure of the board as one strategy to engage board

members to protect the organization's assets from fraud. Kushner and Poole (1996)

determined that specific designs of board committees are associated with higher

performance, and other committee structures tend to create structural dysfunctions

leading to organizational failure.

Participant AA2 stated,

We operate on a smaller committee model that functions and reports to the entire

board. Even when the subcommittee presents a summary to the board, there is

time for discussion before deciding. The subcommittee model is a positive model,

and I see how effective this is when board members not assigned to a particular

subcommittee ask questions to the members. It presents a transparent process

where everyone can ask questions, listen to recommendations, and vote based on

those discussions.

The literature review, participant experiences, and new research demonstrate how boards

whose members are aware of their responsibilities, have governance policies in place, and

have a transparent and open process to ask questions with engaged board members will

have additional opportunities to operate at a higher level and meet their mission more

effectively.

Governance and board performance can also improve a board's effectiveness and

prevent fraud. The board and CEO must work together on operational information to

prevent the use of funding or investment resources inappropriately or ineffectively,

leading to increased agency costs (Sarto & Saggese, 2022). In a new study, Vehka and

Vesa (2023) found that internal governance significantly impacts the external success of

organizations, and board performance and management monitoring can also impact

performance. The research emphasizes the importance of the interactions between the

board and the CEO and the potential negative impact on the organization when these

lines are blurred. Communicated expectations help avoid miscommunication, which can

lead to conflict and other disputes. The relationship between the board and CEO can be

improved with clear communication and an understanding of responsibilities (Renz et al.,

2023). Findings from another case study on nonprofit management also revealed that the

governance structure could impact organizational performance and the importance of

board members performing their roles and responsibilities despite any conflict or scandal

(Hung et al., 2023). This research demonstrates the importance of board members understanding their roles and responsibilities, including evaluating and providing, and identifying goals of the organization to the CEO.

The importance of the power balance between the board and CEO relationship also impacts the organization's long-term success. Participant AA1 stated, "Board members and the CEO must know where their lanes are to avoid conflict and improve their performance." This theme is rooted in the agency theory that identifies conflicts that can arise when the principal and agent are unclear on their roles and when the principal is not acting in the agent's best interest. Kultys (2016) found that governance strategies can help minimize parties' self-interest to reduce opportunistic behaviors. Analyzing this power balance through the agency lens also demonstrates the conflict that can arise from mistrust between agents and principals, creating trust gaps (Till & Yount, 2019). Clear lines of communication can help to avoid trust gaps within the organization. Culpin and Male (2022) found that the board is responsible for giving strategic direction to the CEO to build a singular trust in the organization and the importance of CEO competencies and board members who understand their role as guardians of governance. All my study participants identified the need for knowledgeable board members educated in their roles and responsibilities and the importance of providing clear and written direction to the CEO.

Participants AA1, AA2, and AB1 agreed that a formal and written evaluation of the CEO completed by the board annually is necessary, with the board identifying the CEO's goals and a methodology to evaluate the effectiveness of the CEO's performance.

Participants also expressed the need for the CEO to understand expectations from the board and the reporting relationship of the CEO to the board.

> Participant AA2 highlighted,

> Nonprofits have an opportunity and obligation to evaluate the CEO, and every nonprofit organization should have that open correspondence between the board and the CEO on the CEO's performance. It is imperative to ensure that the board evaluates the CEO regarding the organization's overall performance, meeting its mission at least annually, and providing a written evaluation.

Succession Planning

Another critical area of roles and responsibilities of board members includes the importance of boards being prepared for succession planning. Boards are responsible for succession planning, one of the foundational roles of board members. Hunter and Decker-Pierce (2021) found that councils are failing the organization and the communities they serve by lacking an understanding of succession planning, stemming from a lack of knowledge of their roles. In interviewing board members, I found that the lack of succession planning may be another reason organizations may be at risk of fraud; with a failure to plan for succession planning, the organization risks hiring CEOs who are incompetent because the organization does not have a proper plan for recruitment. Participant AB1 also identified the need for succession planning beyond the CEO and included succession planning for board positions and stated,

> Transition times can be challenging and put organizations at risk for lack of succession planning for the CEO and the Board Treasurer and President positions.

Suppose there needs to be succession planning within the board for staff or board positions. In that case, there is a potential for individuals with intent to commit fraud to exploit those weaknesses during transition time. Boards should have a succession plan for these critical positions for planned and unplanned departures.

Further research from the interviews identified that Participants AA1 and AB2 also identified the need for distinct competencies in board positions, including the board treasurer position and the CEO. Participants AA1 and AB2 recognized the importance of a prepared board from a risk management perspective in succession planning.

The importance of succession planning may also be linked to organizational success. Christopher and Devi (2022) found that organizations' risks are immense without a transparent succession process and a positive culture to attract talent, including the potential for dissolution and bankruptcy. Board members who understand the importance of minimizing organizational risk can execute a formal process for evaluating the CEO and a robust succession plan for the CEO and critical board positions, including the CFO and board treasurer, to protect the organization's assets from fraud. Participants also expanded on additional governance strategies to protect the organization's assets from fraud. Additional subthemes are identified in Table 1.

Table 1

Subthemes of Theme 1

Subthemes	Number of participants	Percentage of participants engaged
Board and CEO relationship	3	100%
Succession planning	3	100%
Board member selection & training	3	100%

Board Member Selection and Training

Developing informed board members trained in their responsibilities and knowledgeable about preventing fraud is an important strategy to protect the organization's assets from fraud. There is a gap in New Jersey nonprofit and religious-based organizations in understanding board members' fiduciary roles, and training for fiduciary oversight to reduce fraud and asset misappropriation is one evidence-based solution (Balfour et al., 2021). AA1 and AA2 described the process that potential board members undergo before their CAA board appointment, and both participants emphasized that the board does not vote on new members without a vetting process. In the document review for Agency AA, governance documents included a board member application, a vetting process for new board members, and required training for new board members. Participant AB1 discussed the importance of governance and fiduciary responsibilities training and stated, "One strategy critical to help prevent fraud is governance training."

In the literature review, the primary responsibilities of boards included (a) duty of care, (b) duty of loyalty, and (c) duty of obedience. Duty of care refers to board members' responsibility of being actively engaged and informed of the organization's operations and making informed decisions to protect the organization's assets, including responsible fiduciary decisions (Johnson, 2019). Duty of care includes board capital. Board capital comprises (a) financial capital, having sufficient, visible resources, including financial resources; (b) social capital, having adequate resources to develop social networks; and (c) human capital, having diverse expertise, skill sets, and diversity

to meet the organization's mission (Adediran, 2022). The subtheme of board member selection and training relies on policies and practices that help to recruit and retain engaged board members. Participants AA1 and AA2 discussed the organization's process for new board members. In New Jersey, the state lead agency requires all new CAA board members to complete required training on board roles and responsibilities. Board members must fulfill the tripartite composition (National Community Action Foundation, 2022). The document review also confirmed the emphasis on training for board members and the tripartite compliance of board members. Agency AA includes specific training for new board members and a process for potential board members to follow before an official vote on the board. A board subcommittee manages the process of vetting new members.

Participant AB1 also stated,

Searches for board members and the selection of CEOs should include background checks of some nature. If boards need to develop capacity on the board for new seats and there is a long-standing opening, sometimes I have seen boards let go of our guard to fill the vacancies. Unfortunately, that is where I see that things have happened that have not served the board well. A more thorough search on bringing people on board would be beneficial. It takes longer than expeditiously filling the seat and fully knowing their capabilities before they serve on the board, but it is a better long-term solution. Fraud can happen on many levels, and you must be aware that people are becoming more creative in

committing fraud. You have to be able to look outside the norm to understand

fraud and what conditions cause fraud and adjust your processes accordingly.

Another compelling reason CAA boards should have a process for board member

selection is a correlation to good governance. In the literature review, having board

members trained in governance and factors relating to the organization helps to build a

legitimate board and helps to increase fraud prevention (Fudge & Leith, 2021; Harford et

al., 2018). Piscitelli and Geobey (2020) also found that engaged board members

connected to the mission and the organization's work will have varied and more

sustainable funding. Organizations with engaged and trained board members will better

meet the duty of loyalty, care, and obedience (Johnson, 2019).

There is evidence that if nonprofit organizations do not have a fair and consistent

process for board member selection, they may also fall into the pattern of recruiting new

board members who may be attractive for donor purposes rather than to fill competencies

on the board (Grunwald & Isaacs, 2022). The authors found that 81% of nonprofit

executive officers based board member prioritization on the ability to provide a financial

contribution to the organization instead of capabilities. The prioritization of board

selection on financial giving erodes the ability to attract and retain competent board

members with attributes associated with good governance. Grunwald and Issacs also

found prioritizing financial giving over other skill sets narrows the candidate pool of

board members to those who can financially support the organization at the financial

levels necessary to comply with board-giving requirements. If, instead, the board

structured the vetting process to coincide with identified competencies needed, the

candidate pool may increase with interested applicants based on a commitment to the

organization's mission or different and necessary skill sets rather than the ability to meet

the financial giving rules of board members. The evidence found emphasis on the

importance of a board vetting process for information other than financial giving

(Grunwald & Isaacs, 2022). The strategies implemented by Agencies AA and AB

utilizing a vetting process that includes resumes, a board member application, and other

strategies such as mandatory training for new members are aimed at increasing the

organization's competencies rather than the individual financial giving by board

members.

Theme 2: Financial Management Practices

The second theme focused on financial management practices, including controls,

audits, sound fiscal practices, and policies that protect an organization's assets from

fraud. The subthemes included internal controls, external controls, independent audits,

and compliance. The subthemes are listed in Table 2.

Table 2

Subthemes of Theme 2

Subthemes	Number of participants	Percentage of participants engaged
Internal controls	3	100%
External controls	3	100%
Independent audits	3	100%

Internal Controls

In the literature review, several studies and research through the lens of agency

theory emphasized the need for internal and external controls to protect the organization's

assets from fraud. Anindya and Adhariani (2019) found that prevention policies through governance, including segregation of duties, reduce the occurrences of fraud through the lens of the agency theory. Lawson (2020) found that preventing employee financial fraud requires written policies to ensure internal control policies guide the cash, checks, credit card, and other purchase policies. Lawson also identified that nonprofit leaders must implement procedures to prevent and detect employee fraud. Procedures and proper internal controls help to minimize fraud occurrences, and they also serve as preventive measures to deter opportunities for fraud. Participant interviews further emphasized the distinct types of rules critical for boards to implement and sustain, including internal and external controls. Internal controls included sound practices. Participant AA2 described the process that regulates credit card purchases and the process the board treasurer and finance committee review itemizing each credit card expense down to a penny. The participant stated, "The board can question why we spend money on specific items. The CEO must sign off and approve every expenditure. The CEO's signature shows that the buck does stop with one person."

Participant AB1 discussed whistleblowing policies as an internal control that can protect the organization's assets from fraud and as an internal policy to capture information from staff if they suspect fraud. Participant AA1 discussed how the board creates opportunities to interact with staff.

Participant AA1 stated,

Monthly meetings are organized to bring Directors to discuss programs and their particular segments of the organization. The board does not overstep our

boundaries with the staff, but having staff attend a board meeting demonstrates the board's care following governance and that the board does not rubber stamp decisions. Once staff members experience the board process, they understand that the board is paying attention and that we care.

The participant interviews demonstrated the complex role of board members in establishing adequate measures to protect the organization's assets from fraud. Holtfreter (2008) found the importance of having sufficient controls, accountability mechanisms that mitigate misconduct, and the ethical and cultural climate can create proactive fraud prevention strategies. The interview with participants demonstrated the multi-layered approach that protects the organization's assets.

The literature review also identified internal policies consistent with participant interviews and confirmed in the document review, including conflict of interest policies. Saxton and Neely (2019) linked conflict of interest policies to good governance policies and practices to deter unethical behavior in fiscal spending. In the document review, conflict of interest policies requires signatures from board members annually. These written policies are another effective internal control linked to protecting an organization's assets from fraud or misappropriation.

Two studies' findings emphasize the critical nature of nonprofit organizations in society and the need for this sector to have sound fiscal health. The importance of financial controls and having good fiscal health includes protecting assets, good stewardship, accountability, and compliance with regulations and requirements (War, 2023). Nonprofit organizations may take specific financial measures to help achieve their

mission and avoid insolvency by managing financial resources effectively (Park et al., 2022). Park et al. (2022) attempted to examine the financial aspects of nonprofit organizations to try to predict failure indicators. The authors found that the industry lacks a uniform approach to financial health despite the importance of nonprofit organizations. Although the authors did not find conclusively specific economic indicators as predictors for failure, the study emphasizes the vital role of boards in protecting the organization's assets from fraud and linking the organization's sustainability to solid governance practices, including internal controls.

External Controls and Independent Audits

Harris et al. (2017) found that external audits are a critical governance mechanism, an audit committee, conflict of interest policies, and a positive culture that can positively impact asset diversion that board members can deploy. Jegers (2019) found evidence that a formal economic approach can help organizations meet their mission. Still, the agent must be able to analyze the risk management practices determining high and low success based on the cost before implementing these strategies. Organizations with a formal approach to analyzing fiscal controls and assessing sound practices can guide and improve organizational outcomes (Jegers, 2019). The complexity of financial strategies and risk management practices, including independent audits, requires board members with the knowledge and commitment to implement effective strategies.

New literature also emphasizes the additional risks nonprofits face due to the pandemic and auditors switching to remote audits. Rottkamp and Gordon (2022)

identified the need for auditors to avoid making assumptions in variances caused by

pandemic disruptions and identified the need for auditors to obtain written documentation

supporting expectations. The authors also found that the nonprofit industry has been slow

to invest in technology and automated systems creating additional risks for the sector

because nonprofit organizations often lack sufficient internal controls leading to fraud

because of outdated technology and weaknesses in the finance functions of nonprofit

organizations.

Participant interviews, including Participant AA2, identified the need for external

audits. Participant AA2 stated, "The number one thing is to have annual audits from

outside the organization, people without anything to gain or lose so that you can protect

the organization and the reputation of the organization. Neutrality is important."

Evidence in the document review also included independent audits from both

organization agencies. This information was readily available to the public electronically,

demonstrating the focus on transparency and detailing income, revenue, and

expenditures.

Participant AB1 also identified the importance of internal and external controls as

a preventative measure to detect unintended fraud.

Participant AB1 stated,

> A mix of internal and external methods are critical to identifying intended and
>
> unintentional fraud. Another technique the board can use to identify fraud is to
>
> create an autonomous reporting method to help people feel more comfortable
>
> bringing issues to the board, especially when there is only a suspicion of fraud.

Theme 3: Culture of the Organization

The third theme focuses on the culture of the organization. The subthemes include ethics, transparency, and leadership, listed in Table 3. The ability to create a positive culture can be found in governance practices, including a signed code of ethics policy signed annually by board members, a process to gain insight from employees when fraud is suspected, and leadership that will be transparent when fraud is detected. The agency theory proves that power balances within the organization and clear reporting lines limit conflict between the agent and principal.

Table 3

Subthemes of Theme 3

Subthemes	Number of participants	Percentage of participants engaged
Ethics and transparency	3	100%
Leadership	3	100%

The organization's culture is a theme evident as a governance mechanism. Harris et al. (2017) identified the organization's culture as one of the four governance mechanisms that can prevent asset diversion. The literature review also identified the increased risk of nonprofit organizations of fraudulent activities due to the focus on mission driven work (Abu Khadra & Delen, 2020). Organizational solid leadership creates an environment that deters fraud (Suh et al., 2018). Creating a positive culture through governance and leadership can mitigate fraud risks. The agency theory emphasizes the importance of power balance through relationships to create a positive organizational culture (Kultys, 2016). Bish et al. (2022) found that leadership capabilities

that influence culture are more important for nonprofit organizations as there is a link to the positive culture of nonprofit leaders that leads to improved governance and accountability. Equally as crucial to the positive influence leadership has on nonprofit organizations, there is also a risk of fraud committed by nonprofit leaders and evidence that board members discovered the theft and concealed the thefts from the public (Archambeault & Webber, 2018; Harris et al., 2017). These actions emphasize the need for board members with integrity and ethical values and a connection to the organization's mission to reduce fraud and asset diversion, achievable through a high moral integrity, transparency, and leadership culture.

Ethics and Transparency

In the literature review, research demonstrated the importance of trust for nonprofit organizations embedded in the theoretical lens of agency theory. Kultys (2016) asserted that the agency theory is strongly associated with relationships. Organizations can build stronger relationships when there is transparency. McFadyen and Eynon (2021) found that public trust and confidence are intricately linked, and duty of care, obedience, loyalty, and governance principles and practices must be at the core of board functions and applied with the utmost care and scrutiny. In answering the research question of what governance strategies are used to protect the organization's assets from fraud, the concept of transparency with all stakeholders took on a form of answer for most questions. Dong et al. (2023) found that transparency is critical for the nonprofit sector as organizations who are transparent about their actions will have increased funding and a decrease in the dependency on government funding, and increased trust in stakeholder relationships.

Dong et al. defined transparency for nonprofit organizations as a process that collects, organizes, analyzes data, and shares and communicates it regularly with the public and stakeholders. The document review of Agencies AA and AB also demonstrated transparency to funders with annual reports that included program and fiscal information and client success stories confirming transparency and open communication in processes for stakeholders and funders.

Knechel and Mintchik (2022) found a correlation with individuals with firm beliefs in hard work will not only be less likely to commit fraud. Still, they will also have a lower allowance threshold for fraud in the organization. This evidence suggests that individuals' strong beliefs in values may improve compliance and augment fraud detection in organizations. The conflict of interest policies in Agencies AA and AB demonstrate the written commitment agencies seek to have a positive culture and board members committed to board member duties.

In the literature review, further research demonstrated the importance of trust for nonprofit organizations embedded in the theoretical lens of agency theory. Organizations can build stronger relationships when there is transparency. McFadyen and Eynon (2021) found that public trust and confidence are intricately linked, and duty of care, obedience, loyalty, and governance principles and practices must be at the core of board functions and applied with the utmost care and scrutiny. In answering the research question of what governance strategies are used to protect the organization's assets from fraud, the concept of transparency with all stakeholders took on a form of answer for most questions. In new research, Dong et al., (2023) found that transparency is critical for the nonprofit sector as

organizations who are transparent about their actions will have increased funding and a decrease in the dependency on government funding, and increased trust in stakeholder relationships. Dong et al. (2023) defined transparency for nonprofit organizations as a process that collects, organizes, analyzes data, and shares and communicates it regularly with the public and stakeholders. The document review of Agencies AA and AB also demonstrated transparency to funders with annual reports that included program and fiscal information and client success stories confirming transparency and open communication in processes for stakeholders and funders.

There is also evidence that written policies for the board and staff that are followed may demonstrate transparency throughout the organization. Gijsenbergh (2021) found clear guidelines can improve culture and legitimacy and encourage whistleblowing. Organizations should also consider approaches to report suspected or suspicious fraud when a board member is involved (ACFE, 2020).

More recent evidence has found a correlation that individuals with firm beliefs in hard work will not only be less likely to commit fraud but will also have a lower threshold of allowance of fraud in the organization (Knechel & Mintchik, 2022). This evidence suggests that individuals' strong beliefs in values may improve compliance and augment fraud detection in organizations. The organizational review confirmed that Agency AA and Agency AB had written conflict of interest policies in organizations and whistleblower policies to report suspected fraud. The demonstrated written communication to signal to board members that the positive culture and conflict of

interest policies to follow confirms an annual commitment to their continued duties, ethics, and commitment to the organization.

Leadership

The link to evidence in the literature review on creating a positive organizational culture to protect the organization's assets from fraud is extensive. Suh et al. (2018) found that enhanced ethical corporate culture is the most significant deterrent to reducing fraud. Investing in leadership, values, and ethics is critical to reducing occupational fraud (Suh et al., 2018). Highly ethical employees can also lead to a positive organizational culture and correlate to higher reported fraud rates. Employees with moral integrity can also prevent fraud (Tripermata et al., 2021). Training employees on fraud detection training can also minimize fraud risks (Chung et al., 2021). Participant AA1 discussed the culture of the organization and the leadership role of board members and stated:

> You must have open lines of communication, even with bad news or good news. The board is well-informed on issues. The agency also has processes in place to improve the culture of the organization, ethics policies, code of conduct; these policies remind us all to follow the rules. As a leader, it is about setting a good example, doing the right thing, and making sure that we are doing what we say we are doing to support the organization's mission and goals. That is the most critical responsibility of a board member, doing the right thing.

Participant AA2 also discussed the moral compass that should guide the actions of board members when fraud is discovered and stated:

Many of these situations are always magnified because people do not report fraud or do not report it in a timely fashion. Most funding sources allow you to take corrective actions. If you are knowingly doing something inappropriate and it is the cover-up that becomes an issue, if you suspect fraud and report it right away and take corrective action, you will get back to the correct path.

Implementing a policy to report fraud to the board may be improved with meaningful relationships. Participant AA1 described how directors of the organization frequently presented and attended board meetings helping to establish a relationship that was still within the reporting structure. These opportunities to build relationships through board and staff interactions may also help to enhance reporting rates of suspected fraud within organizations. A positive culture can also include a proactive approach to preventing fraud resulting in increased accountability throughout the organization (Tripermata et al., 2021).

Organizations may also achieve positive results in detecting fraud by investing resources in training, focusing on culturally relevant fraud detection training. Chung et al. (2021) found that investing resources in prevention can minimize fraud risks. Other evidence demonstrates that adequate organizational controls and accountability mechanisms can mitigate misconduct and corrupt behaviors (Holtfreter, 2008). Investing in training, policies, and relationship building to build a positive culture can significantly prevent asset diversion.

Application to Professional Practice

The findings from this study are relevant to individuals who live in poverty and may be eligible for services from the CAA network, board members, nonprofit organizations, federal and state funders, donors, anyone who has ever volunteered or worked in a nonprofit organization, or community members that live in one of the 99% of the counties throughout the United States that has a CAA. Other organization members governed by the board can also benefit from this study. Protecting nonprofit organizations' assets from fraud is a function of a self-governing board. However, board members of nonprofit organizations do not proactively identify and address governance deficiencies to minimize fraud (Abu Khadra & Delen, 2020). Board members also lack knowledge of governance strategies to protect their organization's assets from fraud.

Increasing awareness and implementing governance strategies are essential to protect nonprofit organizations' assets from fraud. Board members knowledgeable about governance mechanisms can improve board performance and help preserve charitable assets from fraud (Harris et al., 2017). Nonprofit employees believe their organizations lack sufficient education to prevent fraud from occurring in the organization (Scheetz et al., 2020). Board members are responsible for protecting the organization's assets from fraud, and implementing good governance practices can protect the organization from fraud and improve the organizational achievement of the mission. Good governance leads to improved performance, more accurate expense reporting, and higher reported mission spending, reducing the possibility of fraud or misappropriation of assets (Boland et al., 2020). The findings from this study align with the agency theory exploring relationships

between agents and principals, including delegating decision-making authority to the agent resulting in the agent not always acting in the principal's best interests (Jensen & Meckling, 1976). Implementing sound governance practices and establishing clear lines of communication may reduce potential conflicts and prevent fraud. Preventing fraud with increased accountability and reduced conflict may also help to change the stigma of nonprofit fraud (López & Bellostas, 2020).

The findings from this study identified governance strategies CAA board members used to protect the organization's assets from fraud. The CAA board members used these strategies:

- improving board competencies

- establishing internal and external controls

- investing in improving the culture of the organization

In addition, the findings indicated that board members of CAAs can protect the organization's assets from fraud can offer required training for new board members to understand their roles and responsibilities, establish written evaluations of the CEO with identified goals and outcomes, identify a process for board member recruitment based on competencies with onboarding practices to retain board members, establish accountability through internal control policies, improve oversight by establishing a finance committee, integrate annual external, independent audits, improve the culture of the organization through transparency, communication, and establishing procedures for employees to report suspected fraud, and integrate ethics and conflict of interest policies to foster strong leadership qualities of board members. The finding could help other CAA and

nonprofit board members from different sectors gain insight and knowledge to protect their organization's assets from fraud.

Implications for Social Change

This study's findings may contribute to social change by increasing awareness of fraud occurrences in nonprofit organizations and identifying and implementing proactive preventative solutions to protect the organization's assets. Board members of nonprofit organizations do not proactively identify and address governance deficiencies to minimize fraud (Abu Khadra & Delen, 2020). Nonprofit organizations risk financial loss and irreparable damage to the organization's reputation and relationships if fraud occurs (Archambeault & Webber, 2018). In 2022, religious, charitable, and social service organizations had a median loss of $78,000 due to fraud (ACFE, 2022). Organizations can prevent fraud loss with integrated and comprehensive governance strategies and a knowledgeable and engaged board aware of their responsibilities.

Services to low-income individuals are at risk when CAA board members are unaware of their roles and responsibilities and do not protect the organization's assets from fraud. Fraud continues to be a topic that board members are unprepared to mitigate or prosecute. Identified fraud went unreported 42% of the time, and auditors detected fraud only 16% of the time (ACFE, 2022). The nonprofit industry can improve responses to fraud identification, including reporting fraud and providing transparency when fraud occurs. CAAs also risk a loss of their donor base when fraud occurs, and the organization's future can also be at risk, including revenue losses from private funding and donations (Ford-Byrd, 2021). CAAs are part of a network, and the failure of board

members to implement effective governance strategies at one agency can impact the reputation of the entire network.

Recommendations for Action

Board members of CAAs should review the findings of this study and consider implementing strategies to protect the organization's assets from fraud. Based on the study's findings, I recommend the following actions:

1. Board members of CAAs should improve board competencies and board member selection processes, including having an established method to recruit, train, and onboard members. Board members should implement robust training on roles and responsibilities, fiscal health, and ongoing board member training to improve organizational performance and protect assets from fraud. Board members should also consider the principal-agent relationship between the board and CEO and establish an annual written evaluation with identified goals and outcomes of the organization for a clear understanding of the division of duties.

2. Establish internal and external controls that can improve the organization's financial management practices and protect the organization's assets from fraud. These procedures should include internal rules and policies, including a whistleblower policy to establish a reporting process for individuals who suspect fraud in the organization. An independent, outside audit should be considered and conducted annually with frequent changes in auditors.

3. Create a positive culture for the organization by providing sound leadership, transparency, frequent communication with stakeholders, an ethical approach to delivering and monitoring services, ethics training, a conflict of interest policy written and signed annually, and compliance with CAA rules, funding sources, donor restrictions, tripartite composition, and nonprofit federal, state, and local regulations to maintain nonprofit status.

The findings of my study demonstrate opportunities for CAA board members to protect their organization's assets from fraud. My study also provides opportunities for federal and state funders to improve resources for CAA boards to protect CSBG funding. The lead state agency in New Jersey requires CAA board members to complete training on the roles and responsibilities of being a CAA board member. Required training for board members is not a national requirement, and expanding opportunities for board members to share their knowledge and have greater access to training may prevent fraud losses.

My study will be available in the ProQuest database and accessible to other scholars, nonprofit leaders, board members, and the CAA network. I learned that the topic of fraud in the nonprofit sector is one that many individuals are unaware of and requires additional focused attention. An improved understanding of governance strategies can protect the organization's assets from fraud and improve service delivery to low-income individuals. Information on this topic can be presented at national and statewide conferences, including the National Community Action Partnership, which annually provides calls for presenters. Additionally, I will create and deliver a summary

presentation of the findings of this study through the National Community Action Partnership network and CAA regions. I will also work with the New Jersey Department of Community Affairs, Office of Community Services to present this study to CAA board members and industry leaders. I will also publish information on my research in academic journals.

Recommendations for Further Research

In this qualitative multiple-case study, I explored governance strategies board members use to protect their organization's assets from fraud in nonprofit CAAs. The findings identified from this study are from semistructured interviews conducted and the review of organizational documents, including annual reports, IRS filings, governance documents, board governance documents, and board training materials. The population of my study was limited in scope, and further research is needed to determine if other strategies can protect the organization's assets from fraud. I recommend these strategies for further research on this topic:

1. A multiple-case study to include another region or multiple states.

2. Future researchers should consider interviewing chief fiscal officers who are employees of the CAA, board treasurers, and auditors to determine if a different perspective would produce additional research and governance strategies.

3. Additional research to gather specific information about fraud in the CAA network would extend the knowledge of this topic and determine and assess

the dollars lost to fraud particular to the CAA network, including an analysis

by state and region.

4. Research determining how many CAAs have been defunded or shuttered due

to fraud would also extend the information on this topic and help prioritize

responses.

Reflections

The process of completing this and the responsibility of being the sole researcher

led me on a quest to produce a final study that avoided bias. My skill set as a researcher

improved throughout the process, building a definitive study that followed research

protocols to avoid personal preference and a data collection process that improved the

validity and reliability of this study. I treated all participants the same and followed the

research protocols. I conducted transcript review for all interviews and ensured accuracy

from every participant. I found board members of CAAs that I interviewed to be

knowledgeable about governance strategies and willing to share their practices,

experiences, and lessons learned to help other similar organizations. I discovered how

these individuals viewed their duties as part of an extension of the organization's mission

and the low-income people they served.

I utilized a Zoom platform and allowed the participants to choose the day and

time to minimize schedule disruptions. I gained perception from interviewing board

members of CAAs on the governance strategies implemented to protect the

organization's assets from fraud. Each participant had valuable experience and

knowledge of being a board member of a CAA and demonstrated their level of involvement in assessing and evaluating governance strategies.

Conclusion

This research focused on governance strategies board members of CAAs use to protect the organization's assets from fraud. This study identified these strategies:

1. Board members of CAAs should improve board competencies and board member selection processes, including having an established method to recruit, train, and onboard members and a clear and distinct division of duties between the board and CEO.

2. Board members of CAAs should implement comprehensive internal and external controls, audits, and policies for reporting suspected fraud in the organization.

3. Create a positive organizational culture by providing sound leadership, transparency, and compliance with CAA regulations and tax-exempt requirements.

CAA board members can protect the organization's assets from fraud by implementing good governance practices, focusing on the organization's mission, and improving services to low-income individuals.

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Appendix: Interview Protocols

I will interview three board members of CAAs located in New Jersey who are responsible for protecting their organization's assets from fraud. I will use a semistructured interview process. I will conduct the interviews on a Zoom platform. I will ask the same open-ended questions and using protocols of:

1. I will introduce myself as a Walden University student and I will clearly state the purpose of my study.

2. I will continuously assess for the potential of adverse reactions including checking body language and nonverbal communication cues.

3. I will build trust with participants through exchanges before the date of the interview and will use Zoom to conduct the interviews virtually.

4. I will inform participants that the interview is expected to last 45 minutes to 1 hour and will be audio-recorded.

5. I will ask each participant if there are any questions before recording and I will seek permission for recording before beginning either interviewing or recording.

6. I will ask each participant the same interview question in the same order.

7. I will provide a copy of the interview protocols to the participants before the scheduled interview for review and at least 7 days before the interview.

8. I will conclude the interview and turn off the audio recording device.