A Comparative Case Study of Internal Controls and the Impact of Fraud on Nonprofit Organizations

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Approval Page

A Comparative Case Study of Internal Controls and the Impact of Fraud on Nonprofit Organizations

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Abstract

Internal controls are critical for the operations of nonprofit organizations, and they are also essential to guide against fraudulent activities. The problem addressed in this study is that internal controls protect organizational property and promote efficiency, but internal controls are lacking in nonprofit organizations. This qualitative case study focused on the lack of internal control systems in nonprofit organizations in the Chicago Metropolitan Area. Nonprofit organization leaders need to understand that internal controls can be a useful tool to prevent fraudulent activities and make the requisite investment in internal control systems. The methodology used was a qualitative multiple-case study and a holistic approach. Data were collected using face-to-face, open-ended semi-structured interviews, and seven participants selected using purposive sampling. Participants list came from Illinois State Attorney General and TaxExemptWorld website. The data were analyzed using qualitative content analysis and Nvivo software to ascertain the themes—a total of ten themes emanated from the data analysis, which formed the basis of the findings. The study results indicated that nonprofit leaders must strive to institute adequate internal controls to protect the organization's assets from fraud. Additionally, board members are to engage in training to equip them to be effective in the discharge of their fiduciary responsibilities. Recommendations for practical application encompasses providing training for board members, using fiscal agents to augment internal controls, and making an investment in internal controls. Future studies should focus on the nonprofit leaders' perception of the fraud effects on the nonprofit organization, which will shed more light on how the organization's objectives are impeded by fraud. The study was limited to the Chicago Metropolitan Area. The study could be replicated in different geographic areas in the United States and beyond, and also to increase the sample size. Future studies should be

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conducted to determine the efficacy of using an external organization as a fiscal agent for nonprofit organizations. Finally, future studies could be conducted using quantitative studies such as survey and correlational research.

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Chapter 1: Introduction

Nonprofit organizations are growing and have become a larger force in the United States economy (Jaskyte, 2015; Synder, Andersen, & Zuber, 2017). The nonprofit sector had over 10 percent of the total workforce in 2012 and had produced over $887.3 billion to the U.S. economy (Applegate, 2019; Synder et al., 2017). Nonprofit organizations' contribution to the economy is enormous, and guiding against fraud is paramount (Applegate, 2019). Mostly, the sources of revenue for nonprofit organizations are predominantly acquired through donations from the public and other philanthropists. There is an expectation from the public and all interested parties that proper accountability is given to the resources raised. The issue of fraud is a prevalent and well-documented occurrence in the nonprofit sector (Archambeault, Webber, & Greenlee, 2015; Greenlee, Fischer, Gordon, & Keating, 2007; Lauck & Brozovsky, 2018). Harris, Petrovits, and Yetman (2017) reported that one-sixth of all reported embezzlement is associated with the nonprofit organization. Nonprofit fraud has, over the past 10 years, gained attention, yet the sector is understudied regarding internal controls and fraud (Synder et al., 2017).

Since nonprofits generate revenue mostly from the public and the philanthropic community, losses through fraud do place significant limitations on nonprofit organization's fundraising efforts (Lauck & Brozobsky, 2018). In fact, donors increasingly expect nonprofit organizations to demonstrate efficiency and effectiveness when managing the resources acquired (Greiling & Stotzer, 2016). However, occupational fraud is such a prevalent global issue that about 70% of businesses reported at least one fraud (Gates, Prachyl, & Sullivan, 2016; McCabe, 2018). Nonprofits, like for-profit organizations, are not immune from fraudulent activities (Archambeault, Webber, & Greenlee, 2015; Harris, Petrovits, & Yetman, 2017). Many of these fraudulent activities could be attributable to a lack of internal control. The lack of basic internal

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controls within nonprofit organizations usually leads to fraud (Lauck & Brozobsky, 2018; Tysiac, 2013). Additionally, nonprofit organizations are more susceptible to fraud because of the emphasis placed on the faith in individuals and the hesitancy to report fraud occurrence (Gelman, Rosenberg, & Freedman, 2015; Lauck & Brozobsky, 2018). The Association of Certified Fraud Examiners (ACFE) in 2016, issued a report stipulating that the lack of internal control caused about 29.3% fraud to occur and that the median loss of these frauds to small organizations was about $150,000 (ACFE, 2016).

During the 2000s, many prominent corporations, including Enron, WorldCom, Global Crossing, and Tyco engaged in corporate financial accounting scandals that undermined the confidence of investors. Enron, WorldCom, Global Crossing, and Tyco collapsed under the weight of fraudulent financial reporting (Abdullahi & Mansor, 2015; Reguera-Alvarado, de Fuentes, & Laffarga, 2017). The disclosure of these corporate frauds at WorldCom, Enron, Tyco, and other companies called for an immediate solution to restore investor and consumer confidence in the financial reporting system. Consequently, the Congress of the United States passed the Sarbanes and Oxley Act (SOX) of 2000 to assure the market of stability and restore market confidence (Rezaee & Crumbley, 2007).

The importance of internal control for any organization cannot be overemphasized and as such, must be taken seriously. Fraud can have a material and long-term negative effect on nonprofit's ability to raise funds (Lauck & Brozobsky, 2018; Lofland, 2012). Moreover, about 28% of nonprofit organizations that experienced fraud failed to survive three years after the occurrence of the fraud (Lauck & Brozobsky, 2018; Archambeault & Webber, 2017). All public companies listed on the stock market are required by the Security and Exchange Committee (SEC) under section 302 of the SOX to institute internal control over financial reporting and to

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file such reports as well with SEC (Gupta, Sami, & Zhou, 2018). Such enforcement is not applicable to private organizations and nonprofit organizations. Reporting on internal controls over financial reporting is to help detect material internal control weakness (Lenard, Petruska, Alam, & Yu, 2016). The adaptation and implementation of strong internal controls can mitigate fraudulent activities in nonprofit organizations and safeguard against the organizations' assets (Frazer, 2016; Sanusi, Johari, Said, & Iskandar, 2015).

Kamarudddin and Ramli (2017) posited that the importance of internal controls includes good financial accountability, adherence to operational standards and guidelines, and providing assurance to stakeholders. Additionally, understanding the purpose of internal controls, self-assessment, and best practices help an organization to establish policies and procedures to combat weaknesses that could culminate in fraudulent activities (Maguire, 2014). Lauck and Brozobsky (2018) posited that improving internal controls will reduce the negative effect of fraud on the organization’s image. When nonprofits organizations adopt the SOX, researchers reported better financial controls, reduction in accounting fraud risk, and the enhancement of board effectiveness (Nshina & Brudney, 2012).

Among the many guidelines within the SOX included the requirement that both management and external auditors are to report on the effectiveness of internal controls over financial reporting (Dickins & Fay, 2017; Lenard et al., 2016). Many nonprofits have adopted the provisions of SOX, but the law is not formally applicable to nonprofits (Garven, Beck, & Parsons, 2018; Lee, 2016), and not all nonprofits have implemented internal controls (ACFE, 2016). Furthermore, there is a strong relationship between fraud and internal control material weaknesses (Burke & Sanney, 2018; Donelson, Ege, & McInnis, 2017).

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Statement of the Problem

The problem addressed in this study is that internal controls protect organizational property and promote efficiency, but internal controls are lacking in nonprofit organizations (Archambeault & Webber, 2018; Dimitrijevic, Milovanovic, & Stancic, 2015; Murphy & Free, 2016). The absence of internal controls is cited for 29.3% of organizational fraud cases (ACFE, 2016). In a report issued by the Association of Certified Fraud Examiners (ACFE), the cost of occupational fraud is about 5% of total organizational revenue. The fraud cases reported by nonprofit organizations were 10.1% and a median loss of $100,000 (ACFE, 2016). According to Snyder, Andersen, and Zuber (2017), about 19% of respondents to research reported some type of fraud occurrence over 5 years.

The consequences of not having internal controls could lead to financial loss; and, in some cases, the collapse of the organization (Archameault & Webber, 2018; Hager & Searing, 2014). More than 25% of nonprofit organizations that experienced fraud and reported them failed within three years after publicizing the fraud (Archambeault & Webber, 2018). Archambeault, Webber, and Greenlee (2015) found that fraud loss to nonprofit organizations was $27.9 million. Additionally, fraud can damage employee morale, organizational reputation, and business relationships (Hager & Searing, 2014; Synder, Andersen, & Zuber, 2017).

Donors increasingly expect nonprofit organizations to demonstrate efficiency and effectiveness when managing the resources obtained (Greiling & Stotzer, 2016; Sanusi et al., 2015). The occurrence of fraud often leads to mistrust by donors and loss of revenue (Archambeault & Webber. 2018). Internal controls do not guarantee absolute prevention, but nonprofit organizations can provide the right environment and strong controls to combat fraud (Frazer, 2016; Murphy, 2015; Sanusi et al., 2015). Harris, Petrovits, and Yetman (2017)

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recommended a study to foster a better understanding of how to improve internal controls after fraud occurs to restore trust.

Purpose of the Study

The purpose of this qualitative case study was to explore the lack of internal control systems in nonprofit organizations in the Chicago Metropolitan Area. Dimitrijevic, Milovanovic, and Stancic (2015) posited that the risk of fraudulent activities could be minimized through the implementation of adequate internal controls. There is a need for leaders of nonprofit organizations to understand that internal controls can be a useful tool to prevent fraudulent activities; as a result, nonprofit organization leaders should invest in internal control systems. The study focused on fraud and the systems of internal controls that deal with fraudulent activities. The use of a case study offered the flexibility that cannot be associated with other research methodologies like grounded theory and phenomenology (Hyett, Kenny, & Dickson-Swift, 2014).

The use of a multiple-case study will strengthen the confidence and reliability of the findings (Singh, 2014). In this study, a purposive sample of seven nonprofit leaders was selected. The study participants included executive directors, chief financial officers, and board presidents or audit committee chairpersons recruited from the Chicago Metropolitan area. The purposeful selection of these leaders from nonprofit organizations will help the multiple-case study regarding the effects of internal control on an organization. The seven nonprofit organization leaders were selected using data obtained from the Illinois Attorney's General office. Nonprofit organizations file financial reports and Internal Revenue Service's Form 990 with the Illinois Attorney's General office yearly that details the leadership. The participants were selected from the pool of these leaders.

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Qualitative method was the preferred method and the data were collected through face-to-face interviews using open-ended questions (Yin, 2016, 2014). The data collected encompass the internal control systems that exist in the nonprofit organizations headed by the randomly selected leaders of the nonprofit organizations. Additionally, data involving the leaders' knowledge of fraud occurrence were collected. The interviews were recorded to preserve the accurate account of the responses. Participants were informed about the recording and offered an opportunity to consent to the procedure.

Theoretical Framework

Theories are an organized body of ideas developed to explain, predict, and understand a phenomenon and, in many instances, extend or challenge existing knowledge (Cozby & Bates, 2015; Swanson & Chermack, 2013). Theoretical frameworks constitute the concepts and theories used to explain a research problem (Swanson & Chermack, 2013). The theories used in this study were the agency theory and the fraud triangle theory. Imenda (2017) posited that understanding what a conceptual framework, which is the aggregation of theories conflated to explain a researcher's study, is important.

Agency theory. To fight against fraud in an organization depends on the governance structure of the organization and how well management is discharging the responsibilities assigned. Management has a fiduciary responsibility which includes the duty of care and the duty of loyalty which emanates from the common law agency to act in the best interest of the principal (Bernstein, Buse, & Slatten, 2015; Morrison, 2016; Taljaard, Ward, & Muller, 2015). The checks and balances system allows stakeholders of an organization to exercise control over management to protect their vested interest (Choudhuri, 2017).

According to Morrison (2016), since nonprofit organizations are not stringently

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controlled by regulatory bodies, the public always has oversight concerns. The relationship that exists between the principal and agents is explained by the agency theory. An agent is an individual or an organization representing and acts on the behest of the appointed authority called the principal (Morrison, 2016). Agency theory surmised under the duty of loyalty that directors act in the best interest of the nonprofit organization, but management can be opportunistic and act selfishly; therefore, board directors are appointed to protect the interest of stakeholders (Morrison, 2016; Pechersky, 2016).

The board of directors, as described by agency theory, is there to provide leadership, avoid conflict of interest and steer the organization's affairs to ensure that the mission of the organization is accomplished (Bernstein et al., 2015; Taljaard et al. 2015). Additional responsibilities of the nonprofit boards under the agency theory are assisting in strategizing and planning, advocating on behalf of stakeholders, and securing financial resources in support of the organization (Cumberland, Kerrick, D'Mello, & Petrosko, 2015). Moreover, Zhu, Wang, and Bart (2016) describe the nonprofit board's involvement in shaping organizational performances and strategic thinking using agency theory.

Under the agency theory, boards of directors have been entrusted with the power to monitor the actions of management. Controlling fraudulent activities through the adoption of proper processes and procedures that constitute internal controls becomes the prerogative of the board that is an exercise through management by ensuring that adequate controls are available to deal with fraudulent activities.

The fraud triangle theory. Cressey (1950, 1953) sought to explain the causation of fraud scientifically. Cressey argued that there must be a reason for people to engage in fraudulent activities, and he focused on the principal reasons why people violate financial trust. Cressey

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posited that fraud had been explained away using variables of moral weakness or weakness in the systems. However, evidentially, fraud is committed with a felonious intent to violate a trust that has been accepted in good faith. Cressey surmised that trust is violated because the person in a position of trust is convinced that there is a confidential financial problem, that the problem can be resolved by breaking the trust and rationalizing the action.

The Fraud Triangle Theory consists of three main factors, which are pressure, opportunity, and rationalization. The pressures are the motives and incentives that lead to the unethical behavior; the perceived opportunity is created by ineffective control that allows a person to commit fraud; and the rationalization encompasses the justification of the act to be morally acceptable to the perpetrator (Abdullahi & Mansor, 2015). Wolfe and Hermanson (2004) expanded the Fraud Triangle Theory to the fraud diamond theory (Addullahi & Mansor, 2015; Yusof & Lai, 2014). The four elements are incentives, opportunity, capability, and rationalization. The added factor is the capability, which is suggested by the proponents that a potential fraudster must have the skills and ability in addition to the previous three elements to commit fraud (Addullahi & Mansor, 2015).

Nature of the Study

The research method was based on the subject matter, the research questions, and the relevant literature. Qualitative case study research is used to investigate a phenomenon that needs explanation or explore a current occurrence within a real-life context (Tetnowski, 2015; Yin, 2014). Yin (2014) posited that a case study design should be considered when (a) the study focuses on how and why questions; (b) the behavior of participants cannot be manipulated; (c) to cover the contextual conditions; or (d) there are no clear boundaries between the phenomenon and context.

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A case study has different methodologies that include interviews, document reviews, and direct observation to substantiate or disconfirm information assembled for a study (Patton, 2015; Yin, 2014). The use of a case study research design has many advantages. Case studies are broadly used in business because they allow researchers to explore and understand individuals' and groups' stories and experiences (Yin, 2014). Furthermore, the use of a case study allows the researcher to capture the complexity of the problem (Tetnowski, 2015). A case study is often criticized for lacking scientific rigor and an insufficient basis for generalization (Crowe et al., 2011).

The population for this study consisted of all nonprofit organizations in the State of Illinois. The list of chief financial officers, executive directors, and board presidents or board finance committee chairs were ascertained from the filings by nonprofit organizations with the Illinois State Attorney General's office. After reviewing the background literature, the data were collected from participants purposefully selected from nonprofits organization in the Chicago Metropolitan Area using the interview process. The participants of the study included chief financial officers, executive directors, and board presidents or finance committee chairs from the nonprofit organizations in the Chicago Metropolitan. Data were collected by interviewing the participants. Interviewing is a process of ascertaining the views and experiences of others regarding a subject matter, and is an ideal way of gathering data for a case study (Singh, 2014).

Research Questions

The research is a qualitative multiple-case study regarding internal controls and fraud in nonprofit organizations. Fraud is prevalent in nonprofit organizations, and the lack of internal controls has been cited 29.3% as the cause of fraudulent activities (ACFE. 2016). Yin (2016) posited that research questions should tackle the main issue addressed by the study. The survival

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of nonprofit organizations is important, but when an organization is plagued with fraud, that can lead to the demise of the organization (Hager & Searing, 2014). More than 25 % of nonprofit organizations that report fraud publicly do not survive after three years (Archambeault & Webber, 2018). The research questions encompass the following:

RQ1. How do nonprofit organization leaders describe their organization's internal control systems to prevent fraud?

RQ2. How do nonprofit organization leaders describe their role in implementing internal controls to prevent or minimize fraud from occurring in organizations?

RQ3. How do nonprofit organization leaders describe their role in investing in internal controls that will curtail or prevent fraud?

Significance of the Study

Nonprofit organizations are growing and have become a larger force in the United States economy (Jaskyte, 2015; Synder, Andersen, & Zuber, 2017). The nonprofit sector had over 10 percent of the total workforce in 2012 and had produced over $887.3 billion to the U.S. economy (Synder et al., 2017). Furthermore, nonprofit organizations provide services to society that are vital, and the failure of these organizations affect the delivery of the services. Moreover, fraud can have a long-term material and negative effect on the ability of nonprofit organizations to raise funds (Lauck & Brozobsky, 2018; Lofland, 2012), which will impede the organization's ability to carry out vital missions. Another major concern is the organizational viability once an organization experiences fraud (Lauck & Brozobsky, 2018; Lofland, 2012; Archambeault & Webber, 2017).

Additionally, about 28% of nonprofit organizations that experienced fraud failed to survive three years after the occurrence of the fraud (Lauck & Brozobsky, 2018; Archambeault

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& Webber, 2017). Lauck and Brozobsky (2018) posited that improving internal controls will reduce the negative effect of fraud on the organization's image. The consequences of not having internal controls could lead to financial loss; and, in some cases, the collapse of the organization (Archameault & Webber, 2018; Hager & Searing, 2014). Archambeault, Webber, and Greenlee (2015) found that fraud loss to nonprofit organizations was $27.9 million. Additionally, fraud can damage employee morale, organizational reputation, and business relationships (Synder, Andersen, & Zuber, 2017). Nonprofit organizational leaders, as well as practitioners, will benefit from this study by understanding the importance of instituting internal controls to fight and, in some, cases eradicating fraudulent practices.

Definitions of Key Terms

Asset misappropriation. Asset misappropriation is a fraud committed against an organization by employees and management by stealing company assets on hand. Asset misappropriation encompasses skimming, cash larceny, check tampering, register reimbursement, billing, payroll and expenses reimbursement, and inventory and other asset schemes (Nia & Said, 2015).

Association of Certified Fraud Examiners (ACFE). The ACFE is a global association that has a membership of 41,000 that provides forensic accounting and anti-fraud training to help the members to reduce the incidence of fraud and white color crime (ACFE, 2018; Ramadhan, 2015).

Duty of care. The duty of care means that directors must execute their responsibilities diligently and make informed decisions to promote the organization's objectives. The duty of care rule assumes that directors in making decisions acted in good faith and made decisions in the interest of the organization (Morrison, 2016).

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Duty of loyalty. The duty of loyalty means that directors are to act in the best interest of the nonprofit organization and not in the interest of directors. Directors are to act on behalf of the organization without a personal conflict (Morrison, 2016).

Financial reporting fraud. Financial reporting fraud is the purposeful and deliberate reporting of financial misrepresentation data that violates accounting standards intending to deceive readers and users of the financial statements (Dimitrijevic et al., 2015).

Internal controls. Internal control is a process designed and effected by an entity's board of directors, management, and other personnel to provide reasonable assurance regarding the achievement of the entity's objectives relating to operations, financial reporting, and compliance with applicable laws and regulations (Dickins & Fay, 2017)

Nonprofit organizations. Nonprofit organizations are either public or private institutions formed to provide services to either members or the general public with the objective, not primarily for profit-making (Salamon & Anheier, 1997). According to the US Internal Revenue Service tax code section 501(c)(3), nonprofit organizations are tax-exempt because of the public and social services these organizations provide (Kenton, 2019). The idea that nonprofit organizations do not make profits is a misconception because most nonprofit organizations have reserves that emanate from revenue exceeding expenses (Salamon & Anheier, 1997). However, unlike for-profit organizations, the sole aim of nonprofit organizations is not to generate profits for investors.

Securities and Exchange Commission (SEC). The SEC is a regulatory agency established by the government of the United States to enforce and oversee the security laws enumerated under the Securities Act of 1933, the Security and Exchange of 1934, and the Sarbanes-Oxley Act of 2002 ("Security and Exchange Commission," n.d.)

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Summary

Nonprofit organizations are growing and have become a more significant force in the United States economy (Jaskyte, 2015; Synder, Andersen, & Zuber, 2017). In 2012, the nonprofit sector had 10 percent of the total workforce in the United States and contributed over $887.3 billion to the U.S. economy (Synder et al., 2017). The act of operational fraud is not limited only to for-profit entities but nonprofit organizations as well (Archambeault, Webber, & Greenlee, 2015). Many of these fraudulent activities could be attributable to a lack of internal control. The lack of basic internal controls within nonprofit organizations usually leads to fraud (Lauck & Brozobsky, 2018; Tysiac, 2013). The study was to explore internal control systems in nonprofit organizations in the Chicago Metropolitan Area to determine how the leaders of these organizations understand internal controls as a tool to prevent fraudulent activities and provide recommendations to nonprofit leaders to invest in internal controls. Dimitrijevic, Milovanovic, and Stancic (2015) posited that the risk of fraudulent activities could be minimized through the implementation of effective internal controls.

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Chapter 2: Literature Review

A comprehensive literature review was undertaken to elucidate the understanding of nonprofit leaders on the importance of internal controls as a tool to combat fraud in an organization. Fraud is a predominant occurrence in either for-profit or nonprofit organizations that affect the financial standing and, at times, even threaten the survival of that organization. The lack thereof of internal controls or a weak system of internal controls could potentially incentivize fraudulent activities in an organization. The purpose of this qualitative case study was to explore the internal control systems of nonprofit organizations. Additionally, to determine how nonprofit organizations leaders understand internal controls as a tool to prevent fraudulent activities and to provide recommendations to leaders regarding the necessity to invest in internal controls.

The literature review commenced with an overview of internal control that includes the origin and the current state of internal controls. Furthermore, the literature review will encompass the internal control framework and the weakness that exist in an internal control system. Additionally, the five components of the internal control established by the Committee of Sponsoring Organizations of the Treadway Commission are discussed. The literature review will cover fraud, the elements of the fraud framework, and the nature and types of fraud. Further literature review discussed involve the reasons why fraud is committed. The subsequent sections deal with board governance and board effectiveness. Moreover, the factors that affect board effectiveness, including board composition and board diversity and the relations these factors have on internal controls and fraud prevention are discussed. Ethics considerations are essential elements to prevent fraud, and these elements are also discussed in the literature review. Finally, a summary of the literature in total concludes the review.

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Documentation

The literature for this qualitative study regarding the exploration of internal control systems of nonprofit organizations in the Chicago Metropolitan Area was from different professional and academic sources that encompass scholarly journals and peer-reviewed articles. Most of the articles used for the literature review are within the last 5 years. The databases encompassed EBSCOhost, Sage Journals Online, ProQuest, and ScienceDirect. These databases were used since they provided wide-ranging research materials for the study. The keywords and phrases used to retrieve articles pertinent to this study were *internal control, internal control framework, internal control weakness, fraud detection, fraud framework, fraud triangle, board governance, board diversity, cyber-crimes, financial crimes, ethics*, and *agency theory*.

Theoretical Framework

A theoretical framework is applying a theory or a set of concepts to shed light on a particular phenomenon, which informs how the researcher formulates the research problem (Imenda, 2017). A valid theoretical framework can form the basis of a study to justify the significance of the research (Imenda, 2017; Lederman & Lederman, 2015). A theory is considered good when the theory has two characteristics; it must have large class observations and predict a definite future outcome (Imenda, 2017). The success of research depends upon a conceptual and theoretical framework that determines the research problem, the data to assemble, and the conclusions reached (Imenda, 2017). Research results should be explainable and measured by a framework to the degree that the findings agree or disagree with the framework (Imenda, 2017; Lederman & Lederman, 2015), which is the basis of scholarly work.

The researcher is unrestricted to a theory but is guided by a general approach (Imenda, 2017; Lederman & Lederman, 2015). Moreover, due to the work of seminal authors, theories are

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considered credible and authoritative, which facilitate further scholarly works. Theoretical framework is necessary for scholarly work because a researcher will base the research on the seminal authors in the field of study. Transformational leadership theory, agency theory, and expectancy theory are examples of theories used for scholarly work. Without these theories, research work is impeded since theory gives direction and an in-depth understanding, which is key to successful research (Imenda, 2017). The theoretical framework used for this study was the agency theory and the fraud triangle theory.

Agency theory. Bosse and Phillips (2016) and Yusuf, Yousaf, and Saeed (2018) stipulated that the agency theory is the most used tool to examine corporate governance. Agency theory explains the relationship that exists between principals and agents. An agent is an individual or organization that acts on behalf of an appointed authority called the principal (Bao & Lewellyn, 2017; Bosse & Phillips, 2016; Nikolova, 2014). The agent has a fiduciary responsibility to act in the best interest of the principal (Bernstein, Buse, & Slatten, 2015; Nikolova, 2014; Taljaard, Ward, & Muller, 2015). Agency theory advances the proposition that it is often possible that an agent will act contrary to the best interest of the principal, which does not always align with the interest of the organization (Gerard & Weber, 2014; Taljaard et al., 2015). Agency theory accentuates that people are self-centered that leads to a conflict of interest between principal and agents (Berle & Means, 1932; Jensen & Meckling, 1976; Yusuf, Yousaf, & Saeed, 2018). Therefore, the principal must monitor the agent (Cumberland, Kerrick, D'Mello, &Petrosko, 2015) to facilitate compliance.

Primarily, a nonprofit board is there to ensure that the objectives and the mission of the organization are accomplished (Bernstein et al., 2015). To fight against fraud in an organization depends on the governance structure of the organization and how well management is

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discharging the responsibilities assigned. Management has a fiduciary responsibility, including the duty of care and the duty of loyalty that emanates from the common law agency to act in the best interest of the principal (Bernstein et al., 2015; Morrison, 2016; Taljaard, Ward, & Muller, 2015). The checks and balances system allows stakeholders of an organization to exercise control over management to protect their vested interest (Choudhuri, 2017).

Agency theory views management as opportunistic (Pechersky, 2016), and therefore monitoring the activities of management by a board is essential (Cumberland et al., 2015; Gerard & Weber, 2014; Pechersky, 2016). Other core responsibilities of the nonprofit boards are monitoring the organization, assisting in strategy and planning, advocating on behalf of stakeholders, and securing financial resources in support of the organization (Cumberland et al., 2015). The board acts as agents to protect the interest of stakeholders such as donors, the government, and institutions, and the board is equipped with decision-making ability (Nikolova, 2014). However, Cumberland et al. (2015) suggested that executive directors are the agents, and the board members are the principal in the monitoring role of the board (Cumberland et al., 2015; Gerard & Weber, 2014). The organization's interest is preserved when the board uses the monitoring tools to exert influence on management (Cumberland et al., 2015). Bernstein et al. (2015) explained that the fiduciary duties of the board are due to the existence of agency theory.

Furthermore, Bernstein, Buse, and Slatten (2015) relied upon board best practices to augment the study of the roles and responsibilities of nonprofit board members. The board members’ roles and responsibilities are attributable to the agency theory because the board acting as an agent should have clearly defined roles to implement its functions. Moreover, Zhu, Wang, & Bart (2016) describe the nonprofit board's involvement in shaping organizational performances and strategic thinking via agency theory. According to LaRoux and Langer (2016),

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the effectiveness of the board regarding oversight and monitoring is using the agency theory to measure an invaluable service to the organization. An agent of an organization is the representative of the management of the organization.

Board of directors, according to agency theory, is there to provide leadership, avoid conflict of interest and steer the affairs of the organization to ensure that the organization accomplishes its mission (Klepczarek, 2017; Stahl, Covrig, & Newman, 2014; Taljaard et al., 2015). The agency theory supports this study because of the relationship between ownership interests (principals) and manager interests (agents). Managers are hired to use the resources provided by ownership to perform a specific task and to achieve organizational goals in the case of a nonprofit organization (Gerald & Weber, 2014). Similarly, the board of directors acting as agent ensures that ownership resources are protected by setting the tone for the control environment.

Previous researchers have suggested that economic actors' self-interests are driven by the norms of fairness (Bosse & Phillips, 2016). Bosse and Phillips studied the repercussions of applying bounded self-interest as a basis of agency theory. The perception of fair treatment from boards can lead to unrecognizable agency benefits. Contrary, when agents perceived unfair treatment, agency costs can increase (Bosse & Phillips, 2016). Critics of agency theory have suggested using theories like stewardship theory, where managers are not driven by their own goals, but rather leaders whose motives align with the principal (Bosse & Phillips, 2016). Some researchers have criticized the agency theory simplistic assumptions and narrow focus as limiting the theory's predictive validity (Yusif, Yousaf, & Saeed, 2018; Cuevas-Rodriguez, Gomez-Mejia, & Wiseman, 2012). Again, agency theory presupposes that agents can act adversely against the principal, which has been challenged as exceedingly negative (Cuevas-Rodriguez et

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al., 2012). Others argued that mostly agency theory has been studied in an environment of developed countries like the United States and the United Kingdom, and not in the developing countries (Yusif et al., 2018).

The fraud triangle. Fraud does not happen in a vacuum. Scholars have, for decades, studied fraud perpetuated by organizational leaders (Schnatterly, Gangloff, & Tuschke, 2018). The fraud triangle is used as a framework in this study, which is commonly used in fraud literature (Cressey, 1950, 1953; Trompeter, Carpenter, Desai, Jones, & Riley, 2013; Schnatterly et al., 2018). Additionally, the fraud triangle is used by scholars as antecedents of fraud (Dorminey, Fleming, Kranacher, & Riley, Jr., 2012; Schnattely et al., 2018). The fraud triangle theory is theoretically, and practically sound and is used by auditors when evaluating risk assessments (Dorminey et al., 2012; Schnattely et al., 2018).

Cressey (1950, 1953) provided the construct for the fraud triangle, which consists of three main factors: pressure, opportunity, and rationalization. The pressures are the motives and incentives that lead to the unethical behavior, the perceived opportunity is created by ineffective control that allows a person to commit fraud, and the rationalization encompasses the justification of the act to be morally acceptable to the perpetrator (Abdullahi & Mansor, 2015; Azam, 2018; Gerald & Webber, 2014). A study by KPMG (2011) concluded that employees that commit fraud usually are first time offenders and not career criminals (Azam, 2018; Kramer, 2015). Fraudsters do want to justify their actions and to convince themselves that committing the fraud was morally acceptable (Azam, 2018). The existence of the opportunity to commit fraud is an indication of weak internal control (Azam, 2018; Kranacher, Riley, & Wells, 2010).

Wolfe and Hermanson (2004) expanded the fraud triangle theory to the fraud diamond theory (Addullahi & Mansor, 2015; Azam, 2018). The four elements of the diamond theory are

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incentives, opportunity, capability, and rationalization. Proponents for adding capability suggest that a potential fraudster must have the skills and ability in addition to the previous three elements to commit fraud (Addullahi & Mansor, 2015). Without capability, the perpetrator of fraud cannot convert an opportunity to actual fraud (Azam, 2018; Mangala & Kumari, 2015).

The effects of individual fraud in a business can have a substantial economic impact, and especially where financial resources are limited can lead to the demise of that organization (Murphy, 2015; Sanusi et al., 2015; Schnatterly et al., 2018). Fraud also affects the organizational standing of a business, which impacts on the organization's ability to raise money. Donors become distrustful of the organization, and in some cases, the revelation of fraudulent activities will cause the demise of those organizations (Archameault & Webber, 2018; Hager & Searing, 2014). The negative publicity and implications can lead to organizational cover-up and prevent crime from becoming public (ACFE, 2016; Van Akkeren, & Buckby, 2017).

According to ACFE (2016), the most prominent contributing factor to organizational fraud in nonprofits is the lack of internal controls, which accounted for 29.3 percent of the cases, and 20 percent of the cited cases resulted from overriding the existence of internal controls. Kamarudddin and Ramli (2017) posited that the importance of internal control includes proper financial accountability, adherence to operational standards and guidelines, and providing assurance to stakeholders. Additionally, understanding the purpose of internal controls, self-assessment, and best practices help an organization to establish policies and procedures to combat weaknesses that could culminate in fraudulent activities (Maguire, 2014).

When nonprofits organizations adopt the SOX, researchers reported better financial controls, reduction in accounting fraud risk, and the enhancement of board effectiveness (Nzhina & Brudney, 2012). Much like the for-profit organizations, donors and stakeholders in the

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nonprofit sector are looking for proper accountability and efficiency over the resources provided to management. Having a well-designed internal control system with preventive techniques could help to detect fraud and mitigate the loss of fraudulent activities on organizations (Dimitrijevic et al., 2015). The goal of internal control is not to find the causes of fraud but to prevent further expansion of fraud (Dimitrijevic et al., 2015).

The persistent occurrence of fraud in the global financial system has led many to question the usefulness of the fraud triangle to combat fraud. Scholars contend that the efforts of the AICPA and the ACFE to fight fraud have not yielded the expected results (Cooper, Dacin, & Plamer, 2013; Free & Murphy, 2013; Lokanan, 2015; Morales et al., 2014). Lokanan (2015), using evidence from three cases, argued that the fraud triangle is not an adequate tool for fraud detection. These criticisms notwithstanding, prior scholars have used the fraud triangle to explain why fraud occurs in organizations (Appiah-Sokye, 2016; Azam, 2018; Gupta & Gupta, 2015; Roy, 2015)

Internal Control Overview

An internal control system is not a new phenomenon, rather internal control has been part of business operations as recorded early in the Mesopotamian civilization in 3500 B.C.E. (Appiah, 2015; Arvind, Pranil, & Joyti, 2010; Frazer, 2016; Gradell, 1977). Frazer (2016) also concluded in a study that internal control has been in existence for centuries and has been a significant part of business operations. Appiah (2015) and Tunji (2013) reiterated that the origin of internal control could be traced to Hellenistic Egypt. The Hellenistic Egypt had a dual administration system where a facet of bureaucrats was responsible for collecting taxes and the other overseeing the taxes, which represents internal control (Appiah, 2015; Tunji, 2013). According to Chibuike (1998), the early banks in the British Nigerian colony instituted controls

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to curb a liberalized credit policy that resulted in many loans default. Those early banks operating in the British Nigerian relaxed the requirements needed to borrow; hence, customers without the wherewithal acquired loans and defaulted on them (Chibuike, 1998). Frazer (2016) also concluded in a study that internal control has been in existence for centuries and has been a significant part of business operations.

Internal control has long existed and practiced in society, but the complexity of the controls has grown due to the permissiveness and the ability for individuals to own property (Wilson, Wells, Little, & Ross, 2014). The first practice of internal controls encompasses the records of grains stored in warehouses in the third century of ancient B.C. Egypt, as well as the documentation of ancient Greek merchants in the Middle East (Hain 1966; Wilson et al., 2014). Wilson, Wells, Little, and Ross (2014) posited that internal control was not as sophisticated when ownership of properties was under the guardianship of the State but allowing individuals to own property change that. Additionally, the complexity of the internal control changed when other people became custodians of property belonging to others (Wilson et al., 2014).

The modern capitalist economy, where ownership of business assets belong to shareholders, has changed the nature of internal controls (Wilson et al., 2014). The purpose of internal controls is to achieve four main goals, and they are: (1) protecting organizational assets from theft or misuse; (2) providing reasonable assurance of the reliability of the financial statements; (3) promoting the efficient use of the organization's assets; and, (4) monitoring compliance of corporate policies by employees and management (Dickins & Fay, 2017; Hunziker, 2017; Kamaruddin & Ramli, 2017**;** Widyaningsih, 2015; Wilson et al., 2014).

In 1922, controls were deemed to be administrative controls, which were to provide information to managers to help in making decisions (Kester, 1922; Wilson et al., 2014). The

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American Institute of Accountants, in 1949, defined internal controls as "the plan of organization and all of the coordinate methods and measures adopted within a business to safeguard its assets, check the accuracy prescribed managerial policies" (American Institute of Certified Public Accountants (AICPA), 1949, p. 6; Wilson et al., 2014, p, 74). The AICPA further introduced two types of internal controls, namely accounting controls and administrative controls in 1958 (Wilson et al., 2014). Accounting controls dealt with those controls that ensure that financial records are reliable, while administrative controls encompass operational efficiency and complying with management policies (Wilson et al., 2014). Consequently, there have been changes to the internal controls concept.

The American Institute of Certified Public Accountants in 1972 clarified the meaning of accounting and administrative controls (AICPA, 1972; Wilson et al., 2014). Additionally, the Securities Exchange Act of 1934, through the Foreign Corrupt Practices Act, expanded the reach of internal controls where publicly-held companies are to keep books and records that accurately reflect the finances of the organization. The companies are also to develop and maintain an internal control system that gives assurance that transactions are authorized and recorded in accordance with generally accepted accounting principles, ensures accountability, and access to the organization's assets is authorized by management (Frazer, 2016; Wilson et al., 2014).

A commission of the AICPA and some private organizations formed the National Commission of Fraudulent Financial Report, commonly referred to as the Treadway Commission, was instituted to deal with the financial scandals that erupted in the 1970s and 1980s (Frazer, 2016; Wilson et al., 2014). The Treadway Commission introduced a new definition of internal control in a report issued in 1992 clarify any confusion existed among different interested parties (COSO, 1992; Wilson et al., 2014). The 1992 COSO report defined

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internal controls as "a process effected by an entity's board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives of the following categories: (1) effectiveness and efficiency of operations; (2) reliability of financial reporting; and (3) compliance with applicable laws and regulations" (COSO, 1992, p. 94).

There are five major components of the internal controls enumerated in the 1992 COSO report. The components are control environment, risk assessment, control activities, information and communication, and monitoring (Appiah, 2015; COSO, 1992; Dickins & Fay, 2017; Frazer, 2016; Kamaruddin & Ramli, 2017; Tunji, 2013; Wilson et al., 2014). Internal controls provide policies and procedures that an organization follows to achieve organizational set goals and to ensure that the financial statements issued to the public are the representation and the true reflection of the company's activities (Dickins & Fay, 2017; Hunziker, 2017; Kamaruddin & Ramli, 2017; Sanusi et al., 2015). Furthermore, Kamaruddin and Ramli (2017) posited that the importance of internal control practices to include proper financial accountability, adherence to operational standards and guidelines, and provision of assurance to stakeholders.

In the 1990s and the early 2000s major financial scandals resulted in the collapse of prominent Fortune 500 companies like Enron, WorldCom, Global Crossing, HealthSouth, and Satyam Computer Services (Abdullahi & Mansor, 2015; Reguera-Alvarado, de Fuentes, & Laffarga, 2017; Liu, Wright, & Wu, 2015). Liu, Wright, and Wu (2015) postulated that the financial reporting scandals of the era resulted in billions of losses to investors. The United States Congress passed the Sarbanes-Oxley Act of 2002 that provided additional guidelines to deal with internal control issues. Razaee and Crumbley (2007) postulated that Congress passed the Sarbanes and Oxley Act (SOX) in 2002 to assure the market and provide stability.

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Additionally, the purpose of SOX 2002 was to encourage management to create an internal control environment that will foster good internal controls (Wilson et al., 2014).

Internal controls system is the mitigating factor to fraud prevention, which is only reasonable assurance and not an absolute assurance (Sanusi et al., 2015). According to Frazer (2016), nonprofit organizations lack resources to have an elaborate internal control system. Harris, Petrovits, and Yetman (2017) explained that one-sixth of all major fraud occurred in the nonprofit industry; however, many nonprofit organizations lack an internal control system that could prevent fraud (Archambeault & Webber, 2018; Dimitrijevic et al., 2015; Frazer, 2016; Lauck & Brozovsky, 2018; Murphy & Free, 2016). Murphy (2015) posited that nonprofit organizations are to establish mechanisms to detect, prevent, and control fraud. The goal of internal control is not to find the causes of fraud but to prevent further expansion of fraud (Dimitrijevic et al., 2015). De Armond and Zack (2017) postulated that leaders on nonprofit organizations address fraud by providing direction and establishing an anti-fraud environment that discourages individuals from engaging in fraudulent practices. Furthermore, leaders are to incorporate fraud management practices into the organization's daily activities, which will intuitively help potential employees not to engage in fraud (De Armond & Zack, 2017; Grieling & Stotzer, 2016).

A strong internal control could prevent fraud from occurring, while a weak control environment provides an opportunity for fraud to fester (Lenard et al., 2016). Dimitrijevic et al. (2015) concluded that an internal control system is a prelude for the development of a company, but internal controls are not the answer to all the company's problems. Dickins and Fay (2017), as well as, Lenard, Petruska, Alam, and Yu (2016) posited that the effectiveness of internal controls over financial reporting is a major requirement of SOX that requires both management

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and the external auditor to offer an opinion over the effectiveness of internal controls over financial reporting. Furthermore, Gupta, Sami, and Zhou (2018) explained that the SOX requires companies when reporting on the internal controls to disclose the existence of any material control weakness.

In the United States, internal control has been part of many regulations, including the Securities Exchange Act (1933) enacted to promote and assure investors of transparency of the trading of securities (Frazer, 2016). The business community has, for years, embraced the concept of policies and procedures to protect organizational assets and to ensure that business objectives are achieved. Again, controls are needed to curb using public funds for personal gain and to curtail rampant conflict of interest issues (Blouin & Huefner, 2018). Wilson et al. (2014) indicated that improvements in internal controls when there are economic scandals and fraudulent financial reporting. An organization's internal controls promote the reliability of the financial report, operational effectiveness and efficiency, and complying with applicable laws and regulations (Kamaruddin & Ramli, 2017). Since investors depend on the financial reports issued by businesses to make investment decisions and to promote confidence in such reports, the Securities and Exchange Commission (SEC) regulations require that all companies must establish and evaluate on a consistent basis the internal control over financial reporting (ICFR) (Dickins & Fay, 2017; Hunziker, 2017).

Bressler and Bressler (2017) determined that effective internal controls will help stem out fraudulent activities and will strengthen organizational survival. Bressler and Bressler (2017) and Lazer (2016) posited that small companies due to lack of adequate financial resources do not engage in elaborate internal control systems making them more vulnerable than large companies. All public companies listed on the stock market are required by the Security and Exchange

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Commission (SEC) under section 302 of the SOX to institute internal control over financial reporting and to file such reports as well with SEC (Gupta et al., 2018). Such enforcement does not apply to private organizations and nonprofit organizations (Garven, Beck, & Parsons, 2018; Lee, 2016). Dickins and Fay (2017) postulated that the SEC requires that management evaluate the effectiveness of ICFR in accordance with a suitable recognized control framework, which currently is the COSO 2013. Prior to 2013, the 1992 COSO framework was used to evaluate the effectiveness of ICFR.

Internal controls may be beneficial to nonprofit organizations by helping to effectively keep track of operational costs and protect the resources of the organization (Blouin & Heufner, 2018; Frazer, 2016). Additionally, Kamaruddin and Ramli (2017) posited that the importance of internal control practices includes good financial accountability, adherence to operational standards and guidelines, and assurance to stakeholders. Additionally, understanding the purpose of internal controls, self-assessment, and best practice helps an organization to establish policies and procedures to combat weaknesses that could culminate in fraudulent activities (Maguire, 2014). Internal controls provide reasonable assurance but do not provide absolute assurance that a specific objective will be achieved (Frazer, 2016). The implementation of preventive methods increases the quality of business performance and control, and internal controls should collaborate with other controls to increase the defense against fraud (Dimitrijevic et al., 2015). Gartland (2016) concluded that failure to detect fraud could lead to loss of federal awards that could potentially affect the operations of the organization.

Internal Control Framework

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) first developed an internal control integrated framework in 1992 to provide senior executives an

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effective way to control their businesses facilitating the achievement of organizational objectives relating to operations and reporting, and compliance (COSO, 1992). The Security Exchange Commission's rules established that the valuation of an organization's internal control effectiveness should be based on a recognized internal control framework (Appiah, 2015; Frazer, 2016). Frazer (2016) posited that the integrated framework provides direction to any business wanting to establish an effective internal control system.

The internal control integrated framework on May 14, 2013, was updated by COSO. The framework was updated to assist organizations in designing and implementing an internal control system that will keep up with many changes in business and operating environments (Appiah, 2015; Lofland & McNeal, 2014; McNally, 2013). The rapid changes in regulations, rules, and standards, as well as business complexity, necessitated the updated integrated framework. Furthermore, stakeholders are interested in governance oversight, risk management, and fraud detection and prevention (McNally, 2013). According to the COSO Board, the 1992 integrated framework, used to design, implement, and maintain an internal control system, remains fundamentally sound. A major change in the updated integrated framework is the requirement that management evaluates the potential for fraud when assessing risks (Appiah, 2015; Lofland & McNeal, 2014).

There are five major components of the internal controls of the integrated framework enumerated in the 1992 COSO report. The components are control environment, risk assessment, control activities, information and communication, and monitoring (Appiah, 2015; COSO, 1992; Dickins & Fay, 2017; Frazer, 2016; Kamaruddin & Ramli, 2017; Tunji, 2013; Wilson et al., 2014). The five components are necessary to strengthen the management efficiency of an organization (Frazer, 2016). These five components of internal control must work together to

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detect, prevent, and correct errors in business operations (COSO, 1992; Frazer, 2017). Furthermore, the implementation and reviewing of the internal control components are essential to promote good practice that ensures efficiency and effectiveness of activities, compliance with applicable laws, and reliable financial reports and information (Kamaruddin & Ramli, 2017; Sanusi et al., 2015; Widyaningsih, 2015). The five components of internal control are discussed below.

Control environment. The control environment sets the organizational tone which reflects the culture of the company (Appiah, 2015; Frazer, 2016; Tunji, 2013; Widyaningsih, 2015; Wilson et al., 2014), Organizational tone set at the top can strengthen internal controls (Lightle, Baker, & Castellano, 2015). Organizational culture encompasses the behavior and beliefs that permeate through an organization which demonstrates how an organization carried out operations (Vargas-Hernandez, Cardenaz, & Campos, 2016). Organizational culture helps a business to adopt a legal personality that becomes a formal social group different from other organizations in the doing business (Vargas-Hernandez et al., 2016). Furthermore, organizational culture is influenced by the corporate integrity that affects job attitudes, conflict management, information communication, and organizational transformation (Shu, Chen, Lin, & Chen, 2018; Guiso, Sapienza, & Zingales, 2015).

Frazer (2016) posited that the control environment serves as the foundation for the other components of internal control. Shu, Chen, Lin, and Chen (2018) argued that organizational integrity culture drives the key factors of internal control and does have a significant impact on the internal controls. The COSO framework of 2013 posit that the control environment has five characteristics which are (1) commitment to integrity and ethical values; (2) performing

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oversight responsibility; (3) developing structure, authority, and responsibility; (4) promoting competence; and (5) promoting accountability (Frazer, 2016; McNally, 2013).

The control environment of an organization reveals management philosophy, ethical values, integrity, and operating style and the type of leadership that senior management and the board of directors provide (Appiah, 2015; Frazer, 2016; Wilson et al., 2014). The control environment requires that there should be an independent relationship between management and the board of directors so that proper oversight will be exercised over the development and execution of internal control (COSO, 2013; Lightle et al., 2015). Wilson, Wells, Little, and Ross (2014) explained that the enactment of the Sarbanes-Oxley Act of 2002 conspicuously affected the internal control environment because of the relationship the SOX established between management and independent auditors.

Lightle, Baker, and Castello (2015) opined that the SOX increased penalties for auditors for misrepresenting financial statements, which have heightened internal controls over financial reporting and strengthen the control environment. The organizational tone would be affected because the SOX requires independent auditors to report to the audit committee of the board of directors, rotation of lead auditor and audit review partner in every five years, review and approval of audit report by a second audit partner (Wilson et al., 2014). Additionally, the organization must demonstrate the ability and purposefulness to attract, develop, and retain qualified individuals to help achieve organizational objectives (COSO, 2013).

Risk assessment. Every business or organization faces risks that should be assessed and managed. Managing risk begins with the identification and analysis of the risk (Ayagre & Aidoo-Buameh, 2017). There are internal as well as external risks that become obstacles in business operations (COSO, 2013; Frazer, 2016). Risk assessment under the internal control framework

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deals with management's ability to identify the risks associated with the preparation and fair presentation of financial statements. Wilson et al. (2014) identified risk assessment to encompass detecting and evaluating risks to achieve organizational goals. The risk assessment evaluation process provides an organization with the ability to respond to and manage both internal and external risks (Appiah, 2014; Frazer, 2015; Ncgobo & Malefane, 2017).

Aguolu (2018) and Ayam (2015) posited that the mechanisms needed to identify and manage risks must change to conform to the changes emanating from industrial, regulatory, economic, and operational change. Appiah (2015) reiterate the risk assessment of an entity consists of: (1) accounting risks that originate either from internal or external activities which could potentially affect the organization's ability to properly initiate, record, and report on financial data accurately; (2) the monitoring of rapid growth to guarantee the availability of resources to deal with the growth; (3) operational environment changes both internally and externally; (4) the training of employees to prevent costly mistakes; and (5)the ever-changing new accounting and auditing pronouncements, regulations, and guidelines. The predicates of risk assessment encompass the establishment of objectives that are linked at all levels of the organization (Ayam, 2015; COSO, 2013). Additionally, organizations in assessing risk should consider the potential for fraud that will impede the organization from achieving its objectives (COSO, 2013). Ayam (2015) emphasized that risk assessment provides management and internal auditors to be in control.

Control activities. Control activities deal with the policies and procedures established by management that ensure the execution of the organization's objectives to manage risks are executed (Ayam, 2015; Appiah, 2015; COSO, 2013; Frazer, 2016). Control activities are categorized into preventive and detective controls (Frazer, 2016). Preventive controls avert the

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error or fraud from occurring, while detective control reveals the incident after the fact. Control activities performed at every level of the organization allow management to provide reasonable assurance that financial statements are reliable, ensuring efficiency and effectiveness of operations, and complying with relevant laws and regulations (Ayam, 2015; Appiah, 2015; &Tunji, 2013). Control activities consist of activities like authorizations, approvals, verifications, reconciliations, performance reviews, segregation of duties, and safeguarding of assets (Appiah, 2015; Frazer, 2016). Additionally, control activities have the potential to reduce theft and pilferages (Frazer, 2016).

The segregation of duties ensures that the organization's assets are protected and prevent fraud from being perpetuated. Though segregation of duties helps prevents the burgeoning of fraud practices, employees can collide to circumvent the system (Frazer, 2016; Murphy, 2015). The segregation of duties activities consists of authorization, approving, recording, and protecting organizational assets (Appiah, 2015). There are three categories of control activities, which include operating controls, financial information controls, and compliance controls (Ayam, 2015; Frazer, 2016). Control activities establish a systematic process to deal with accounting activities and tasks that ensures compliance and to examine and prevent regular inaccuracy in financial reporting.

Information system and communication. Another essential element of the internal control components is the information system and communication, which is the conduit by which management captures the relevant information and communicate that information accordingly to decision-makers and other stakeholders (Wilson et al., 2014). Organizations thrive on the availability of information to make decisions and implement internal control to achieve organizational goals. Information is gathered internally and externally, which supports other

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components of internal control (COSO, 2013). One of the SOX requirements is the disclosure of information on internal controls and getting the internal control evaluated by auditors (Chen, Chan, Dong, & Zhang, 2017).

The quality of information, which includes manual and automatic processes, enables management to make the necessary decisions regarding control activities underpinning financial reports (Appiah, 2015). Frazer (2016) posited that relevant information is to be captured and process and communicated on a timely basis, which will aid people to execute their responsibilities. The captured information results in producing operational and financial reports that enhance the management of the organization. Communication is essential to facilitate the implementation of internal controls. The information gathered is disseminated to stakeholders. Frazer (2016) stipulated that effective communication should take place in a broader sense where information is shared across all levels of the organization. Additionally, internal control processes must clearly be communicated that details the roles, responsibilities, and expectations of employees across all levels of the organization (Appiah, 2015; Frazer, 2016).

Organizations share relevant information internally and externally, which must be done in a form and timeframe to allow personnel to execute activities assigned to them (Rae, Sands, & Subramaniam, 2017). Internal communication allows personnel in the organization to understand the organizational objectives. Additionally, internal communication facilitates the implementation of other internal control components. Frazer (2016) postulated that employees must have channels to communicate important information upward to management. The quality of information communicated determines the quality of the organization's risk assessment (Rae et al., 2017).

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Monitoring of internal control. Internal control is only effective when the controls are implemented as there are designed to do. Monitoring is the mechanism that ensures the quality of internal control performance over time (Appiah, 2015; Frazer, 2016; Tunji, 2013). Monitoring is a continuous undertaking that must be done intentionally, which encompasses constant supervisory and management activities to ensure that people perform their duties (Frazer, 2016). Additionally, monitoring encompasses an ongoing and periodic assessment by management and other outside principals of the organization's internal control (Ayagre & Aidoo-Buameh, 2017).

Ayagre and Aidoo-Buameh (2017) posited that monitoring public sector companies should establish vigorous monitoring activities by reinforcing control activities. Furthermore, organizations' commitment to monitoring is not as strong when management's ethical standards are suspect (Ayagre & Aidoo-Buameh, 2017). Monitoring ensures that the controls are functioning as they are meant to oversee the organization's business practices and policies (Ayagre & Aidoo-Buameh, 2017; Appiah, 2015). Monitoring deals with communicating any internal control deficiencies to the employee and the supervisor responsible for the activity of that organization (Appiah, 2015).

Previous studies found that the independence of board directors leads to transparency, which can result in effective monitoring (Chen, Knechel, Marisety, Truong, & Veeraraghavan, 2017). Appiah (2015) reiterated that internal control monitoring is most effective when: (1) internal auditors access to the board of directors or audit committees are not restricted; (2) internal control deficiencies can be captured and reported; (3) there is follow-up and corrective measures to address internal control deficiencies; and (4) the organization's internal auditor ensures that responsibilities are performed in accordance to the organization's policies and procedures. Appiah (2015) and Tunji (2013) asserted that internal controls breakdown, which

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emanates from a lack of monitoring, could lead to the demise of companies like WorldCom and Enron.

Internal Control Weakness

An internal control system that is operating well is vital to allowing an organization to process records and produce financial reports that generally adhere to generally accepted accounting principles (Kanagaretnam, Lobo, Ma, & Zhou, 2016). Additionally, an effective internal control system protects against the issuance of misstatement of a company's financial statements (Kanagaretnam et al., 2016). The internal control systems instituted by the organization might not operate as intended, which means the internal control is weak or deficient. Internal control deficiency is when the design or operation of a control does not allow management or employees to prevent or detect misstatements on a timely and in the regular discharge of responsibilities (Kanagaretnam et al., 2016).

Kanagaretnam, Lobo, Ma, and Zhou (2016) identified three types of internal control deficiencies as material weakness, significant deficiency, and control deficiency. According to The Public Company Accounting Oversight Board (PCAOB, 1994, p. 10) material weakness "is a significant deficiency or a combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected" (Kanagaretnam et al., 2016; Kim & Park, 2009; Mao & Ettredge, 2016). Kanagaretnam et al. (2016) postulated that internal control problems could emanate from the audit committee’s independence and financial expertise. Furthermore, internal control weaknesses are often found in smaller, less profitable, more complex, rapidly growing, and restructuring companies (Kanagaretnam et al., 2016). Mao and Ettredge (2016) posited that internal control deficiencies could be categorized into four according to the nature of the

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deficiency. The deficiencies are those related to applying accounting rules, fraud, error, or other problems.

The Sarbanes-Oxley Act Section 404 (SOX 404) mandated that the board and management disclose any internal control weakness (Chen et al., 2017; Gupta et al., 2018; Kanagaretnam et al., 2016; Lu & Cao, 2015). Also, under Section 302 of the SOX, management must assess the internal control systems, which provides information to investors about the possibility of non-GAAP financial reporting in the present and future (Gupta et al., 2018; Mao & Ettredge, 2016). Under Section 302, public companies were required to file internal controls over financial reporting (ICFR), and for the first time, Section 404 requires that both management and external auditors express independent opinions on the effectiveness of the company's ICFR (Gupta et al., 2018). The leader responsible for authenticating the organization's internal controls affirms that the previous fiscal year's internal controls are reviewed, and findings are reported (Kanagaretnam et al., 2016).

The required disclosures are intended to improve accounting quality, but current research findings have not clearly shown whether required disclosures have improved accounting quality (Lenard et al., 2016). While many studies have shown that Section 404 has met its objectives, opponents believe that Section 404 creates high compliance costs and problems of audit effectiveness (Lenard et al., 2016). Specifically, the internal control system that is weak will increase the risk of internal and external management control system and likely will affect the organization's financial management practices (Sanusi et al., 2015). Firms with internal control problems are likely to report financial losses, and firms that reveal internal control deficiencies have less financial expertise on the audit committee (Chen et al., 2017). Donelson, Ege, and McInnis (2017) studied the effect of internal control weakness on financial reporting fraud, and

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whether the disclosure of internal control weaknesses is linked to the reporting of future financial reporting fraud. Gartland (2016) asserted that auditors are to expand the nature and extent of procedures during the audit to tackle internal control weaknesses as well as fraud risks.

Chen, Knechel, Marisetty, Truong, and Veeraraghavan (2017) study the impact that board independence has on whether a company reports internal control weakness as required in the SOX. Lu and Cao (2018) further reiterated that there is a relationship between board members' specific characteristics and weaknesses in internal control. There have been a plethora of studies that have examined the causes of a material weakness in internal control on financial reporting, but consideration has been given to corporate governance and its impact on internal weakness (Chen et al., 2017; Kanagaretnam et al., 2016). Kanagaretnam et al. (2016) studied how national culture, in particular, the country's level of individualism index, influences internal control material weakness (ICMW) as well as earning quality. Kanagaretnam et al. (2016) found that individualism is positively related to the existence of ICMW.

Fraudulent Practices

Fraud is not a new phenomenon that continues to plague all forms of businesses, whether for-profit or nonprofit (ACFE, 2016; Ehioghiren & Atu, 2016). Ozili (2015) defined fraud as a purposeful attempt by companies to mislead or misinform users of financial statements by preparing and distributing materially misstated financial statements. Levi (2011), on the other hand, defined fraud as using dishonest means of getting money from people that will under normal circumstances object to giving the money if they knew the truth. Fraud incidence continues to grow both in the private and public sectors, and fraud is universal that affects every country (Ehioghiren & Atu, 2016). Archambeault, Webber, and Greenlee (2015) asserted that fraud could be categorized into two types. Firstly, some frauds affect the organization internally

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like embezzlement, and secondly, frauds that affect the public, which encompasses the falsification of financial records. Fraud research has primarily focused on firms where fraud has already taken place instead of studying firms without fraud history (Ozili, 2015).

The AICPA and ACFE joined forces together for fraud prevention due to the unsustainability of the fraud effects on business (Elder, 2018; Rezaee & Jim, 2017). Occupational fraud is a fraud committed against the organization by the employees, officers, and owners of the organization and is classified into three main types, namely corruption, asset misappropriation, and fraudulent financial reporting (ACFE, 2016; Demitrijevic et al., 2015; Ozili, 2015). Fraud continues to be a big problem for businesses (Mirinaviciene, 2014). Gartland (2016) and Snyder, Andersen, and Zuber (2017) listed the most common frauds of nonprofit to include check tampering, billing frauds, expense reimbursement fraud, fictitious vendors, payroll manipulation, cash theft, and corruption and abuse of power. A study by the ACFE (2016) found that the most prominent contributing factor to organizational fraud in nonprofits is the lack of internal controls, which accounted for 29.3 percent of the cases, and 20 percent of the cited cases were as a result of overriding the existence of internal controls.

Cressey (1950, 1953) provided the construct for a fraud known as the fraud triangle. The fraud triangle consists of three main factors: pressure, opportunity, and rationalization (Abdullahi & Mansor, 2015; Cressey, 1950, 1953; De Armond & Zack, 2017). Pressures emanate from personal needs, social needs, and economic needs and the need to meet compensation-based targets. Compensation-based targeting provides an incentive to indulge in fraudulent activities (Ozili, 2015; Peterson, 2015). Employees wanting to be compensated are incentivized, which could potentially lead to fraudulent activities to attain the desired reward. The fraud triangle

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presupposes that the conception of fraud and its execution is predicated upon an individual (Morales, Gendron, & Guénin-Paracini, 2014).

Additionally, De Armond and Zack (2017) identified the perpetrators of fraud as sophisticated individuals engaging in fraud, and that fraud is not a mere operational or financial risk but essentially human risk which should be addressed due to pressures, opportunities, and the justification of committing the fraud. Wolfe and Hermanson (2004) expanded the fraud triangle theory to the fraud diamond theory (Addullahi & Mansor, 2015). The four elements of the diamond theory are incentives, opportunity, capability, and rationalization. Proponents for adding capability suggest that a potential fraudster must have the skills and ability in addition to the previous three elements to commit fraud (Addullahi & Mansor, 2015).

Bressler and Bressler (2017) stressed the importance of using effective means to reduce fraud. According to Grieling and Stotzer (2016), there is an increase in expectation by donors to nonprofit organizations (NPOs) to demonstrate efficiency and effectiveness in managing the resources obtained. Grieling and Stotzer (2016) argued that an organization protects its resources when management uses tools to measure performance, ensuring stakeholders' accountability. Introducing measures and providing an anti-fraud environment breeds accountability intuitively discouraging individuals from engaging in fraud (De Armond & Zack, 2017; Grieling & Stotzer, 2016; Murphy, 2015). Dimitrijevic et al. (2015) assessed that a well-designed internal control system has preventive techniques that are used to detect fraud, and the initial step to preventing the occurrence of fraud. Murphy (2015) postulated that management should emphasize that fraud is not tolerated and the consequences of engaging in fraudulent activities clearly defined. The purpose of an internal control system is not to find the cause of fraud, but rather to stop further fraud expansion (Dimitrrijevic et al., 2015). Notable among the controls needed to be in place to

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detect and prevent fraud is the segregation of duties. Segregation of duties seeks not to burden an employee to overlook fraud when it occurs because this control ensures that no one person has complete control over an entire transaction, including an independent review of work by a supervisor (Murphy; 2015).

The effects of fraud in a business can have a substantial economic impact, and especially where financial resources are limited (Bressler & Bressler, 2017; Murphy, 2015; Sanusi et al., 2015) which can also lead to the demise of the organization (Murphy, 2015; Sanusi et al., 2015). In the United States, nonprofits account for 5.4% of gross domestic product (GDP), 8.9% of all wages and salaries, 10.6% of the entire workforce employed, and 24.9% of Americans age 16 and above, at least, volunteer once with a nonprofit organization (Applegate, 2019). In the United States, companies lose billions of dollars to occupational fraud annually. In nonprofit organizations, occupational fraud loss is about 5 percent in annual income that costs about $108,000, which is not a loss that can be sustained (Applegate, 2019; Daks, 2018; Snyder, Andersen, & Zuber, 2017). Bressler and Bressler (2017) posited that in 2015, the cost to organizations from reported 1.1 million shoplifting was $293 million, and Lauck and Brozovsky (2018) found that 95% of nonprofit fraud involves asset diversions.

A previous study concluded that fraud also affects the organizational standing of a business, which impacts the organization's ability to raise money (Hager & Searing, 2014). Hager and Searing (2014) posited that building organizational reputation is a very arduous undertaking, and when scandals and fraudsters undermine that, the organization suffers. Archameault and Webber (2018) and Hager and Searing (2014), found that donors distrust organizations when there is a revelation of fraudulent activities, which can cause the demise of those organizations. The negative publicity and implications can lead to organizational cover-up

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and preventing the crime from becoming public (ACFE, 2016; Akkeren & Buckby, 2017). Murphy (2015) found that there is no assurance that fraud will never occur in an organization. However, organizations can significantly improve the odds of preventing and detecting fraud in the right environment and when strong internal controls are implemented. Fraud extends beyond occupational fraud. Many fraudsters have resulted in financial crimes and cyber-crimes.

Financial Crimes

Ehioghiren and Atu (2016) research into fraud prevention and management and suggested that there is a wave of modern organized financial crimes. Financial crimes encompass money laundering, Ponzi scheme, illegal pyramids, and identity theft (Ehioghiren & Atu, 2016). Nonprofit organizations are not immune to financial crimes. Financial crimes are economic crimes committed through financial instruments and financial institutions to obtain illegal gains over other market participants (Drezewski, Sepielak, & Filipkowski, 2012). These practices are illegal because they undermine the fundamental cardinal rule of fair play in the market setting, introduces unpredictability into the market, and increasing the investment risk (Drezewski et al., 2012). Money laundering is the illegal economic activities channeled through legal, financial transactions to give it the appearance of legality (Drezewski et al., 2012). Money can take different dimensions, which depend on economic, social, geographic, and political factors (Drezewski et al., 2012).

Successful money laundering activities often use offshore accounts (Ispas, 2009). Offshore accounts thrive because of the secrecy of financial information, harsh laws punishing those who break the bank secrecy laws, a government unperturbed by external pressures, and a high degree of economic dependence on the financial sector (Ispas, 2009). Illegal pyramids make money by employing other investors to participate in the scheme and sharing the profit (Wells,

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2010). Those at the top of the illegal pyramids make money, leaving those at the bottom with nothing (Wells, 2010). Identity theft is the illegal stealing of personal information to illicit financial gain (Ozawa, 2016). Identity theft has risen sharply. In 2017, an identity theft study released by Javelin Strategy & Research discovered identity theft increased by 16 percent in 2016 from the previous year, which is the highest since the organization started tracking identity fraud in 2003 (Ozawa, 2016).

A Ponzi scheme is the process where investors are paid higher returns using other investors' money without an actual economic activity (Monroe, Carvajal, & Pattillo, 2010; Silverstone & Silverstone, 2012; Thanasi & Riotto, 2017; Wells, 2010). The lure of making high returns, irrespective of the scheme's implausibility, continues to draw investors to these schemes. Monroe, Carvajal, and Pattillo (2010) asserted that Ponzi schemes are still potent in both industrialized and developing countries. Ponzi schemes have had an enormous effect on developing economies (Monroe et al., 2010) due to the size of the economy. Ponzi schemes' impact is greater in countries that have challenging regulatory frameworks (Monroe et al., 2010). In 2008, a major Ponzi scheme was uncovered in the United States perpetrated by the Bernie Madoff Investment Securities, which caused $65 billion loss (Monroe et al., 2010). In the same year, the SGL Holdings Ponzi scheme cost Grenada $30 million, and in Jamaica, the loss from Ponzi schemes, by OLINT, Cash Plus, World Wise, and LewFam, was $1 billion (Monroe et al., 2010). Though the loss in the United States was $65 billion it was just about 0.5 percent of the gross domestic product (GDP) of the US; while, the $1 billion loss to Jamaica represents about 12.5 percent of the country's GDP (Monroe et al., 2010).

Furthermore, a higher rate of return is one of the cardinal characteristics of the Ponzi scheme. The perpetrators usually assume a lifestyle that portrays success to lure people into

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falling for the pretense of success. Silverstone and Silverstone (2012) postulated that the façade of the Ponzi scheme is finding a path out of financial troubles during a recession and during prosperous economic times finding financial instruments to invest in, which could lead investors to Ponzi scheme disguised as a financial venture. The success of a Ponzi scheme depends on the exponential growth of new investors to sustain payments to existing investors (Monroe et al., 2010). Wells (2010) posited that Ponzi schemes usually do not engage in advertising because current investors, since they are paid the promised returns, will, by word of mouth, encourage fellow investors to participate.

Ponzi schemes have many vices. These include causing damage to the broader economic and financial institutions, creating a financial loss to organizations, and in some cases bailouts, and undermining the confidence in financial institutions (Monroe et al., 2010). Ponzi schemes can cause political and economic instability. In 1996, several Ponzi schemes unraveled in Albania, which led to uncontrolled rioting, the government's collapse, and the death of about 2,000 people (Monroe et al., 2010). Ponzi schemes affect developing countries significantly because of the lack of sophisticated regulatory framework and regulatory bodies to deal with the Ponzi schemes' growth (Monroe et al., 2010).

Cyber Crimes

The proliferation of technology has given another layer of opportunity to the fraudster to pursue fraudulent activities. Communication and information sharing has become more accessible because of easy accessibility to the Internet. The Internet offers numerous advantages as well as disadvantages. The explosion of the use of the Internet has culminated with an increase in cyber-crime (Goyal & Goyal, 2017). The opportunity to commit a crime has increased tremendously due to the immense availability of the Internet. Perpetrators no longer

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need physical access to the assets of a person or a company to commit fraud, but technology has made embarking on fraud relatively easier.

Cyber-crime is a crime that is perpetrated through the use of a computer or computer network (Goyal & Goyal, 2017). Cyber-crime is also when an individual or a group illegally gain access to a computer network and uses it for malicious purposes (Crumbley, Heitger, & Smith, 2013). While cyber-crime used to be perpetrated for bragging purposes, the motives have shifted considerably and now have shifted to making money (Crumbley et al., 2013). The United States intelligence community has concluded that the Russian government committed cyber-crimes against the United States during the 2016 presidential elections (Zengerie & Chiacu, 2018). The intelligence leadership has predicted that this attack will continue in 2018 and 2020 (Zengerie & Chiacu, 2018).

Goyal and Goyal (2017) identified two types of cyber-crime, namely, Type I and Type II cybercrimes. A Type I cyber-crime are those crimes that depend on the use of technology and cannot be performed without the use of a computer system. The Type I cyber-crime is also referred to as the cyber-dependent crime, which involves the unleashing of virus, malicious code, and hacking to bring down technological infrastructure (Goyal & Goyal, 2017). A Type II cyber-crime uses both technology and human efforts; however, those crimes could be undertaken without using technology. These crimes are also known as cyber-enabled crimes (Goyal & Goyal, 2017). These types of crimes consist of phishing, online banking frauds, and identity theft (Gale, 2015; Goyal & Goyal, 2017; Yu, 2014).

According to Gale (2015), a study by Verizon concluded that security breaches expose about 285 million data to criminals, and criminals use "fraud forums" on the internet to trade credit cards and stolen personal information. In 2015, the second-largest health insurance

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company in the United States, Athem Inc., had about 80 million records of its customers stolen, and about 56 million credit card numbers belonging to Home Depot's customers were stolen (Edwards, Hofmeyr, & Forrest, 2016). A study by Redspin revealed that data breaches in the healthcare industry increased by 29 percent from 2011 to 2012, and the number of records compromised increased 138 percent from 2012 -2013 (Edwards et al., 2016). The estimated cost of global cyber threats will grow at a compound annual growth rate of 11.8 percent from $71 billion in 2013 to $155 billion in 2020 (Katoch, 2015). Goyal and Goyal 2017 identified four types of cybercrimes. They are cyber-trespass, cyber deceptions, cyber pornography, and cyber violence. A cyber-trespass entails a situation when a person illegally accessed another person's property with malice, and cyber deceptions and thefts are crimes committed with the intent of stealing others' property like financial frauds (Goyal & Goyal, 2017).

Nonprofit Board Governance

According to Bernstein, Buse, and Slatten (2015), board governance deals with internal and external activities, including strategic planning and financial oversight. Prior research indicates that board governance is key to organizational effectiveness, and as such, stakeholders demand nonprofit organizations to demonstrate greater effectiveness (Bernstein, Buse, & Slatten, 2015; Jaskyte, 2015). Northrop (2018) found that building a strong board is essential for nonprofit organizations. Good governance is key to developing policies that will protect organizational assets and prevent fraud from becoming prevalent.

Morrison (2016) explained that board members are to provide a duty of care and loyalty to the organization. The duty of care enables directors to diligently execute their responsibilities and make informed decisions that protect the organization. A major characteristic of internal control is the control environment. The control environment sets the tone for how the

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organization operates and whether major controls will be in place to prevent fraud (Ayagre & Aidoo-Buameh, 2017; Lui, Wright, & Wu, 2015). Northrop (2018) argued that boards are to monitor and strengthen programs and services that promote legal and ethical integrity. Lu and Cao (2018) concluded that individual board characteristics like experience, education, certification, training, and integrity affect internal control.

Managers and directors left to their choosing will manage things without accountability. However, the board acts as a check on the board activities and help provide strategic direction for the organization. Corporate governance for the for-profit companies has seen its share of fraudulent practices and eventual collapse, as demonstrated in a dramatic collapse of Enron, Lehman Brothers, and WorldCom (Reguera-Alvarado et al., 2017; Sur, 2014). Even though the boards of Enron, WorldCom, and Lehman Brothers were considered active boards, they collapsed (Sur, 2014). There is no delusion as to the importance of an organization having an effective board.

Though nonprofit organizations are mostly philanthropic in nature, financial pressure and service competition are causing nonprofit organizations to evaluate management and governing practices (Smith & Richmond, 2007). Alexander and Weiner (1998) suggested that nonprofit organizations moved away from the philanthropic governance model to a corporate governance model (Smith & Richmond, 2007). An effective board promotes sound governance that could lead to high financial performance, and eventually, ensuring that the philanthropic missions of nonprofit organizations are accomplished (Bernstein et al., 2015; Pechersky, 2016; Shukla & Limbasiya, 2015).

Board Effectiveness

Organizational boards oversee the functions of the organizations and, the board

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effectiveness could improve the organization's financial performance (Pechersky, 2016; Shukla & Limbasiya, 2015). Studies have shown that most nonprofit boards are ineffective (Larcker, Meehan III, Donatiello, & Tayan, 2015) due to a lack of gender and ethnic diversity (Buse, Bernsten, & Billmonia 2016; Nenadal, 2013). BoardSource (2017) found that 84 percent of nonprofit board members to be Caucasian, and 16 percent are minorities. Additionally, there is a positive correlation between an increase in gender board diversity and a higher economic result (Perrault, 2015; Reguera-Alvarado et al., 2017).

Nonprofit boards provide functional oversight and strategic direction for the organization; however, studies indicate that most of these boards are ineffective (Durham & Leidheier, 2017; Larcker et al., 2015). Studies have suggested that diversity can be a source of board effectiveness, but whether a predominantly Caucasian board embraces diversity is uncertain (Buse et al., 2016; Nenadal, 2013). Although there have long been studies regarding the relationship between a board of directors and board effectiveness, there is no agreement whether boards positively impact the organization's performance and there is also no consensus that board diversity is a source of board effectiveness (Taljaard, Ward, & Muller, 2015; Sur, 2014).

Board effectiveness is essential. Notable firms like Enron and WorldCom deemed to have active boards collapsed due to financial scandals (Reguera-Alvarado et al., 2017; Sur, 2014). In a 2015 Stanford University survey of about 900 nonprofit directors, a significant number of directors had doubts about fellow members' understanding of the organization's mission. Members had limited engagement in the organization (Larcker et al. 2015). The lack of understanding of their responsibilities undermines board effectiveness. Board effectiveness is important, especially in the wake of Enron's unprecedented collapse, and failures Lehman Brothers and WorldCom (Reguera-Alvarado, de Fuentes, & Laffarga, 2017; Sur, 2014). These

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major firms had a board of directors deemed effective (Sur, 2014), yet these firms imploded. Boards of directors have fiduciary responsibilities to the firms and must ensure that the organizations accomplish their stated goals (Bernstein et al., 2015).

Board effectiveness promotes good governance and produces a high-performance board that aids the organization's financial performance (Pechersky, 2016; Shukla & Limbasiya, 2015). Board effectiveness promotes good governance, which could ultimately lead to improved organizational financial performance (Pechersky, 2016; Shukla & Limbasiya, 2015). A Stanford Business College study revealed that most nonprofit boards are ineffective (Larcker et al., 2015). According to Viader and Espina (2014), a growing interest in study exists for knowing the relationship between board effectiveness, governance, and nonprofit organization effectiveness.

Governance practices and leadership behavior (Jaskyte, 2015) and the board processes and strategic board involvement (Zhu, Wang, & Bart, 2016) are conduits to promote board effectiveness. Board effectiveness demands transparency and independence (Irshad, Hashmi, Kausar, & Nazir, 2015; Klepczarek, 2017; Shukla & Limbasiya (2015). Furthermore, the frequency of board meetings, the size of board membership, independent directors, board compensation and incentives, board cohesiveness, board composition, and board diversity are all factors that determine board effectiveness (Irshad et al. 2015; Klepczarek, 2017; Shukla & Limbasiya, 2015; Sur, 2014). According to Shukla and Limbasiya (2015), effective boards are high performing boards.

Shukla and Limbasiya (2015) posited that demographic diversity adversely affects the composition of the board but enriches the group's decision-making. Moreover, the board committees' quality affects the effectiveness of the board (Shukla & Limbasiya, 2015). Board effectiveness is based upon the board's functionality and the strategic directions the board

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provides, but some studies suggest that most nonprofit boards are ineffective (Durham & Leidheier, 2017; Hafsi & Turgut, 2013; Jaskyte, 2015; Larcker et al., 2015). According to Viader and Espina (2014), a growing interest in study exists for knowing the relationship between board effectiveness, governance, and nonprofit organization effectiveness.

Board Diversity

Diversity is a bedrock principle of Title VII of the Civil Rights Acts of 1964 (Weisinger, Borges-Mendez, & Milofsky, 2016). The thrust of the law was to promote and offer equal opportunities for everyone, especially minorities, irrespective of the background. The equal employment opportunity act is the legacy of Title VII, and that has deepened the concept of diversity in society (Pechersky, 2016; Weisinger et al., 2016). Notwithstanding the progress made in diversity, the courts have recently ruled that the enforcement of equal employment opportunity laws is unnecessary because of the transformation of the labor force (Weisinger et al., 2016). Through diversity, minorities have had the opportunities to serve on various boards; yet, Bernstein and Bilimoria (2013) posited that the inclusion of minorities on board membership remains elusive. Generally, diversity has an inherent value compared with homogeneous because diversity is a source of broader information, perspectives, and knowledge (Buse et al., 2016).

Promoting boardroom diversity has the lure of outside institutional influence and the potential to attract the best available talents (Hafsi & Turgut, 2013). Weisinger, Borges-Mendez, and Milofsky (2016) offered three conceptual definitions of diversity. According to Weisinger et al. (2016), diversity is the effort to be inclusive of minorities, dealing with the complexity of identities and the legacy of equal employment opportunity. Hafsi and Turgut (2013) identified two types of diversity as the structural diversity of boards and demographic diversity in boards.

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According to Hafsi and Turgut (2013), boards' structural diversity consists of board size, board independence, and director ownership and compensation.

Among the many diversity variables, gender diversity is the most to gain traction against the backdrop of male-dominated boards (Perrault, 2015). Gender diversity affects the performance of the board and promotes different perspectives in control activities (Pechersky 2016; Terjesen, Couto, & Francisco, 2016). Perrault (2015) postulated that male-dominated boards are less effective in governance. However, board diversity is likely to have a positive influence on social issues and it also helps to generate innovative ideas of doing things and increase creativity (Hafsi & Turgut, 2013; Jaskyte, 2015; Pechersky, 2016). Furthermore, since women ordinarily are risk-averse than men, they add value and a different perspective to a boardroom (Reguera-Alvarado et al., 2017).

According to Rhodes and Packel (2014), the most recent data indicates women hold only 16.9% of the seats on Fortune 500 boards and 14.8% on Fortune 501-1000 boards. Also, minorities were not represented on 13% of Standard and Poor's (S&P) 200, and more than two-thirds of the Fortune 500, have no women of color on their boards (Rhodes & Packel, 2014). The effectiveness of a board is predicated on the functionality of the board. Nonprofit boards provide functional oversight and strategic directions for organizations (Durham & Leidheier, 2017). However, studies indicate that most of these boards are ineffective (Larcker et al., 2015). Board diversity has decreased. A 2017 study found that 84 percent of nonprofit board members are Caucasian compared to 80 percent who were Caucasian in 2015 (BoardSource, 2017).

Board diversity has many aspects, including ethnicity, race, education, age, and gender. However, gender diversity on organizational and corporate boards has attracted numerous attention from corporations, academicians, government, and the public (Kilic & Kezey, 2016).

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The case is made that gender diversity in the corporate boardroom improves corporate performance. However, two meta-analyses study suggest that gender board diversity does not improve performance; instead, women appointed to boards should be for gender equality reasons (Wharton School, 2017). Other studies looked into how social network and institutional outlook of women on boards can break male-dominated boards and how it affects board effectiveness (Perrault, 2015). Additionally, there are studies regarding gender diversity related to the efficiency, effectiveness, and understanding of the challenges that are faced by organizations when managing gender diversity (Bibi, 2016).

The boardrooms of United States organizations are dominated by males that are not representative of the workforce in the United States. Women constitute about 60%, 16% of but board members are women (Perrault, 2015). There has been an improvement in women board membership which saw improvement from 19.7% in 2016 to 20.8% in 2017, yet it pales in comparison to the make-up of United States' population which has 51% women and 49% men (2020 Women on Boards, 2018; Barlow, 2016; Kaiser Family Foundation, 2016). Female board membership deficiency is a problem that exists in both developed and developing countries (Kilic & Kuzey, 2016).

Countries like Norway, Spain, France, the Netherlands, Italy, and Israel have passed laws that imposed gender quotas to promote gender diversity on board membership (Perrault, 2015; Reguera-Alvarado et al., 2017). Other developing countries, including the United States, United Kingdom, and Germany, have not resulted in using quotas to solve the lack of disparity of gender diversity; instead, these countries have encouraged companies to voluntarily promote gender diversity (Reguera-Alvarado et al., 2017). However, the California legislature recently became the first state to pass a law mandating that every corporation board must have a woman as a

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board member (Fuhrmans, 2018). Gender diversity on board is considered a fabric of good governance. Additionally, females appointed to the board of directors helps sustain the good relations with the organization's female customers (Kilic & Kuzey, 2016).

Buse, Bernsten, and Billmonia (2016) posited that gender diversity on boards has an inherent value compared with the male-dominated board. Among the many diversity variables, gender diversity is the most to gain traction against the backdrop of male-dominated boards, and gender diversity also affects board performance and promotes diverse perspectives in control activities (Pechersky, 2016; Perrault, 2015; Terjesen, Couto, & Francisco, 2016). Gender diversity affects the performance of the board, generate innovative ideas, increase creativity, and promotes different perspectives in control activities, while male-dominated boards are usually less effective (Hafsi & Turgut, 2013; Jaskyte, 2015; Pechersky 2016; Perrault, 2015; Terjesen et al., 2016).

Previous research suggests a positive correlation between an increase in gender board diversity and a higher economic result (Perrault, 2015: Reguera-Alvarado et al., 2017). Hafsi and Turgut (2013) posited that board diversity is likely to influence social issues positively. Board diversity also helps generate innovative ideas for doing things and increase creativity (Hafsi & Turgut, 2013; Jaskyte, 2015; Pechersky, 2016). Moreover, Jaskyte (2015) posited that too much diversity in board membership could impede progress and negatively impact board innovation and effectiveness.

Ethical Considerations

Ayagre and Aidoo-Buameh (2017) examined the relationship between the perceived commitment to ethical standards and the internal control systems of public sector organizations in Ghana. Even though there were laws that govern financial accountability, but there was a

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complete breakdown of internal controls (Ayagre & Aidoo-Buameh, 2017). Furthermore, control deficiencies existed due to the ethical standard of the organization. When people operate unethically, self-centeredness takes preeminence that undermines internal control. Liu et al. (2015) examine how managers' unethical fraudulent financial reporting affects the business and the framework to monitor internal controls' strengths. Internal controls are not just set in place to prevent fraud by employees and management of the business, but also, they are set in place to help prevent fraudulent financial reporting by the company to its board of directors and all stakeholders of the business (Lui et al., 2015). The control environment is influenced by the ethical environment of the organization, which will, in turn, gauge the effectiveness of the internal control (Ayagre & Aidoo-Buameh, 2017; Lui et al., 2015).

Ethics is the acceptable norm of doing things. Ethical issues confront all facets of business and academic settings. Decision-makers are faced with ethical issues when faced with making decisions that involve ethics. Ethics primarily has everything to deal with character and morality. According to Thiroux and Kraseman (2012), the word ethics originated from a Greek word ethos, which means character. When a company makes decisions that positively affect customers' wellbeing, the company is engaging in ethical behavior.

Companies seek to promote ethical behavior because that drives performance and success (Askew, Beisler, & Keel, 2015). Customers are looking for companies that are truthful and ethically responsible in doing business. A company should develop a culture of ethics, consisting of processes and guidelines that will help employees make correct decisions (Askew et al., 2015). The absence of guidelines means the organization will have no sense of direction, which leaves the ethical decision making to individual interpretation of an acceptable practice (Askew et al., 2015).

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Ethical standards vary from organizations, countries, and cultures (Askew et al., 2015; Joseph, 2016). Joseph (2016) postulated that morals and ethics, apart from varying among different countries, changes over time to mimic societal change. Countries in Africa do business differently, and payments that will be considered bribes in the United States, are the way of doing business. However, the Foreign Corrupt Practices Act (FCPA) forbid any US company doing business overseas to reframe from paying bribes (Harding, 2015; de la Torre, 2016). Nations are different regarding moralities, and for that matter, ethical standards are somehow different. Unethical behavior is when there is a violation of a generally accepted moral norm (Askew et al., 2015). Companies should strive to develop an environment that espouses ethical standards instead of promoting unethical behavior; such a corporate culture promotes and motivates employees to do likewise (Askew et al., 2015; Butts, 2012). According to Askew, Beisler, and Keel (2015), unethical practices and behavior continue to permeate American institutions and workplaces (Askew et al., 2015; Schwepker Jr. & Schultz, 2013).

In a survey of about 20,000 people across 19 countries, 55 percent of respondents stated that unethical behavior is more predominant now than ten years ago (Schwepker Jr. & Schultz, 2013). Moreover, Schwepker Jr. and Schultz (2013) found that a poll of US marketing executives revealed that 42% of sales representatives engaged in deceptive sales and marketing practices. Unethical practices at workplaces include covering up problems, short-cutting quality of work, abusing sick days, lying to customers, misappropriating funds, and reporting fraudulent financial statements (Askew et al., 2015). Covering up wrongdoings or illegal acts by a fellow worker is unethical. Most employees might have violated the use of sick time and do not see any unethical issues. When an employee calls in sick, that employee’s responsibility falls on others,

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and the company must find a temporary person to cover for that individual. Unethical practices become detrimental, which impedes growth in the organization (Askew et al., 2015).

Individual traits and characteristics could help forecast the possibility of unethical behavior occurring. According to Askew et al. (2015), these precursors are (1) the individual or worker that is faced with the ethical decision; (2) the ethical issue itself; and (3) the organizational environment. The occurrence of unethical lapses could depend on the individual differences of employees and how they affect their ethical choices (Askew et al., 2015). Askew et al. (2015) posited that individuals who think about themselves and not the group or the company have the propensity to engage in unethical conduct (Askew et al., 2015). Martin Shkreli, the former CEO of Turin Pharmaceuticals, raised the price of the drug Daraprim from $23 to $750 a pill but he was not perturbed nor did he had any sense of regret; instead, he reasoned that the price should have been increased higher (Pollack, 2015). He did not see any ethical wrong with his decision, but since Daraprim is a lifesaving drug, the general public was enraged.

The ethical issue itself is an antecedent of unethical behavior (Askew et al., 2015). For example, when an employee does not see any ethical problems with the issue at stake, then in all likelihood, that individual will make a decision that seems ethical, but which is unethical. Organizational climate, organizational structure, and organizational culture are all antecedents of ethical behavior (Askew et al., 2015). When supervisors promote unethical practices at the workplace, a toxic environment could be created to allow unethical activities to grow. Such an environment can hurt the organization's financial goals and cause financial loss (Askew et al., 2015). The financial loss can be enormous, especially when ethical behavior involves fraud. Mr.

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Madoff's actions in a Ponzi scheme brought financial hardship to countless investors to the tune of approximately $20 billion (Ragothaman, 2014).

Organizations must develop policies and procedures to deal with ethical issues if those practices are to be prevented from occurring again. There are formal and informal ethical infrastructure systems that promote ethical practices and curtail unethical behavior (Smith-Crowe et al., 2015). Formal ethical systems are codified official policies of an organization, and the informal systems are unofficial practices and culture that influence ethical and unethical behavior (Smith-Crowe et al., 2015). The formal ethical system provides guidelines to the organization and a sense of direction regarding proper ethical conduct (Smith-Crowe et al., 2015). Ethics training programs and advice hot-lines are all formal ways of establishing an ethical environment in an organization (Smith-Crowe et al., 2015). Conversely, informal systems consist of employee peer pressures, top management expectations, and the values espoused by the organization (Smith-Crowe et al., 2015).

Organizations can have a good ethical culture, but the company should strive to sustain that culture. Ethical culture requires that people who are employed have an ethical character in them. According to Beebe (2012), there is no such thing as business ethics; instead, there are people who are either ethical or unethical. Businesses could utilize the use of honesty and integrity test in employment screening to assess a prospective employee's inclination to corrupt practices to alleviate the problem of individual ethics (Brody, Perri, & Van Buren, 2015).

Social Responsibility is the moral obligations that a company has towards a community, the environment, and its customers positively and determines how the company functions in the society (Pearsons, 2012). Social responsibility is also the idea that corporations manage profit-making activities and other activities to cater to society's needs (Ghazzawi & Palladini, 2014).

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Pearsons (2012) postulated that social responsibility extends to ethical financial reporting, working conditions of workers, and the contributions made to charities. Cohen (2009) posited that society looks to organizations, whether for-profit or nonprofit, to be socially responsible in addressing societal challenges. There is an expectation for companies in today's world to become socially responsible, ethically, morally, and environmentally accountable (Ghazzawi & Palladini, 2014; Pearsons, 2012).

Even though the primary responsibility of a business is making profits for its owners, the necessity of engaging the society and citizenry in this contemporary world is essential. According to Cohen (2009), management has dual responsibilities: first, by producing acceptable economic results for owners and second, providing for society’s needs. The government, because it serves many constituencies, cannot take on social problems. Therefore, organizations are to step in to provide the needed social services but not neglect the organization's specific goals and objectives (Cohen, 2009)

Businesses cannot possibly provide for any social needs if companies fail to produce results to benefit the owners, which is the first social responsibility. When the business is extinct, there will not be an opportunity to provide services to society. Prioritizing social responsibility for the organization’s primary goals will lead to organizational failure and disservice to ownership and the whole society (Cohen, 2009). Moreover, Cohen (2009) asserted that companies should engage in societal activities because a healthy company cannot operate in a sick society. Cohen (2009) posited that businesses should engage in social responsibility because of the power and authority these businesses possess, which comes with corresponding responsibilities. Furthermore, undertaking social responsibility could lead to a competitive advantage for the organization. Corporate leaders like DuPont and Julius Rosenwald turned

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initiatives in social responsibilities into a competitive advantage and profit-making (Cohen, 2009).

A competitive advantage helped a company like Sears to turn its fortune from near bankruptcy to the most profitable and fastest-growing company, which means more people were employed as a result of the uptake in market share. Also, workers are not to be an afterthought, but rather corporate leaders are responsible for the workers much in the same way as profits, survival, and business growth. Cohen (2009) postulated that the effectiveness of social responsibility depends upon good leadership. Leaders must have a vision of what they intend to do, a plan to accomplish the vision, and deal with corporate stakeholders ethically.

According to Friedman (1970), the idea of social responsibility of business in a free market system is misplaced, and the propagation of social responsibility undermines the bedrock of free society. Furthermore, a corporation as an artificial person cannot have responsibilities, and therefore such social responsibilities will fall on corporate executives. On the other hand, Cohen (2009) asserted that corporations have social responsibilities to the employees, the society, and the environment. When leaders use resources that belong to an organization for social responsibilities, the owners are deprived of the proper use of resources that belongs to them.

Corporate executives, as agents of the corporation, are to act in the best interest of owners, and that is to maximize profit, and for the corporation to engage in social responsibility surmised that the executives are using resources that belong to owners (Friedman, 1970). Moreover, Friedman (1970) implied that when an executive engages in social responsibility that is akin to the imposition of a tax, and the spending of such resources makes an executive a public employee or a civil servant, which is not acceptable on political grounds. Friedman (1970)

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argued further that accepting the doctrine of "social responsibility" is to accept the socialist view of distributing scarce resources where a political mechanism is used instead of a market mechanism.

Friedman does not have an aversion for private enterprise or closely held corporations engaging in social responsibility because the money used belongs to the owners. However, executives of a public company will be diverting the owners' resources when they engaged in social responsibility. According to Friedman, social responsibility reinforces the notion that profit-making is wicked and immoral, which must be controlled invariably by the government bureaucrats (Friedman, 1970). The danger in this argument is that organizations with no social responsibility as part of its business operating apparatus could indulge in unethical behavior that affects all stakeholders. Making ethical decisions that take care of the environment will benefit all interested parties. When a company releases pollutant into the environment, that creates living hazards for the community.

Summary

The literature review section dealt comprehensively with the existing scholarly work that deals with internal control overview and framework, internal control weakness, fraud, nonprofit board governance, ethical consideration, and the theoretical and conceptual framework of the study. Previous researchers have indicated that internal controls are not a new concept; instead, its origin can be traced to Hellenistic Egypt (Appiah, 2015; Tunji, 2013). The early practice of internal controls includes the records of grains stored in warehouses in the third century of ancient B.C. Egypt, as well as the documentation of ancient Greek merchants in the Middle East (Hain 1966; Wilson et al., 2014).

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The study is based on the agency and the fraud triangle theory. Cressey first proposed the fraud triangle theory in 1950 and 1953. Three factors underpin the fraud triangle theory, pressure, opportunity, and rationalization (Abdullahi & Mansor, 2015; Azam, 2018). The fraud triangle theory elements were not considered to be enough to explain the occurrence of fraud. A new theory was propagated to augment the fraud triangle called the fraud diamond that proposed capability as another element (Wolfe & Hermanson, 2004). The agency theory underscores the responsibilities that management and the board of directors have to create an environment where fraud will be prevented to protect the organization's assets.

The framework of internal controls was established first by The Committee of Sponsoring Organizations of the Treadway Commission in 1992 that provided executives an effective way to control their businesses and help an organization achieve its objectives (COSO, 1992). In the 1990s and 2000s, financial scandals led to an updated internal control integrated framework issued on May 14, 2013, by COSO. The framework was updated to assist organizations in designing and implementing an internal control system that will keep up with many changes in business and operating environments (Appiah, 2015; Lofland & McNeal, 2014; McNally, 2013). The five major components of the internal control framework are control environment, risk assessments, control activities, information and communication, and monitoring.

Furthermore, internal control weakness was discussed in this section. When the internal control systems instituted by the organization is not operating as intended, the internal control system is considered to exhibit weakness or deficiency. Internal control deficiency is when the design or operation of a control does not allow management or employees to prevent or detect misstatements timely in the regular discharge of responsibilities (Kanagaretnam et al., 2016).

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Kanagaretnam et al. (2016) identified three types of internal control deficiencies as material weakness, significant deficiency, and control deficiency. The updated integrated internal control system requires that all weaknesses and deficiencies be reported to stakeholders.

Fraud is not new, but the incidence of fraud continues to grow both in the private and public sectors, and fraud also is universal that affects every country (Ehioghiren & Atu, 2016). Fraud is very costly, especially with nonprofit organizations that have limited resources. Cressey (1950, 1953) first provided the construct for a fraud known as the fraud triangle. The fraud triangle consists of three main factors: pressure, opportunity, and rationalization (Abdullahi & Mansor, 2015; Cressey, 1950, 1953; De Armond & Zack, 2017). Fraud often takes place in a business environment where internal control is not robust and weak.

The board of directors of an organization has a fiduciary responsibility to ensure that the goals of the organization are achieved, and the assets of that organization are protected. Board governance is essential because the board creates an environment that sets the tone for an organization to function well. An effective board provides adequate oversight to assist the organization in achieving its goals. Researchers have concluded that board diversity improves board effectiveness, but other researchers differ from such conclusions.

Ethical considerations are essential in a business environment. Companies seek to promote ethical behavior because that drives performance and success (Askew et al., 2015). Customers are also looking for companies that are truthful and ethically responsible in doing business. In a survey of about 20,000 people across 19 countries, 55 percent of respondents stated that unethical behavior is more predominant now than ten years ago (Schwepker Jr. & Schultz, 2013). Unethical behavior and practices weaken internal controls, which can lead to fraudulent practices.

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Chapter 3: Research Method

The problem addressed in this study was that internal controls protect organizational property and promote efficiency, but internal controls are lacking in nonprofit organizations (Archambeault & Webber, 2018; Dimitrijevic et al., 2015; Murphy & Free, 2016). The absence of internal controls is cited for 29.3% of organizational fraud cases (ACFE, 2016). In a report issued by the Association of Certified Fraud Examiners (ACFE), the cost of occupational fraud is about 5% of total organizational revenue. The fraud cases reported by nonprofit organizations were 10.1% and a median loss of $100,000 (ACFE, 2016). According to Snyder et al. (2017), about 19% of respondents to research reported some type of fraud occurrence over five years. The purpose of this qualitative case study was to explore the lack of internal control systems of nonprofit organizations in the Chicago Metropolitan Area. The study was also intended to determine how the leaders of nonprofit organizations understand internal controls as a tool to prevent fraudulent activities and provide recommendations to leaders to invest in internal controls. Dimitrijevic et al. (2015) posited that the risk of fraudulent activities could be minimized by implementing adequate internal controls. The study focused on fraud and the systems of internal controls that deal with fraud. The use of a case study offered the flexibility that cannot be associated with other research methodologies like grounded theory and phenomenology (Hyett et al., 2014).

The research was qualitative with a multiple-case study regarding internal controls and fraud in nonprofit organizations. Fraud is prevalent in nonprofit organizations, and the lack of internal controls has been cited 29.3% as the cause of fraudulent activities (ACFE, 2016). Yin (2016) posited that research questions should tackle the main issue addressed by the study. The survival of nonprofit organizations is essential, but an organization plagued with fraud, can lead

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to the demise of the organization (Hager & Searing, 2014). More than 25 % of nonprofit organizations that report fraud publicly do not survive after three years (Archambeault & Webber, 2018). The research questions encompass the following:

RQ1. How do nonprofit organization leaders describe their organization's internal control systems to prevent fraud?

RQ2. How do nonprofit organization leaders describe their role in implementing internal controls to prevent or minimize fraud from occurring in organizations?

RQ3. How do nonprofit organization leaders describe their role in investing in internal controls that will curtail or prevent fraud?

This chapter deals with the selected research method and design, the justification for the chosen method, discussion of the population and the sample, and the materials and instrumentation. The operational definitions of variables, data collection, processing, analysis, assumptions, limitations, delimitations, and ethical assurances are discussed. The chapter will end with a summary.

Research Methodology and Design

The research method was based on the subject matter, the research questions, and the relevant literature (Yin, 2014). A qualitative study was used to address the study's purpose to shed light on the internal control systems of nonprofit organizations in the Chicago Metropolitan and to explore nonprofit leaders' understanding of internal controls and offer recommendations of investing in internal controls. Researchers use qualitative studies to observe participants' natural settings to understand or interpret participants' conceptions of a phenomenon (Baxter & Jack, 2008; Denzin & Lincoln, 2011; Yin, 2014). Case study research is used to investigate a phenomenon that needs explanation or explore a current occurrence within a real-life context

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(Tetnowski, 2015; Yin, 2014). Using a case study is not limited to a particular research methodology; instead, a case study is open to both qualitative and quantitative research (Tetnowski, 2015). However, Tetnowski (2015) posited that case study characteristics are more suitable for qualitative-oriented research. Two essential approaches guide the case study methodology (Baxter & Jack, 2008). The two guiding principles are that the topic of interest is well explored, and the crux of the phenomenon revealed (Baxter & Jack, 2008; Stake, 1995; Yin, 2014). A case study usually focuses on a single case that becomes representative of the broader population. However, occasionally, case studies are used to reach conclusions related to the case under investigation (Elman, Gerring, & Mahoney, 2016).

Yin (2014) posited that a case study design should be considered when: (1) the study focuses on "how" and "why" questions; (2) the behavior of participants cannot be manipulated; (3) to cover the contextual conditions; or (4) there are no clear boundaries between the phenomenon and context. The "how" research questions employed in this study were as follows: first, how do nonprofit organization leaders describe the role of internal control systems to prevent organizational fraud? Second, how nonprofit leaders see their role in implementing internal controls to prevent or minimize fraudulent activities? Third, how nonprofit leaders understand their role in investing internal controls system in curbing fraud? A case study has different methodologies that include interviews, document reviews, and direct observation to substantiate or disconfirm information assembled for a study (Patton, 2015; Yin, 2014). The design of this research provided the researcher with direction and systematic approach to have a reasonable sequence of the empirical data that were linked to the research questions and the study conclusions (Yin, 2014).

Researchers can employ a quantitative, qualitative, or mixed-methods approach for a

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study. Under quantitative research, the researcher uses experiment and hypothesis testing to answer a research question, while under a qualitative research study, interviews, observing, collecting and examining, analyzing the text of existing archival documents, and face-to-face interactions with participants are used (Denzin & Lincoln, 2011; Tetnowski, 2015; Yin, 2016). The use of mixed methods is the application of both the qualitative and quantitative approach to collect, analyze, and interpret data (Onwuegbuzie & Leech, 2006). Employing qualitative research allows the researcher to conduct an in-depth study of a topic (Yin, 2016). The goal of the research questions in this study was to explore the views of chief financial officers, executive directors, and board leadership of nonprofit organizations regarding internal controls and fraudulent activities, and how internal controls or the lack of it have contributed to fraud or prevented fraud from occurring. A qualitative multiple-case study and a holistic approach were used in this study.

The use of a qualitative multiple-case study fits this research more appropriately than quantitative or mixed methods because of the nature of the questions asked and an investigation of a contemporary phenomenon within a real-life context (Tetnowski, 2015). A quantitative research method was not considered for this study because the goal was not to investigate the cause and effects of independent variables and the dependent variable (Yin, 2014). The study did not include the use of hypotheses, statistical measures, and experiments to establish a relationship among economic variables (Denzin & Lincoln, 2011). Also, mixed-methods was excluded because the methodology was not the combination of quantitative and qualitative research. Moreover, mixed-methods did not apply to this study because the purpose of this study was to explore the perceptions that are not unnoticeable in quantitative research (Yin, 2016). Other qualitative studies that include ethnography, grounded theory, and phenomenology were

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also excluded from this study's methodology. Grounded theory was not appropriate for this study because the focus of this study was not to develop substantive theory. Similarly, phenomenological and ethnography were not considered because phenomenology tends to dwell on participants' lived experiences, while the ethnography approach focuses on a cultural environment and the investigation of social groupings network (Patton, 2015; Yin, 2014).

Using a case study was deemed the most appropriate for this study because the emphasis of this study was dependent on the leadership of nonprofit organizations as a unit of analysis (Yin, 2014). The use of a case study research design has many advantages. Case studies are broadly used in business because they allow researchers to explore and understand individuals' and groups' stories and experiences (Yin, 2014). Furthermore, the use of a case study allows the researcher to capture the complexity of the problem (Tetnowski, 2015). Additionally, the purpose of a case study allows the researcher to take control of the line of questioning (Yin, 2014). The use of a case study provides a researcher the prospect of gaining an in-depth holistic view of the research problem and possibly helps elucidate the research problem (Baškarada, 2014; Baxter & Jack, 2008). Additionally, a case study is used to identify or test a causal mechanism, identify the scope of the argument, and employed to explain the features of a population of cases that goes beyond the studied cases (Elman et al., 2016). A case study is often criticized for lacking scientific rigor and an insufficient basis for generalization (Crowe et al., 2011).

A study containing more than a single case uses a multiple-case study, which was applied in this study (Baxter & Jack, 2008). Using multiple-case research allowed the researcher to explore differences that exist between cases (Baxter & Jack, 2008; Yin, 2014). The goal of employing a multiple-case study is to replicate research results across cases (Baxter & Jack,

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2008; Yin, 2014). There were steps in the design of this multiple-case study. The case or the unit of analysis was defined, and the case established as a multiple-case study (Appiah-Sokye, 2016; Yin, 2014). The unit of analysis consisted of nonprofit board leadership and management drawn from nonprofit organizations in the Chicago Metropolitan Area. The researcher interviewed board members, chief financial officers, and executive directors of nonprofit organizations.

The evaluation of the quality of research is critical if the findings are to be accepted and utilized (Noble & Smith, 2015). Trustworthiness is vital in a qualitative study (Baxter & Jack, 2008; Patton, 2015). There are four main criteria of trustworthiness in qualitative research studies: credibility, transferability, dependability, and confirmability (Baxter & Jack, 2008; Shank, 2006; Lincoln & Guba, 1985; Yin, 2014). Noble and Smith (2015) posited that assessing the reliability of a study findings demand sound judgment regarding the relevance of the chosen methods and the integrity of the conclusions. Qualitative research has often been criticized for lack of scientific rigor, transparency in the analytical procedures, and findings based on a collection of personal opinions (Noble & Smith, 2015). Yin (2014) asserted that transparency allows a study to be replicated by other researchers. Transparency calls for ensuring a process that will lend credibility to the study. Consequently, qualitative researchers must design and inculcate methodologies to ensure trustworthiness (Noble & Smith, 2015). In this study, measures were taken to ensure the documentation of interviews, procedures performed, and documents reviewed to allow replication (Appiah, 2015; Patton, 2015).

Credibility is associated with the believability of the research results by participants (Patton, 2015), and the researcher is to ensure the credibility of the study results as well as the study procedure (International Journal of Sales, Retailing & Marketing [IJSRM], 2016). In quantitative research, internal validity is associated with whether the researcher measures what

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they claim to measure; contrary, this is known as credibility in a qualitative study (Yin, 2016). Yin (2016) suggested that credibility should be infused into the study during the design stage and not only when the data are collected. Using multiple data sources in a case study enhances the research credibility (Baxter & Jack, 2008; Tetnowski, 2015; Yin, 2014). Additionally, the researcher can augment credibility when: (1) the case study research question is clearly written; (2) the research design is suitable for the research question; (3) purposeful sampling suitable for the study is used; (4) systematic collection and management of data; and (5) there is a correct analysis of the data (Baxter & Jack, 2008). Baxter and Jack (2008) postulated that the maintenance of the field notes and the peer review of the data promotes credibility. The study's validity and findings strengthen the credibility of the study (Yin, 2016). Yin (2016) posited that a study is credible when the study provides assurance that the data is appropriately collected and interpreted, which will correctly reflect the study results. The following measures were employed to attain credibility. The study results were compared to existing documents for consistency, similarities, and differences to substantiate or disconfirm that internal controls protect organizational property and promote efficiency. However, internal controls are lacking in nonprofit organizations. Additionally, credibility was accomplished by collecting data from trusted sources of information by interviewing qualified organizational leaders and reviewing existing data.

Yin (2016) posited that qualitative research is, by nature, particularistic. Since qualitative studies are peculiar to a specific set of conditions, generalizing the result to a broader set of circumstances is difficult. Transferability is the degree at which the results of qualitative research can be generalized and apply to other settings or contexts (Lincoln & Guba, 1985). On the other hand, generalization is whether the research findings determined from data collected from the

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sampled population apply to the entire population (Leung, 2015; Yin, 2016). Generalization in a qualitative study is not the same as a quantitative study where generalization deals with external validity (Appiah, 2015; Denzin & Lincoln, 2011; Yin, 2016). The application of generalization is misconstrued in a qualitative study because generalization is usually associated with a statistical sample where the results could be related to the population at large (Yin, 2016; 2014). External validity addresses situations where a study result can be adequately replicated under similar circumstances (Appiah, 2015; Dezin & Lincoln, 2011; Yin, 2014). Qualitative research employs analytic generalization that consists of a two-step process to resolve the problem of generalization in a qualitative study (Yin, 2016). First, the researcher conceptually shows how the study's findings are intended to inform a particular set of concepts; and second, apply the same concepts to implicate other comparable situations (Yin, 2016).

Denzin (2009) described triangulation as the process of attaining different external methods to collect and analyze data. Furthermore, triangulation is intended to investigate different levels and viewpoints of the same phenomenon (Fusch & Ness, 2015). Fusch and Ness (2015) posited that a correlation exists between triangulation and data saturation, where saturation is the level at which data collected is enough for the study. The study was triangulated using existing literature and professional source to enhance the validity and reliability of the results. Additional triangulation was by cross-checking participants' interviews with reviewed documents. The triangulation will lead to the emergence of converging lines of evidence that will make the findings of the study robust and consistent (Saldaña, 2013; Yin, 2016). Triangulation can lead to contradictions and inconsistencies; however, the researcher made the most of the data so that readers will comprehend the study (Fusch & Ness, 2015; O'Rielly & Parker, 2012).

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Population and Sample

The population for this qualitative multiple case study consisted of all nonprofit organizations in the State of Illinois. The TaxExemptWorld (2019) published that there are about 113,287 nonprofits and 501C Tax-Exempt Organizations in the State of Illinois. The nonprofit organizations in the State of Illinois recorded $338 billion in assets and $237 billion in total income. In the Chicago Metropolitan Area, the number of nonprofits stands at 31,352 (TaxExemptWorld, 2019). Further analysis reveals that there are about 1,625 charitable organizations in Chicago area that operate in the 60611-zip code, which encompasses a particular portion of the north to the central part of Chicago downtown (TaxExemptWorld, 2019). Nonprofit organizations could be categorized as charitable organizations, educational organizations, religious organizations, credit unions, labor organizations, and social welfare organizations. The study was focused on charitable organizations in the Chicago Metropolitan Area operating in the 60611-zip code.

The list of chief financial officers, executive directors, and board president or board finance committee chair were ascertained from the filings by Chicago nonprofit organizations with the Illinois State Attorney General's office. Every nonprofit organization in the state is required to file IL-990 (a tax form completed by organizations exempt from federal income tax), with the Illinois State Attorney General's office that lists the organization’s leadership. This information is available to the public and could also be ascertained from the TaxExemptWorld.com. The participants for the study were selected from the IL-990 of these organizations. The participants included chief financial officers, executive directors, and board presidents or finance committee chairs from nonprofit boards organizations with a strong internal control system and others with a weak internal control system. The selection of leaders from the

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nonprofit organizations in the selected Chicago area provided ample data for this study. The leadership group of executive directors, chief financial officers, board presidents, and finance committee chairs are appropriate for this study because they can speak to the subject of internal controls. Additionally, these participants can offer perspective as to whether the leadership has invested in the internal controls system or the efforts to minimize the internal control weaknesses.

Purposive sampling was used for this study (Lincoln & Guba, 1985; Yin, 2014). According to Yin (2016), purposive sampling has many variants that depend on the purpose of selecting the sample. The selection of the leaders of a nonprofit organization was made using purposive sampling. Purposive sampling is based on the researcher's judgment regarding the participants that can provide the best information needed for the study objectives to be achieved (Etikan & Bala, 2017). The purposive sampling was used to select participants because of the qualities possessed by the participants (Etikan, Musa, & Alkassim, 2016). Additionally, purposive sampling allows the researcher to draw from individuals that are proficient and well-versed in a phenomenon of interest (Etikan et al., 2016). Purposive sampling is suitable for a small sample size study using strongly focused methods like in-depth interviews (Curtis, Gesler, Smith, & Washburn, 2000; Gledhill, Ahhey, & Schweitzer, 2008).

A purposive sampling of seven individuals made up of two executive directors, two board presidents or finance committee chairs, and three chief financial officers or comptrollers were recruited to address the research questions or until saturation is achieved (Lincoln & Guba, 1985; Patton, 2015; Yin, 2014). The detailed information of the individuals selected was readily available on the IL990 filed at the Illinois Attorney General's office and also could be obtained from the TaxExemptWorld.com. The nonprofit organization leaders purposively selected for this

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study had at least one year of experience in their current positions. The selection of participants working for nonprofit organizations in the Chicago North affords them the convenience, availability, and flexibility to engage in face-to-face interviews. After putting a list of leadership participants together, an email was sent to them, asking for their permission to be enrolled in the study.

According to Patton (2015), there are no specific rules defining qualitative sample size in qualitative research. Purposive sampling requires saturation, which is acquiring substantive information necessary to conclude about the study (Etikan et al., 2016). Etikan, Musa, and Alkassim (2016) posited that saturation determines the sample size and not statistical power. Guest, Bunce, and Johnson (2006) argued that a qualitative study proposal requires that the researcher indicates the number of a sample size to be used upfront. However, until fieldwork is completed, the number necessary for saturation cannot be determined. Guest et al. (2006) posited that data saturation had occurred, usually when twelve interviews had been analyzed. According to Dworkin (2012), a minimum sample size of 5 participants is acceptable, and Yin (2014, 2016) reiterated that a sample size of 5 or more participants is acceptable. Other scholars like Mason (2010) suggested between 15 and 25 participants as an acceptable sample size, while Marshall, Cardon, Poddar, and Fontenot (2013) posited that the number should be 15 to 30.

Materials/Instrumentation

The instrument used in this study is open-ended interview questions, and review of the publication of fraud and internal control weakness by professional bodies like ACFE, AICPA, and Institute of Internal Auditors. The interview questions covered participants' understanding of the importance of internal control and its relation to fraud. Additionally, questions about the remedies to take to invest in an internal control system. The participants of the selected

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organizations were contacted via email to arrange face-to-face interviews. The interviews were conducted using semi-structured questions and open-ended face-to-face interviews in a one-on-one setting (Patton, 2015). A face-to-face interview process enables the interviewer to assess the veracity of participants' responses and whether to ask follow-up questions or not (Singh, 2014; Yin, 2014). Furthermore, the face-to-face interview process offers the researcher the opportunity to determine and further seek clarity when questions are not answered thoroughly. The one-on-one interview provided participants the freedom to express themselves and to speak candidly to the researcher. Group settings interviews were not used; instead, participants were interviewed individually to collect data.

The interview protocol used entailed open-ended questions and a procedural guide to drive the interview (Jacob & Furgerson, 2012). Open-ended questions allow participants to provide personal answers without the researcher, suggesting options that could cloud their thoughts and inadvertently produce a false response (Shank, 2006; Saldaña, 2013). The interview guide was developed based upon the literature review that allows the flexibility for additional follow-up questions (Appiah, 2015; Shank, 2006). The questions included in the interview guide centered on nonprofit organizational leaders' view of internal controls, and the lack of internal controls, or the weakness that exists in the internal controls and what to do to improve on the system of internal controls. The researcher was the primary instrument for collecting data using in-person interviews and document review (Tetnowski, 2015). Furthermore, the researcher employed Apple iPhone to record all interviews unless a participant objected to it.

The interview questions' credibility and dependability are critical to the development of useful questions and the expediency of the interviewing process (Appiah, 2015; Denzin & Lincoln, 2011; Yin, 2016). Consequently, twenty-five interview questions grouped under six

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main questions were field-tested with experts that included chief financial officers, board chair or board committee chair, and executive director. The questions were also submitted to the dissertation chair as a qualitative researcher and a pilot-test subject. The field test process was to help identify limitations, weaknesses, and other flaws of the interview guide (Appiah, 2015; Denzin & Lincoln, 2011; Patton, 2015).

Study Procedures

The Association of Certified Fraud Examiners (ACFE) in 2016 published a report stating that a 29.3% occurrence of fraud in small organizations stems from a lack of internal control (ACFE, 2016). Nonprofit organizations reported fraud of 10.1% and a median loss of $100,000 (ACFE, 2016). The purpose of this qualitative multiple-case study was to explore the perceptions of nonprofit leaders that included chief executive officers, board and finance committee chairs, and financial controllers. Additionally, the study was intended to glean leaders' understanding of internal controls as a tool to mitigate or eliminate fraud from nonprofit organizations and their willingness to invest in an internal control system. Northcentral University Institutional Review Board (IRB) approval was sought regarding the research before collecting the data.

The study was conducted with participants drawn from the Chicago Metropolitan area. The participants consisted of nonprofit organizations' leaders, mainly financial controllers, board chairs or finance committee chairs, and executive leaders. Nonprofit organizations file IL990, a tax return, with the Illinois Attorney General's office. The IL990 lists the leaders of these organizations, which could be ascertained by the researcher. Furthermore, this information could be collected from the website of TaxExemptWorld. Within the targeted zone for the study, there are about 1625 nonprofit organizations that could be selected using purposive sampling (Lincoln & Guba, 1985; Yin, 2014). The selected participants were informed about the study and the

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purpose of the study. An informed consent form was sent to the leaders of the nonprofit organizations that agree to participate in the study.

Data were collected using open-ended interviews that allowed participants to express themselves further and provide more details about the question (Patton, 2015; Yin 2014). The data collected are securely stored, and the identity of participants is protected. The data is stored for seven years, after which all forms of paper and electronic data will be destroyed.

Data Collection and Analysis

After the approval from IRB was received, data collection and analysis were commenced. Data collection from interviews were done within two months after the IRB approval, and also all protocols stipulated in the study based on the IRB approval were observed. The data were collected consistent with the purpose of the study, the research questions, and the assumptions informing the research approach (Yin, 2014).

Data collection. When the list of chief financial officers, executive directors, and board presidents or board finance committee chairs was obtained, an invitation letter was sent to 129 potential participants to become candidates of the study. The list was obtained from the filings by Chicago nonprofit organizations with the Illinois State Attorney General's office. Potential participants were asked to contact the researcher either by email or telephone to familiarize themselves with the study, and also, to go through the consent process before the interview process begins. Data were collected by interviewing the participants and document review. Interviewing is a process of ascertaining others' views and experiences regarding a subject matter and is an ideal way of gathering data for a case study (Singh, 2014). Document review will encompass publications from AICPA, ACFE, IIA (Institute of Internal Auditors), and BoardSource. The document review was used to investigate different levels and viewpoints of

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the same phenomenon (Fusch & Ness, 2015). The document review dealt with the lack of internal controls or internal control weaknesses in nonprofit organizations, nonprofit board effectiveness, and organizational fraud.

The questions were semi-structured and open-ended, which allowed participants to express themselves further and provide more details about a question (Patton, 2015; Yin 2014). An interview guide was used for the study that helps the researcher to focus on questioning and to provide flexibility to ask follow-up questions (Shank, 2006). The duration of the interview was between 40 minutes and one-and-a-half hours. Interviews were held in a public library that provides the best atmosphere for participants to talk willingly. Participants were informed about the possibility of exceeding the time set for the interview. In such a situation, the researcher asked for additional time to complete the interview. Interviews were recorded after receiving consent from participants and extensive notes taking during this process. Participants were informed about the recording. If a participant objects to the recording, detailed notes were taken to accommodate that interviewee.

Additionally, brief analytical notes were taken by the researcher regarding personal reflections of the interview. Additionally, data were assembled by accessing archival records published by professional associations like AICPA and ACFE. Baxter and Jack (2008) posited that collecting data from various sources is important for rigor. However, they cautioned that collecting an overwhelming amount of data could lead to a researcher "lost" in the data. The data collected were organized in such a way that other researchers can follow the evolution from raw data, through levels of analysis, initial results, and the ultimate conclusions (Tetnowski, 2015). The data collected are stored for seven years, and all forms of paper shredded, and electronic data erased. A list of all potential participants was kept, and additional participants were drawn

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from the list when the desired number of interview participants was not met.

Data processing. The data collected from the field were processed, organized, and analyzed. Interview notes were reviewed and saved using unique identification numbers to protect the privacy of the participants. The data collected were transcribed using Ottei.ai and manually reviewed by the researcher. The interview transcripts were saved as Microsoft Word documents and stored on a dedicated portable flash drive. An interview transcript was prepared for each participant to align with the data collected from that interviewee. The data collected were password protected and stored in a locked file cabinet. Additionally, hard copies of the interview data consisting of the interview notes and signed consent forms were locked in a file cabinet. The transcribed interview notes were reviewed repeatedly to ensure the accuracy and completeness of the data collected (Appiah, 2015; Patton, 2015; Shank, 2006). The transcripts were sent back to the participants to authenticate the accuracy of the captured interview.

Data Analysis. Denzin and Lincoln (2011) and Patton (2002) suggested that the researcher has the responsibility to analyze and interpret the results of the qualitative case study. Baxter and Jack (2008) and Tetnowski (2015) argued that data collection and analysis are concurrent activities, and the type of analysis often depends on the type of case study. According to Yin (2014), there are five techniques for analysis, which are pattern matching, linking data to propositions, explanation building, time-series analysis, logic models, and cross-case synthesis. The return to propositions is crucial, allowing the researcher to focus on the primary purpose of the study instead of going outside the scope of the study (Baxter & Jack, 2016; Yin 2014). The researcher should guide against analyzing each data source independently and reporting the findings separately (Baxter & Jack, 2008). The data analysis approach was consistent with the purpose of the study, the theoretical framework, the nature of the study, and the research

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questions (Alase, 2017; Yin, 2014).

Yin (2014) suggested four general analytical strategies that can be employed analyzing the data assembled. The four strategies are: "(1) relying on theoretical proposition; (2) working on your data; (3) developing a case description; and, (4) examining plausible rival explanations" (Yin, 2014, p. 136-141). The use of a theoretical proposition is feasible because the study might have shaped the data collection process; on the contrary, pouring through the data collected could produce a useful concept or two for the study (Yin, 2014). Furthermore, the researcher can employ the strategy where the case study is organized according to some descriptive framework and is workable if the researcher finds difficulty using the first two strategies (Yin, 2014). Lastly, the examination of plausible rival explanations employs the combination of any of the strategies to do the analysis (Yin, 2014). The researcher in this study returned to the propositions, which led to a focused analysis and not veering to analyze data outside the scope of the study (Baxter & Jack, 2008).

Yin (2016) suggested a five-phased methodology to analyze the data. The approach encompasses compiling, disassembling, reassembling, interpreting, and concluding. The research analysis starts with the compilation of the field notes into a database organized according to the research questions and responses from participants (Appiah-Sokye, 2016; Jacob & Furgerson, 2012; Lincoln & Guba, 1985). The process requires a critical look at the distinctiveness of the data collected, how the data relate to the original research questions, and the possibility of new insights emerging (Yin, 2016). Disassembling deals with breaking down the data into smaller pieces or themes to arrive at the patterns in the data (Appiah-Sokye, 2016; Lincoln & Guba, 1985; Yin, 2016). The records were organized using a consistent format (Yin, 2016). At the disassembling stage, the researcher employed iterative steps to record ideas in analytic memos

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during the analysis (Yin, 2016). The use of analytic memos is critical to coding, which aids the researcher in documenting all ideas irrespective of whether those ideas are fully formed or half-baked (Saldaña, 2013; Yin, 2016).

The third step in the five-phased analysis is the reassembling and arraying stage. This stage involves using substantive codes to organize ideas into patterns and themes (Saldaña, 2013; Yin, 2016). The reassembling stage encompasses developing hierarchical arrays, designing matrices as arrays, and working with other types of arrays, including narrative arrays (Yin, 2016). The next step is interpreting the research data. The research data were analyzed and interpreted to determine the study's outcome that ensures credibility, transferability, and trustworthiness (Appiah-Sokye, 2016; Lincoln & Guba, 1985; Patton, 2002). Interpreting the data must have the following attributes: completeness, fairness, empirical accuracy, value-added, and credibility (Yin, 2016).

The attribute completeness consists of the interpretation having a beginning and ending; fairness accounts for other researchers reaching the same conclusion as the researcher determines (Yin, 2016). Empirical accuracy deals with the interpretation fairly representing the research data, while value-added ensures that there is a new twist to them and not mainly repeating the study's literature (Yin, 2016). A good interpretation is credible due to the independence of the study's creativity (Yin, 2016). Finally, the concluding phase is the last phase of the process. This final step summarizes the findings following the analysis and interpretation of the data (Appiah-Sokye, 2016; Denzen & Lincoln, 2011; Lincoln & Guba, 1985; Yin, 2016).

The data were organized in the framework of the research objectives and questions and further categorized into nodes. The data were coded into themes and categorized using descriptive coding (Davis & Meyer, 2009). All data collected from the fieldwork were

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transcribed using Computer-Assisted Qualitative Data Analysis Software (CAQDAS), Nvivo (Leech & Onwuegbuzie, 2011; McLafferty & Farley, 2006). According to Saldaña (2013) and Shank (2006), the Nvivo code is the most well-known coding method appropriate for all qualitative studies. Nvivo is a tool for analysis that produces output but must be determined whether patterns will emerge from the output (Yin, 2014). The use of Nvivo coding provides an essential check as to whether the researcher can assemble data relevant to participants, and also help to "crystallize and condense meanings" of words that are important to participants (Saldaña, 2013, p. 75). Saldaña (2013) mentioned that coding methods could be divided into two main cycles: the first and second cycle methods.

The first cycle method happens in the initial stage of the coding of data and has seven categories. Saldaña (2013) posited that the seven subcategories are grammatical, elemental, affective, procedural, literary and language, exploratory, and theming the data. The second cycle methods deal with analytical skills, including reorganizing and reanalyzing data that has been coded using the first cycle method (Saldaña, 2013). According to Saldaña (2013), Nvivo codes can be used as the only coding method during the first cycle of data analysis and could be the only method of analysis for a small-scale study. The use of Nvivo coding will enable the researcher to extract unique terms, phrases, and quotes used by participants. In this study, first cycle coding was used as an initial coding technique to identify phrases and words from data, which were placed in quotation marks to keep track of participant-inspired codes rather than researcher-generated (Saldaña, 2013).

Saturation is important in a qualitative study. Saturation occurs in the data analysis stage, where the data collected are deemed sufficient for the study, and there is no need for additional information from participants. Dworkin (2012) posited that saturation could be attained by

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interviewing only five participants, but the researcher will continue to collect data until saturation is attained, usually at twelve (Guest et al., 2005; Patton, 2015; Yin, 2014). In this study, the researcher concluded that based on the guidelines, seven participants were appropriate. Furthermore, the researcher will ensure triangulation. Triangulation entails assembling and combining data from different sources, including interviews and document reviews to validate the research (Patton, 2015). The triangulation will lead to the emergence of converging lines of evidence that will make the findings of the study robust and consistent (Saldaña, 2013; Yin, 2016). Triangulation can lead to contradictions and inconsistencies; however, the researcher should make the most of the data so that readers will comprehend the study (Fusch & Ness, 2015; O'Rielly & Parker, 2012).

Assumptions

The researcher in this qualitative multiple case study, various methodological assumptions were considered. A fundamental assumption of this study purports that the lack of internal controls system and the weakness of internal controls in an organization can lead to fraud. Additionally, the researcher assumed that nonprofit organization leaders in the Chicago Metropolitan area, when they understand the importance of internal controls as a tool to prevent fraudulent activities, would invest in internal controls. The assumptions carry a level amount of risk that even with investment in internal controls for nonprofit organizations, fraud occurrence will not be eliminated completely. A further assumption was that participants would provide their perspective openly and truthfully because of the assurance of confidentiality and privacy that were given by the researcher. Additionally, there was an expectation that participants be honest in their responses to the interview questions. For triangulation, there was an assumption that the literature obtained from professional bodies like AICPA and ACFE was accurate.

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Finally, there is an assumption that since the researcher is an accountant and a comptroller of a nonprofit organization in the Chicago Metropolitan area, the participants would be eager to elaborate on their experiences freely on the study.

Limitations

The study has inherent limitations regarding participants, sources and resources, and the principal investigator. A critical limitation of this study was the possibility of participants not being fully transparent and withheld information pertinent to the study (Dworkin, 2012; Patton, 2015; Yin, 2016). Therefore, the accuracy of the findings of this study is contingent on the integrity, the willingness to participate, and honesty of participants. The sensitivity of the studied topic was also a limitation. Some nonprofit organizations' leaders avoided sharing the weakness or nonexistence of an internal control system that led to fraudulent activity. The researcher asked the participants to confirm the accuracy of their responses using different techniques such as framing the questions in different wording or reading the answers back to participants and carefully noticing any variations (Dworkin, 2012). To overcome the limitation of topic sensitivity, the researcher conducted the interviews in public libraries and assured participants of privacy and confidentiality. The researcher took accurate notes to document the responses of participants regarding their willingness to answer questions truthfully.

A fundamental limitation of the study was the scarcity of existing literature regarding the lack of internal control in nonprofit organizations and its association with fraud. The scope of the online libraries' databases searches was broadened to provide a comprehensive inclusion data associated with the study to mitigate the limitation. The sample size was relatively small, but the researcher overcame this limitation by prodding participants' perceptions regarding the lack of internal control, internal control weakness, and fraud deeply. The detailed understanding of the

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information helped the researcher overcome the sample size and scarcity of the data (Dworkin, 2012). Another limitation was the researcher's possible unintended bias because, in qualitative studies, the researcher's interpretations cannot be separated from the researcher's background (Patton, 2015; Yin, 2014). Triangulation, which is multiple sources of data, helped mitigate researcher's bias (Fusch, Fusch, & Ness, 2018). According to Yin (2014), a researcher could eliminate bias by adhering to the highest ethical standards in conducting the study.

Delimitations

The study's geographic location was a delimiting factor since the study covered only leaders of nonprofit organizations from specific zip codes within the Chicago Metropolitan area. The researcher also employed the use of open-ended questions and documents reviewed instead of Likert scales and surveys, which is a delimiting factor. While Likert scales and surveys restrict participants to predetermined choices (Patton, 2015), an open-ended question allows the researcher to draw participants' perceptions of the phenomenon being studied (Patton, 2015; Yin, 2016). Another delimiting factor is that the researcher has defined participants to include specific leaders that include chief financial officers, board and finance committee chairs, and chief executive officers in the Chicago Metropolitan area.

Ethical Assurances

Ethical assurances are imperative in qualitative studies (Denzin & Linclon, 2011; Shank, 2006). Patton (2015) posited that researchers should maintain high standards to ensure that the data collected for the study is accurate. Yin (2016) asserted that researchers, using qualitative studies, should demonstrate ethical conduct because qualitative researchers make several ethical choices during the study that could have a significant impact on the study's findings. Additionally, researchers that conduct a study with human participants must comply with

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established rules and regulations and relevant codes of ethics promulgated by authorized professional bodies (Yin, 2016).

There were ethical issues addressed through the process of this qualitative research. The goal of this research was fully disclosed to potential participants, and they were provided with informed consent (Creswell & Poth, 2018; Yin, 2016). Identified in the informed consent form was who conducted the research and the name of the institution where the researcher is enrolled (Patton, 2015). Furthermore, the informed consent form stressed that participation in the study was voluntary. Participants could withdraw from the study at any time without repercussion and could refuse to answer some questions (Yin, 2016). Since the study dealt with exploring the views and perception of nonprofit board members, some of the information provided was sensitive, and steps were taken to protect the privacy and identity of all participants.

Additionally, the sensitive organizational information and board practices were not released to the public, but the information was stored in a secured location (Creswell & Poth, 2018). Furthermore, assurances were provided to participants that their participation will not be made public because such a revelation could adversely affect their board standing. The researcher guided against the possibility of data exclusion (Yin, 2016). For a researcher to disregard an interview of an incredulous participant requires a strong ethical standard that should be established before the collection of data (Yin, 2016).

Summary

The researcher employed a qualitative multiple case study in this research. The methodology was based on the subject matter, the research questions, and the relevant literature (Yin, 2014). There are two important approaches that guide a case study methodology (Baxter & Jack, 2008). The two guiding principles are that the topic of interest is well explored, and the

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crux of the phenomenon revealed (Baxter & Jack, 2008; Stake, 1995; Yin, 2014). Researchers can use quantitative, qualitative, or mixed-methods for a study. The use of qualitative research allows the researcher to conduct an in-depth study of a topic (Yin, 2016). The study focused on charitable organizations in the Chicago Metropolitan area operating in the 60611-zip code. Purposive sampling was used for this study (Lincoln & Guba, 1985; Yin, 2014). The participants encompassed chief financial officers, executive directors, and board treasurer, board secretary, and board finance committee chair from the Chicago Metropolitan area.

The instrument used in this study was open-ended interview questions, and review of the publication of fraud and internal control weakness by professional bodies such as the ACFE, AICPA, and Institute of Internal Auditors. Some of the interviews were recorded, and extensive notes were taken during this process. Participants were informed about the recording. The data collected were password protected and stored in a locked file cabinet. Additionally, hard copies of the interview data consisting of the interview notes and signed consent forms were locked in a file cabinet. The study had inherent limitations regarding participants, sources and resources, and the principal investigator. The delimiting factors of this study included the geographic location and the open-ended questions to be used. Yin (2016) asserted that researchers, using qualitative studies, should demonstrate ethical conduct because qualitative researchers do make several ethical choices during the study that could potentially have a significant impact on the study's findings. The goal of this research was fully disclosed to participants, and they were provided with an informed consent form (Creswell & Poth, 2018; Yin, 2016).

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Chapter 4: Findings

This qualitative case study explored the lack of internal control systems of nonprofit organizations that could lead to organizational fraud. Additionally, the study covered the management's view of internal control as a tool to be used to prevent fraudulent practices. The study was intended to determine how the leaders of nonprofit organizations understand internal controls as a tool to prevent fraudulent activities and to provide recommendations to leaders to invest in internal controls. Dimitrijevic et al. (2015) posited that the risk of fraudulent activities could be minimized through the implementation of adequate internal controls. The problem addressed in this study was that internal controls protect organizational property and promote efficiency, but internal controls are lacking in nonprofit organizations (Archambeault & Webber, 2018; Dimitrijevic et al., 2015; Murphy & Free, 2016). The absence of internal controls is cited for 29.3% of organizational fraud cases (ACFE, 2016). Frazer (2016) posited that nonprofit organizations do not have an elaborate internal control system, and Harris et al. (2017) postulated that one-sixth of all major fraud occurred in the nonprofit industry.

The TaxExemptworld and the Illinois Attorney General's websites were used to recruit the members for the study. Nonprofit organizations are required to file their annual AG990-IL that list the names of the officers, including Board presidents, executive directors, chief financial officers, and finance committee chairs. The sites listed 113,287 nonprofit organizations in the State of Illinois, 31,352 organizations in the Chicago area, and 1625 organizations in the 60611 zip-code area. In this study, a purposive sample of seven individuals made up of two executive directors, two board secretary and treasurer, and three chief financial officers were recruited to address the research questions until saturation was reached (Lincoln & Guba, 1985; Patton, 2015; Yin, 2014). Participants' sociodemographic characteristics is provided in (Table 1) below.

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Table 1

Participants' Sociodemographic Characteristics

Characteristic	Frequency	Percent
Age, Range		
40-49	1	14.2
50-59	3	42.9
60-69	3	42.9
Gender		
Male	4	57.1
Female	3	42.9
Office Held		
Chief Financial Officer	2	28.6
Finance Director	1	14.3
Board Secretary	1	14.3
Board Treasurer	1	14.3
Executive Director	2	28.6
Years in Office		
1-3	2	28.6
4-6	1	14.3
7-10	4	57.1

The research questions were as follows:

RQ1. How do nonprofit organization leaders describe their organization's internal control systems to prevent fraud?

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RQ2. How do nonprofit organization leaders describe their role in implementing internal controls to prevent or minimize fraud from occurring in organizations?

RQ3. How do nonprofit organization leaders describe their role in investing in internal controls that will curtail or prevent fraud?

After obtaining NCU-IRB approval, 124 participants were invited to take part in the study. The detailed information about the leaders, which included their names, address, and telephone numbers were used to search for prospective participants for the study. A total of 11 prospective participants did express interest in the research study. Four declined participation due to the following reasons. In essence, two were unable to participate because of a tight schedule and other engagements, one felt he could not provide added value to the subject matter, and one had traveled out of state and could not be available to sit down for the interview. One hundred and thirteen, which represents 88%, never responded to the invitation to participate in the study. The study consisted of a purposeful selection of three "cases" made up of two board officers, two executive directors, and three chief financial officers. The selection of the three groups was to allow contrast and comparison on the issues raised in the study. A qualitative multiple-case study was deemed appropriate for the study because of the nature of the questions asked and an investigation of a contemporary phenomenon within a real-life context (Tetnowski, 2015). Additionally, the group interviewed answered questions from a different perspective.

The following 4-step approached was used to recruit the study participants: (1) after the IRB approval, an internet search was performed using the websites taxexmptworld.com and illinoisattorneygeneral.gov/charities where nonprofit organizations' AG990-IL were downloaded. (2) The names, titles, and addresses of the principal leaders, including Board presidents, executive directors, chief financial, and finance committee chairs, were ascertained

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and listed in a workbook. (3) Invitation letters were initially sent to 124 prospective participants, and subsequently, 10 more letters were sent to other prospective participants (see Appendix B). (4) The interview questions were emailed to those who agreed to be participants in the study (see Appendix A) to allow participants to familiarize themselves with the questions before the actual interview. Participants were provided with the informed consent form (see Appendix C) before the scheduled meeting. Appointments for interviews were scheduled, taking into consideration the availability of participants and 3 days before the interview, which allows participants to prepare themselves for the interview. The qualitative interview guide was structured with the research topic divided into smaller parts that allow the participants' responses to be seamlessly collected (Yin, 2016). Before the interview date, an arrangement was made to secure a study room of a public library agreed upon by the participants. Each participant was asked to sign the informed consent form (see Appendix C) before the interview commenced. The details of participants interviewed during the fieldwork (Table 2) have been provided below.

Table 2

A Schedule of Participants' Face-to-Face Interviews

Week of Fieldwork	Number of Participants
Week 7	2
Week 8	0
Week 9	0
Week 10	2
Week 11	1
Week 12	2

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The interview time were varied from 35 minutes to 62 minutes. The fieldwork commenced after the NCU-IRB approval on January 23, 2020, and ended on March 22, 2020, lasting 61 days. Data were collected using in-depth interviews obtained through a face-to-face interview in reserved rooms in public libraries. Four of the interviewees were audio-recorded, after consenting to be recorded. Detailed notes were taken for all participants, and the interviews were an open-ended format. The standardized open-ended interviews allowed the researcher to probe the interviewees to provide in-depth responses to the questions that express their view regarding internal controls, internal control weakness, board participation and board effectiveness, and investment in internal controls.

The interview questions were field-tested by three experts (Appiah-Sokye, 2016; Jacob & Furgerson, 2012; Patton, 2015; & Yin, 2016). The recorded interviews were transcribed using Otter Voice and the transcription of the interviewees saved in Microsoft word documents, which was part of the data processing. The handwritten interview notes were reviewed in conjunction with the transcribed data from the recorded interview. Additionally, the transcripts of the interviews were severally reviewed to ensure completeness and accuracy of the data collected (Appiah-Sokye, 2016; Jacob & Furgerson, 2012; & Patton, 2015). Furthermore, interviewees' responses were repeated back to them to ensure that the participants' responses were accurately captured (Lincoln & Guba, 1985; Yin, 2016). Additionally, the interview notes were compared to the recorded audio to resolve any differences. Pseudonym was used to protect the identity of the participants and in the analysis and reporting of the results. This chapter will cover the overview of data collection, analysis of the data, trustworthiness of the data and results. Followed by evaluation of the findings and summary to conclude the chapter.

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Trustworthiness of the Data

The findings of research should be as trustworthy as possible, and the outcome of every research is evaluated through the lens of the procedures employed to arrive at the findings of the study (Graneheim & Lundman, 2004). To attain the trustworthiness of the data, the credibility, transferability, dependability, and confirmability of the data were considered. Credibility means that the findings of the study are believable from the participants' perspective (Patton, 2015; Shank, 2006; Yin, 2016). Credibility was achieved through triangulation. Triangulation is the technique where a finding of a study is compared with evidence from two or more different sources (Yin, 2016). In addition to the face-to-face interviews, studies published by professional organizations encompassing the AICPA, ACFE, The Institute of Internal Auditors, Nonprofit Business Advisor, and BoardSource were reviewed. The *2018 and 2016 Reports to the Nations on Occupational Fraud and Abuse* published by the ACFE were reviewed (ACFE, 2016; 2014). The report to the nations deals with occupational fraud occurring in all spheres of an organization regarding both for-profits and nonprofit organizations.

The data acquired were analyzed for consistency to affirm the credibility and reliability of the research findings using the qualitative content analysis that compares and contrasts the similarities and differences of the data (Patton, 2015; Yin, 2016). Also, member checks, a technique employed to test the degree to which results can be confirmed by participants (Yin, 2016). Member-checking was performed by sending the transcript to the participants for them to confirm whether the data captured matches what they intended to communicate. The use of different sources of data from interviews and document reviews deepens the robustness of the data and strengthen the accuracy, credibility, and transferability of the study findings (Shank, 2006; Yin, 2016).

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Results

Yin (2016) suggested a five-phased methodology to analyze the data. The approach encompasses compiling, disassembling, reassembling, interpreting, and conclusion. The first step is compiling, which consisted of gathering and sorting the data collected from the fieldwork. The data were collected using an iPhone to record the interview from the interviewees that consented and using interview notes. The recorded interview was transcribed verbatim using software from Otter Voice. The interview transcripts were saved as Microsoft Word documents on a password-protected computer and stored in a file cabinet accessible only by the researcher.

Additionally, hardcopy documents that encompass signed informed consent forms and interview notes were stored in a locked file cabinet accessible only by the researcher. The transcript for each participant was provided to the respective participant to authenticate the facts captured in the interview. The transcripts of the interviews were severally reviewed to ensure completeness and accuracy of the data collected (Appiah-Sokye, 2016; Jacob & Furgerson, 2012; & Patton, 2015). The analysis of the data was consistent with the study's purpose, the conceptual framework, all the research questions, and the nature of the study (Alase, 2017; Shank, 2006; Yin, 2016).

In the disassembling phase, the research data were divided into smaller fragments or pieces, and new labels were assigned to them. Data collected were organized into categories that represented the research questions for the study. Nvivo coding is appropriate for beginning qualitative researchers learning how to code data (Saldaña (2013). Coding is a process of categorizing data to a specific topic, theme, entity, or person, and the coding process helps researchers to identify patterns in research data (Guo, 2019). Nvivo was used to code the data from the interviews to ascertain terms from the participants (Saldaña, 2013). Furthermore, the

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use of Nvivo coding helped in extracting keywords or short phrases used by participants, which facilitated pattern identification regarding responses to the research questions (Guo, 2019; Saldaña, 2013).

The third phase of the process was reassembling phase, where substantive codes were used to group ideas into themes. The reassembling process is where responses of participants are categorized by employing terms that emanate directly from the participants. In this third phase, the first and second cycle coding was performed. The first cycle coding was used as an initial coding technique to identify phrases and words from data, which were placed in quotation marks to keep track of codes that are participant-inspired rather than researcher-generated (Saldaña, 2013). The coding system enabled the researcher to place interview transcripts into different buckets based on phrases or keywords (Yin, 2016). In the second cycle coding, pattern coding was used to develop major themes from the first cycle, examine the patterns, and obtain explanations from the data ascertained during the disassembling and reassembling stages of the data analysis phase (Saldaña, 2013). The themes captured from the responses to research questions were that of participants and not predetermined for this study.

The interpreting phase consisted of providing meaning to the data gathered that ensured completeness, fairness, empirical accuracy, value-adding, and credibility (Yin, 2016). The content technique was employed to identify patterns and themes in the text (Patton, 2015; Yin, 2016). According to Williamson, Given, and Scifleet (2018), content analysis dwells on the interpretation and description of topics and themes that are evident in the data. Also, a cross-case synthesis identifies each case as if it was a separate study (Yin, 2016). The various officers of the nonprofit organizations that formed the basis of the eligible participants were considered as separate cases where similarities and differences were assessed (Patton, 2015; Yin, 2016).

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The last phase of the data analysis is the concluding phase. This part consists of drawing conclusions from the data collected and analyzed using the steps of compiling, reassembling, disassembling, and interpreting stages of the data analyses. This portion of the data is discussed in Chapter 5. The comparative case study was comprised of three central questions. The first research question was:

Q1. How do nonprofit organization leaders describe their organization's internal control systems to prevent fraud?

Themes emerging from interview data. The responses of participants to the research questions were compared and contrasted with published studies by professional organizations, including the AICPA, ACFE, and BoardSource to either confirm or disconfirm the interview data in the study. Four main themes emerged from the study of a comparative case study of internal controls, and the impact of fraud on nonprofit organizations is discussed below the table.

Table 3

Themes describing organizations' internal controls

Question	Q1. How do nonprofit organization leaders describe their organization's internal control to prevent fraud?			
Themes (4)	Policies and procedures	Board participation and controls	Roles and responsibilities	Segregation of duties

Policies and procedures. The participants accepted some level of responsibility for ensuring that there are internal controls in the organization they represent. The participants enumerated on the policies and procedures in describing the existence of internal controls in their organizations. Specifically, they described policies and procedures as an important tool that gives direction to the organization and help establish internal controls for the organization. The policies and procedures describe the inner workings of the organization. The best practices put

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together to safeguard the interest of the organization. The board of directors appoints the members of the Finance Board to structure and implement sound financial policies and procedures. Participant 5 further explained that information should flow to the Finance Board when internal control weakness is identified, which will enable the board to take appropriate financial policies to mitigate the weakness. Internal auditors are to be used to monitor the financial policy of the organization and to investigate suspected control weaknesses.

Another participant echoed that board members should ensure that the organization has proper internal controls through the creation of policies and procedures that governs the activities and provide guidelines for the organization. The policies and procedures offer checks and balances in the organization. Participant 4 stated that her role is to make sure that the policies set-up by the board of directors is working as expected. The lack of policy allowed an officer of the organization to go days without depositing a significant amount of cash raised from a fundraising event. A policy was developed regarding the deposit of funds to resolve the issue.

One participant described how having policies and procedures keep the organization honest. She indicated that the public supports the nonprofit organization by donating to its cause, and the expectation is to expend the resources judiciously. Internal control is what keeps the organization honest, and the controls are policies and procedures that enumerates what must be done. Donors expect internal controls, specifically around financial accountability, to be implemented. She further offered that internal controls extend to compliance, and the organization uses a law firm to evaluate all documents.

Likewise, Participant 6 expanded on the importance of having policies and procedures adopted and approved by the board of directors before its implementation. He further elucidated that when a new policy and procedure is presented, the board has the opportunity to probe the

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new policy before they approve it. Also, under control activities, responsibilities are established through the creating of policies and procedures that detail individual functions.

Several participants stressed that setting a tone from the top in an organization is imperative for good controls. They reiterated their responsibilities to promote proper internal controls that foster accountability. Policies and procedures provide directions as to how grants are expended in the organization. When the leadership takes ownership of the policies, the entire organization follows, which can lead to more robust internal controls. One participant emphasized his background as an auditor allows him to promote and develop effective policies to guide the operations of his association.

Participant 7 stated that the association's policies and procedures had an improper job description for the treasurer position. The treasurer was the custodian of the books, as well as recording and preparing the books. These functions were segregated when the policies were updated to add a different official position to take of the recording functions. He further elucidated that there must be a regular review of the policies and procedures which must be compared to and contrast with comparable organizations. Everybody in the association was aware of the applicable policies and procedures because the policies covered all aspects of operations, including elections. Furthermore, the proper set of internal controls might be different for types of organization, since some policies and procedures are more conducive for a particular type of organization.

Participant 1 offered that the procedure manual should be kept current with best practices, and the board should make sure that the updates are done. He surmised his organization did a poor job of staying on top of the policy and procedure manual, and as such, the policy and procedure manual was not kept with current actual practice.

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Board participation and control. The research participants were asked to describe the organization's board of directors' involvement in ensuring that the organization observes the internal controls. The consensus from the participants regarding their respective boards' involvement ranged from passive engagement to a high level of participation. Several participants indicated that the board of directors' participation revolves around attending meetings but did little in asking questions to find out what is going on. Participant 1 indicated that the board of directors' participation was superficial. The board members hardly asked prodding questions regarding financial statements reports presented to them. He concluded that the board was more trusting and took all reports presented to them at face value.

Other participants described the board's participation and control in the area of financial and audit reports reviews, fundraising, and appointments. Additionally, board participation involves attending periodic organizational meetings where the financial reports, budget to actual, and the year-to-date analysis are submitted to the board for review and approval. The board of directors are involved in the review of the audited financial statements, which speaks directly to the internal control as required by the standard. The board approves all expenses and actions of the organization. In some cases, the board appoints a fiscal agent to oversee the finances of the organization. The board members are aware of the income that comes in, the cost of projects, and fundraising campaigns. The board's involvement gives the board a certain level of control over the organization. Some respondents argued that the reviews from board members are not robust. Some board members eagerly want to know better, but their participation could not be compared to the public sector, where board directors are strenuously examining records.

One participant responded that his board was very active, mainly because the board was a working board. The association had no staff, and the board members do everything. The

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participant also shared that there was much accountability to the members of the association. The board provides financial information to members upon request and answer questions with clarity. According to Participant 7, his organization's board wanted to make sure they had a robust financial reporting process. Board members participated actively and were interested in ensuring effective internal controls mainly because members by profession were accountants and auditors. However, board participation dwindled when members resigned from the board in mass in protest against a new board president who was heavy-handed.

Participant 3 talked about board governance in stark terms. She expressed the diligence exercised by her board of directors, and that she considered the board to be effective in their oversight of the organization. The board participates in the acquisition of major items to ensure that money spent is justifiable. Furthermore, she asserted that the board of directors is intentional in its review process.

Roles and responsibilities. Data from the interviews revealed that principal officers performed their roles and responsibilities in the organization, which led to having better internal controls. Proper internal controls must be championed by the board and management as well. Several participants said they consider their role and responsibility either as a board member, chief financial officer, or executive director in ensuring that there are proper internal controls, protecting organizational assets and in detecting material weakness in internal controls.

Participant 1 described his role in the organization as making sure there was an improvement in internal controls, and also to institute policies that prevent control weaknesses from happening. He mentioned that controls were initially inadequate, which led to fraudulent activities. The deficiency in internal controls cost the organization $50,000 in fraud. He had instituted more controls that made the system of controls better.

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Another participant said that management understanding their role is essential when working with the board of directors; else, nothing will get done. He viewed his role as the chief financial officer as making recommendations to the board of directors to adopt proper internal controls and to implement the approved controls. The role extends to protecting organizational assets, which is not limited to tangible assets only, but intangible assets, as well as employees. He further added that the president of the organization also relies on him for constructive criticism and recommendations

One participant described her role as setting up the tone at the top and to promote proper internal controls. The tone sets at the top create an environment where doing the right things permeates through the entire organization, and the entire staff makes an effort to observe the approved standards. Setting the tone from the top creates the appearance that internal controls are important to leadership and that management is cognizant of what goes on in the organization. The goal has always been to create robust controls to protect organizational assets. The organization could not perform the finances in-house due to lack of capacity, and upon recommendation, that function was outsourced. Again, she made sure the organization voucher for all awarded funds.

Participants 4 delineated her role as financial oversight, planning, and ensuring controls are working as designed. She reviews the monthly ledger to ensure that everything that comes in is recorded. Other responsibility encompasses maintaining all records of the organization and also assisting in developing the organization's bylaws. Also, she makes certain that the organization complies with all applicable laws and filings that keep the organization in good status.

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When asked about her role in the efficacy of internal controls, one participant spoke of making sure that grants and other funds donated to the organization are expended per the policies and the system put in place. She described how instituting good policies saved the organization from wasteful investments. Her responsibility has been to spend funds in line with established policies. There was no implementation of the usage of equipment, snowblowers, and lawnmowers purchased, which became white elephant tools, and the maintenance cost for the equipment far outweighed their usage. Possible best practices were investigated, which led the board to approve the recommendation to lease the equipment instead of paying the exorbitant maintenance fees.

One participant elaborated on internal control compliance and offering the appropriate fiscal policies to mitigate any identified control weakness. Appropriate internal controls must be established and communicated to employees to ensure compliance. The participant further expressed his role in protecting the organization's assets by notifying the Finance Board of any identified internal control weakness so that the necessary financial policies could be adopted and implemented to mitigate the weakness.

Segregation of duties. Data from the interviews revealed that adequate and proper segregation of duties was needed to have strong internal controls, which will help prevent fraud and also to handle internal control weakness. In a good internal control system, total control over a transaction should not be assigned to a single person. There should be different people handling the authorization of transactions, keeping custody of accounting records, and custody of assets. Participant 6 stated that there must be a segregation of duties relating to activities like mails and cash deposits. Segregation of duties regarding mailing should indicate the person responsible for receiving the mails, dated stamped the mails, and distributing the mails. Similarly, the deposit

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functions must have different people preparing the deposits, taking the money to the bank, and recording the deposits. He said control activities include establishing the responsibilities of each task in the organizational structure. Also, the control activities involve restricting access, creating policies, and determining how to record things.

Several participants of the study surmised that the lack of segregation of duties led to or could lead to the occurrence of fraudulent activity. Additional controls were needed to ensure that there was segregation of duties. Some of the measures taken were to bring more people on board to do different jobs. There is always a cost-benefit analysis that goes into improving internal controls. What impeded greater segregation of duties was the lack of resources and whether the volume of work does require the hiring of additional staff for that task. Since a nonprofit organization is saddled with limited resources, existing staff could be trained to wear multiple hats that enhance the level of segregation of duties and mitigate the effects of the scared resources.

The perpetrators of fraud in this study mostly operated in an environment where segregation of duties was lacking. Three out of seven (43%) of the participants reported fraud happening in their organization, and they attributed the lack of segregation of duties as the cause of the fraud, which is a failure of internal controls. Participant 5 indicated that his organization had the accountant performing many functions without oversight. The accountant was preparing the deposit, making the deposit, and was recording the transaction in the accounting system. Consequently, the accountant transferred money from the organization’s bank account without anybody’s knowledge. Since he was doing these incompatible duties, he managed to perpetuate the fraud for a long time. The lack of segregation of duties resulted in a $45,000 fraud.

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Another participant offered that an individual cannot have the responsibilities of custody and authorization. Having those functions in one hand weakens the internal control system, which can lead to the perpetration of fraud. Segregation of duties is essential if there should be a strong internal control. An individual cannot have the responsibility of checks and also, do all the accounting work. Due to the inadequacy of segregation of duties, there were no checks and balances because the entire board members resigned. The president of the board became solely responsible for running the organization with no accountability. Eventually, the president misappropriated $10,000. Fraud does occur when there is an opportunity. The president of the board had the opportunity to approve all transactions and recorded the transactions in the accounting system.

Other participants responded that since resources are limited to bring in additional staff, outsourcing of accounting functions is used to establish segregation of duties. Participant 2 stated that though the organization did not have accounting staff, yet the organization was mindful of practicing segregation of duties. The organization employed the services of a Certified Public Accountant (CPA) who prepares the accounts, and another separate CPA firm to perform the audit. There was also a treasurer on the board who prepared quarterly treasurer's reports to augment the monthly financial reports of the CPA. Additionally, any expenditure that was paid by the CPA was signed off by a staff person to guarantee authorization of that expense.

Q2. How do nonprofit organization leaders describe their role in implementing internal controls to prevent or minimize fraud from occurring in organizations?

The four main themes that emerged from the interview data described the participants' advocacy for the implementation of internal controls based upon their professional experiences and the fiducial responsibility. They wanted to ensure that the organization they are leading do

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the right thing, and also, to protect the interest of the organization. All the participants interviewed consented that their organizations have some level of internal controls, and their quest was to make the system of controls better. As shown in Table 4, the four main themes that emerged from the interview data encompasses the adequacy of internal controls, internal control weakness, board diversity and effectiveness, and board training. Each of the four themes that emerged is discussed below the table.

Table 4

Themes describing organizations leaders' role in implementing internal controls

Question	Q2. How do nonprofit organization leaders describe their role in implementing internal controls to prevent or minimize fraud from occurring in organization?			
Themes (4)	Adequacy of internal controls	Internal control weakness detection	Board diversity and board effectiveness	Detection of occupational fraud

Adequacy of internal controls. The leaders of various organizations that were interviewed described their roles in implementing and improving the existing level of internal controls when they took over the position they are occupying or occupied.

Some of the leaders interviewed asserted that the level of internal controls of their organizations was adequate. In contrast, others thought that their systems have improved over the years but still need ongoing improvement. Participant 1 explained that the entire financial accounting area was revamped because the controls were inadequate. Due to the inadequate controls, the organization lost $50,000 related fraud activity. More controls were instituted to make the controls better. Again, to bring on more people has to be weighed against the volume of work available for the added employee to do, whether that is worth the investment.

Another participant responded that his organization has adequate internal controls. He expanded on the control environment, risk assessment, control activities, information and

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communication, and monitoring as the guiding principle in strengthening internal controls. Control activities are establishing the responsibilities of each task in the organizational structure. Control activities also include restricting access, creating policies, and establishing how to record things. Information and communication are establishing the information system and how to track lines of communication. Monitoring must be carried out consistently because management cannot assume people are doing what they are supposed to do.

Participant 6 indicated that his organization is enriched in the compliance area, yet further internal control policies were implemented to achieve organizational objectives. The structure for controls is there, and risk is assessed from top to bottom. Employees are evaluated for their proper role. An ethics hotline was established to encourage employees to report fraud anonymously. A routine and corrective tracking process to ensure that the controls are working was implemented. There is routine tracking of the staff. This is necessary since even strong controls do not always work and must be assessed for improvement.

Several participants answered that inadequate internal controls could have serious consequences for the nonprofit organization. The organization can lose the trust of the public that could result in fundraising challenges and could even jeopardize the nonprofit status of the organization. Management and the board of directors should respect internal controls, financial integrity, and legal compliance. The lack of adequate internal controls can cause an organization to lose its 501(C) 3 status, and even members can face jail time when there is misappropriation.

Participant 2 responded that the adequacy of internal controls extends to informing the board of directors about the dealings of the organization by providing to the board financial statements, audited financial reports, and legal documents for approval. When management failed to provide financial statements to the board of directors, then the board cannot do a proper

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review, and that leaves the organization vulnerable. She further indicated that the organization's financial statements are shared with the entire board for review and approval, and the board also approves the yearly budget as well as the audit reports. The best practice is to share financial reports with the board, and this information flow deepens the integrity of the internal controls.

Another participant also responded to the question reiterating that when he took over the position as a treasurer, the internal control was not adequate. The constitution of the association allowed the treasurer to have custody of checks and also to prepare the accounting. He also said the board was voluntary, and it was always difficult to get board members to do what they were supposed to do, which can jeopardize the procedures and internal controls. However, with changes introduced, the board became more accountable to the members in providing information to the members whenever they asked for that information that led to improved internal controls.

Internal control weakness and detection. An effective internal control system is vital to allow an organization to generate records and produce financial reports that adhere to generally accepted accounting principles (Kanagaretnam et al., 2016). An effective internal control system protects against the issuance of misstatement of a company's financial statements (Kanagaretnam et al., 2016). When the internal control systems instituted by the organization is not operating as intended, the internal control is weak or deficient. Internal control deficiency is when the design or operation of a control does not allow management or employees to prevent or detect misstatements on a timely basis in the normal discharge of responsibilities (Kanagaretnam et al., 2016). Participants were asked to describe their roles in identifying material weakness in internal control and the mitigations they will employ to resolve such control weaknesses. The interview

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data gathered indicated that five out of seven (71%) had experienced material weakness in their internal controls.

Participant 3 noted that internal control weakness is a problem because of the negative effect on an organization's operations. The lack of policy around the usage of equipment led to the organization acquiring various equipment which became shinning objects that attracted huge maintenance cost draining the scare resources of the organization. These limited resources could have been used in providing program services and promote the objectives of the organization.

For some participants, the weakness in their internal controls was the consequence of the lack of segregation of duties. The organization became vulnerable, and the internal control was weakened due to the mass resignation of the organization's board, who was overseeing the running of the association that allowed the entire operations of the association under the president's domain. The fact that the association's bylaws allowed the treasurer to have the ability to record, process checks, and keep the books as well was also a weakness in the internal controls.

Another participant noted that care must be taken not to present financial reports to the organization's board with material weakness because professionally, that will undermine the presenter's standing with the board. Yes, if for no other reason, there is a professional embarrassment when an organization's internal control is fraught with weakness. The organization did things well enough that there was no material weakness. When auditors provide a management letter, the recommendations were evaluated, and corrective actions implemented when needed.

Several participants enumerated the actions they undertook to address internal control weaknesses that they experienced in their organizations. Internal control weaknesses were

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addressed by making sure that the organization follows documented policies like procurement policy. Others introduced new control measures to improve the existing policies to address the identified weakness. Additionally, the board of directors is informed quarterly about the financial standing of the organization to ensure that spending is according to the approved budget. Other strategies include hiring qualified people to perform their tasks well.

Participant 7 indicated that rooting out weaknesses is quite a challenge due to the nature of the organization. The organization is a volunteer organization that does not have staff, and board members do all the work. So inherently, there is some risk associated with that because there are not separate staff that is managing the operations and finances, which is then overseen by a governing body. The board must have the appropriate skill and knowledge to manage such an organization.

Another respondent said that the organization reposed too much trust in the accountant, who could do the deposits and withdrawals. The accountant was a signer to the accounts due to demands from the bank that to deposit large sums of money, that individual's name should be on the account. Adding the accountant's name was a substantial internal control weakness. The accountant used that opportunity to change the address on the bank statements and directed the statements to his house. For a period, the leadership was not receiving bank statements, and the accountant eventually withdrew about $45,000 from the accounts to his account.

One participant reiterated that insufficient policy could lead to control weakness. Such a situation calls for immediate actions to put in place mitigating measures to address the weakness. She elaborated that there was a weakness in the organization's system because there was no policy around when to deposit cash after fund raising. After one such event, the president drove around with a significant amount of cash raised without depositing it. That money could have

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been lost, which would have been a major setback for the organization. The organization immediately formulated a new policy to deposit all funds raised within 48 hours following the event. Another mitigation strategy of internal control weakness is for all the board members to attend workshops and training simultaneously that equips them to identify weaknesses in the control system.

Most participants identified collaboration between management and board of directors as a means of resolving internal control weakness. They also mentioned that having experienced board members could help curtail control weaknesses. There should be an executive committee that not only reviews but creates and collaborates with management to be vigilant about maintaining those internal controls. The board should consist of people with much experience and have better collaboration between board members and management to mitigate control weakness mitigation.

Another participant responded that his organization had not experienced internal control weakness, and efforts are made to ensure that the internal controls instituted are working and every effort taken to avoid control weaknesses from happening. Internal control weakness is evaluated through the prism of the components of internal controls that consists of the control environment, risk assessment, control activities, information and communication, and monitoring. The existence of internal control weakness could affect the organization and create the perception that upper management is not in touch with the workflow, which can lead to fraud. The leadership has instituted weekly management, staff, and monthly directors' meetings to address internal control weakness.

Board diversity and board effectiveness. Bernstein et al. (2015), posited that board governance deals with internal and external activities, which comprise of strategic planning and

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financial oversight. Prior research indicates that board governance is key to organizational effectiveness, and as such, there are greater demands by stakeholders for nonprofit organizations to demonstrate greater effectiveness (Bernstein et al., 2015; Jaskyte, 2015). Having a strong board is important for nonprofit organizations (Northrop, 2018). Good governance is key to developing policies that will protect organizational assets and prevent fraud from becoming prevalent. The board of directors is to take leadership and execute their fiduciary responsibilities in helping the organization to achieve its objectives. Participants were asked to offer their perspectives on board diversity and whether that improves board effectiveness. The consensus from the participants, about 86%, is that board diversity is a good thing to have, which can improve board effectiveness.

One participant's perspective was that their board is diversified because the organization serves the community and, therefore, the board should represent the community. The organization's board members, by the bylaws of the organization, must have an interest in the community, either live in the community, have property or do business in the community. The organization looks at diversity from a different perspective, which includes people in all areas who support the community.

Several participants commented that diversity is great to have because diversity brings to the table different professional experiences, skill set, and cultural perspective that shapes policy. The diversity of the board helps the organization to have unique ideas. Members can share their skills based on their work experiences and their exposure to a plethora of cultures. Diversity brings about high morale and productivity. The organization tries to be ethnically diverse, gender balance, and skill-based. Different professions like CPAs, attorneys, commercial real estate brokers, and businesspeople are recruited to be on the board. The organization has a goal to have

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a balance and all kinds of opinions and ideas on the board. Participant 2 asserted that the board members of the organization are very effective, some more than others. The diversity on the board has increase effectiveness because of the different ideas they bring to the table.

Another participant said racially, the organization was not diverse as well as in age, but there was gender diversity. The makeup of the board was about half male and half female. However, everybody on the board was black. The members were diverse in their experience. Some people work with corporate accountants, some worked in public firms, big and small, and others were self-employed. The age range was not diverse per se, but members were generally the same age within probably six to eight years of each other age.

Participant 7 indicated that having board diversity could lead to board effectiveness because of the experiences, perspectives, and knowledge they bring to the organization. Board effectiveness is the board's ability to perform their duties and assist the organization in achieving its objectives. Diversity on the board is important because people with different backgrounds provide different types of feedback when making decisions as a governing body. Board diversity improved board effectiveness because board members had different experiences that contributed to the success of the board.

Other participants emphasized that their board is quite diverse and effective, but they attributed the effectiveness of their board to the board members' interest and commitment to the organization's mission. The effectiveness of the board cannot be linked to its diversity. The board of directors came from a wide variety of backgrounds, which encompasses gender, race, age, and profession. The board's effectiveness is attributed to the board's involvement in the organization, and they advocate for the organization's mission and takes an interest in advancing the mission. However, diversity is a good mix for the organization that could not be used as the

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sole determining factor in improving board effectiveness.

One participant said his organization's board was not diversified. The board was 100 percent Caucasians and women. The board was not effective, not because of the lack of diversity, but due to non-continuity for the principal officeholders. The makeup of the board was 100 percent Caucasians and women. However, the board was reasonably reflective of the membership who were predominantly female but ethnically was not indicative of the profession. The board was not very effective because turnover in the board leadership was very high. Often someone has to be on the board for about four years before appointed to become a secretary, president, or finance committee chair, and in two years, when she has become astute has to leave the board. This turnover became cyclical, which handicapped the organization from institutional knowledge.

Another participant said his board is not diverse but very effective in making decisions and enforcing recommended financial integrity guidelines that are provided by the Finance Board and the Internal Audit Committee. Additionally, board effectiveness is viewed from the board's involvement in the community. Participant 4 said their board is very effective because the community sees the board as representing them and offers the organization the needed support regarding the projects they pursue.

Detection of Organizational fraud. Participants were asked to share their experiences with organizational fraud and how these fraudulent activities were detected. About three of seven (43%) of the participants acknowledged that fraud had occurred in their organization, while about 57% answered no fraud occurred. Participant 4 reiterated, three people, oversee the organization's expenditure approving process, which makes it difficult for someone to engage in fraud. Participant 3 also stipulated, there is a constant review of bank balance and monthly

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reconciliation. A third person always opens the bank statement before handing the statement over to the accountant. Participant 6 said he takes a pessimistic overview in other to give a perception that he is watching over operations, and that has created an environment where everybody is careful.

One participant shared his extensive professional experience with fraud. The type of fraud that occurs include financial reporting fraud and misappropriation of assets. Many types of fraud occur that people do not necessarily label as fraud, but they are a fraud. Participant 7 indicated that in his organization, there was a lack of accountability, which allowed the president to misappropriate $10,000. Fraud that occurs could be attributed to the policies and procedures, tone at the top, and culture of the organization. If things are kind of loose and people do not need to follow standard procedures to do things, and if they perceive that no one is paying attention to what they are doing, then that creates a culture of lack of accountability and a lack of proper review. When there is a strong set of policies and procedures, and the management of the organization appears to be accountable to everyone else and also holding people accountable, then that reduces fraud.

Several participants described the detection of fraud in their organizations due to a change in position and not necessarily having fraud detection techniques. Participant 7 said the fraud committed by the president was detected after her term of office and when the financial records were reviewed. Another participant described his experience with fraud that took place in his organization. The leadership became suspicious and requested an investigation into the activities of the accountant. The investigation led to the detection of fraud. The organization was not receiving bank statements for months, so the bank was contacted as a follow up on the status of the account. The fraud was detected when the banker pulled the bank statement, and the

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organization realized unauthorized withdrawals of $45,000. The accountant was questioned, and he confirmed having made those unauthorized withdrawals.

Q3. How do nonprofit organization leaders describe their role in investing in internal controls that will curtail or prevent fraud? Two minor themes emanated from this question.

Table 5

Themes describing organizations' investment in internal controls

Question	Q3. How do nonprofit organization leaders describe their role in investing in internal controls that will curtail or prevent?	
Themes (2)	Making an investment in internal controls	Training of board members and staff

Making an investment in internal controls. Participants were asked about the willingness of their organization to establish robust internal controls and making the necessary investment in internal controls. Participant 3 said although his organization has proper internal controls, there can always be room for improvement; hence adept professionals will be involved if given the opportunity. The organization should continue to put in place proper measures for internal controls policies and procedures. One participant answered that investment in internal controls is essential, but that investment goes beyond money. The investment could be making time to get trained in appropriate internal controls for that type of organization. Participant 7 offered that there is a decent amount of willingness to invest in internal controls because members want to protect their professional reputation as well as the reputation of the organization.

Another participant emphasized making a recommendation to the board about the need to invest in internal controls, which could lead to strong controls. Investing in internal controls is very expensive, especially for a small nonprofit organization. However, that investment is

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necessary. Weak controls can lead to mistrust of the public when there is misappropriation, and legitimate funds could be left unspent due to inadequate vouchering.

One participant said he agreed on the need to invest in internal controls, but that should not be without in-depth analysis. Participant 1 said organizations should look at the cost-benefit analysis before bringing on an additional person. Resources are scares in a nonprofit organization. The potential loss should be assessed before making the necessary investment. Organizations can always do things better, but a compelling case or reason to add cost must be made before doing so. There are certainly nonprofits out there that may, regardless of the situation, not have the resources to invest more in internal controls. I will make the case to invest in internal controls, but that is contingent upon the risk and the resources available.

Participant 6 responded that investment in internal controls is made on an ongoing basis using technology, corporate compliance, and human resources. Some of the investments made are the installation of cameras to enhance monitoring, and the information technology department has restricted the use of the organization's computers regarding which site an employee can visit. Internal controls are costly, but making that investment is worth every penny. A participant answered that internal controls investment should be a top priority for the organization because of the benefits gleaned from such investment. Investing in internal controls is not only the right thing to do, but the consequences of not doing so could lead to illegal activities like fraud or misappropriation of funds. Leaders can go to jail if there is misappropriation, and the organization can lose the 501(c) 3 status. Besides, donors want to see a performance when they donate to an organization, and investing in internal controls will enhance that performance.

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Training of board members and staff. Most of the participants suggested that the training of board members is critical to ensure that the organization sets the right tone for internal controls. Participant 4 said board members should understand that they have a fiduciary responsibility and need to equip themselves to execute their duties. Participant 3 stated that management, as well as the board members, should attend refresher courses to keep them abreast of current best practices. Another participant suggested that the governing board many times, does not have the requisite knowledge about the operations, finances, and compliance issues of the organization. So, the board must strive to have the appropriate level of skill, experience, knowledge, and training. The staff should also undertake regular training to equip themselves, which will improve internal controls.

Similarly, other participants enumerated that having a cross-training of staff from other departments to do additional things could improve the segregation of duties without necessarily bringing on additional staff. Lastly, Participant 5 elaborated that the organization must employ staff with the knowledge and capacity to maintain accurate financial records and implement appropriate safeguards.

Professional organizational documents reviewed. Studies published by professional organizations including the ACFE (2018, 2016), AICPA (2014), BoardSource (2017), Institute of Internal Auditors (IIA, 2019), Mousa (2017), Nonprofit Business Advisor (2017), and Snyder et al. (2017) were analyzed to help answer the three research questions. The first question dealt with how nonprofit organization leaders describe their organization's internal control systems to prevent fraud. The documents reviewed from the AICPA and the IIA both detailed the importance of having policies and procedures that offer proper segregation of duties to mitigate the occurrence of fraud (AICPA, 2014; Mousa, 2017). Again, the evaluation of internal controls

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from the control environment, where the tone is set from the top, is also deliberated in a report published by the Institute of Internal Auditors (Mousa, 2017). Furthermore, having good governance, hiring competent auditors, and a good board that reviews and monitors the financial statements will help nonprofit organizations to avoid fraud (Nonprofit Business Advisor). Organizations should have strong internal controls to limit the risk of fraud (IIA, 2019).

The second question entails the description of a nonprofit organization leaders' role in implementing internal controls that will prevent or minimize fraud from occurring in organizations. Organizations should have strong independent board members with no financial interests but with the proper background needed to equip them to have an understanding of the organization to assist in the establishment of internal controls (Nonprofit Business Advisor, 2017). Furthermore, there should be suitable fraud prevention that allows effective limitation and prompt response to identify fraud and manage the situation (IIA, 2019). A study by BoardSource (2017) indicated that having the right board composition produces a higher performance, and the culture or tone set by the board affects the board's ability to carry out its work. The findings also reveal that board diversity had not changed over the two years when the study was done and that both chief executives and board presidents reported that their board's diversity is very important (BoardSource, 2017). Board members have fiduciary responsibilities to understand the organization's financial statements, reviewing, and approving budgets to protect the organization's assets (Barlow, 2016).

The third question considered the nonprofit organization leaders' role in investing in internal controls that will curtail or prevent fraud. Mousa (2017) reported that internal controls that are sufficient and appropriate are the strongest deterrent to fraudulent activity. ACFE (2018, 2016) study indicated that a robust system of anti-fraud controls which could either be a

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preventive or detective tools to fight against fraud. Additionally, the study asked survey respondents what they considered to be the primary internal control weakness that contributes to fraud. About 30% of the respondents attributed fraud occurrence to the lack of internal controls, and 19% assigned the cause to an override of the controls (ACFE, 2018). Organizations must invest in good financial accounting and auditing firms that can help detect any on-going fraud to minimize the financial and reputational costs to a minimum (Nonprofit Business Advisor, 2017).

Evaluation of the Findings

The results of this study intimated that the three categories of business leaders board leaders, executive directors, and chief financial officers play an important role in making sure the internal controls system in their organizations is established and working effectively. In this study, the participants provided a strong understanding of having adequate internal controls to protect the interest and assets of the organization. The result of the findings also revealed that strong board involvement can help set the tone for the organization. Some of the participants were of the view that board diversity improves board effectiveness, while others surmised that board effectiveness could not be directly attributable to board diversity. The findings were evaluated using the fraud theoretical and internal control frameworks. Lastly, they indicated that investing in internal controls is a good investment and costly.

Ten themes emanated from the interviews conducted with the seven nonprofit organizational leaders. The themes were policies and procedures, board participation and controls, roles and responsibilities, segregation of duties, adequacy of internal controls, internal controls weakness and detection, and board diversity and board effectiveness. The rest of the themes are the detection of occupational fraud, making an investment in internal controls, and training of board members and staff.

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Policies and procedures. Internal controls provide policies and procedures that an organization follows to achieve organizational set goals and to ensure that the financial statements issued to the public are the representation and the true reflection of the company's activities (Dickins & Fay, 2017; Hunziker, 2017; Kamaruddin & Ramli, 2017; Sanusi et al., 2015). The participants all responded that policies and procedures are crucial because that is the foundation of internal controls. They viewed internal controls as setting the tone to make sure that policies and procedures guide the operations of an organization, which is designed to offer checks and balances in the organization. The interview data collected was collaborated by document review. The interview data and the document review revealed that policies and procedures set the guidelines for organizations' internal controls. Participant 2 indicated that internal controls keep the organization honest. At the same time, Participant 6 elucidated that because policies and procedures set the guidelines for organizations' internal control, those policies and procedures must be approved by the board of directors before implementation.

Board participation and controls. The participants mentioned the importance of board members participating in the activities of the organization. Board members have fiduciary responsibilities to the organization to ensure that the objectives of the organization are achieved (Bernstein et al., 2015). The executive directors and chief financial officers also stressed the need to have board members participating fully in the organization. Board participation and controls will help set the tone for the organization. Board performance is strengthened in all areas of board responsibility when the board embraces its responsibility for continuous development and improvement (BoardSource, 2017). Board members participate in the review of financial statements, review and approve budgets and audits, and attend meetings as control measures (Participant 3). Prior research indicates that board governance is key to organizational

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effectiveness, and as such, there are greater demands by stakeholders for nonprofit organizations to demonstrate greater effectiveness (Bernstein et al., 2015; Jaskyte, 2015). Participant 1, however, had a view that though the board participates, "their reviews were not robust".

Roles and responsibilities. Describing their roles and responsibility for establishing internal controls and the detection of the internal control weakness as well as making the necessary investment in internal controls. The findings of the study revealed that leaders performing their roles in the organization would improve the internal controls. According to Dimitrijevic et al. (2015) management is responsible for establishing, maintaining, and monitoring of internal control structure that will help achieve an organization's goals. Board members delineated their roles into financial oversight and planning and making sure that the internal controls of their organizations are working. Participant 2 indicated that "my role is to set the tone at the top as executive director to promote good internal controls". The findings are consistent with a study that concluded board governance covers financial oversight, strategic planning, and community relations, and the board members understanding their roles could lead them to have a more significant impact on the internal and external board performance (BoardSource, 2017; Bernstein et al., 2015). Participant 6 reiterated that his role as a chief financial officer was to see to the implementation, assessment, and improvement of the organizations' internal controls.

Segregation of duties. The segregation of duties is a critical component of internal control under the control activities. Control activities deal with the policies and procedures established by management that ensures that the organization's objectives to manage risks are executed (COSO, 2013; Frazer, 2016). Participant 6 indicated that control activities are "establishing the responsibilities of each task and organizational structure, which involves

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restricting access, creating policies, and determining how the recording is done". Control activities also deal with activities like authorizations, approvals, verifications, reconciliations, performance reviews, segregation of duties, and safeguarding of assets (ACFE, 2018; Frazer, 2016). The interviewees all responded that segregation of duties is important to help curtail fraudulent activities. Furthermore, the study revealed that the perpetrators of fraud were performing conflicting duties, which led them to commit and concealed the fraud. Participant 1 pointed out that what impeded segregation of duties was lack of resources and whether the volume of work does require the hiring of additional staff. ACFE (2018) finds that the number of an organization's staff can directly affect the opportunity to commit fraud. One of the elements of the fraud triangle theory is opportunity, and the lack of segregation of duties provided those employees the opportunity to indulge in fraud. Participant 7 stipulated that the board president had the opportunity to embezzle funds because the rest of the board members resigned.

Adequacy of internal controls. There were mixed perspectives from the participants of the adequacy of internal controls in their organizations. Most contended that their organizations now have adequate controls after some due diligence, and stressed that management and the board of directors should respect proper internal controls, financial integrity, and legal compliance. Participant 2 offered, "I am shocked when I hear of another organization that the board has not seen financial statements in three years for the organization". The findings revealed that due to the lack of adequate internal controls, fraudulent activities occurred. Participant 1 said, "When I took over as the chief financial officer, basically there was no internal control, and fraud of $50,000 had occurred. The controls were poor. We revamped the whole financial accounting area". This outcome is consistent with a study that indicated that organizations sometimes suffered consequences for having inadequate controls that could allow

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fraud to occur (ACFE, 2016). The participants also describe the adequacy of internal controls through the prism of the elements of internal controls, which are control environment, control activities, risk assessment, information and communication, and monitoring. Participant 4 submitted that the lack of adequate internal controls could jeopardize the organizations' nonprofit legal status, which is the 501(C)3.

Internal control weakness and detection. Most participants, about 71%, mentioned experiencing internal control weakness in their organizations. The participants' listed the lack of policies contributed to the weakness and, in some cases, fraud. Another participant indicated that the idea of reporting financial statements with weakness is a professional embarrassment (Participant 1). The studies showed that internal control weakness detection could be achieved through risk assessment from top to bottom, hiring the right people to do the job, and developing policies to address the weakness or to augment existing policies. In a study by AFCE (2018, 2016), 30% and 29.3% of the respondents said the lack of internal controls constitute the most important organizational weakness. The same study also finds that lack of checks and balances, hiring of competent personnel, and the tone at the top, and management review were contributors of material weakness (AFCE, 2018, 2016). Participant 6 explained that the existence of internal control weakness creates the perception that management is not in touch with the workflow, which can lead to fraud. Some of the participants emphasized the need for the board to work collaboratively. Participant 4 said that the board and management working with better collaboration could help to mitigate internal weakness. This finding supported a BoardSource (2017) study, which shows both board chair and executive directors perceived a higher collaboration in the 90-percentile range.

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Board diversity and board effectiveness. Board diversity is a major component of board governance. The participants talked about the importance of board diversity. They surmised that diversity of the board helps an organization to have unique ideas, unique cultural backgrounds, sharing of different skills, and work experiences. Board diversity brings about high morale and productivity. The consensus from the participants, about 86%, said that board diversity is a good thing to have, which can improve board effectiveness. However, Participant 6 had an opinion that though diversity is a good mix, that is not the sole determinant of board effectiveness. The study also pointed out that some organizations had no diversity because of the make-up of their organizations. In a study, about 79% of chief executives interviewed said that increasing racial and ethnic diversity is important that could increase their organization's mission success (BoardSource, 2017).

Detection of occupational fraud. Occupational fraud is a fraud committed against the organization by either employees, officers, or owners of the organization, classified into three main types, namely corruption, asset misappropriation, and fraudulent financial reporting (ACFE, 2016). Fraud is not unique to a particular industry. Fraud occurs in public and privately-owned businesses, as well as nonprofit organizations (ACFE, 2018, 2016). The cost of fraud to nonprofit organizations is about 5% of total revenue (ACFE, 2016). The study finds that the organizations detected losses perpetrated by employees and even a board member. Participant 5 reported a fraud to the tune of $45,000 in his organization. A prior study suggested that fraud prevention measures such as anti-fraud training, fraud reporting mechanism, management climate, employees' perception of detection, and management tone are necessary to fight fraud (ACFE, 2018). The study showed that the detection of fraud occurred when there was a change in positions and, in one case, through investigation but not through any anti-fraud measures.

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Participant 7 elaborated that the tone at the top and the culture of the organization are essential in fraud prevention. Additionally, the same participant said that when things are loose, and people do not follow standard procedures, the perception created is that no one is paying attention, which creates a culture of lack of accountability and proper review.

Making investment in internal controls. Strong internal controls suggest that there is a smooth running of operations. All the participants mentioned the need to invest in internal controls, even though for a nonprofit organization, that is expenses. There are always changes to the environment and objectives of an organization that should cause evaluation and investment of a business's internal controls (Snyder et al., 2017). Participant 1 indicated that resources are limited, and cost-benefit analysis should be done before investment occurs. Participant 7 said investment in internal controls is not always money; instead, an investment could be time to get trained and learn the proper set of internal controls for that organization. Also, outsourcing accounting work to a fiscal agency is another means of investing in internal controls. In a study, 42% of executive responded that investing in social time for board members present an opportunity to deepen engagement and commitment (BoardSource, 2017). Another study indicated that measuring fraud prevention due to investment in control initiative is nearly impossible (AFCE, 2018).

Training of board members and staff. Board members must understand that they have a fiduciary responsibility, and to do that well, they need to equip themselves through training. Participant 7 indicated that board members many at times does not have the requisite knowledge about the operations, finances, compliances, and the like of the organization. Training will provide them with the requisite level of skill, knowledge, and experience. Staff with the appropriate qualifications should be recruited, and cross-training of staff from other departments

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could be used to enhance the segregation of duties. In a study, 51% of respondents associated fraud training for employees, managers, and executives as the anti-fraud control measure they will use to mitigate fraud (AFCE, 2018).

Summary

The study was designed to explore the perception of nonprofit organization leaders in the Chicago Metropolitan area on a comparative case study of internal controls and the impact of fraud on nonprofit organizations. All participants shared their experiences and roles and responsibilities regarding internal controls, the level of their organization's internal controls, weaknesses, and fraud that occurred in their organizations. Ten themes emanated from this comparative case study based on three main questions. The results showed that participants were cognizant of the importance of having internal controls and their role and responsibilities in ensuring that there are adequate internal controls. The leaders stressed the need to implement segregation of duties as a tool to prevent fraud from occurring, and as a sign, indicative of proper internal controls. Additionally, the participants described the consequence of internal control weakness. The interviewees' assigned lack of policies contributed to the weakness and, in some cases, fraud. Again, the idea of reporting financial statements with weakness is a professional embarrassment, which must be avoided. Further, nonprofit leaders in this study described the significance of having board diversity, which in some cases can lead to board effectiveness. However, others thought that board diversity is good, but that could not be the sole determinant for board effectiveness.

Some of the participants indicated that their organizations detected losses perpetrated by employees and even a board member. The detection of fraud occurred when there was a change in positions and, in one case, through investigation. They also expanded on the need to invest in

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internal controls, which is costly. Finally, the participants described the need to train board members and staff to help them attain the requisite level of skills, knowledge, and experience. Interview data and the documents reviewed indicated that internal controls are needed in the nonprofit organization, notwithstanding the cost, and that investment and training of leadership are essential. The study shared light on the roles of nonprofit board leaders, executive directors, and financial officers of the need to promote internal controls to prevent occupational fraud. Findings from this study should be beneficial to nonprofit board leadership, executive directors, and financial offers about the value of internal controls and the necessity of making the investment needed to prevent fraud.

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Chapter 5: Implications, Recommendations, and Conclusions

Nonprofit organizations are growing and have become a more significant force in the economy of the United States (Jaskyte, 2015; Synder et al., 2017). However, the issue of fraud is still prevalent and its occurrence well-documented in the nonprofit sector (Archambeault et al., 2015; Greenlee et al., 2007; Lauck & Brozovsky, 2018). Harris et al. (2017) reported that one-sixth of all reported embezzlement is associated with the nonprofit organization. Nonprofit fraud has gained attention, yet the sector is understudied regarding internal controls and fraud (Synder et al., 2017). Most nonprofits raise revenue from the public and the philanthropic community; fraud impedes the fundraising efforts of the nonprofit organizations (Lauck & Brozobsky, 2018). There are increasing demands by donors that nonprofit organizations manage the resources raised effectively and efficiently (Greiling & Stotzer, 2016). However, fraud occurrence continues to deprive organizations of the resources needed to execute their objectives.

Fraud can have a material and long-term adverse effect on a nonprofit's ability to raise funds (Lauck & Brozobsky, 2018; Lofland, 2012). Globally, about 70% of businesses reported at least one fraud (Gates et al., 2016; McCabe, 2018). Nonprofits organizations are not immune from fraudulent activities (Archambeault et al., 2015; Harris et al., 2017). Numerous studies have examined the lack of internal controls in nonprofit organizations as a factor leading to fraud (Archambeault & Webber, 2018; Dimitrijevic et al., 2015; Murphy & Free, 2016). The need to undertake this research study emanated from a study suggested by Harris et al. (2017) about actions a charity could take, like improved controls, to restore trust after fraud. Furthermore, other studies had found that the lack of basic internal controls within nonprofit organizations usually leads to fraud (Lauck & Brozobsky, 2018; Tysiac, 2013). The specific problem addressed in this study was that internal controls protect organizational property and promote efficiency,

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but internal controls are lacking in nonprofit organizations (Archambeault & Webber, 2018; Dimitrijevic et al., 2015; Murphy & Free, 2016). The goal was to find the perspective of nonprofit leaders regarding internal controls and the willingness to invest in internal controls. The leaders included executive directors, board treasurer, and secretary, and chief financial officers.

The purpose of this qualitative case study was to explore the lack of internal control systems in nonprofit organizations in the Chicago Metropolitan Area. Dimitrijevic, Milovanovic, and Stancic (2015) posited that the risk of fraudulent activities could be minimized through the implementation of adequate internal controls. Methods employed included informal face-to-face, open-ended semi-structured interviews, and document review. The leaders of nonprofit organizations that participated in the study were able to express in their own words the importance of internal controls, the cost of internal control weakness, and the necessity of making the needed investment in internal control. A purposive sampling of seven individuals made up of two executive directors, two board presidents or finance committee chairs, and three chief financial officers or comptrollers were recruited from the Chicago Metropolitan area to address the research questions.

After the approval from the Institutional Review Board at the Northcentral University, data was collected and analyzed using the approved methodology and within the ethical practices. All participants signed the informed consent form when they agreed to participate in the study (see Appendix C). Pseudonyms were used to report the confidentiality of participants. The data collected is securely stored in a safe cabinet. The primary limitations were the challenge of getting potential participants agreeing to be part of the study due to the study's sensitivity, which dealt with internal controls and the possibility that leaders might be aware of potential

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fraud. Another limitation is that this study was conducted in the Chicago Metropolitan Area, and the study results might not be transferable. The remainder of this chapter will encompass a discussion of the implications of the study, recommendations, and conclusions. The implications section will consist of the study limitations and the impact on the interpretations of the results. How the results address the study problem and the alignment of the problem with the purpose statement. The section also addresses the significance the study contributes to existing literature and offer practical benefit for leaders on nonprofit organizations. Lastly, the recommendations section offers the practical applications of the study and recommendations for future research. The chapter concludes with a summary that highlights the significant points of the study.

Implications

In this study, a total of 10 themes (made up of eight major themes and two minor themes) emerged from this comparative case study based on the three central questions. The themes emanated from the responses from the leaders of nonprofit organizations that consist of a board secretary and treasurer, executive directors, and chief financial officers. The research questions were designed to glean from nonprofit leaders their view of internal controls as a tool to prevent fraud from occurring in the nonprofit organization and the investment they should make. The major themes were policies and procedures, board participation and controls, roles and responsibilities, segregation of duties, adequacy of internal controls, internal controls weakness and detection, detection of occupational fraud, and board diversity and board effectiveness. The rest of the themes were investing in internal controls, and training of board members and staff. The first research question was as follows:

Q1. How do nonprofit organization leaders describe their organization's internal control systems to prevent fraud?

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The leaders of the nonprofit organizations mentioned that internal controls are the policies and procedures that an organization follows to achieved organizational set goals. The finding is consistent with previous studies that emphasized similar conclusion that internal controls allow businesses to achieve set goals and to ensure that the financial statements issued to the public are the representation and the true reflection of the company's activities (Dickins & Fay, 2017; Hunziker, 2017; Kamaruddin & Ramli, 2017; Sanusi et al., 2015). That is, policies and procedures ensure that the organization institute directions regarding acceptable ways of doing things. Ultimately, such policies will allow an organization to produce an accurate and fair financial statement and also to insulate the organization from being a victim of fraud. The participants all responded that policies and procedures are crucial because that is the foundation of internal controls, which help the organization protect assets and prevent fraud. The finding is similar to studies that management creates effective policies and procedures to ensure that the organization can achieve its mission to prevent and detect fraud (Dimitrijevic et al., 2015; Murphy, 2015).

The interview data and the document review revealed that policies and procedures set the guidelines for organizations' internal controls. The study reveals that leaders of an organization take an interest in establishing proper policies and procedures to deal with problems that have surfaced in the organization. This finding is consistent with several studies that concluded that policies and procedures set the tone for the organization (Dimitrijevic et al., 2015; Murphy, 2015). The participants in the study also elucidated that policies and procedures keep the organization honest and promote efficiency. Internal controls promote efficient use of the organization's assets, monitoring corporate policies, and providing reasonable assurance of the reliability of the financial statements (Dickins & Fay, 2017; Hunziker, 2017; Kamaruddin &

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Ramli, 2017; Widyaningsih, 2015; Wilson et al., 2014). This implies that nonprofit leaders should have appreciation of establishing policies and procedures that form the basis of internal controls to protect organizational assets.

The study results indicated that nonprofit organizations thrive when board members participate in their organization's activities through attending meetings and reviewing financial and audit reports. Board participation also encompasses approving budgets and other major undertakings, and the participation gives the board a level of control over the organization. This finding was consistent with other studies, which showed that organization's board have the power to make or ratify decision about significant projects, like an investment and board governance, financial management, resource procurement, and strategic planning (Chen et al., 2017; Cumberland et al., 2015). Furthermore, the study revealed that participants agreed that board members have fiduciary responsibilities to promote the organization's objectives. This finding was similar to a study in that board members have fiduciary responsibilities to the organization to ensure that the organization achieves its objectives (Bernstein et al., 2015). Board participation and controls will help set the tone for the organization, leading to a good governance. Prior research indicates that board governance is key to organizational effectiveness, and as such, stakeholders have greater demands for nonprofit organizations to demonstrate greater effectiveness (Bernstein et al., 2015; Jaskyte, 2015).

Additionally, Lauck and Brozovsky (2018) found that a negative correlation exists between good board governance and the occurrence of fraud. The study results indicated that the reviews from nonprofit board members are not robust, and often board members review is superficial. However, some participants responded that board members participated actively and were interested in ensuring effective internal controls primarily because members by profession

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were accountants and auditors. Those members were cognizant of their professional reputation and were prepared to discharge their responsibilities efficiently. This implies that board members should discharge their fiduciary responsibilities well and strategically help the organization to achieve its objectives.

Describing their roles and responsibilities regarding establishing internal controls and the detection of internal controls weakness, the respondents elucidated that organizational leaders performing their roles could lead to internal controls improvement. This finding is consistent with a previous study that indicates that the board of directors plays a vital role in organizations' decision-making systems (Klepczarek, 2017). Stakeholders of an organization look to the leadership for directions and create an environment that will help the organization achieve its objectives and protect the organization's assets. Roles are seen from different perspectives. Management and the board should work collaboratively to enhance the internal control system. Such collaboration encompasses management making recommendations to board members to adopt policies and procedures that institute controls for the organization. This finding supported a BoardSource (2017) study, which shows both board chair and executive directors perceived a higher collaboration in the 90-percentile range. The study results also indicated that the board's fiduciary responsibilities extend to strategic planning, financial oversight, and assisting the organization to achieve its objectives. The findings are consistent with a study that concluded board governance covers financial oversight, strategic planning, and community relations, and the board members understanding their roles could lead them to have a greater impact on the internal and external board performance (BoardSource, 2017; Bernstein et al., 2015).

Additionally, Morrison (2016) discussed the fiduciary responsibilities of board members to include the duty of care, duty of loyalty, and enforcement of policies. Most leaders talked

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about setting the right tone for the organization to thrive. The tone reflects the control environment of a business, which reveals management's philosophy and attitudes and allows staff to obey approved standards. The control environment sets the tone for how the organization operates and whether major controls will be in place to prevent fraud (Ayagre & Aidoo-Buameh, 2017; Lui, Wright, & Wu, 2015; Mousa, 2017). The implication for accounting practice is that nonprofit leaders' lack of understanding of their roles and responsibilities will affect their abilities, which may harm the organization. Conflicts between management and board members can ensue when there is a misunderstanding of roles and responsibilities.

Interview data showed that participants described the importance of having segregation of duties to prevent fraud from occurring. In this study, the perpetrators of fraud mostly operated in an environment where segregation of duties was lacking. The data indicated that 43% of the participants reported fraud happening in their organization, and they attributed the lack of segregation of duties as the cause of the fraud, which is a failure of internal controls. This finding is consistent with several studies that indicated the lack of segregation of duties led to fraud (Bukley, 2016; Frazer, 2016; Murphy, 2015). The study results revealed that instituting control activities, like recording and having custody of assets, are essential to make the control system work effectively. Control activities deal with the policies and procedures established by management to ensure that the organization achieves its objectives to manage risks (Ayam, 2015; Appiah, 2015; COSO, 2013; Frazer, 2016). Similarly, previous studies surmised that control activities like authorizations, approvals, verifications, reconciliations, performance reviews, segregation of duties, and safeguarding of assets help to reduce theft and pilferages (ACFE, 2018; Appiah, 2015; Frazer, 2016). The study's findings stipulated that segregation of duties could be outsourced when the organization does not have the resources to bring on additional

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staff to handle different activities. There is always a cost-benefit analysis that goes into improving internal controls. What impeded greater segregation of duties was the lack of resources and whether the volume of work does require the hiring of additional staff for that task. Murphy (2015) in a study also suggested that an organization with fewer employees could outsource the segregation of duties to an outside accountant. The segregation of duties ensures that the organization's assets are protected and prevent fraud from being perpetuated. Though segregation of duties helps prevents the burgeoning of fraud practices, employees can collide to circumvent the system (Frazer, 2016; Murphy, 2015). The implication for accounting practice is that the lack of segregation of duties often results in fraud; therefore, management should aim at improving control activities.

Q2. How do nonprofit organization leaders describe their role in implementing internal controls to prevent or minimize fraud from occurring in organizations?

Interview data showed that nonprofit organization leaders concluded that having internal controls is good for the organization, but inadequate internal controls can cause problems for the organization. There will always be room to improve on internal controls, but inadequate internal controls will create opportunities for people to engage in fraud. This finding is consistent with a study that stipulated that firms with inadequate internal controls are likely to report financial losses (Chen et al., 2017). There was evidence that due to the lack of adequate controls, some organizations experienced fraudulent activities. This finding was consistent that indicated that organizations sometimes suffered consequences for having inadequate controls that could allow fraud to permeate through the organization (ACFE, 2016). The participants also identified other repercussions like losing donors' support and jeopardizing the nonprofit status of the organization when the lack of adequate internal controls resulted in fraud. The interview data

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reviewed that the adequacy of internal control is evaluated from the perspective of the internal control elements, which encompasses control environment, control activities, risk assessment, information and communication, and monitoring. The participants stressed the need for management and the board of directors to adhere to the instituted internal controls, financial integrity, and compliance issues. There is a study finding that suggested that strong internal controls are deterrent to management from committing fraud. However, in the same study, an argument was made that there is no association between strong controls and fraud, because management can override controls (Donelson et al., 2017). The implication for accounting practices is that having inadequate internal controls poses much of the same problems as not having internal controls. The consequences of inadequate controls can lead to control deficiencies and, possibly, fraud. As indicated in the literature review, firms with internal control problems are likely to report financial losses (Chen et al., 2017).

Besides the inadequacy of internal controls, 71% of the leaders that participated in the study claimed that they had experienced internal control weakness in their organization. The results revealed that internal controls weakness affect the integrity of the financial records, and presenters of financial statements should be conscious of not presenting financial statements with weakness because that could lead to professional embarrassment. Internal control weakness impedes the organization's effort to achieve its objectives and negatively affects the organization's operations. Moreover, internal control weakness is the indication and acknowledgment of the inadequacy of the internal controls. This finding is consistent with the literature review, which indicated that 30% and 29% of respondents concluded that the lack of internal controls constituted the most important organizational weakness (ACFE, 2018, 2016). The interview data also reviewed that the absence of strong board governance can contribute to

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the material weakness and lead to fraud. The tone setup by leadership creates the control environment. In the literature review, control environment sets the tone for how the organization operates and whether major controls will be in place to prevent fraud, and a poor tone at the top will likely lead to corruption and financial statement fraud (ACFE, 2018; Ayagre & Aidoo-Buameh, 2017; Lui, Wright, & Wu, 2015). More often, the board of nonprofit organization lacks the appropriate skills and knowledge to help manage and direct the organization. The findings suggest that the organization's board, at times, repose too much confidence in management and accept reports presented to them at face value instead of critically examining those reports. This finding is supported by a recent study that showed a significant negative association between board independence and the disclosure of internal control weaknesses (Chen et al., 2017).

The existence of internal control weakness gives the impression that upper management is out of touch with the workflow, allowing people to do what they like that undermines the internal control system. The study data showed that internal control weakness could be detected by undertaking a thorough risk assessment from top to bottom of the organization. Another way of detecting internal control weakness is having qualified and competent personnel performs their tasks well, and to provide adequate checks and balances to ensure that documented policies and procedures are followed. Additionally, board members collaborating with management could help in identifying solutions to internal control weaknesses. Furthermore, an experienced board equipping themselves by attending workshops and training could help them identify the system's control weaknesses. The implication for accounting practices is that leaders of nonprofit organization should not abdicate their responsibility of creating an internal control environment that will set a tone of accountability to protect the organization's assets and to help prevent fraud. The occurrence of fraud hinges on the fraud factors, which are opportunity, pressure, and

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rationalization (Addullahi & Mansor, 2015; Hermanson & Wolfe, 2004; Yusof & Lai, 2014). A strong control environment limits internal control weakness and the opportunity for fraudulent activities.

The study results indicated that 86% of the nonprofit leaders interviewed posited that board diversity is good, which can improve board effectiveness and brings about high morale and productivity. A similar study showed that about 79% of chief executives revealed that racial and ethnic diversity could improve the success of the organization's mission (BoardSource, 2017). However, the study's finding was incongruent with a study, which concluded that too much diversity on a board membership could impede progress (Jaskyte, 2015). Furthermore, the study findings showed that board diversity is important because diversity allows the board to have unique cultural backgrounds and ideas, different work experiences, and diverse skill set. As indicated in the literature review in this study, promoting board diversity has the lure to attract the best available talents (Hafsi & Turgut, 2013).

Another finding of the study is that though board diversity is important, its effectiveness could not directly be linked to board diversity. This finding confirms previous studies about board diversity and board effectiveness that find that there is no consensus that board diversity is a source of board effectiveness (Taljaard et al., 2015; Sur, 2014). The effectiveness of the board was attributable to board members' interest and commitment to help the organization achieve its objectives. Board diversity is a good mix to have, but diversity is not the sole determinant of board effectiveness. The implication for accounting practices is that board effectiveness is important; however, there is no consensus that board diversity is a major contributing factor to effectiveness. Board diversity enhances board deliberations and performance because of the different opinions they offer. Nonprofit leaders should endeavor to promote board diversity,

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encompassing age, ethnicity, professionalism, and gender, as indicated by other researchers (Pechersky, 2016; Perrault, 2015; Terjesen et al., 2016).

The study results showed that 43% of the participants responded that fraud had occurred in their organization, and the fraud involved the theft of cash. This is confirmed by another study that indicated the theft of cash as one of the fraudulent practices that affect nonprofit organizations (Applegate, 2019). Additionally, the study participants indicated that a constant review of financial and bank records is a conduit to stop fraud from occurring. Taking a pessimistic overview in an organization by leaders, creates an awareness that management is watching over the operations. Such an environment reduces the risk of fraud occurring in an organization. The causes of fraud based on the study results, encompass lack of accountability, the tone at the top, culture of the organization, and the lack of policies and procedures. This finding was consistent with a study where management and boards set the tone for the organization to prevent and detect fraud (Murphy, 2015). None of the leaders had in place strategies designed to detect fraud. In the study, the detection of fraud was mainly due to the change in leadership. In contrast, previous study results indicated that nonprofit organizations should institute fraud prevention strategies to curtail the occurrence of fraud (Murphy, 2015). This implies that when leaders in practices ignore the seriousness of setting the tone for accountability, fraud will fester. Therefore, leaders should consider adopting strategies that will help curtail fraudulent practices.

Q3. How do nonprofit organization leaders describe their role in investing in internal controls that will curtail or prevent fraud?

The study results indicated that 100% of nonprofit leaders responded that investing in internal controls is necessary. Investing is also essential to strengthen internal control that will

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help nonprofit organizations to avoid fraud from occurring. This finding was consistent with a study that posited that due to constant changes in an organization's objective and environment, there must be an investment in internal controls to adapt to the changes (Snyder et al., 2017). Another finding was that organizations still need to improve their internal controls because no system is impeccable, no matter the robustness of the controls. However, this finding was incongruent with a study that showed organizations frequently resist investing in internal controls and anti-fraud programs (Snyder et al., 2017). An additional finding of the study was that an investment in internal controls is not limited to money, but other factors such as leaders investing time to support the organization. Furthermore, the study results showed that investment in internal controls is very costly for a small nonprofit organization, and such investment must be contingent upon the risk and resources available. Moreover, the study findings suggested that not investing in internal controls can have detrimental effects that include the possibility of losing the nonprofit status and damaging professional and organizational reputation when fraud occurs. The implication for accounting practices is that management and the board should strategically invest in internal controls and fraud detection programs that will safeguard the nonprofit organization from fraud and propel the organization to achieve its objectives.

Lastly, most of the leaders emphasized the need to train employees, management, and board members as a conduit to prevent fraud from happening in the organization. The training is essential, especially for board members, because that equips them to execute their fiduciary responsibility. In a study, 25% of board chairs concluded that board members were below average in their understanding of the roles and responsibilities. Training board members will help mitigate the problem (BoardSource, 2017; Tysiac, 2018). Another finding was that board members of nonprofit organizations frequently lack the requisite knowledge and technical skills

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to provide the proper oversight for the organization, but training can improve their abilities. This finding was consistent with a study, which indicated that board members need the training to help them acquire the necessary financial skills and technological capabilities to perform their responsibilities (Tysiac, 2018). The implication for accounting practices is that a recent study has evaluated the importance of training leaders, especially board members, to equip them in executing their responsibilities (Tysiac, 2018). Not doing so will endanger the viability of the organization.

Recommendations for Practice

The results of this study supported four recommendations for practical application. First, nonprofit leaders should actively work to ensure that the organization's internal control is working as expected and, when necessary, adopt new policies and procedures to augment the existing internal controls. Anytime an organization's leaders demonstrate laxity, that sets a tone where people will be inclined to flout instituted policies and procedures. Contrary, when employees perceive that management has created a strong control environment, they will adhere to standard policies, and there will be accountability, which strengthens internal controls (Lenard et al., 2016; Lightle et al., 2015).

Second, board members must engage in routine training to equip them in discharging their responsibilities. Board members lacked the necessary skills and knowledge of the organization they are leading similar, to findings indicated in recent research (Snyder et al., 2017). The lack of training will affect board effectiveness because they will not have the requisite knowledge to execute their responsibilities. Bernstein et al. (2015) measured board effectiveness through the lenses of governance that encompass strategic planning, financial oversight, public relations, and recruiting new board members. In a study, 25% of board chairs

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responded that board members' understanding of their roles and responsibilities was below average, and board members need the training to address the problem (BoardSource, 2017; Tysiac, 2018). Constant training should be provided to board members to enhance their knowledge of the organizations and the intricacies of being a board member. Board members have fiduciary responsibilities to the organization and knowing what to do will help them to accomplish those duties, and that could be achieved through training.

Third, nonprofit organizations with limited resources to implement segregation of duties through adequate staffing should consider using fiscal agents or third-party consultants. The lack of internal controls or inadequate controls could cause fraud to happen. However, some of the leaders posited that implementing the needed internal controls for small nonprofit organizations can be expensive. Using a third-party, like a CPA firm that acts as a fiscal agent, could help implement the needed segregation of duties to foster strong internal controls. A study finding indicated that the lack of internal controls constitutes about 29.3% of fraud cases that occurred (ACFE, 2016).

Fourth, nonprofit organizations should make adequate investment in internal controls. The consequences of weak internal controls or the lack of internal controls encompass fraud, a decline in donor support, damage to organizational reputation (Archambeault & Webber, 2018; Lee, 2016; Snyder et al., 2017). Establishing proper and strong internal controls will help the organization prevent fraud and protect its assets. A study indicated that though the SOX provisions are not formally applicable to nonprofits (Lee, 2016), some nonprofit organizations have adopted some of the provisions in their policies. However, due to limited resources, nonprofit organizations often do not provide the needed investment in internal controls. Some

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leaders suggested that cost-benefit analysis should be done before investment is made in internal controls.

Fifth, the study provides direction for donors regarding where to invest their resources because donors will be informed as to which organization takes internal controls seriously and willing to invest in internal controls to protect donors' resources. Additionally, there is an expectation, by donors, for nonprofit organizations to demonstrate efficiency and effectiveness when managing the resources acquired (Greiling & Stotzer, 2016). The study could help philanthropists evaluate nonprofit organizations' efficiency and effectiveness based on board participation and internal controls. This study could help government agencies to determine whether an organization has the internal control system to expend and accurately account for government resources.

Recommendations for Future Research

Based on the results of this study, four recommendations are proffered for future research. First, this case study focused on exploring the lack of internal controls and the impact of fraud in nonprofit organizations in the Chicago Metropolitan area from the perspective of nonprofit organizational leaders. Future studies should focus on nonprofit leaders' perceptions of the fraud effects on the nonprofit organization, which will shed more light on how the organization's objectives are impeded by fraud. Future researchers can concentrate on specific nonprofit leaders, like chief financial officers, instead of sampling from three different groups of leaders as this study was designed. Second, this study was limited to only seven nonprofit leaders in the Chicago Metropolitan area. The recommendation is to replicate this study in different geographic areas in the United States and beyond, and also, to increase the sample size for the study. Third, the study results revealed that some organizations employed fiscal agents to

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strengthen their organization's internal controls due to limited resources. Future studies should be conducted to determine the efficacy of using an external organization as fiscal agents for nonprofit organizations. Future studies could be conducted using quantitative studies such as survey and correlational research to evaluate with statistical precision the robustness of internal controls and fraud occurrence in nonprofit organizations.

Conclusions

Fraud could be curtailed with a strong internal control instituted and operationalized in nonprofit organizations. Most nonprofit organizations lack an internal control system that could prevent fraud (Archambeault & Webber, 2018; Dimitrijevic et al., 2015; Frazer, 2016; Lauck & Brozovsky, 2018; Murphy & Free, 2016). The purpose of this qualitative multiple case study was to explore the lack of internal control systems in nonprofit organizations in the Chicago Metropolitan Area. Fraud risk could be minimized when there is an effective implementation of internal controls (Dimitrijevic et al., 2015). Methods employed for the study included face-to-face, open-ended semi-structured interviews, and document review. Purposive sampling was used to recruit participants for the study. Seven nonprofit organization leaders, encompassing board members, executive directors, chief financial officers that have had at least one-year experience at the positions in the Chicago Metropolitan Area, participated in the study.

The study may provide nonprofit leaders and accounting practitioners the seriousness of providing adequate policies and procedures that ensures the organization has directions regarding acceptable ways of doing things that ultimately could lead to fraud prevention and producing accurate and fair financial statements. Additionally, the study may offer board members the incentive to engage in routine training to equip them in discharging their responsibilities. Board members' lack of skills and knowledge about the organization they lead requires that they

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receive training to help them manage the organization effectively. Furthermore, due to the lack of resources to implement an elaborate internal control system, nonprofit organization leaders could strategize to outsource the functions of segregation of duties to fiscal agents to help institute a sense of internal controls. Lastly, nonprofit leaders must endeavor to make the needed investment in internal controls that will allow the organization to achieve its objectives and to prevent fraud from occurring.

Ten important themes that emanated from the study based on three main questions. The themes were gleaned from the responses to the three main questions by the nonprofit leaders made up of board members, executive directors, and chief financial officers. The theme ranges from the understanding of the leaders regarding the need to institute policies and procedures that forms the basis of internal controls. The other themes were board participation and controls, roles and responsibilities, segregation of duties, and adequacy of internal controls. The rest of the themes consisted of board diversity and board effectiveness, detection of occupational fraud, making investments in internal controls, and training of board members and staff.

The study results indicated that nonprofit leaders should ensure that the organization has proper internal controls through the creation of policies and procedures. The creation of such policies and procedures keeps the organization honest and set the tone for the organization. Board members should take their responsibilities seriously and strive to perform their fiduciary responsibilities. This finding is similar to a study finding that indicates that board performance is strengthened in all areas of board responsibility when the board embraces its responsibility for continuous development and improvement (BoardSource, 2017). The results of the study also revealed that segregation of duties is essential. However, if the organization lacks the resources to employ more staff, those functions can be outsourced to a fiscal agent. Additionally,

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inadequate internal control and failure to detect internal weaknesses could lead to the occurrence of fraud. Furthermore, there were different opinions regarding the relationship that exists between board diversity and board effectiveness. While participants agreed that board diversity provides unique ideas, unique cultural backgrounds, sharing of different skills, and work experiences, not everyone agreed that diversity leads to board effectiveness. The leaders that had experienced fraud did not list specific strategy to detect fraud, rather the frauds were identified due to change in leadership. Lastly, investing in internal controls, though costly, was reiterated by the leaders, and they stressed the importance of training board members and staff to strengthen internal controls.

Some recommendations were made for practice and future research based on the findings' implications. Board members must work hard to improve internal controls that set the tone for an organization to be successful, strengthening internal controls (Lenard et al., 2016; Lightle et al., 2015). Again, board members should engage in training to that will equip them discharge their duties effectively. If board members are to perform their fiduciary responsibilities, they must adequately prep themselves for it. Another recommendation is for organizations with limited resources to consider using fiscal agents to shore up segregation of duties. Though some participants suggested that establishing internal controls is costly for nonprofit organizations due to limited resources, investment in the internal control system should be a priority.

There are four recommendations suggested for future research. First, future studies should focus on the nonprofit leaders' perception of the fraud effects on the nonprofit organization that will shed more light on how the objectives of the organization are impeded due to fraud. Second, this study was limited to only seven nonprofit leaders in the Chicago

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Metropolitan area. The study could be replicated in different geographic areas in the United States and beyond. Third, future studies should be conducted to determine the efficacy of using an external organization as fiscal agents for nonprofit organizations. Fourth, future studies could be conducted using quantitative studies such as survey and correlational research to evaluate with statistical precision the robustness of internal controls and fraud occurrence in nonprofit organizations

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Appendices

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Appendix A: Standard Open-Ended Interview Questions

- Researcher preamble, purpose of study and interview approach
- Explanation of anonymity of participation and assurance of confidentiality of data collected
- Obtain participants' signatures on informed consent form and answer participants' questions.

Questions for Participants

Thank you for your voluntary participation in this study. In the course of this interview, I am going to ask you a series of questions about internal controls, board of director's effectiveness, internal control weakness, and strategic investments in internal controls to prevent organizational fraud in your professional practice.

A. Ascertain the background information of participants. Ask the participant:
   1. What nonprofit organization do you work for?
   2. What is your office in this organization?
   3. How long have you been in this position?
   4. What is your age and gender?

Thank you for your answers. Now I am going to ask you a series of questions about your overall assessment your organizations' internal controls.

B. Overall assessment of your organizations internal control. Ask the participant:
   1. What is your understanding of your organization's internal control?
   2. How do you describe your role and responsibility in ensuring that the organization has proper internal controls?
   3. What role does the board of directors has in ensuring effective internal controls?
   4. How would you describe the organization's board of directors' involvement in ensuring that the organization's internal control is observed?
   5. How do you perceive your role in protecting organizational assets?

Thank you for your answers. Now I am going to ask you a series of questions about detecting internal control weakness.

C. Detection of internal control weaknesses. Having introduced the participant to the study, ask the participant:
   1. How do you perceive your role and responsibilities in detecting material weakness in internal control?
   2. How did you handle the internal control weakness?
   3. How has the weakness in internal controls affected the organization?
   4. What is your view on how internal controls weakness should be addressed in your organization?
   5. What specific strategies should be adopted to mitigate internal control weakness in your organization?

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Thank you for your answers. Now I am going to ask you a series of questions about the effectiveness of the board of directors:

D. Board of directors' responsibilities and board effectiveness. Ask the participant:
   1. How do you describe the organization's board of directors and their involvement in ensuring that the organization abide by the instituted internal controls?
   2. How diversify is the organization's board of directors?
   3. How do you describe the effectiveness of the board of directors of the organization?
   4. Please describe how board diversity increases board effectiveness.

Thank you for your candid answers. Now I am going to ask you a series of questions about your experience in the detection of occupational fraud.

E. Detection of occupational fraud. Ask the participant:
   1. How do you perceive your role and responsibilities in detecting occupational fraud?
   2. Please describe your experiences with occupational fraud that did occur in your organization.
   3. How the fraud was detected and what was done after the incident?

Thank you for your insightful response. Now I am going to ask you a series of questions about strategic investment by your organization to shore up internal controls.

F. Strategic investment in internal controls systems. Ask the participant:
   1. What is your role and responsibilities to ensure that the organization invest in internal controls?
   2. How do you see the adequacy of internal controls in your organization?
   3. How prepared are you to invest in internal controls given the opportunity?
   4. How do you describe your organization's willingness in establishing strong internal controls?

Thank you for your response regarding investment in internal controls.

- Thank the participant
- Request participant to confirm contacts on the informed consent forms to be used for follow-up during data validation
- Provide the participant with the interviewer's telephone number on the informed consent form.
- End the interview.

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Appendix B: Invitation Letter

A Comparative Case Study of Internal Controls and the Impact of Fraud on Nonprofit Organizations

Dear [Executive Director's Name],

My name is Albert Asiedu Buabeng. I am a doctoral student at Northcentral University in Prescott, Arizona. I am a controller working in the Chicago Metropolitan area. I used the websites of the Illinois Attorney General and the TaxExemptWorld to get your contact details.

I am conducting a research study on nonprofit organization leaders' views on their organization's internal control systems as a tool to prevent organizational fraud. I will also explore the role of leaders in implementing internal controls and investing in internal controls.

I am inviting you to take part in this dissertation study if you meet the following criteria: (a) you are an executive director, finance director or controller, board chair, or finance committee chair, (b) have 1 year experience in the position listed above, and (c) work for a nonprofit organization in the Chicago Metropolitan area.

These criteria are important and must be met before you can take part in this study. In this study, you will be asked to answer some questions in a face-to-face interview. Your answers will help explain the views of nonprofit leaders regarding internal controls system, internal controls implementation and the need to invest in internal controls system.

The interview will be recorded using iPhone and recorded on paper as well. The interview will take place at any public library in Chicago where you work or in city or town that you reside. The interview will last between 40 minutes and 1 hour. Your answers will be repeated back to you to ensure that your responses are fully captured. If you agree to participate in this study, kindly contact me to schedule a date, time, and place for the interview.

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There are minimal risks for your taking part in the study. You are free to take part in the study or to withdraw from taking part at any time. There is no penalty when you decide to stop taking part in the study. You can refuse to answer any question if you choose not to answer them.

The answers you give to the researcher will be kept confidential. The data will be kept for 7 years in a secured place. I am the only person who will keep the data. I will not use your answers in a way that will let people know you provided them. Your data will be complied with other participants data to reach at the results of the study.

If you agree to take part in this study, you will be asked to sign an informed consent form. This form is to determine that you have agree to take part in the study after you have known the benefits and risks for taking part in the study.

If you have any questions about this study, you may contact me at 1-630-863-1966 or by email: a.buabeng5891@o365.ncu.edu. My dissertation chair, Dr. Mary Dereshiwsky can be reached on 1-928-774-9369 or via email: mdereshiwsky@ncu.edu. You can also talk to the Institutional Review Board (IRB) of Northcentral University. The contact information of the IRB is irb@ncu.edu or 1-888-327-2877 extension 8014.

Please kindly let me hear from you within 7 days of receiving this invitation letter, if you want to take part in the study. You may send me an email to also inform me if you are not willing to participate.

I thank you for your interest in this study.

Sincerely,

Albert Asiedu Buabeng,

Northcentral University

Phone: 1-630-863-1966

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Email: a.buabeng5891@o365.ncu.edu

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Appendix C: Informed Consent

A Comparative Case Study of Internal Controls and the Impact of Fraud on Nonprofit Organizations

Northcentral University

Introduction:

My name is Albert Asiedu Buabeng. I am a doctoral student at Northcentral University. I am conducting a research study to explore internal control systems of nonprofit organization and nonprofit leaders understanding of internal controls as a tool to prevent organizational fraud. I am completing this research as part of my doctoral degree. Your participation is completely voluntary. I am seeking your consent to involve you and your information in this study. You can use not to participate in this study if do not feel comfortable or you feel conflicted about the subject matter. Your participation can help nonprofit organizations to evaluate their internal controls and increase investment in their control system. An alternative to this study is simply not participating. I am here to address your questions or concerns during the informed consent process.

PRIVATE INFORMATION

Certain private information may be collected about you in this study. I will make the following effort to protect your private information by using study codes. Even with this effort, there is a chance that your private information may be accidentally released. The chance is small but does exist. You should consider this when deciding whether to participate.

Activities:

If you participate in this research, you will be asked to:

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1. You will be asked questions in an interview session that could last for an hour.
2. Give information on yourself including your name, the organization you work for, your leadership position, and how long you have been in this position.
3. Provide your views on the internal controls of nonprofit organization.
4. Give your views about the role and responsibility of leaders in ensuring that the organization has proper internal controls.
5. Provide your views about the board of directors' role in ensuring effective internal controls in an organization.
6. Give your views about board diversification.
7. Describe the effectiveness of your organization's board of directors' effectiveness.
8. Confirm your responses because your answers will be repeated back to you to capture your responses so that all answers will be well explained.

Eligibility:

You are eligible to participate in this research if you:

1. Are an adult aged between 18 and 65 years;
2. Work for nonprofit organization in the Chicago Metropolitan area;
3. Are either executive director, board chair, finance committee chair, or controller; and
4. Have been in this position for at least 1 year.

You are not eligible to participate in this research if you:

1. Are less than 18 years or more than 65 years of age;
2. Do not work for nonprofit organization in the Chicago Metropolitan area;
3. Are not either executive director, board chair, finance committee chair, or controller; and
4. Have less than 1 year in this position.

I hope to include 6 people in this research. This will be made of

Risks:

There are minimal risks in this study. Some possible risks include the fact that you may feel uneasy answering the questions. This is because your answers will be on the lack of internal controls and how it impacts fraudulent activities in an organization. To reduce the effects of these risks, you can: skip answering the questions to stop participating in the study at any time.

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Benefits:

If you decide to participate, there are no direct benefits to you. The potential benefits to others are: leaders of nonprofit organizations placing much value on internal controls as a tool to prevent fraud from occurring. Nonprofit organization leaders could pay attention to internal control implementation and making the required investment in internal control system.

Confidentiality:

The information you provide will be kept confidential to the extent allowable by law. Some steps I will take to keep your identity confidential are as follows: I will use a fake name to identify you, and I will keep your name separate from your answers.

The people who will have access to your information are: myself, and my dissertation chair, or my dissertation committee. The Institutional Review Board may also review my research and view your information.

I will secure your information with these steps: locking it in a filing cabinet and locking the computer file with a password. I will keep your data for 7 years. Then, I will delete electronic data and destroy paper data.

Contact Information:

If you have questions for me, you can contact me at: a.buabeng5891@o365.ncu.edu or 1-630-863-1966.

My dissertation chair's name is Dr. Mary Dereshiwsky. She works at Northcentral University and is supervising me on the research. You can contact her at: mdereshiwsky@ncu.edu or 1-928-774-9369.

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If you contact us, you will be giving us information like your phone number or email address. This information will not be linked to your responses if the study is anonymous.

If you have questions about your rights in the research, or if a problem has occurred, or if you are injured during your participation, please contact the Institutional Review Board at: irb@ncu.edu or 1-888-327-2877 ext. 8014.

Voluntary Participation:

Your participation is voluntary. If you decide not to participate, or if you stop participation after you start, there will be no penalty to you. You will not lose any benefit to which you are otherwise entitled.

Future Research

Any information or specimens collected from you during this research may **not** be used for other research in the future, even if identifying information is removed.

Signature:

A signature indicates your understanding of this consent form. You will be given a copy of the form for your information.

Participant Signature	Printed Name	Date
______________________	______________________	_____________
Researcher Signature	Printed Name	Date
______________________	______________________	_____________

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OPTIONAL SECTIONS

Audiotaping:

I would like to use a voice recorder to record your responses. You can still participate if you do not wish to be recorded.

Please sign here if I can record you: ____________________

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