AN ABSTRACT OF THE DISSERTATION OF

Donald G. Wallace for the degree of Doctor of Philosophy in Education presented on November 29, 2005.

Title: Stealing the Public Trust: A Case of Embezzlement at a Community College

Abstract approved:

Signature redacted for privacy. —Alex A. Sanchez

The purpose of this study was to examine one case of embezzlement at one community college in order to assess the sociological effects of the embezzlement on that college. The research design for this study was qualitative using a case study approach. Although there was no attempt to generalize the study beyond the one community college under examination, individual readers may find that the study fits other cases with which they are familiar, and may find the study useful for their own institutions. The study sought to answer five research questions: (a) how was the embezzlement carried out; (b) how did the embezzlement go undetected for so long; (c) how was the embezzlement eventually discovered; (d) how have things changed at the institution since the embezzlement; and (e) who was significantly affected by the embezzlement and how were they affected? Public records were collected and examined to answer the first three research questions which provided the historical background and context for the study. Interviews with 20 participants comprising a
representative sample of approximately 17% of the college's faculty, staff, administration, and board provided the answers to the last two research questions which revealed the sociological effects of the embezzlement. The study found that the embezzlement was a catalyst for a number of significant consequences to the college including the implementation of stringent internal controls; major damage to trust and credibility at all levels of the organization; negative impacts to the college's resources of both time and money; and damage to the reputation, credibility, and emotional well being of certain individuals within the college.
Stealing the Public Trust: A Case of Embezzlement at a Community College

by
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APPROVED:

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Dean of the Graduate School

I understand that my dissertation will become part of the permanent collection of Oregon State University libraries. My signature below authorizes release of my dissertation to any reader upon request.

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Donald G. Wallace, Author
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I want to express my sincere appreciation to all the people who have helped to make this endeavor a success: to my major professor, Dr. Alex A. Sanchez, whose wise counsel and leadership guided me successfully through this project; to my doctoral committee members, Dr. George H. Copa, Dr. Sharon E. Rosenkoetter, Dr. Darlene Russ-Eft, and Dr. Earl P. (Joe) Johnson, whose careful reviews and invaluable advice helped to improve the final product; to the faculty in the College of Education whose model of learner centered education is worthy of emulation; to my fellow learners in Cohort 11 whose camaraderie, energy, and support helped each of us to achieve greater than any of us could have done separately; to Peter R. Mersereau, J.D., whose invaluable legal advice helped me to navigate the potential legal pitfalls of this project; and, to the men and women of the community college where this study took place whose gracious participation in this project provided the fertile soil from which this product sprang. I will not be able to give any of the participants direct credit for their individual contributions to this project due to the considerations of anonymity and confidentiality. But, I hope that as they read this work, they will see their fingerprints on it and will receive the reward of knowing that this work could not have been done without the time and energy they devoted to it. Finally, I want to thank my wife, Sandy, who has given me the most precious gift of all—time to do the research and writing necessary to make this project a reality. Without her constant support over the 35 years of our marriage and her willingness to give a part of our lives to this endeavor, this project could never have been done.
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DEDICATION

To my wife, Sandy, for her unfailing support of all my endeavors over the past 35 years.
CHAPTER 1: INTRODUCTION

Estimated at between 2% and 5% of the gross national product, fraud, such as embezzlement, costs the American economy at least $186 billion annually and is becoming the crime of choice for the 21st century. Federal Bureau of Investigation (FBI) statistics show that arrests for suspicion of fraud have more than doubled since 1980. According to published estimates, the cost of white-collar crime may be 100 times that of street crimes, and the problem is getting worse (Russell & Finerman, 1995).

Embezzlement is a concern, not only for private corporations, but also for public agencies including community colleges. The former financial aid officer of a community college in Kansas pleaded guilty to embezzling $30,000 from a student loan program in order to feed her gambling addiction (Morris, 2003). The former president of a community college in Washington pleaded guilty to taking more than $200,000 over a period of seven years in kickbacks and bribes from sponsors of the college’s foreign campuses and other construction and real estate transactions (Glover, 1996). A longtime respected faculty member of a community college in California was arrested and charged with embezzling $261,000 over a seven year period by renting out college tennis courts and pocketing the money (Bartindale, 2005). The former president and the former chief financial officer (CFO) of a community college in Oklahoma pleaded guilty to embezzling $400,000 from the college through a variety of construction related scams by which these individuals diverted money to their
personal bank accounts (George, 1990). At a community college, which shall remain anonymous for the purposes of this study, the comptroller embezzled $1.2 million over the course of eight years before she was eventually apprehended and convicted.

From the above examples, it is clear that embezzlement poses a real problem for community colleges. Presidents, board members, administrators, and others who are responsible for ensuring that the business operations of the college are properly managed and that the public trust is safeguarded need to be aware of this issue and need to be properly informed of how to detect and prevent it. The damage that crimes of embezzlement do to the reputation of institutions and institutional leaders poses a serious threat to the career paths of those leaders and to the ability of those institutions to acquire future allocations of resources, especially when those resources are contingent upon voter approval. All too often, after a college detects embezzlement and prosecutes the perpetrator, only a fraction of the money is ever recovered. In addition to the fact that public funds are lost to their intended purpose, violations of the public trust by community college officials further galvanize in the minds of many the idea that community college officials are at best inept at keeping the public trust and at worst downright dishonest. Damage to the public trust is not easily repaired (Wilson, 1998).

**Purpose**

The purpose of this study was to explore one case of embezzlement at one community college in order to assess the sociological effects of embezzlement on that
college. The results of this study are available to other researchers who wish to add to the knowledge gained in this study, and to practitioners who wish to improve their practice and reduce their chances of falling victim to crimes of embezzlement at their own institutions. It was beyond the scope of this study to determine the extent of embezzlement that is occurring at community colleges nationally, although there is a need for future research in that area. Perhaps my study has provided sufficient impetus to stimulate such a study. My goal was to conduct a qualitative case study that provides a rich, thick description of the issue of embezzlement at one community college so that the readers of this research can vicariously experience what that was like and perhaps become motivated to take preventive action against embezzlement in their own institutions.

Research Questions

There were five questions that needed to be answered in order to achieve my research purpose. The first three research questions were needed to provide the historical background and context for the study. The last two research questions were needed to assess the sociological effects of the embezzlement on the institution.

1. *How was the embezzlement carried out?* The answer to this question revealed a fairly common embezzlement scheme which could happen at any community college. It is important for readers of this research to know about this method so that they might be on guard against it at their own institutions.
2. *How did the embezzlement go undetected for so long?* The answer to this question revealed the organizational conditions that facilitated the embezzlement for several years. It is important for readers to recognize and to prevent these conditions in their own institutions.

3. *How was the embezzlement eventually discovered?* The answer to this question revealed a critical event that led to the discovery of the embezzlement, without which this embezzlement would likely never have been discovered. It is important for readers of this research to be aware of how precariously close an embezzler can come to never being discovered.

4. *How have things changed at the institution since the embezzlement?* The answer to this question revealed several things about the selected case: (a) the management and accounting controls that were put into place to help detect and prevent embezzlement in the future, (b) the changes that occurred in the social and political culture of the organization, and (c) the costs that accrued to the college as a result of the embezzlement. It is important for readers of this research to understand that significant cultural and organizational effects can result from an embezzlement event in a community college. Readers may be motivated to avoid these negative effects by taking preemptive measures to prevent embezzlement in their own institutions.

5. *Who was significantly affected by the embezzlement and how were they affected?* The answer to this question revealed that several individuals at the college were significantly and negatively affected by this event. It is important for readers of
this research to understand that significant personal and professional effects can result from an embezzlement event in a community college. Readers may be motivated to avoid these negative personal effects by taking preemptive measures to prevent embezzlement in their own institutions.

**Significance**

The significance of this study rests upon three points: (a) the paucity of the literature that exists on the subject; (b) the damage that embezzlement does to people, their institutions, and the public trust in general; and (c) the importance of the case in and of itself, that is, the rich, thick description of the case that brings the issue of embezzlement in community colleges to life in such a way that it motivates people to action.

**Paucity of Scholarly Research**

The paucity of scholarly research on the subject of embezzlement in general was noted by Cox and Perryman (1979) decades ago. They observed that the body of literature related to embezzlement was almost completely conceptual and prescriptive, and that virtually none of it had been tested by any real research. Today, the observation of Cox and Perryman still holds true. Strawser (1997) notes that although a number of papers have reported on and described various instances of fraud, to date none of this work has provided a systematic investigation and analysis of frauds and, in particular, fraud occurring in governmental entities. Given the current pressures on government entities because of such factors as budget shortfalls, trends toward
privatization in offering services typically and historically provided by government, and the repeated call for increased accountability in all sectors, an examination of this important issue is of particular interest at this time. (p. 3)

The lack of research regarding embezzlement is especially true of embezzlement in community colleges. Utilizing the educational research databases available through the Oregon State University research library, I ran an extensive search using keywords such as embezzlement, fraud, theft, malfeasance, and misconduct. The databases used were Academic Search Premier, Business Source Premier, ERIC, Legal Collection, Newspaper Source, Professional Development Collection, and Regional Business News. Limiting the results to articles dealing with community colleges, colleges, and higher education, I found only one study relating to embezzlement in a community college (George, 1990) and nothing on other institutions of higher education. There were a few articles on fraud perpetrated by college administrators for the benefit of the institution (e.g., College, 2003; Wisconsin, 2004), but nothing regarding embezzlement in community colleges as it is generally understood by the average person, that is, the fraudulent diverting of resources, which have been entrusted to one’s care, for one’s own personal use (Webster’s, 1991). Expanding the search, I discovered a few studies of embezzlement in libraries (e.g., Begg, 1984; Snyder & Hersberger, 1997) and a few on embezzlement in the private sector (e.g., Cox et al., 1979; Cresse, 1953; Zietz, 1981), which were helpful to my research. My study provides a contribution that helps to fill the void in the body of literature regarding embezzlement in community colleges.
Damage to People and Institutions

The damage that embezzlement does to people and to their respective institutions is demonstrated by the selected examples previously mentioned in this paper (Bartindale, 2005; George, 1990; Glover, 1996; Morris, 2003). It is a fairly intuitive concept that embezzlement taking place in an institution, especially if that embezzlement is of significant magnitude or goes undetected for a protracted period of time, cannot be good for the reputation and future of the administrators or of the institution itself. Furthermore, the damage extends to others both within and outside of the institution. It would seem an absolute imperative that community college administrators become aware of the issue so that they may be better able to detect and prevent embezzlement in their own institutions.

Importance of the Case in and of Itself

This study is significant in and of itself because it provides a rich, thick description of a real life occurrence of embezzlement in a community college. This point addresses the view of many researchers that a research study is important only if it can be generalized to other cases within the population from which it comes. Generalization, in the conventional (quantitative) sense, requires that the researcher include a large enough sample to ensure that the findings are generalizable to the larger population from which the sample is drawn. By this logic, then, a single-case study would not be considered important in any real sense of scientific inquiry, because it is not generalizable to other cases.
The idea that generalizability is the sine qua non of real research, however, has been vigorously refuted by leading theorists from the qualitative research tradition (e.g., Creswell, 1998; Lincoln & Guba, 1985; Stake, 1995) and even some from the quantitative tradition (e.g., Yin, 1994). Citing Glesne and Peshkin (1992), Creswell (1998, p. 63) states that "what motivates the researcher to consider a large number of cases is the idea of generalizability, a term that holds little meaning for most qualitative researchers" [italics added]. Yin (1994) adds that "case studies... are generalizable to theoretical propositions and not to populations or universes" (p. 10). He further states that a single-case study is a complete study in and of itself, just as a single experiment is a complete study. The logic, according to Yin, for doing a multiple-case study is the same as the logic for doing multiple experiments that test the same hypothesis—replication, not sampling. "This replication logic, whether applied to experiments or to case studies, must be distinguished from the sampling logic commonly used in surveys" (p. 47).

The idea of drawing cases as samples is further confounded if one accepts the concepts of naturalistic inquiry as propounded by Lincoln and Guba (1985). According to their view, the facts of a case derive their meaning only from the particular context of the case and from the realities that are constructed by the participants of that particular case. Thus, since every case is unique, there is no population of cases from which to draw a sample (a weakness, Lincoln and Guba would argue, with quantitative multiple case study methodology). Stake (1995) seems to agree with this view as he asserts: "Case study seems a poor basis for
The real business of case study is particularization, not generalization” (p. 7, 8). Consequently, from the naturalistic viewpoint, multiple-case studies cannot lead to generalizations, but rather to comparisons to see if there are any similarities between the cases.

To further emphasize the significance of doing a single-case study, Creswell (1998) points out that “the study of more than one case dilutes the overall analysis. The more cases an individual studies, the greater the lack of depth in any single case” (p. 63). Therefore, the intent of my study was to gain an in-depth understanding of one case and to provide a rich, thick description of that case to bring the issue of embezzlement into focus for community college administrators and to motivate them to action. I did not attempt to generalize my findings to other cases, although others may discover that my findings are applicable to other cases. Therefore, I restricted my study to one case of embezzlement at one community college, and I provided anonymity to both the college and the participants in order to encourage the richest and fullest participation by the participants in the study.

**Researcher's Perspective**

Because the researcher is the instrument in qualitative inquiry, a qualitative research report usually contains information about the researcher. This information is provided to help readers judge the credibility of both the researcher and the research report. Patton (1990) suggests that there can be no definitive list of questions that must be addressed to establish investigator credibility. “The principle is to report any
personal and professional information that may have affected the data collection, analysis, and interpretation—either negatively or positively—in the minds of users of the findings” (p. 472). Therefore, I have included a brief biographical sketch to give readers of this research some idea of the things in my life experience that might have helped to shape my approach and execution of this study.

I hold a Master of Public Administration degree with major emphasis in public sector budget and finance. Over the past 11 years, I have served in the capacity of Facility Manager for a large urban university and a large community college where I have been responsible for managing multimillion dollar budgets and college operations. I have been responsible for the areas of college operations that are prime targets for crimes of embezzlement, such as, capital construction, service contracts, and daily business operations. During my career, I have dealt with several cases of embezzlement including the stealing of cash receipts, theft of materials, corrupt gifts and favors, and fraudulent billing schemes.

Prior to my entry into higher education as a career, I worked for a large multinational high-tech corporation and for a small manufacturing firm where I performed engineering and technical work. I am a detail oriented, analytical person who values hard work, order, and precision. My personal value system is shaped by the Judeo-Christian ethic by which I was raised and to which I remain heartily committed. Therefore, I view the values of honesty, integrity, respect for human dignity, and moral and ethical behavior as non-negotiable for public managers and administrators.
Summary

Embezzlement is a problem for community colleges. There have been significant cases of embezzlement in community colleges in the past five years. Community college board members, administrators, and others who are responsible for the public trust need to be informed about the issue of embezzlement so that they can detect and prevent embezzlement in their own institutions. Failure to do so places key administrators and the institution at risk of losing the respect of the community, jeopardizing future funding, and possibly doing irreparable damage to the careers and lives of the administrators themselves and others as a result.

The purpose of this study was to explore one case of embezzlement at one community college in order to assess the sociological effects of embezzlement on that college. There were five questions that needed to be answered in order to achieve my research purpose.

1. How was the embezzlement carried out?
2. How did the embezzlement go undetected for so long?
3. How was the embezzlement eventually discovered?
4. How have things changed at the institution since the embezzlement?
5. Who was significantly affected by the embezzlement and how were they affected?

The significance of this study rests upon three points: (a) the paucity of literature that exists on the subject; (b) the damage that embezzlement does to people, their institutions, and the public trust in general; and (c) the importance of the case in and of itself. This study begins to fill the void that exists in the body of literature on
the subject of embezzlement in community colleges, provides information to college administrators which might help them detect and prevent embezzlement in their own institutions, and provides a rich and full description of a case of embezzlement in one community college which was worthy of study in and of itself.

I have included a brief biographical sketch to give the reader of this research some idea of the things in my life experience that might have helped to shape my approach to and interpretation of this study.
CHAPTER 2: LITERATURE REVIEW

As previously stated in chapter one, there is a paucity of scholarly literature on the subject of embezzlement, particularly in the area of embezzlement in community colleges. To find the literature that was available, I searched for all literature relating to cases of embezzlement in community colleges and then I expanded the search outward until a sufficient saturation of material had been determined. Because there was only one study directly related to community colleges, and none related to other institutions of higher education, I expanded the search to include studies of other public institutions, private agencies, and nonprofit organizations. Therefore, the studies reviewed in this chapter, although not directly related to education, were the best available sources for a literature review.

These studies helped to document the importance of the problem of embezzlement in both private and public sector agencies. The organization and methods employed in these studies served as models to guide my own research. Additionally, these studies helped to guide my research by manifesting the extent of the research that had already been done in the area of embezzlement in community colleges and by suggesting areas where further research was needed. Finally, the findings of these studies were compared and contrasted to the findings of my own research to determine whether the findings of my study supported or modified ideas and practices advanced in these studies (Creswell, 2002).
Organization of Review of Literature

The review of literature for this study is organized around three topics: (a) a definition of embezzlement, (b) specific studies related to embezzlement, and (c) selected academic and expert works on the subject (e.g., textbooks, "how-to" guides) which may not be based on specific studies, but that contain relevant information. The definition section is self-explanatory. The specific studies section includes all available studies that I found that are relevant to my research. The academic references and expert works section comprises works selected for their applicability to my research and their general relevance to the intended audience of my research—administrative practitioners. While there is an endless number of such works, I have selected only a few that are representative of the group. I have selected exemplars based on their applicability to my study and those that tend toward practical application rather than academic and theoretical pursuits.

For the purposes of this research I have not covered the vast amount of accounting and auditing literature on the subject because these are readily available to persons interested in further study in those areas, and they are far too complex and detailed for the purposes of this study. Nor have I labored over parsing the various definitions or legal meanderings on the subject. My study is based on the issue of embezzlement as it is commonly understood and as it finds its meaning through the lived experiences of those who have experienced the case under study. The academic and expert literature selected for this study sufficiently covers the areas of accounting and law that are necessary to prepare a practicing administrator for the work of
Definition of Embezzlement

Black’s Law Dictionary (1990) gives the following definition of embezzlement:

The fraudulent appropriation of property by one lawfully entrusted with its possession. To “embezzle” means willfully to take, or convert to one’s own use, another’s money or property, of which the wrongdoer acquired possession lawfully, by reason of some office or employment or position of trust. The elements of the “offense” are that there must be a relationship such as that of employment or agency between the owner of the money and the defendant. The money alleged to have been embezzled must have come into the possession of the defendant by virtue of that relationship and there must be an intentional and fraudulent appropriation or conversion of the money. (p. 522)

Champion (2001) provides a more concise yet very similar definition of embezzlement: “Crime involving withholding or withdrawing, converting, or misappropriating, without consent, funds entrusted to an agent, such as a bank or bank officer” (p. 50). Both of these standard legal definitions of embezzlement accord with the way most lay people understand the term. The definition given by Webster’s Ninth New Collegiate Dictionary (1991) is most succinct and yet still captures the commonly understood meaning of the term: “To appropriate (as property entrusted to one’s care) fraudulently to one’s own use” (p. 406).
The precise legal definition of embezzlement is codified in the criminal code of many states by legislative action. In some states (e.g., Oregon) it is not (ORS 164.015, 2003). An exact legal definition would be difficult to determine, and would be unnecessary for the purposes of this study. I was not wrestling with the legal issues in an attempt to determine a legal outcome in this case. Rather, I was looking at a case of embezzlement which accords with the term as it is commonly understood by the lay person. Therefore, Webster's (1991) simple and concise definition was sufficient for the purposes of this study.

Specific Studies Relating to Embezzlement

This section of the literature review deals with specific studies relating to embezzlement. All of the relevant studies that were found are provided here. They include a case study of embezzlement in public libraries, a study in the social psychology of embezzlement, two studies on the motivational aspects of embezzlement, a study of white-collar crime in governmental agencies, and a case study of embezzlement in a community college.

A case of library embezzlement. Snyder and Hersberger (1997) explored the issue of embezzlement and financial misconduct in libraries to determine whether embezzlement in libraries was a widespread problem, to understand how and why embezzlement occurred, and to suggest improvements in library financial management that might help to deter future cases of embezzlement. The researchers noted that
embezzlement and similar crimes of financial misconduct were an increasing problem for library managers and trustees. Using qualitative methods, they investigated a national sample of 10 states and an in-depth study of one state (Indiana).

Data from the cases in the 10-state national sample were gathered through interviews with state library personnel, and through printed accounts identified by a literature search. The Indiana case data were gathered through interviews with state auditors, library board members, and current directors or staff members of libraries in which embezzlement had taken place. Document analysis included minutes of library board meetings, audit reports, newspaper accounts, court records, investigative reports, state laws and regulations, and a comparison of library financial procedures before and after the embezzlement.

The data were analyzed to understand both the descriptive circumstances (what happened) and the organizational environment in which the crimes occurred (how they were allowed to happen). Themes were extracted from these data to help answer these questions and to form the basis of recommendations for future action. Two general findings emerged from the study: embezzlement is a continuing problem in public libraries, and better training in financial management for librarians and library board members should increase awareness of the risks of embezzlement and significantly deter embezzlement.

The strengths of the study include a good discussion of the generally accepted accounting principles regarding internal accounting controls, which form the checklist against which each institution was evaluated. Also, the findings of the study include a
number of detailed descriptions about how the embezzlements occurred, how they were discovered, and the organizational environment in which they occurred (i.e., how they were allowed to occur). Themes from these findings form the basis of the recommendations for improved management strategies to help detect and prevent embezzlement in the future.

This study was important to my research, because it studied a public agency which shares some similarities with community colleges. The research design was similar to the design that I developed for my study. The purpose of this study was almost identical to the purpose of my study, although the unit of analysis was different. Thus, this study served as a model for my study.

*A study in the social psychology of embezzlement.* Donald R. Cressey (1953) authored the first definitive treatise on the social psychology of embezzlement (McCullough, 1981), and his work is considered to be a standard among current researchers in the field of embezzlement (e.g., McCullough, 1981; Snyder et al., 1997; Zietz, 1981). His contribution to the field of embezzlement research is recognized by the Association of Certified Fraud Examiners, whose highest honor is the Cressey Award, “named in honor of Donald R. Cressey (1919-1987) who pioneered the field of white-collar crime research and education” (Joseph, 2003, p. 1).

Cressey conducted a study of 206 inmates at three different prisons in an effort to understand the psychological factors that cause individuals to commit crimes of embezzlement. For the purposes of his study, Cressey abandoned the legal definition
of embezzlement because he found that it contained too many legal and scientific
difficulties and would therefore not be of use to other investigators who wished to
search for negative cases. Instead, he provided an operational definition of a new term,
criminal violation of financial trust, which had two distinct conditions: (a) “the person
must have accepted a position of trust in good faith”, and (b) “the person must have
violated that trust by committing a crime” (Cressey, 1953, p. 20).

Although qualitative research had not reached a high level of recognition or
acceptance in Cressey’s day, his research approximated very closely the qualitative
tradition of grounded theory research as articulated by Glaser and Strauss (1967) who
are generally credited with having coined the term (Lincoln et al., 1985). Cressey’s
research, however, was quantitative in its approach because he hypothesized a theory a
priori and then set up his research to test the theory. His basic methodology was to
interview inmates using very general open-ended questions and to distill the data he
collected into a theory that was valid, reliable, and generalizable regarding why people
commit criminal violations of financial trust. In a grounded theory approach, he would
have allowed the theory to emerge from the research itself (Creswell, 1998). However,
to some degree that is what he did because as he found cases that disproved his theory,
he modified the theory and continued to gather data until all tested cases could be
explained by the theory.

Cressey found that there were three main reasons that people commit criminal
violations of financial trust: (a) they have a non-shareable financial problem which
they believe they must secretly solve; (b) they recognize the opportunity to solve their
non-shareable problem by committing a criminal violation of their position of trust, and they have the technical expertise to do so; and (c) they use a *vocabulary of adjustment* to rationalize their crime. Cressey’s research suggests that if any of these three conditions is absent, a person will not commit a criminal violation of trust. This hypothesis held true for all of his cases and for approximately 200 cases which he states were researched by other investigators. A case which was clearly exceptional to the theory was not found.

The major strength of Cressey’s research is its scientific rigor, and the fact that this research is still cited to this day as the most definitive work on the subject of the social psychology of embezzlement. A weakness of the study is that it is set in the social climate of the 1950s, so that some of the details of the interviews seem a bit dated and perhaps out of sync with the social mores of today. However, there is an overall timelessness to the findings and they were useful as a theoretical basis for my study as I attempted to find descriptions, themes, and assertions from my own research.

*A correlational study of employee attitudes that contribute to embezzlement.*

Cox and Perryman (1979) conducted a correlational study of 62 retail sales clerks in a major retail store in the Southwest to determine whether there was any statistically significant relationship between employee attitudes regarding theft and other dimensions of the employment environment such as alienation from the job, motivation, and job satisfaction as suggested by the existing body of literature on the
subject. They designed a survey instrument to measure employee theft attitudes and related them to accepted measures of job satisfaction, alienation, and motivation. Using quantitative methods they ran statistical tests on the data collected from the survey. The researchers concluded that internal theft is significantly related to job satisfaction, motivation, and alienation.

The primary strength of their study is that it objectified through rigorous scientific research the heretofore intuitive writings on the subject of embezzlement. An obvious weakness of this study, from a quantitative standpoint, is that the data are obtained from only one retail store in one part of the country, and only retail sales employees are surveyed. This leaves the study open to criticism that the results cannot be generalized to other parts of the country, other types of industries, other types of employees, or even to another store in the same industry. Although generalization is an important consideration in quantitative studies, it was not important to my study. My study was a qualitative case study of only one community college and I did not attempt to generalize the results beyond the one case under study. My intent, rather, was to explore only one case and to let the reader of the research decide whether it has applicability to other cases.

The significance of this study to my research was that it helped to emphasize the importance of the problem of employee theft, and it confirmed my initial findings that there is a paucity of scholarly research on this subject. Additionally, it provided insight into the possible causes of employee theft. These insights were valuable as I analyzed the findings of my own research.
A study on the motivation for the commission of white collar crime. Hughes (2001) conducted a survey study of white-collar crime with particular emphasis on how the organization of the public and private sectors influences the motivation to commit the white-collar crimes of fraud and embezzlement. His findings showed that public sector employees more often identified motivations relating to job dissatisfaction, poor working conditions, and working environment while private sector employees more often identified motivations relating to an extreme emphasis on profit.

Hughes proffered several major theoretical concepts that help to explain the motivations to embezzle, three of which emerged in his conclusions and findings. Neutralization theory posits that embezzlers seek to justify, rationalize, and neutralize their behavior. Strain theory suggests that individuals embezzle because they believe they need or strongly desire the stolen articles and they believe they cannot obtain them through legal or legitimate means. Differential association theory deals with the fact that organizational climate can foster the illegal behavior of embezzlement depending on how favorably or unfavorably the illegal act is considered by those with whom the offender associates. The first two of these three theories are almost identical to theories posited by Cressey (1953) in his seminal work on the social psychology of embezzlement. This study supports the work of Cressey (1953) and Cox et al. (1979), and provides additional theoretical underpinnings for my own study.
A descriptive analysis of fraud in the governmental sector. Strawser (1997) performed an analysis of the survey data collected by the Association of Certified Fraud Examiners (ACFE) in 1994, which was "the largest known privately undertaken study on the subject of fraud" (p. 35). This mail survey was distributed to the entire ACFE membership of approximately 15,000 individuals nationwide who were asked to respond in detail about actual fraud cases with which they were familiar. Of those surveyed 2,608 responded with details of fraud cases totaling $15 billion. Of these, a total of 611 cases described frauds which had occurred in governmental units at the local, state, or federal level.

Strawser concluded that fraud in governmental agencies is a significant problem which requires governmental leaders to understand, detect, prevent, and prosecute instances of fraud in their respective agencies. He points out that the impact of fraud in governmental agencies goes beyond the sheer magnitude of the dollar losses incurred. These illegal activities divert budgeted resources from their intended uses, deflect the focus of agency leaders, and erode the public's confidence in the integrity of its government. As Strawser points out: "In this era of accountability, the failure of government to make every effort to prevent the losses which result from fraud is simply unacceptable" (p. 102).

This study helped to substantiate the significance of my own research by emphasizing the problem of fraud in governmental agencies, which by extension include community colleges. The study called for further exploration of individual cases of fraud in governmental entities in order to gain an understanding of the
organizational characteristics which may assist in detecting and preventing fraud. My study provides a contribution in this area.

A case of embezzlement at a community college. George (1990) provides the only contribution to the body of scholarly literature regarding a case of embezzlement at a community college. Her thesis is a narrative history of the college from its inception up to the date of the writing. The history, however, is marred, and in fact dominated, by a case of embezzlement that was perpetrated by the college’s third president and the CFO over a period of about six years. Both the president and the CFO eventually pleaded guilty to embezzling $400,000 in exchange for plea-bargained sentences of 10 years and eight years, respectively. The investigators in this case discovered that the embezzlement was enabled by poor or nonexistent internal controls, poor separation of duties, ineffective auditing procedures, improper managerial oversight, and collusion.

These factors are frequently identified in organizations where embezzlement has occurred, and they are factors that are commonly identified and described in the audit literature as defenses against such illegal activity (Strawser, 1997). The purpose of my study was not to further elucidate what is readily available in the literature, but to give a rich, thick description of a case of embezzlement at a community college so that college administrators, board members, citizens, and others may understand the critical importance of taking action on this important issue. If my study can motivate
individuals towards better practice, then those individuals can easily find literature and resources to help them implement better practices.

As an example, Jones (1996) provides an elaborate treatise on one of the internal controls that is recommended in the literature to help prevent embezzlement—separation of duties. This entire doctoral dissertation is devoted to explaining all the ramifications of separation of duties and is replete with complicated formulas, statistical analyses, and various models and theories that can give the reader a scholarly knowledge of this one internal control. This treatment is far beyond the scope of my research. The goal of my research was to make the issue of embezzlement in community colleges come alive for readers so that they may understand the critical importance of taking action in their own institutions. Furthermore, the types of resources I envision institutional leaders subsequently turning to are more practical in nature and less theoretical (e.g., Davia, Coggins, Wideman, & Kastantin, 2000).

George’s (1990) qualitative study provides the kind of rich description that allows a study to come to life for the reader. Her chapter, Recovering from the Fall, contains vivid descriptions of how the college struggled to regain its reputation after the embezzlement was discovered. The anger, frustration, resentment, and humiliation of the staff and faculty are felt in the chapter’s opening sentences.

Calendar year 1986 can best be summarized by the headlines the college continued to endure. For a faculty and staff who had worked so hard to establish a reputation of credibility and integrity, it was a very difficult time. Nurse Jo Dee Burger said “I resented feeling I needed to defend the institution because of the action of two people.” (p. 76)
George’s approach to the study, however, was more of a running commentary of the entire history of the college with the embezzlement being an integral part of that history. Her treatment is almost completely descriptive with no apparent analysis or interpretation of the data. Conversely, my study was focused entirely on the sociological effects of the embezzlement episode and only treated the history as it was needed to define the context in which the embezzlement took place. Additionally, I overtly strove to analyze the data to find themes and meaning on a deeper level than the surface description of what happened. As with all qualitative studies, it was impossible for me to speculate a priori what those themes and meanings might be since they would have to emerge from the study itself. It was my hope to provide a study that would stimulate both the readers’ intellect and emotion in order to spur them on to better practice.

*Academic References and Expert Works Relating to Embezzlement*

This section of the literature review deals with academic references and expert works which have been selected based on their applicability to my study and their appropriateness for an audience of practicing administrators. They include a textbook on fraud detection and control, and an investigative manual on white-collar crime.

*An accountant’s guide to fraud detection and control.* Davia et al. (2000) have designed this accounting textbook to be a stand-alone reference for accounting professionals who are interested in fraud detection and control. The book is designed
primarily for use by persons not normally familiar with fraud-specific internal controls, so it was a good choice for the purposes of informing my research which was designed for administrative professionals who may not have much background in professional accountancy. The combined credentials of the four authors include two doctors of philosophy, one doctor of jurisprudence, two certified public accountants, and one assistant professor of accountancy, each having approximately 30 years of experience in their respective fields. The book addresses two separate types of fraud: fraudulent financial reporting and asset-theft fraud. My study was interested in the latter of these two. While it would be impractical to summarize everything in the book, I would like to record several salient points regarding internal controls for those readers who have had little exposure to the subject.

Internal controls are divided into two major groups: active controls and passive controls. Active controls are those controls that are designed to prevent fraud, and passive controls are those that are designed to deter fraud. Active controls include techniques such as: (a) requiring authorizing signatures; (b) document countersigning; (c) passwords and personnel identification numbers; (d) segregation of duties; (e) separation of functions; (f) physical asset control; (g) real-time inventory control; (h) fences, padlocks, and other physical restraints; (i) document matching; and (j) prenumbered accountable forms. Active controls are designed to be actual barriers that prevent embezzlement from happening by restricting the types of activities that facilitate fraud. Active controls are fairly intrusive and costly to use. Because they function as barriers, they introduce inefficiency into the operations of the business.
These, however, are the kinds of controls that are most frequently implemented to prevent fraud, and they are often rendered ineffective by human error, collusion, carelessness, or inadequate adherence due to the natural tendency for one to like and trust those with whom one works.

Passive controls include techniques such as: (a) audit trails; (b) focused audits; (c) surveillance of key activities; (d) rotation of key personnel; and (e) an infinite variety of custom designed controls tailored to fit the individual situation. These controls do nothing to physically prevent embezzlement. Instead, they have a deterrent effect by “creating sufficient risk in a fraudulent act to convince a perpetrator that he or she doesn’t want to go there” (Davia et al., 2000, p. 111). The etymology of the word deter from the Latin (de + terrere) means to frighten (Webster’s, 1991). Thus, these controls create enough fear, or at least doubt, in the mind of the potential embezzler to deter him or her from acting on an impulse to steal. These controls are unobtrusive, economical, relatively maintenance free, and effective. Passive controls can be used intermittently without any loss of effectiveness as long as the potential perpetrator believes that the control is functioning. He or she never knows when the auditor is coming and the risk of getting caught is ever present. “Whereas active controls are visible or predictable and can be avoided, passive controls are invisible and not predictable, and hence cannot be avoided” (Davia, et al., 2000).

This book provides an overview of the subject of fraud detection and control which may be helpful to readers of my research by providing some exposure to this field of study while avoiding the highly technical language normally encountered in
accountancy textbooks. Readers who are interested in further study on this subject can easily find other resources on their own. It was beyond the scope of this study to review all of this related literature. I simply wanted to provide a sample of what is available for further research and administrative practice.

*An investigative manual on white collar crime.* Williams (1997) has produced this “how to” manual for the professional investigator of white-collar crimes. The author, a 24 year veteran of the Austin Police Department in Austin, Texas, was appointed police chief for the city of San Marcos, Texas in 2003 (San Marcos, 2003). His formal education is in economics and political science and he holds a bachelor’s and a master’s degree from Southwest Texas State University. He has completed courses in financial investigation taught by the Internal Revenue Service, the Federal Bureau of Investigation, the United States Department of Justice, and Anacapa Sciences, Inc., of California. He has 15 years experience in financial investigations, including embezzlement and fraud, and he is a frequent guest lecturer in criminology classes at the University of Texas.

The book provides a general overview of the subject of white-collar crime, including embezzlement and fraud. The book is well researched and provides an extensive bibliography. It is very easy to read, yet maintains an appropriate level of sophistication for the intended audience of my study. It provides detailed descriptions and operational definitions of fraud and embezzlement and provides a general overview of accounting theory and auditing theory on a level appropriate for
investigators. The main purpose of the book is to teach investigators how to effectively detect and prosecute white-collar crime. Detailed, step-by-step instructions are given on: (a) financial interviewing and interrogation; (b) public information, subpoenas, and search warrants; (c) evidence and documentation; (d) proving illicit transactions; and (e) investigative reporting and case preparation.

Williams lists and explains the traditional methods of making and concealing illegal transfers and payments. He notes that the methods fall into a surprisingly few but commonly repeated patterns, including: (a) corrupt gifts and favors; (b) cash payments; (c) checks and other financial instruments; (d) secret investment interests; (e) sham loans; (f) transfers of property at less (or more) than fair market value; (g) promises of employment for the embezzler or the embezzler's family members; (h) floating (juggling daily receipts); (i) lapping (depositing the checks and keeping the cash receipts); and (j) cooking (altering or completely fabricating the accounting books). These schemes are roughly divided into two major categories: on-book schemes and off-book schemes. On-book schemes occur after the funds in question have been received by the entity and are thus included in the accounting books. The methodology of on-book schemes is to divert the funds and to disguise or hide the paper trail in some way. Off-book schemes are those that occur outside of the regular business operations and thus do not show up on the books. These would include such things as cash payments, corrupt gifts and favors, and offers of employment.

The type of scheme employed, whether on-book or off-book, depends primarily on the source and type of funds available to the payer. When funds are limited to normal business receipts that, as a rule, are
deposited into regular accounts used to pay normal business expenses, the illicit payments most likely will come from those same accounts. A payer who has the potential to generate cash or other unrecorded income will usually opt for an off-book scheme, especially if he is making extremely sensitive payments, is operating in a heavily regulated industry, or is otherwise concerned about intense audits. (Williams, 1997, p. 186)

Williams continues with a section on how the investigator goes about discovering these various schemes. Such techniques as: (a) understanding the organizational structure and the organizational relationship between key personnel in the enterprise; (b) identifying the money flow pattern in the organization; and (c) noting significant changes in an employee’s financial situation that exceed his or her known sources of income are all helpful in detecting embezzlement schemes. The myriad steps that Williams lists to effectively pinpoint and prosecute an embezzler once a scheme has been suspected are far too numerous and detailed to list here, and they are beyond the scope of this study. The purpose of this study was not to investigate an ongoing embezzlement scheme, which would require such detailed treatment, but to study a historical case of embezzlement through the lived experiences of those who were there. The investigative details that Williams gives provided good background information that helped me formulate good questions and understand and interpret the results of my study.

Williams agrees with Strawser (1997) that the damage from embezzlement goes beyond the initial financial loss; “the attendant publicity may also cause a loss of prestige or public trust” (p. 107). Therefore,
[w]hen a victim does uncover embezzlement, he often chooses not to report it to law enforcement authorities. Consequently, law enforcement officials investigate less than 60 percent of all embezzlements and frauds. For many reasons, such as the victim’s fear of publicity and loyalty to straying employees, only about one percent of all trust violations result in criminal prosecution. (Williams, 1997, p. 19)

Davia et al. (2000) concur that all too often victims are more concerned with recovering their stolen funds and keeping publicity down than they are with prosecuting the embezzler. Williams (1997) and Davia et al. (2000) agree that it is crucially important that embezzlers be prosecuted to the fullest extent possible. Otherwise, there is little to deter the potential embezzler. If the embezzler doesn’t get caught, he or she gets to keep all the money. If the embezzler does get caught, there is a 1% chance that he or she will be prosecuted (Williams, 1997). And, he or she may end up keeping a large part of the money through a negotiated settlement (Davia et al., 2000). To put it another way, there is a 99% chance that the embezzler will get away with it, or at least some of it. It is no wonder, as Russell and Finerman (1995) observe, that embezzlement is becoming the crime of choice for the 21st century. At least in the case of embezzlement, one would be hard pressed to prove the old adage that crime doesn’t pay (Davia et al., 2000).

This book is included in this literature review because it provides some rudimentary foundations for my study. Although it was not the purpose of this study to investigate and prosecute the embezzler in this case, this background information was helpful as I formulated questions and interpreted the results of my study. It will also be
helpful to readers of this research who may be unfamiliar with this whole field of study.

Summary of Related Research

Because of the lack of scholarly research on embezzlement in community colleges and other institutions of higher education, the scope of related research was expanded to include other types of public institutions, private agencies, and nonprofit organizations. Even with this expanded scope, there were very few scholarly studies related to embezzlement of any kind. As indicated by Cox et al. (1979), most of the proliferation of literature on the subject of embezzlement is conceptual and prescriptive, often contributed by expert practitioners in the field, but not based on any real research. Therefore, the studies reviewed in this chapter, although not directly related to education, were the best available sources for a literature review.

These studies show that embezzlement in the U.S. is a huge problem, and that public agencies are susceptible to embezzlement. They also provide insight into the attitudes and psychological factors that are highly correlated with embezzlement. This information helped me to know what questions to ask in my own study and provided guidance as I interpreted the results of my research.

The organization and approach of the library study, in particular, was useful as a model that helped to guide my own research. Although I did not conduct a survey to find out the extent of the problem of embezzlement in community colleges nationally (I leave this to future researchers), I shaped my research largely after the one case they
chose to analyze in depth, the Indiana case. Like this case, I interviewed board members, support staff, administrators, and others who had knowledge of the case which I was studying. I also gathered documents for analysis such as board meeting minutes, audit reports, newspaper accounts, court records, and other documents that had relevance to my study. Like the library study, I analyzed the data from these interviews and documents to understand both the descriptive circumstances (what happened) and the organizational environment in which the crime occurred (how it was allowed to happen). Unlike the library study, however, I did not make recommendations for future action. Rather, I provided a rich, thick description of the case that will allow the readers of my research to reach their own conclusions for future action based upon comparisons they may make between my study and other cases with which they are familiar.

The section on academic and professional literature provides a sample of the literature that is available to the reader interested in further study on the subject, and it provides some general information that may be helpful in understanding and interpreting the findings of this study.
CHAPTER 3: RESEARCH DESIGN

The research design for this study was qualitative using a case study approach. A case study is an exploration of a bounded system, that is, a program, site, event, or individual which is bounded by time and place (Creswell, 1998; Stake, 1995). The case for my study is an incident (embezzlement) which occurred at a particular time and place. Thus, the bounded system that comprises my case is the activity of embezzlement that took place on a particular community college campus over a particular period of time.

Further, my study was an instrumental case study. An instrumental case study seeks to illuminate a particular issue or incident and to portray reactions to that incident (Creswell, 1998; Stake, 1995). My study provides a rich, thick description of the case and its setting. I used direct interpretation whereby I looked at a single case of embezzlement and drew meaning from it without looking for multiple instances (Creswell, 1998). Although I made no attempt to generalize the results of my study beyond this one case, others may make naturalistic generalizations which apply to other cases with which they are familiar. Naturalistic generalizations are generalizations that readers of research make as they see similarities (perhaps intuitively) between the study at hand and other cases with which they are familiar, even if the researcher has not made those comparisons (Meyers, 2000; Stake, 1995). Rich, thick descriptions form the basis upon which naturalistic generalizations are made (Creswell, 1998).
The use of qualitative case studies in research has enjoyed a growing acceptance since the 1960s when researchers were becoming increasingly concerned about the limitations of quantitative methods, especially for social science and education research (Tellis, 1997). Stake (2001) believes the method has now arrived at complete legitimacy.

It is not necessary for us today to begin a dissertation with an argument [that] case study is a legitimate research method. Legitimacy has been established....the approach is widely accepted for doctoral dissertations at most universities in the western world. (p. 1)

But, Stake recognizes that there are many ways to approach case study. Although he is thoroughly committed to qualitative research methods, he asserts that case study is defined, not by the methods undertaken, but by the object of the study chosen, that is, the case itself (Denzin & Lincoln, 2000). Thus, case study can be undertaken from a variety of ontological, epistemological, and methodological paradigms. Therefore, it will be helpful for me to describe the theoretical framework from which my methodology emerges.

**Ontology**

Ontology has to do with the nature of reality. How one views reality in very large part determines how one approaches scientific inquiry. Arguably, from time immemorial to the present time, the majority of scientists, philosophers, and others who were inclined to think about the nature of reality have viewed the world in a very
positivistic way. Positivism holds that there is an objective reality, or ultimate truth, which can be known, and that the goal of research is to find that ultimate truth (Lincoln et al., 1985; Neuman, 2003). The dialectical reasoning of Socrates, the ideal forms of Plato, and the binary logic of Aristotle all demonstrate that the ancient philosophers were in the pursuit of absolute truth (Stumpf, 1994). This ontological paradigm has reigned supreme throughout human history up to and including the present time.

At about the turn of the twentieth century, a rival paradigm, postpositivism, began to emerge within academic circles, largely in response to the emergence of social science and education research, which was becoming increasingly dissatisfied with the positivistic paradigm. The problem with the term, postpositivism, is that it is an all encompassing term that comprises every ontological and epistemological perspective outside of positivism (Lincoln et al., 1985). Thus, there is a continuum of thought within the postpositivist camp ranging from the fairly conservative view that “the social sciences deal with entirely different kinds of subject matter from the natural sciences and that the methods and the form of explanation used in the two types of science are fundamentally different” (Carr & Kemmis, 1986, p. 89) to the extreme view of postmodernism “in which there is no distinction between the mental and the external world” (Neuman, 2003), that is, everything is illusory. Gall, Gall, and Borg (2002) provide the following definitions of positivism and postpositivism.

We define positivism as the epistemological doctrine that physical and social [italics added] reality is independent of those who observe it, and
that observations of this reality, if unbiased, constitute scientific knowledge. (p. 14)

We define postpositivism as the epistemological doctrine that social reality is constructed and that it is constructed differently by different individuals. (p. 15)

My approach to this study was postpositivistic as defined by Gall et al. (2002) and by Carr et al. (1986). While I tend toward positivism with regards to the physical world, I do not share the belief with positivists that there is a social reality that is independent of those who observe it. Rather, I believe that social reality is constructed and that it is constructed differently by different individuals. My study does not deal with the natural sciences and the nature of physical reality, but rather, with the social sciences and the institutional facts that occurred in the case under study. Institutional facts are defined by Bredo and Feinberg (1982) as the most concrete level of social construction in which the facts, while not "brute" or natural facts, are so fundamentally dependent upon the conventions and distinctions of those being studied that it is possible to find out what literally happened; for example, what time a person arrived at work, whether that person took money from the cash drawer, and whether there were any witnesses. While there is a sense in which these actions are dependent upon the existence of certain social constructions, the facts themselves are ascertainable on such a fundamental level that their veracity can be established as certainly as brute or natural facts. Bredo et al. (2002) point out that "a tolerant brute data approach can study such facts, and indeed most social science research is tolerant
in this way” (p. 118). Second, I approached this study from a postpositivistic position because this study went beyond the institutional facts and explored the meanings, interpretations, and significance that the participants of this study attached to those facts.

**Epistemology**

“Epistemology is the branch of philosophy that studies the nature of knowledge and the process by which knowledge is acquired and validated” (Gall, Gall, & Borg, 2002, p. 13). When one considers the process by which knowledge is acquired, one must of necessity consider the relationship between the knower (the observer) and the known (that which is observed). Positivism holds that the knower and the known can be separate, thus the researcher tries to remain objective and separate from the object of the research so that the findings can be objective, valid, and reliable (Lincoln et al., 1985). Conversely, postpositivists recognize the difficulty (or impossibility) of achieving objectivity because the researcher’s beliefs and values are embedded in the entire research process (Gall et al., 2002; Lincoln et al., 1985; Neuman, 2003).

Because the events of my study happened in the past, I did not observe or participate in the research as would an ethnographic researcher. Rather, I interviewed people about past events and analyzed documents containing a record of those past events. I recognize that my presence in the interview situation most likely affected the outcomes of those interviews in tangible as well as intangible ways, and that my
interpretations were affected by my personal biases, beliefs, and values. Therefore, I have provided a personal disclosure statement (researcher's perspective) which reveals my past experience, education, biases, prejudices, and orientations that likely shaped my interpretation and approach to this study. This statement helps the readers of my research to judge the trustworthiness of my work.

Methodology

The advent of the modern scientific era in the late eighteenth and early nineteenth centuries produced the quantitative research method which codified positivism as the immutable law for scientific research (Lincoln et al., 1985; Neuman, 2003). This method continued unchallenged up until the early twentieth century when a new paradigm of naturalistic inquiry, or the qualitative method, emerged. The actual use of qualitative research in education has been most apparent in the last 30 years (Creswell, 2002). Methodologically, one important difference between quantitative and qualitative research is that quantitative research is typically deductive, that is, it postulates its theories, hypotheses, and measures a priori, while qualitative research is more inductive, that is, it allows its theories, themes, and meanings to emerge naturally from the study (Creswell, 1998).

I used qualitative methods in this study. I used interviews and document analysis as the primary data gathering mechanisms. The interviews were unstructured which allowed the free flow of thought so that the facts emerged naturally from the participants in the study. I did not propose any theories or hypotheses at the beginning
of the study, nor did I set out to prove or disprove anything. Rather, I sought to understand the case through the eyes of those who lived through the experience, and I converted that understanding into a rich, thick description from which I and my readers may be able to draw conclusions and naturalistic generalizations.

In quantitative studies the criteria for truth are validity and reliability. However, in qualitative studies these concepts are not considered relevant by many researchers and are instead replaced by such concepts as plausibility, authenticity, credibility, and relevance (Gall et al., 2002). The measure of truth in qualitative studies is often gauged by the study’s usefulness and contextual completeness, the researcher’s position relative to the study, the credibility of his or her writing style, and whether the researcher took credible steps to ensure the soundness of the data, data analysis, and interpretation (Creswell, 1998; Gall et al., 2002). In the following sections I demonstrate how I have provided for these assurances.

**Data Needed**

The data needed for this study were twofold: (a) the historical background of the case which comprises the first three research questions—how was the embezzlement carried out, how did the embezzlement go undetected for so long, and how was the embezzlement eventually discovered?—and (b) the sociological effects of the embezzlement on the institution which comprises the last two research questions—how have things changed at the institution since the embezzlement, and who was significantly affected by the embezzlement and how were they affected?
The historical background of the case was obtained through an analysis of the available public records of the case including newspaper accounts, accreditation reports, court records, and other internal documentation that the college made available to me. The answers to the sociological effects were obtained through interviews with participants associated with the college. The following sections include an in depth discussion of the study participants and data collection methods used in this study.

Study Participants

This research focused on one case of embezzlement at one community college and solicited participation from a large cross section of college constituents including students, administrators, faculty members, board members, and support staff. The college was selected using the following criteria: (a) the college had to have had a significant case of embezzlement within the past five years; (b) had to be logistically feasible for the researcher to study; and (c) had to have a president who was willing to participate in the study. A college was identified that met these criteria.

Due to the sensitive nature of this case, it was necessary to provide participant anonymity as much as possible. Therefore, the use of a general recruitment letter which would have blanketed the entire campus, or any type of chain sampling, was not done. A general recruitment letter would have invited unnecessary attention to the study, which might have proven detrimental to the research, while a more focused approach provided a greater likelihood of maintaining anonymity and confidentiality.
The use of chain sampling would have stirred up unnecessary angst among participants who might wonder who recommended them for the study and why.

Therefore, potential participants were identified using the publicly available directory information for the college under study. An attempt was made to create a pool of participants that would represent a broad cross section of the college constituency. The initial list of potential participants who were approached for this study included 41 people comprising approximately 30% of the total college constituency. The demographics of this potential pool of participants included 23 males, 18 females, 18 faculty members, 23 non-faculty personnel (administrators, board members, and support staff), and one student.

Of this group of potential participants, 24 agreed to participate in the study, and of those, 20 actually showed up at their scheduled interview and participated. The demographics of the pool of participants who actually participated included 10 males, 10 females, 6 faculty members, 14 non-faculty personnel (administrators, board members, and support staff), and no students. Due to the small constituencies of some of the non-faculty personnel groups (e.g., administrators), I cannot give any further breakdown of this group without running the risk of compromising individual anonymity.

The actual pool of participants represented approximately 17% of the total college constituency with 14% of the faculty and 20% of the non-faculty personnel participating. This represented a broad cross section of the college and provided an adequate pool of participants for this study.
Data Collection Procedures

The primary data collection mechanisms were participant interviews and document analysis. Recruitment of participants began in June of 2005 and continued until the interviews took place the week of August 1, 2005. I contacted each of the potential participants by phone or by email to ascertain their initial willingness to participate in the study. I answered any questions the potential participants had, and for those who agreed to participate in the study, I scheduled a date and time for the interview. I forwarded each participant a copy of the Informed Consent Document (see Appendix A) for their review prior to the interview.

The interviews were held at a discreet off campus location and were scheduled for one hour with a half hour of buffer time in between each interview so that interviewees would not run across each other coming and going. When I met with each participant, we first took time to review the Informed Consent Document and I answered any questions the participant may have had. After the participant signed the Informed Consent Document, I interviewed the participant about the case. The interviews were unstructured and conversational in style and sought to answer only the last two of the research questions: (a) how have things changed at the institution since the embezzlement; and (b) who was significantly affected by the embezzlement and how were they affected? An audio tape recording was made of the interviews to aid with accuracy and transcription. I personally transcribed the audio recordings.

In addition to the interviews, data were collected from available public records including newspaper accounts, accreditation reports, court records, and other internal
documentation that the college made available to me. These records were used to construct the historical context of the study and to answer the first three research questions: (a) how was the embezzlement carried out; (b) how did the embezzlement go undetected for so long; and (c) how was the embezzlement eventually discovered? I spent one week on site and conducted all the interviews and most of the document collection during that week. I had collected some documentation prior to that week and continued to collect documentation as needed after that week. Also, I conducted one interview over the telephone (which was also recorded) prior to the week of the site visit.

Data Analysis Procedures

I personally transcribed the tape-recorded interviews into verbatim written transcripts. This allowed me to begin to mentally process the interviews even as I transcribed them onto paper. Next, I proofread each transcript while listening to the audiotapes a second time to verify the accuracy of the transcripts. At that point, I had listened to the interviews three times; first, at the actual interview; second, as I transcribed the tapes; and third, as I proofread the transcripts for accuracy. I then read through the entire transcript several times to get a sense of the whole database. I looked for patterns in the data such as repetition of certain words or phrases by individuals and across multiple interviewees. I jotted notes in the margins of the transcripts as I read and reread them to verbally code the ideas that emerged from the text in answer to the research questions. These notes soon began to reveal the patterns
in the data. I then listed all the data patterns on a separate sheet of paper and began to compare them to each other and group them together into categories until a coherent framework for the data emerged. This framework became the basic outline for the results section of this research.

Strategies to Ensure Soundness

Creswell (1998) lists eight strategies for ensuring the soundness of the data and the credibility of the study. The eight strategies he lists are fairly representative of the literature on the subject: prolonged engagement and persistent observation; triangulation; peer review; negative case analysis; clarifying researcher bias; member checks; rich, thick description; and external audits. He recommends that qualitative researchers engage in at least two of these eight strategies to ensure the soundness of the data, data analysis, and interpretation. I used three of these strategies in my study: triangulation, clarifying researcher bias, and rich, thick description.

I excluded from consideration prolonged engagement and persistent observation because the design of my study did not include these aspects. The time I spent at the site was limited to time spent interviewing participants and collecting and reviewing documentation. I also excluded negative case analysis because my research only involved one case and did not afford the opportunity to compare to other cases. I excluded peer review and external audits because these are more appropriate for funded research and are not typical of dissertations. And, finally, because of the nature of my study, I excluded member checking. By its nature, a discussion of
embezzlement can generate a lot of angst amongst the participants. I felt it would be more comfortable for the participants if they were only probed once for information rather than going back a second time to have them review the transcripts that were produced from their interview. Seeing a written transcript of their interview might have caused them unnecessary angst and consternation regarding what they had said. As far as ensuring the integrity of the data, the research design included keeping the tapes of the interviews and the transcripts for a period of three years after the conclusion of this study so that they would be available for verification should any question arise regarding the accuracy of the data. The following sections elaborate on the three strategies for ensuring the soundness of the data, data analysis, and interpretation that I used in this study.

**Triangulation**

Triangulation is a technique whereby the researcher uses multiple sources of information, multiple methods of data collection, multiple investigators, multiple theories, or a combination of these, to ensure the soundness of the data collected (Lincoln et al., 1985; Patton, 1990). The first and second of these (triangulation by using multiple sources of information and multiple methods of data collection) means that the investigator may choose not to consider a fact to be sound unless it is confirmed by more than one respondent (multiple copies of the same type of source), or by more than one type of source, for example, verifying a respondent’s comments
against available written records such as board meeting minutes, correspondence, court records, or other forms of documentation.

According to Lincoln and Guba (1985), multiple sources of information and multiple methods of data collection are the most commonly used forms of triangulation. Merriam (1998) agrees that the major way to detect and correct distortion in interview data is to compare an informant's account with accounts given by others. However, Lincoln and Guba advise that the researcher should not be slavishly tied to this method by excluding all facts that are reported by only one respondent, because it is conceivable that some facts may be known by only one respondent. In those instances, the overall credibility of the respondent, or the congruence of the fact in light of all other information, must be judged by the researcher to determine whether the fact should be ruled in or out.

I used these two forms of triangulation (multiple sources of information and multiple methods of data collection) in my study. I looked for general agreement between the various accounts regarding factual matters, but I also exercised judgment, as suggested, on items that were reported by only one respondent. I did not use multiple investigators because, as is the norm, there is only one investigator for a dissertation. And, I did not use multiple theories as a method of triangulation because my research did not include theory formulation.
Clarifying Researcher Bias

I have included a statement in the introduction regarding my past experience, education, biases, prejudices, and orientations that may have shaped my interpretation and approach to this study. Readers of this research need to know the biases and assumptions that I bring to this study so that they can judge the trustworthiness of my findings (Creswell, 1998).

Rich, Thick Description

By design, this study depends upon a rich, thick description of the case. This rich, thick description allows readers to judge whether the findings make sense in light of all that is known, and allows readers to determine whether the findings can be transferred to other settings which share similar characteristics (Creswell, 1998).

Strategies for Protection of Human Subjects

The Institutional Review Board (IRB) of Oregon State University (OSU) publishes the Human Research Handbook with which my research complies. For research involving human participants, OSU is guided by the ethical principles set forth in the Declaration of Helsinki and the National Commission for the Protection of Human Subjects of Biomedical and Behavioral Research’s Ethical Principles and Guidelines for the Protection of Human Subjects of Research: The Belmont Report (Oregon State University, 2002). I completed the Human Participants Protection Education for Research Teams online course, sponsored by the National Institutes of
Health, on June 16, 2003. This course provided me with instruction in the history, ethical principles, and guidelines for ethical research, which helped me to construct my research in such a way that it affords proper protection for all human participants. Additionally, my research proposal was examined by the OSU IRB to ensure that it complied with the principles for protection of human participants and it received IRB approval on June 23, 2005.

Participants were provided with an Informed Consent Document as outlined by the OSU IRB handbook. This informed consent document described the research and any risks or benefits that are likely to arise from this study so that potential participants could decide whether they wanted to participate in the study. It also apprised the participants that their participation was voluntary and that they could withdraw from the study at any time without fear of reprisal.

Anonymity was provided to all research participants and to the institution under study. No report or publication resulting from this study will disclose the names or titles of the participants. Further, the institution will not be identified by name, state, or region. Because the condition of anonymity was such an important consideration for both the participants in this study and the Oregon State University Institutional Review Board, no sources were cited that could directly identify the college under study. Instead, those sources were identified as Confidential Sources (CS) along with a generic descriptor of what they were (e.g., accreditation report, board meeting minutes, court records). The research design included keeping all records of participation in this research study confidential to the extent permitted by
law, storing all data collected in a secure location accessible only by the researcher, and keeping these data for three years following the completion of the study and destroying them at that time.

Summary of Research Design

The research design for this study was qualitative using a case study approach. The primary data collection mechanisms were participant interviews and document analysis. Participants were selected from publicly available directory information and included approximately 17% of the total college constituency with 14% of the faculty and 20% of the non-faculty personnel participating. Transcripts of the interview data were analyzed by coding common patterns in the data and organizing those patterns into categories and themes until a coherent framework for the data emerged. Strategies used to ensure the soundness of the data, data analysis, and interpretation were triangulation, clarifying researcher bias, and rich, thick description. Strategies used to protect the participants were: (a) designing the study according to the university’s guidelines for protection of human subjects; (b) providing an informed consent document; (c) providing anonymity for the participants and the institution; and (d) maintaining the confidentiality of the data and records for three years after the completion of the study and destroying the data and records at that time. Although I made no attempt to generalize the results of my study beyond this one case, users of this research may make naturalistic generalizations which may apply to other cases with which they are familiar.
CHAPTER 4: RESULTS

The results of this study are divided into two major sections: (a) the historical background of the case; and (b) the sociological effects of the embezzlement on the college. The historical background comprises the first three research questions and the sociological effects of the embezzlement comprise the last two research questions. Also, interspersed throughout this chapter is a discussion of how the findings of my study relate to the findings of the related research that was discussed in the literature review chapter. The findings of these studies are compared with the findings of my study to determine what was confirmed, what new was added, and what new literature is now relevant in view of my findings. Due to the fact that my study was limited to an examination of the sociological effects of the embezzlement and did not explore the actual embezzlement event, there is only a tangential relationship between these studies and mine. But, where there were points of correspondence, I have included the discussion along with the findings. This discussion will not be repeated in the conclusion chapter.

Historical Background

The answers to the first three research questions—(a) how was the embezzlement carried out; (b) how did the embezzlement go undetected for so long; and (c) how was the embezzlement eventually discovered?—provide the historical background of the case. Due to the fact that both the civil and criminal complaints in this case were resolved out of court without actual litigation, the possibility of legal
liabilities emerging in the course of this study was a concern. Therefore, to avoid legal peril, this portion of the study was restricted to an examination of the available public records only. It is important to note that no attempt was made to investigate or verify the validity of any of the information given in these records. The information was taken at face value in order to provide the historical context and background for the sociological implications that followed the embezzlement event. Some demographic information was also provided to frame the context in which the case occurred.

As previously stated, because the condition of anonymity was such an important consideration for both the participants in this study and the Oregon State University Institutional Review Board, no sources were cited that could directly identify the college under study. Instead, those sources were identified as Confidential Sources (CS) along with a generic descriptor of what they were (e.g., accreditation report, board meeting minutes, court records). The research design included keeping all research data for a period of three years after the conclusion of this study so that they would be available for verification should any question arise regarding the accuracy of the data.

Demographics

This case of embezzlement took place in a small community college which had approximately 145 full time staff members and an annual full time equivalency of approximately 2,000 students at the time the embezzlement was discovered in September of 2000 (CS, accreditation report, October 10-13, 2000). The college is
situated in a small rural town with a population of approximately 11,000. The city is
the largest community in its region of the state and the college is the largest employer
in the area. The region’s primary industry is agriculture (CS, Wikipedia online
encyclopedia, August 14, 2005). The racial makeup of the city is approximately 69.3%
White, 0.5% African American, 0.9% American Indian or Alaska Native, 2.7% Asian,
23.1% some other race, and 3.4% two or more races (CS, U.S. Census, 2000). The
U.S. Census Bureau also reported that 32.1% of the population is Hispanic or Latino
of any race. It is difficult to understand the exact composition of the Hispanic
population because of the way the census bureau reports that statistic, but it is safe to
say that the two largest people groups in this town are White (69.3%) and Hispanic or
Latino of any race (32.1%). The median household or family income for the area is
about 30% below the national average. The percentage of the population having
attained a bachelor’s degree or higher is approximately half the national average (CS,
U.S. Census, 2000). All other reported demographic data for this area are comparable
to national averages.

Overview

On December 13, 2000, the college filed a civil suit in the district court of the
state alleging that the college’s comptroller, who had been employed at the college as
the comptroller from 1990 through September 2000, had embezzled funds from the
college “in an amount not yet determined, but not less than $840,000” (CS, court
record, December 13, 2000). The college was seeking the return of “any and all
personal or real property purchased with said funds whether in the possession of [the comptroller] or [the controller’s husband]” (CS, court record, December 13, 2000).

The comptroller’s husband was named in the suit because he was co-owner of property which was purchased with the funds that were allegedly embezzled from the college. In the months that followed, as the investigation continued, the amount of money embezzled was found to be on the order of $1.2 million.

The total monetary loss will never fully be known because the college’s records only went back as far as 1992. The comptroller had worked for the college as a clerk in the business office since 1987 and as the comptroller since 1990. The annual amounts that could be determined showed that the early losses, though still very large, were small in comparison to the losses as time went on. The loss during fiscal year 1992-1993, for example, was $61,000. Losses in the following years from 1993 through 2000 were $59,500, $88,810, $158,450, $173,921, $141,136, $183,121, and $270,828 respectively. In the fall of fiscal year 2000-2001 before the comptroller was apprehended, she had already embezzled $60,722 in those three months alone. Given that trend, it is likely that any embezzlement prior to 1992 would have been in line with the amounts in those earlier years. And, prior to becoming the comptroller in 1990, she may have had even less opportunity to carry out such embezzlements. So, the $1.2 million figure could possibly have risen to as much as $1.4 million had the records gone back to the beginning of the comptroller’s employment. It is not likely that it would have gone much over that amount.
On May 29, 2001, the college eventually reached an out of court settlement with the defendants whereby the college agreed to dismiss all charges against the defendants in exchange for the surrender of nearly all of their assets including the funds from both of their retirement accounts (CS, settlement agreement, May 29, 2001). The total value of all their assets was estimated to be about $672,000. This included their house, a motor home, four SUVs, a boat, two jet skis, resort property, a motorcycle, shares of common stock, retirement annuities, other investments, and cash on deposit in various banks. After liquidating the property and paying the mortgages, fees, taxes, attorney costs, and other costs associated with the liquidation, the college realized approximately $275,000. The college also recouped $100,000 from college owned fidelity bonds that insured the college against such losses.

In addition to the civil suit, on May 25, 2001, the district attorney of the state filed criminal charges of first degree aggravated theft against the comptroller alleging that she “did unlawfully and knowingly commit theft of money, of the total value of $10,000 or more,” further alleging that the amount of loss caused by the defendant was more than $50,000 (CS, court record, June 1, 2001). On June 19, 2001, the defendant pleaded guilty to the charge of first degree aggravated theft and was subsequently sentenced on October 4, 2001, to 18 months in prison followed by two years post prison supervision with fines and fees of $50,164 payable to the court (CS, court record, October 4, 2001). According to the local newspaper, the defendant was “cuffed immediately and led out of the courtroom...to the [state] Corrections Intake
Center...where she [was] processed and sent to a women's correctional institute for the remainder of her sentence” (CS, newspaper article, October 4, 2001).

How the Embezzlement Was Carried Out

According to a report sent by the college to the regional accrediting commission for colleges and universities, the embezzlement occurred primarily because of circumvention of internal controls and oversight involving vault or safe cash. Four times per year during registration the college would have large amounts of cash on hand for dispensing to students during the normal registration process. Cash was received from the bank, placed in the vault, distributed to the front counter staff, and utilized to disperse financial aid and other types of refunds to students (CS, accreditation report, February 15, 2001). According to the college president, the college's “computer system made check disbursements really cumbersome so for student convenience, [they] gave out cash” (CS, press release, May 30, 2001). As the registration process continued, excess cash was redeposited at the bank into the college's checking account. It was this process that was most susceptible and became the primary target. The comptroller would intercept the large deposits of money that were going back to the bank and would abscond with the funds (CS, accreditation report, February 15, 2001).
How the Embezzlement Went Undetected For So Long

The comptroller was a trusted employee who had access to all the functions in the business office. Offering to be helpful, she would intervene in processes that other business office staff would normally do, for example, taking the bank deposits to the bank. According to the college president, “because everybody knew and trusted each other, if the comptroller came by and said she would take the deposits to the bank for someone, people saw it as a favor” (CS, press release, May 30, 2001). Davia et al. (2000) point out that this kind of embezzlement is almost always committed by a trusted employee. In fact, embezzlement, by definition, requires that the violator be in a position of trust (Black’s, 1990; Champion, 2001; Cressey, 1953; Webster’s, 1991) and people are often quite shocked that the perpetrator has committed the violation (Davia et al., 2000). As a trusted employee, the comptroller was given the latitude to circumvent the internal controls and procedures that would have otherwise denied her the opportunity to commit this crime. Because of the level of trust that this person had acquired, she was operating completely autonomously without any oversight or supervision. Once the college began investigating the embezzlement, however, the scheme was fairly easy to figure out. Davia et al. (2000) point out that most embezzlement schemes are fairly simple and easy to detect if anyone is looking. The reason that embezzlements are so seemingly easy to commit is that, often, no one is watching. The fact that people had a natural tendency to trust their coworker in this situation helped to facilitate this crime for several years.
In addition, the comptroller was responsible for reconciling and balancing the bank statements and, therefore, she was able to reconcile or adjust the college books to account for the missing deposits (CS, accreditation report, February 15, 2001). By taking the bank deposits to the bank in addition to her other responsibilities, the comptroller had access to enough steps in the process to carry out the embezzlement and to cover up her activity. This compounding of duties is in clear violation of some of the most basic tenets of internal control, such as, segregation of duties and separation of functions (Davia et al., 2000; Gauthier, 1996). But it is seen all too often in organizations, especially in small community colleges with limited staff who are often called upon to perform multiple duties in order to get everything done.

Although the college had independent audits done each year, much of the information provided was compiled by the comptroller, and the nature of the embezzlement was such that in a normal audit process all accounts appeared to balance (CS, press release, May 30, 2001). According to the college president, “when we started investigating [the comptroller’s] actions...we found that she had moved money from many different accounts and had created what amounts to another set of books entirely that she kept to balance her theft from college accounts” (CS, press release, May 30, 2001). The college’s legal counsel stated that this was “a very complex and calculated process [which the defendant] had developed over the years to defraud the college” (CS, press release, May 30, 2001). Cressey (1953) asserts that one of the main reasons that people commit criminal violations of trust is that they recognize the opportunity and they have the technical expertise to do so. It appears
that the comptroller was a person quite capable of devising a scheme to carry out this crime and to cover up these activities. In fact, she received strong commendations from the external auditors with particular note about how helpful she was in preparing the documents for the audit each year (CS, audit report, 1999).

The weakness in the internal controls of the college, however, had been identified on each annual audit for the three years prior to the embezzlement being discovered, which is as far back as any audit reports could be found. The 1997 audit raised concerns over the large sums of money being handled by the college. It was pointed out that “having this much cash handled by several different individuals at once leaves an increased risk of someone taking cash and leaving the college with no way to trace who may have been responsible” (CS, audit report, 1997). Additionally, the report points to weaknesses in the segregation of duties noting that “some employees have access to all aspects of the accounting system; they have the capability to initiate, record, and adjust transactions, handle cash, and reconcile bank statements” (CS, audit report, 1997). Having noted the two primary mechanisms for this embezzlement scheme that had been going on for several years, the auditors concluded that these were not *material weaknesses* and that the comptroller should be commended for the way in which the accounting activities were conducted in her office. A material weakness is defined as a weakness in the internal control framework that is so serious that it could cause the financial statements of the institution to be misleading. Weaknesses that are less serious are listed as *reportable conditions* (Gauthier, 1996). These weaknesses in the internal control structure were listed as
reportable conditions in the audit report. The 1998 audit report only mentions the limited segregation of duties in one sentence and concludes that this “is typical of all entities of your size” (CS, audit report, 1998). The 1999 audit report used the very same sentence regarding the limited segregation of duties and further concludes that they did not report it as a material weakness because they felt that steps had been taken by the administration and staff to lessen the control risk in this area (CS, audit report, 1999). Obviously, in the light of the discovery of the embezzlement, the next audit that was done (by a different auditing firm) did list the internal control framework as a material weakness (CS, audit report, February 2, 2001).

In the only other known study of a case of embezzlement in a community college, George (1990) states that the investigators determined that the embezzlement was enabled by poor or nonexistent internal controls, poor separation of duties, ineffective audit procedures, improper managerial oversight, and collusion. Of that list, all of the items were found to be factors in the case under study here, except that the investigation did not determine that there was any collusion in this case. This reinforces the notion that these schemes, as Williams (1997) points out, fall into a surprisingly few but commonly repeated patterns. Thus, it is not difficult for college administrators to understand, detect, and prevent embezzlement in their own institutions if they are motivated to do so. The goal of my study is to motivate college administrators to take the simple actions necessary to do so.
How the Embezzlement Was Discovered

On September 21, 2000, an observant bank employee noticed something unusual about a bank deposit the college had made. A large sum of money from the college had been taken to the bank earlier that day. Because it was enrollment time, that in itself would not have caused any concern. The college practice was to redeposit any money that had not been given out in disbursement, which resulted in large sums of money going back and forth to the bank. This deposit was different, however, because it was made up of old, damp, musty bills (CS, press release, October 22, 2001). The problem with the deposit, according to the district attorney, was that the money looked like it had been stored and the cash was not in the denominations it should have been. The college had received new bills to disperse to students and the bills in this deposit did not appear to be new. Bills going back to the bank should have been the new, unused money that had been taken out of the bank for disbursement originally. Additionally, the money was not packaged in the normal bank wrappers and the money had mildew on it as if it had been stored (CS, newspaper article, December 15, 2000).

Because the comptroller was the one who had made the bank deposit, she was placed on administrative leave the day following the unusual bank deposit pending the outcome of an investigation to determine what had happened (CS, memo, September 22, 2000). The following business day, she resigned her position (CS, letter, September 24, 2000). This incident prompted college officials to conduct a review of internal controls and policies and an audit of the college’s financial statements (CS,
press release, December 13, 2000). When the internal audit revealed a pattern of questionable account transfers, a full scale external audit was begun and the local police department and the district attorney were called in to help (CS, press release, October 22, 2001).

According to college officials, during the peak money periods surrounding registration, business office employees would prepare the deposits and record the actual figures. The comptroller would then remove a portion of the money, change the deposit amount, and adjust the records to cover the loss. According to the college president, “This was deliberate and calculated theft by a person who unfortunately was in a position of authority and trust at the college. And, while [the college] had internal control policies in place, she was obviously able to compromise those” (CS, newspaper article, June 1, 2001).

The Defense Account

Although the comptroller pleaded guilty to the criminal charge, the settlement agreement that both she and her husband signed to resolve the civil suit which the college had brought against them contains a statement that they “expressly deny wrongfully taking such funds” (CS, settlement agreement, May 29, 2001). In an open letter to the campus, the comptroller’s husband gave an alternative explanation of the case which postulated a conspiracy theory perpetrated by “someone” at the college “to cover up the very poor administration, auditing and cost controls of the college mechanisms, an out of touch administration, and the major reduction of carryover in
the past six years” (CS, letter, November 8, 2001). In the letter, the comptroller’s husband stated that his wife had been framed in order to facilitate this alleged cover up and he elaborated on the possibility that several others at the college could have embezzled the money, although he never specifically named anyone. He further stated that the money which the comptroller had exchanged in the unusual bank deposit was actually old family money that she had inherited and that she was simply exchanging the money for the newer bills in the bank deposit. The remainder of the letter described alleged details of the comptroller’s personal life that were put forth to explain any of the comptroller’s behavior that may have seemed unusual surrounding the embezzlement event.

**Summary**

In conclusion of the historical background, the foregoing is a concise recapitulation of the case according to the available public records. To limit legal liabilities, no exploration of this part of the case was made beyond the prima fascia evidence of the public records. Any perceived imbalance between the treatment of the two versions of the case reflects the actual balance of the materials available in the public record. No attempt was made to determine the veracity of any of these accounts.
Sociological Effects

The answers to the final two research questions—(a) how have things changed at the institution since the embezzlement; and (b) who was significantly affected by the embezzlement and how were they affected?—demonstrate the sociological effects of the embezzlement on this institution. This section of the study relies heavily upon the interview data collected from the participants in this study. Under conditions of anonymity the participants were not identified by name or by title. Rather they were identified as P1 (participant one), P2 (participant two), and so forth. Occasionally, a statement was identified as coming from a member of a particular group (e.g., administrator or board member) where there were multiple participants in that group and that identification did not run a high risk of compromising that participant’s anonymity. This was only done in places where knowing which group a participant was in added a qualitative enhancement to the comment being made.

One of the primary goals of this research study was to present the case in such a compelling way that readers might be able to experience vicariously what it is like when embezzlement occurs so that they might be motivated to take preemptive action in their own institutions before something like this occurs. The words of the participants themselves, full of the emotions and feelings that they were expressing, are much more compelling than any summary or synopsis of those words could ever be. Therefore, many excerpts are included in the findings below with the hope that the reader will take time to read them and to experience through the eyes of those participants what this was really like. There is a tendency, when reading any scholarly
work, to skip over the blocked quotations, especially protracted ones like those that are contained in this study. If the reader does that with this study, he or she will miss the richest part of the study.

**How Things Have Changed at the Institution**

This section answers the question—how have things changed at the institution since the embezzlement event?—and deals primarily with the institutional or cultural changes that have occurred. There is, obviously, some overlap between this question and the next one—who was significantly affected by the embezzlement and how were they affected?—but for the most part, this section deals with how the organization as a whole has been affected while the next question deals with how individuals were affected. The cultural and organizational changes that occurred include: (a) changes around the emphasis on internal controls; (b) the damage that has occurred to trust and credibility among the various constituencies of the college; and (c) the costs that have accrued to the college as a result of the embezzlement. There is also a section on communication issues, which were not necessarily a result of the embezzlement, but which were a significant factor throughout this embezzlement event.

**Internal Controls**

One of the major changes brought about by the embezzlement was an increased focus and emphasis on internal control. Every participant seemed to be very familiar with the college’s internal control policy and procedures. In my experience,
most people in a community college have never even heard the term, much less know anything about internal controls, with the possible exception of the accounting personnel who deal with the financial issues of the college on a regular basis. One of the participants verified that my personal experience would have been normative for this college, as well, prior to the embezzlement event.

Again, looking back it’s almost mind boggling to think that that was the way things were handled at that point in time. How have things changed? I think that campus wide we all probably didn’t even know the two words internal controls even existed at that point. And, now as I look back to see how money was handled and that through the business office there were students receiving money as opposed to maybe a credit on their account or a check, per se. Up to that point in time, we didn’t even have a safe up in [our] department. So, if we had…money…it was just pretty much put in a money bag and stored in the office. Or, as I headed out the door, I would maybe deposit it the next morning as I came in. But, there really wasn’t any accountability in the past compared to what we’re doing now. (P18)

The lack of attention to internal controls is credited as one of the major factors contributing to the embezzlement. The embezzlement, in turn, placed the college’s accreditation with the regional accrediting commission into uncertainty. The college’s 10-year accreditation visit occurred a few weeks after the embezzlement was discovered. At the time of the accreditation visit, the college apprised the accrediting team of the discovery but had not yet determined the extent of the embezzlement. Upon learning the extent of the embezzlement, the accrediting commission decided to defer action on reaffirming the college’s accreditation pending the outcome of the
investigation. The commission expressed serious concerns regarding the financial management of the college.

As you might expect, for the Commission to learn of the increase in the magnitude of this problem since the October 2000 visit by the evaluation committee has affected the Commission’s level of confidence in the institution’s financial management, its organizational structure and the systems of reporting that ensure the integrity of the college’s finances and its internal control mechanisms. (CS, accreditation commission letter, January 3, 2001)

Subsequently, internal control became the top priority for the college and the college’s accreditation was reaffirmed, but only conditionally. One of the conditions was that the accrediting commission would monitor the college for five years in its implementation of and compliance with appropriate internal control guidelines. The commission issued the following statement.

The commission remains very concerned that the institution has yet to provide evidence that it has established an appropriately resilient system of internal control over financial reporting that will ensure the integrity of the college’s finances and its internal control mechanisms now and in the foreseeable future. (CS, accreditation commission letter, March 22, 2001)

One participant described the amount of documentation that was required to meet the conditions of the accrediting commission. The participant also described how the increased emphasis on internal control has improved the college’s day to day fiscal operations as far as audits and cash handling go.
I noticed a significant difference in internal controls. As far as it affecting our accreditation, I know we’ve done reports out of the business office, and lengthy, I mean, pages and pages of what our process is. And, I think a lot of it we were probably doing, we just weren’t documenting it. And, so, now, we have like a paper trail, which that’s a real important thing. And, the big part that I noticed was the accreditation issues, as far as reporting to them letting them know that we’ve made these changes. And, then on the foundation part...I noticed that they never did audits. And, so the first audit that was done was back in 2000. So, it was my understanding that we’d never had an audit. And, so, we had, I think this will be our fifth audit in October and we’ve just had a clean opinion from the auditors, and, so, everything’s been fine there. And, I know this, too; we have an internal controls matrix for the foundation as far as handling money. If they have a fundraiser with large amounts of cash, we don’t get it in our office. We have them turn it into the business office. (P6)

The college took its accreditation and financial woes to heart and continued to work on its internal control policy and procedures. By some accounts, the college has continued to revise and improve its internal control policy to the point that it has become a model for other agencies to follow. One participant reported, “I’ve heard from other people [that] our internal control manual and our internal control processes are now being looked at as a tool for other community colleges to use” (P15). Other participants had this same impression. A participant, who came to the college after the embezzlement was discovered, described the college’s internal control system as very intense and went on to describe a fairly elaborate process for handling checks and cash.

I came in on the very end of things so I’ve been real lucky as far as [the embezzlement] not directly affecting what I do. But, there are a couple of components where I was actually told the story of the embezzlement and actually after a couple of questions just due to the fact that we have
a very, very intense internal control policy when it comes to any money that comes in and out of the college. And, I pretty much thought that that’s just how things were done. We would get a check into the… office… and we would copy it off right away. We would have two people look at it and sign that they saw that. And, we would file that and then we would enter that into our system. And, then everything—every check, every piece of cash—we would hand deliver over to the business office and hand that off; and, just really kept great documentation of doing that. So, it was a really good system. And, that’s what we continue to do now. (P9)

Another participant noted, “when you go through something as traumatic as we did, it causes a shift in the way [you] do business” (P2). Most participants tried to focus on the positive results that have come out of the difficulty relating to the embezzlement. In the following excerpt, the participant states that although the event itself was very negative, the overall effect to the college has been positive. This participant also describes the process the college had to go through to turn this into a positive thing and the ongoing effort that is required to maintain it.

Yes, this event did affect the college. And, while the event itself was negative, I think the long term effect on the college was positive because it gave everyone in the college a chance to stop and reevaluate how they were doing everything. The main focus, obviously, was on the business office and the functions that were performed in the business office. That’s where the focused changes occurred, but there were changes in every department of the college. And, over the long run they have been positive. The main focus of change was, of course, in internal controls. It caused the board, the administration, and the business office to basically scrap the internal controls that were previously used and completely review and rewrite all the internal controls. And, we got assistance from an outside auditor who did our normal yearly audits anyway. They helped in making those changes. And, one of the criteria of the internal control manual is that it is updated and reviewed every six months. It is a document that constantly changes. And, we’re constantly looking for improvement.
And, that is a direct result of what happened. We went through our accreditation process actually quite soon after this all came to a head and the accreditation people worked with us on the internal controls and what they expected to see. So, that’s the overall result of what happened. There’s a heightened awareness—if you want to put it in one sentence—there’s a heightened awareness of what can happen. (P15)

Another participant stated that the college probably now has the best possible internal control procedures and goes on to say that if the college had these procedures in place all along, the embezzlement would not have taken place.

I think [because of] the embezzlement, we have probably the best internal control procedures that you can have. And, I think that we’re a better place because of the embezzlement. I don’t think we’d be where we were in terms of internal control procedures now if we hadn’t had the embezzlement. It has been painful. We’re a small conservative college and sometimes people don’t like having that kind of restraint. But, as a public entity being under public scrutiny and being charged with protecting public resources and having to respond to public trust, I think that where we’re at is where we have to be. At the time that the embezzlement happened, we did not have good accounting software. We had a homegrown system that was inadequate. Had we had a better system and more layers of staff and more checks and balances, the embezzlement wouldn’t have happened in the first place. (P17)

Lack of attention to internal controls was credited as a major factor contributing to the embezzlement. The embezzlement, in turn, placed the college’s accreditation status into jeopardy. The college took its financial woes to heart and implemented an efficient system of internal controls that was hailed by some as a model for others to follow. The fact that people were so articulate concerning internal
controls reinforces the finding that one of the major changes brought about by the 
embezzlement was an increased focus and emphasis on internal control.

Trust and Credibility

A second major change which impacted the college was the damage that the 
embezzlement did to trust and credibility at all levels of the organization including: (a) 
the relationship between the board and the administration; (b) the relationship between 
the administration and the college staff; and (c) the relationship between the college 
and the community.

Relationship between the board and the administration. One evidence of the 
damage to trust and credibility within the organization was demonstrated in how the 
relationship between the board and the administration changed. The dynamic of the 
board’s relationship with administration changed in two principal ways: (a) the board 
became much more involved in the day to day operations of the college; and (b) the 
board’s standard of performance for administration became extraordinarily high, 
approaching a zero tolerance for mistakes. One participant gave the following 
perspective as a person who has had a lot of experience with different boards at 
different agencies. The participant stated that the board was much more involved in 
the day to day operations of the college than is typical at other agencies.

That’s one group that this significantly affected, I think—the board of 
trustees. I’ve worked at four different institutions, now, community 
colleges, and worked with a number of different boards if you consider
the combinations of people going on and off. And, by a significant degree, the board here is involved in the day to day operations of the college. And, I’m avoiding using the word micromanaging, but that’s the one that’s typically used to—I guess I’m not avoiding it anymore—but, from the first board meeting I attended, far before I had ever heard the name [of the comptroller] associated with something like this, I was taken aback by the involvement of the board. And, just fairly recently there have been a couple of references from the board chair who was particularly involved at that time. I’ve heard some very passionate utterances from him that, after that embezzlement, I want to know how the finances of this college are being spent. And, I want to be involved. And, he’s very, very good at finances. But, the end result of it is that he’s very, very involved in the day to day operations of the college which is in significant contrast to other places where I’ve worked. We’re in a conservative area here, anyway, but that embezzlement certainly, let me say it this way, has not made the board less conservative. They’re very, very conservative; very, very involved. (P2)

This participant goes on to give an example of the level of detail that the board involved itself in.

I can remember the particular instance that first board meeting that just shocked me. [The dean of administrative services] brought forward a proposal to buy a new copy machine, I want to say $1100, and it was like a 15 minute conversation—how many bids did you get, did you do this, did you do that? And, anywhere else I’d have been it would have been one sentence and on to the next order of business. (P2)

Another participant succinctly observed, “I believe that the board tends to jump into micromanagement mode much more frequently now than they used to” (P12). Several of the board members graciously volunteered to participate in this study. They were equally candid with their comments regarding how the embezzlement has affected the way they approach their roles as board members. The
following comments from board members demonstrate that they understand the difference between policy governance and micromanagement and explain their reasoning for becoming more hands on subsequent to the embezzlement. One board member commented that the embezzlement created a greater awareness of the board’s accountability for decisions and caused the board to adopt more of a micromanaging style.

I think that as a board...there's been a lot more, I hate to use the word micromanagement, but for lack of better phraseology, I think that's certainly been there. I think as a board we've been, or have attempted to be...a lot more detail oriented. In the past we've really managed more by setting policy and leaving the remainder of the process to administration and faculty. I think in an ideal universe that's a process that really will be effective. And, quite honestly, I don't know that as a whole it wasn't effective or hasn't been effective. But, certainly, an event like this makes you sit up and take notice and want to be involved...and you begin to very clearly recognize that in a sense you as an elected public official have a certain amount of culpability yourself. So, if you are signing off on a decision, if you are signing off on a budget, for instance, you darn well better have at least a good general understanding of how monies are being allocated, what control processes are in place for collecting cash, and so forth and so on. If you don't have that information directly there, then you better know where you can go to get it. Because, unfortunately, we live in this litigious society and while you don't ever anticipate—for instance, approving a bond for building a dormitory—so, you think, well, gosh, that's a great decision for the college. That's something that's going to improve the campus. But, when your name is on that line then you're part of the public record and suddenly if somebody comes back and says, well, gosh, you were one of those that authorized the building of this thing on endangered wetlands, what do you have to say for yourself? And, how that gets back to the embezzlement is certainly I think most of us still prefer to lead by policy. I think we've been a lot more involved in the day to day operational pieces and especially as that relates to control issues. (P13)
Another board member stated that things like embezzlement happen as a result of board members not properly understanding and exercising their role. He stated that the board must not be afraid to challenge the paid administration and to ask tough questions and to be pointed and direct.

I've been on different boards, largely private organizations. And, all the way across the state I run into problems with board members not understanding their responsibility and not often understanding their role. And, as a result, things like this happen because they say, well, we only meet once a month; they view themselves as a rubber stamp, or they're afraid to challenge the paid administration. And, so, problems exist. There has got to be tension. If there is not tension...then, the board, or the administration, or the public—wherever the greater pressure is—is going to burst a bubble and there's going to be problems. We cannot prevent all theft. But, if we are not diligent, we will be subject to this and victimized by this far more often and to a much deeper degree than we could ever imagine, or than we otherwise would be. So, don't be afraid to ask the tough questions, to be pointed and direct. And, if you don't get the answer the first time, ask it again, and again, and again until they finally give in and say, it's not worth it, you're not going to let go, I'm going to answer it. And, you have to do that. You have to. There's too much at stake. (P7)

A third board member also observed that the embezzlement changed the board from a policy board to a micromanaging board. He added that the board will probably remain that way as long as the current board members remain on the board.

What it did change in the board is it changed us from a policy board to a micromanaging board, which is something we adamantly prefer not to be. But, this particular event caused us to change our direction, knowingly change our direction, and micromanage at least a part of the college until we were satisfied that it was back on track. And, as far as, at least with the current board that we have, the board members that were on the board when it all came to a head, every time we look at the financial part of the college, that creeps in. I do. I look at the financial
report and the first thing you look for is cash. Are we handling cash still? We’re not supposed to be handling cash. Is there cash available? How many people signed off that? This all balances? You just have a lot more critical eye than you had before. And, that will probably not go away until the board completely rolls through and all of us that were on the board when this happened are gone and we’ve been replaced. Then, it might go back to more of a policy review and let the president take care of the business office like he’s supposed to and the board will just give it a review. (P15)

One participant (not a board member) gave a particularly cogent discussion regarding the difficulty that board members face over the question of policy governance versus more hands on type of management. This participant stated that the current board does tend to prefer a more hands on approach anyway, but that it can be a no-win situation for the board no matter which way they decide to lead.

The personalities on the college board tend to prefer more of a micromanagement type style than macro management. I don’t think all of that can be attributed to [the embezzlement] alone. Some of it is very much personality driven. And, in all fairness, going back to the boards throughout the early ‘90s and even into the late ‘90s, through that whole 10-year span, they—the college is audited every year by professional auditors—they reviewed those audits and the audits didn’t uncover anything. So, if we hold to that the board should be working from a strategic position, then they were probably doing what they should have been doing in that particular area. They were reviewing the audits and asking questions about the audits. The audits came back clean. Everybody’s doing what they’re supposed to be doing. And, so, it’s easy to say after the fact, there should have been a different culture within the day to day operation. And, that’s a question that I don’t have the answer to. How does a board member jump in there and assess the institutional culture, especially in that area. How do they do that fairly? And, that’s something that I’m not sure there’s any easy answer to. (P12)
Regardless of the difficulty that may exist in defining the line between the responsibilities of the board and the administration, when a board becomes involved in small staff level decisions, such as the purchase of an $1100 copy machine, it places a strain on the relationship between the board and the administration. The following excerpt from a participant describes an incident where the relationship between the board and the administration became very strained during a budget committee process.

We went through the budget process recently and that was very difficult. That was very, very difficult. I think it was supposed to be a shot in the bucket and then be done and over with. You give them your proposed budget and they sign off on it. Your budget committee comes in there, approves it, looks at it, reviews it and approves it then. And, it didn’t work like that. I think we were held to stricter terms. And, I think that they were definitely looking at things more critically and analyzing every line item on there instead of just signing off on something they didn’t understand. That first meeting that we had, the president left the meeting. He was very upset. We went through the budget and these questions were being brought up and some of the questions, a lot of them were valid, but some of it was being over scrutinized because the answers weren’t being given in the manner that the board really wanted. But, we have [an off campus] center now, a campus in [another political jurisdiction]. And, a lot of questions were being brought up about that specific budget. And, there was a lot of disagreement [about] that. And, then we also had a new position that was being proposed to the college...and then certain things like that; and, then, looking at different amounts in each budget. That’s pretty much it, but, just taking things one by one. The board had made a comment about how they didn’t agree with something. And, then [the president] said, well then, we’ll take it out of there. We’ll just start all over with the budget. And, they said that’s exactly what you need to do, because this isn’t going to be passed. (P9)

Another participant commented that the damage the embezzlement did to the relationship between the board and the administration was probably the worst thing
about the whole event. This participant noted that the damage carried over to the relationship between the board and the current president, even though the current president had only been at the college three months when the embezzlement was discovered.

The worst thing about it, I think, was the damage it did [to the] the trust between the board and the [current] president. It really damaged the ability of [the current president] to propose new initiatives. So, this [campus in another political jurisdiction]...really would have been served best if the board and the president had a real strong working relationship and a shared vision and a trust and the communication was good. They don’t have that. Both [the former president] and [the current president] from time to time have said it’d be really nice if we had a relationship with the board where they were conceptual and they were a policy board. And, they don’t have that. They have been very hands on, a very micromanaging sort of style. And, I think it springs from that experience of having been burned so badly. And, so, decisions were made—very recently, in fact—that tie directly back to the damage that was done to the president by the fact the embezzlement happened. And, so, that, to me, was the most significant damage. (P14)

In his landmark book on board governance, Carver (1997) points out that when a board gets involved in the day to day operations of an organization it trivializes the board’s job and reduces the degree to which the CEO can be held accountable for outcomes. Carver states that the board’s goal should be to get the greatest possible “return on CEO.” He suggests that the “return on CEO is greatest when the CEO’s decision power is used to the fullest, bounded, of course, by the board’s interpretation of its own accountability” (p. 118). In the following excerpt, Carver delineates the line between the responsibilities of the board and those of the CEO.
The CEO must be able to rely on the board to confront and resolve issues of governance while respectfully staying out of management. The board must be able to rely on the CEO to confront and resolve issues of management while staying out of governance. (p. 118)

Carver points out that “return on CEO” becomes “return on personnel,” which is the largest single outlay of resources in a public agency. He suggests that even a minor improvement in this return would benefit the agency’s mission accomplishment in one year more than most boards have contributed by involvement in details in their entire histories.

The participant who commented on the difficulty that occurred in the budget committee meeting went on to say that the budget process became long and tedious before an approved budget was ever reached.

And, then, going through that budget process was pretty intensive. Instead of it just being one meeting and that was it, we didn’t actually have an approved budget or an action to approve the budget until a day before the fiscal year was over. So, we ended up having over four meetings that month just in regards to the budget. And, that first meeting that we had was three hours. And that second meeting that we had was five. (P9)

By contrast, my personal experience includes working at a fairly large community college with a general fund budget much larger than the budget of this college. The annual budget meeting with the board lasts approximately one hour with most of that time being consumed by the presentation of the proposed budget by the administration. There are usually very few questions from the board before the board
approves the budget. The meeting is very cordial with the board deferring to the professional leadership which they have hired to run the day to day operations of the college. The board heartily endorses the Carver model of board governance and very much leads from a position of policy governance. This is an ideal situation for any administration, and our administration works very hard to maintain this position of trust with the board. However, if our college were to have a serious administrative problem like the one that occurred at this college, that dynamic could change in an instant. And, in fact, that is exactly what happened at the college under study. Many of the comments already reported in this study indicate that this college had that kind of relationship between the board and the administration prior to the embezzlement being discovered. But, the embezzlement damaged that trust relationship to the point that the board felt they had no choice but to become involved in the day to day operations of the college. This was a less than desirable state of affairs for the administration and for the board of this college.

Another area of tension between the board and the administration subsequent to the embezzlement was that the board became much less tolerant of mistakes than they were prior to the embezzlement. A board member commented that because of the embezzlement, the board would bring the risk of embezzlement to zero regardless of the cost or the effort required.

And, the fear is...if it happens again—first of all, it's inexcusable and it's unacceptable and the blame will reach higher levels. So, I look at the financial reports and the internal control processes and the day to day operations of the college with that in mind and probably will for as long as I'm on the board. And, if you’re looking for something to share
with others, that’s something you could share is as long as I’m on the board, I will always look at the financial portion of the institution with the thought in mind that it happened once, it absolutely cannot happen again. How much work are you willing to do to minimize your risk? And, because of what happened at [our college], the amount of work to minimize the risk is—the amount of work is irrelevant. We will bring the risk to zero for probably—it could be 15 years before that stops. I don’t know. I probably won’t be on the board in 15 years. I don’t know. It will probably stay that way as long as I’m on the board. And, if you’re talking to another board member or another president of another college, that’s a fear that can be shared. What it does is it makes you as a board member or a president or an administrator all of a sudden you don’t care what the cost is. You eliminate those [risks]. (P15)

A key administrator commented that this atmosphere of zero tolerance meant that the administration could not allow anything to go wrong under any circumstance, or even have the appearance of anything bad happening.

My personal opinion is if anything negative happens, it’s going to come up immediately. If there’s a major financial error, I mean, we cannot be off on our budgets. We cannot have anything bad happening, or appear to have anything bad happening because it will, in my opinion, immediately raise its ugly head again and come up as an issue. So, we’re very careful how we present budgets. We’re very careful in how we try to manage our budgets. It certainly makes me very aware having lived through that that you never want to be in that again under any circumstance. (P10)

Another key administrator affirmed the board’s expectation that the risk of embezzlement would be reduced to zero. He stated that this expectation was much greater subsequent to the embezzlement than it was before.

I think it’s very true. It’s now my board chair who’s the one looking me in the eye and [saying] you’ll guarantee to me that this will never
happen again on this campus. Definitely, there’s an expectation...from the board...that they don’t want to have an event again. Quite frankly, I feel the same way. I just don’t want to have it come up again. But, there is certainly an expectation [that is] much greater. (P19)

In contrast to this zero tolerance, one participant included a comment which provided an excellent commentary on the fact that good leaders try to create an environment in which people are not afraid to make mistakes.

And, a good [leader] will give people a lot of leeway to make mistakes. I mean, when I hire people I would rather fix the mistake that they did than have them just sit on their duff. I’d rather have them excel and try to do something creative and work on something and do something new that fits with our vision. And if there are problems with it later, I’ll figure out how to solve them somehow. And, I think that’s what a good leader does. (P5)

In summary, the relationship between the board and the administration changed significantly as a result of the embezzlement. The board became much more involved in the day to day operations of the college and their standard of performance for administration became extraordinarily high, approaching a near zero tolerance for mistakes. This change in the dynamic between the board and the administration was viewed by some as the most significant damage resulting from the embezzlement. This dynamic carried over into the new administration that emerged subsequent to the embezzlement.

Operating under a condition of zero tolerance for mistakes and an atmosphere of micromanagement is an extremely difficult position for an
administrator to be in. Pawlak (2004) notes that employees consistently identify micromanagement as a management style that stifles creativity and individual effort. Chambers (2004) states that micromanagement interferes with the performance and productivity of people and the efficiency of projects and processes. This type of environment creates an inordinate amount of tension that, while perhaps controlling the immediate issue, has the broader effect of stifling the creativity and innovation that are essential to the mission of an educational institution in the 21st century.

Relationship between administration and college staff. Another area where the damage to trust and credibility within the organization was manifested was in how the relationship between the administration and the college faculty and staff changed subsequent to the embezzlement. The excerpts of quotes on this section alone comprised the largest single section of the data. The following excerpts give the tenor and flavor of how the trust and credibility of administration was damaged in the eyes of the faculty and staff. The following six quotes are intended to be read with no narrative guidance in between them so that the reader can experience the feeling of the staff through their own voices. These quotes from six different participants sound so similar in theme and tone that they could easily be mistaken as a unified narrative from the same person. In terms of triangulation, this provides evidence of the soundness of the data regarding this point.
It’s harder to believe when the administration says we’re short of money. I have less trust of the budgeting process because in the past they didn’t keep track of their bags of cash. (P1)

And, that’s why when we were going through negotiations this last year, they said, oh we don’t have any money, we’re shortfall, and I said, the hell you are. Bullshit. I’ve only heard it for twenty years, and now I don’t believe it. I can guarantee you we have scrutinized their claims a whole hell of a lot more than we ever did. I think we’ve grown and matured to realize that management is not going to tell you the whole story. Oh, yeah. We question a whole lot more that we ever did. When we go to negotiations or whatever, it’s like, what do you mean you don’t have the money? (P5)

And, we’re going, we don’t believe you. We believe there’s money there. And, I’ve seen it several times [where] because of that we don’t believe it. If she could walk out with that much money and nobody could track it. I mean, it was gone. (P16)

Why wasn’t something done, or why couldn’t they have seen it coming, or why are the people, administrators, that were here during the time all this happened, why are they still employed now? (P6)

And, it’s gotten worse. What do we believe? How much do we believe? And, how can we make sure that if they make a promise that it’s going to be followed through on? And, we don’t see that. (P20)

Whereas before there was never any discussion as far as credibility...now all of a sudden, ok, this is really bad. And, how could we let this happen from the president’s standpoint, from the business manager’s standpoint? Yeah, there were a lot of credibility [issues]. (P18)
These comments reflect the feeling of the staff toward the administration subsequent to the embezzlement. It is very clear from these comments that the way faculty and staff viewed the administration fundamentally changed as a result of the embezzlement. The following comments reveal that the administration lost a lot of respect from the way that the embezzlement was handled, or at least the perception of how it was handled. One participant noted that there was resentment among the staff because some felt that the administration had turned a blind eye to the situation and that the perpetrator had gotten off too lightly.

[There is resentment] both toward the [comptroller] for what [she] got away with...[and the] administration for seeing that. People complained to them about her and they did nothing. And, so, like I said, they’ve lost a lot of respect for some of the people because they knew what she was like, what she was doing, and they still just kind of turned a cheek and let her get away with it. The staff at the college, it did make a difference to them. In my little arena of where I work [there is] distrust. I think we were upset because we didn’t feel that she was—they could have done more. She only spent, I think, 15, 18 months in jail. So, we thought that they were not prosecuting her to the full extent, that they let her off a little easy. Maybe we didn’t have the full story. I had heard at one time that administration was going off of the recommendations of our attorney. I really just think that they waited too long, they kept it too secretive, they—and, so, I think there’s a lot of distrust. And, I think, even now I’ve lost respect for some of the key administration because of that. (P16)

Another participant noted that staff were shocked to learn that the administration had not put checks and balances in place to prevent or detect the embezzlement and that the administration was not held more accountable.
But, it was interesting when the embezzlement came to light how people were shocked that it could happen. People were shocked that there weren't checks and balances that had been put into place. They were also shocked that other people weren't questioned, not as much about taking the money, but about their job was to make sure that that didn't happen. And, it was like you walk around and you kind of shake your head. It just didn't make sense. I mean, none of it made sense how all of that could have happened. Where were the checks and balances? How could that have happened over that much time? How could it happen? Why could it happen? And, as I said, the trust level dropped off. And, I think that in talking with faculty on our side of the campus, that really bothered them in that if you or I were not to fulfill our job, we would be let go or at least reprimanded for not fulfilling our job and checks and balances would be put in place. So, from that perspective it was really hard for us because we all felt that we were scrutinized in our job and the things that we were doing. And, it was like it wasn't equitable, if you will. And, we never got any answers. There haven't been any good answers. I didn't have any reason not to believe that they had more information than they were giving us. And, yet, the distrust had already been starting to blossom at that point and time. So, I think that that played a part. And that is that they're not telling us the truth about other things already, so, it's possible they're not telling us the truth about this. (P20)

Another participant agreed that the administration should have been held more accountable for the situation and that appropriate disciplinary action had not ensued for what they viewed as a failure of management to perform their duty. This participant pointed out that this situation eroded the trust and credibility of administration in the eyes of the staff.

I think some of the people felt like there were administrators that should have been made more accountable for the situation—that appropriate disciplinary action didn't follow suit. I can definitely say that that was probably the biggest part of some of the dissatisfaction of how it was handled, was that in order to save face that there were some things that we maybe compromised or didn't follow up on that we should have. I think a good majority of the professional staff and the
classified staff felt strongly about that. They really felt that more should have been done to individuals that were in responsible positions and that kind of action did not take place. That was directly reflected to the administration because those are the individuals that are leading the institution and that we feel that we have confidence in that are in the leadership role. Again, that erodes the credibility and the trust level with faculty and their direct supervisor. (P4)

One board member confirmed that damage to trust and credibility occurred at all levels of the organization.

In my opinion, the immediate biggest impact was credibility, and credibility from all different angles. There was our credibility as a board working with the administration. It was also, wait a minute; this is you guys’ job. This isn’t supposed to happen. That’s what we pay you for; to make sure this doesn’t happen. Then there was the credibility issue of the board and the administration with the public because, obviously, this was front page news. There was a credibility issue with the faculty, professional staff, classified—basically, all the employees. You can lump them into one in this particular instance. There was a credibility issue between them, the administration, and the board, because they said, wait a minute, this is money we could have used to make the institution better. And, those feelings last a long time. There are still people who, I believe, won’t admit it in public, but still think, that money’s gone. It’s gone forever. We could have used it. And, we went through the last five years of the dire straits years for community colleges from the state funding level. And, I think there is always an underlying feeling that if we hadn’t lost that money, we wouldn’t be in the financial difficulty that we’re in now. Whether true or not, that was the definite perception. (P15)

The embezzlement caused major damage to the relationship between the administration and the college staff. Staff became more skeptical of the budgeting process and they questioned and scrutinized the claims of management more subsequent to the embezzlement. Staff experienced resentment because management,
in their view, had not been held more accountable for having allowed the
embezzlement to go undetected for so long and because the perpetrator got off with
such a light sentence. A board member confirmed that damage to trust and credibility
had occurred at all levels of the organization.

*Relationship between the college and the community.* Another area where the
damage to trust and credibility was evidenced was in how the relationship between the
college and the community changed as a result of the embezzlement. This was a more
difficult area to assess because once you moved away from the college and the things
that were under the direct observation of the participants, the comments became more
speculative about how the community was perceived to have felt rather than how they
may actually have felt. As an example, several participants reported that there were
many letters to the editor in which people were outraged about the embezzlement. One
participant commented, “Oh, yeah, I mean, it was all in the community. I mean,
people could not believe that it went on for so long and [that] no one had a clue” (P8).
A thorough search of the newspaper archives, however, did not substantiate those
reports. During the period of time between September 2000 and December 2001, the
period from the discovery of the embezzlement until after the sentencing of the
comptroller, only one letter to the editor ever appeared in the local paper. And, it was
more of a critique of a newspaper staff editorial that had appeared the day before
regarding the embezzlement. During this period of time, two staff editorials appeared;
one right after the discovery of the embezzlement in which the newspaper staff editor
demanded answers from the college about the event; and the second one toward the end of the period in which the editor wrapped the incident up and said that the college had done everything it should have done and that the community should continue to support its local college. Other than that, the articles that appeared were more objective in nature and simply reported the ongoing events of the investigation and the college’s efforts to deal with the aftermath of the embezzlement.

The input of board members on this issue is particularly relevant because they are the publicly elected officials who represent the community’s interest regarding the college and, in theory, should be most in tune with the pulse of the community on this issue. The following comment from a board member revealed that there were two themes running through the community’s response to the embezzlement. On the one hand, the community could separate the college and what it had to offer from the embezzlement. On the other hand, they were clearly calling for certain members of the administration to be held more accountable for, in their view, allowing the embezzlement to occur.

I think, in terms of reaction, there was quite a bit of shock. I think there was probably a little bit of outrage and probably rightly so in a lot of sense. But, really, through that entire time frame I don’t know...that I ever encountered anybody who was adamant about closing the doors. I think people by and large, or at least those in the circles that I’ve always associated with, were able to, for the most part, separate the institution and what it had to offer, [from] the event. I don’t think they’d equated the action, the discovery, or the handling of the action—I don’t think that they tied it into the institution as a whole as tightly as some people might think. Certainly, there were some questions about, well, gosh, if this was an individual who was under the direction of this body of administration, then shouldn’t it be that management’s fault, I guess for lack of a better term. Shouldn’t there be some accountability
on the part of management or administration in that process? And, certainly, those were discussions that went around then and still go around. (P13)

Indeed, the most commonly reported response from the community was the demand for more accountability for the leadership of the college that had presumably let this embezzlement go undetected for so long. A board member commented that some members of the community were calling for certain members of the administration to be fired.

I had several people come to me very emphatically, very determined, that certain members of the administration just had to be fired. And, while I do not consider that to be the majority opinion, there were still very strong opinions, none the less. And, they ranged; not everybody in the administration, but almost everybody in the administration, from one view or another was accountable. But, yes, there were people that were...demanding that specific, identifiable members of the administration lose their job over this. And, those same people did not seem to be [as] interested in the prosecution of the thief as they were in those who did not steal losing their job. (P7)

Other participants made similar observations regarding the community’s demand for more accountability for the administration.

I think the community, as I recall, was very appalled that we just didn’t fire everybody that was even somewhat remotely [involved]. (P5)

What they were saying was you need to get rid of everybody that had anything to do with this. And, there was a certain group of people that thought the president should go. He’s the ultimate responsible person.
And, if he's not going to go, then he needs to fire the people that let it happen. (P15)

There are some people in the town that feel like there should have been a staff yard sale. Everybody that was even close to this individual should be gone, and should not work at the college after that incident any more. (P12)

Conversely, other participants reported that the community response to the event was relatively mild, and some even expressed surprise that there had not been more response from the community than there was. One participant reported, “You’d think you would hear more about something that huge in such a small institution” (P9). Another participant commented regarding the apparent lack of outcry in the community and concluded that it was more of an issue internal to the college than it was in the community.

I was thinking, gosh, the community should be more up in arms about this. I mean, this was a big thing and...that really never happened. And, so it was more just the internal thing. (P4)

A board member observed that the community response was much less controversial than some might assume.

I’d say that just around the community the general tone was much less controversial than just inquiring, wanting to know, gosh, what’s happened? Have they done any sentencing? Will the college be recouping any of that loss? More along [those] lines. And, I’d occasionally run into an individual who maybe had had a previous association with the college for some reason or another, and would
have a comment or two that didn’t necessarily cast people in the best light. But, again, I didn’t know how much that was based on previous experience, or just to have something to say because of the current situation. (P13)

However, one participant noted that the community response may have contained a subtle message that should not be underestimated, which is that the college just didn’t get the benefit of the doubt as often as it used to with the community.

I think just from a relationship perspective, the community to the college, you would like to be able to say in an ideal world that the community supports the college 100% and is very much in favor of the college’s mission and the execution of that mission in everyday life. I think the lasting, ongoing damage is reflected in [that] the community has reserved the benefit of the doubt now. Before, if it came to, well, I know some people at the college and I don’t think they would do that, we got the benefit of the doubt 8 times out of 10. And, now we get the benefit of the doubt 3 times out of 10. People more quickly jump to we need to look into that [or whatever]. We spend a lot of time chasing down goofy stuff that nobody would have spent any time on. (P12)

One participant noted that the relatively low tenor of the community’s response to the issue may be deceptive. This participant believed that the embezzlement, although not actively talked about, was a deeply personal issue for community members and that it continued to be a very negative memory for the community.

Those people that have been there in the community have been there for years. Most of those people that have a family name within the community were brought up in that community years and years ago. Their kids that go to the high school that have graduated are going to [the college]. Those community members never forget anything. And,
within the community that we're in, it's a very, very small community and I do think that anybody that was around during the embezzlement, they still know about it. I don't know if they're necessarily still talking about it and it's in their conversation, but it's something that's in the back of someone's mind. And that if somebody had brought a comment up to them, they'd say, oh yeah, well, this is what happened. And, I do think the people know about it. So, I think you're always going to be marked with a very negative thing that happened with the community because those dollars were from that community. It's a very personal thing. (P9)

The findings of this section are somewhat inconclusive. While some reported that there was considerable public outcry over this event, others reported that the public reaction was relatively mild. One of the limitations of my study was that all of the participants were internal to the college and none were from the community at large. Although the board members theoretically represented the voice of the community, they could be viewed as insiders by virtue of their association with the college. Therefore, there remains an unanswered question regarding the actual tenor of the response from the community. This question will be left for future research to determine. Perhaps a study could be done which includes only people from outside the college to determine the actual tenor of public response. And, if the response was indeed relatively minor, a corollary to the study could be to determine why that was so.

Time and Money Costs

A third major area of change brought about by the embezzlement was the toll that the embezzlement took on the college's resources of time and money. There were
both short and long term effects on the college’s time resources as well as on the college’s money resources. The short term effects were those that surrounded the initial event and its discovery. The long term effects were those continuing effects surrounding the stricter, perhaps excessive, internal controls.

*Time costs.* Some of the impact to time resources was caused by the initial impact of the discovery of the embezzlement and the subsequent flurry of activities that took place around that event. Not only was there the legitimate impact to the official duties of the board and administration and other staff members who were suddenly spending inordinate amounts of time with the investigation and the other legal issues surrounding the embezzlement, there was also the impact to time resources college wide as people were distracted from their normal duties and were spending time speculating about the issue. The following two comments describe the impact of that initial period on the time resources of the college.

If you think about the lost personnel time of the people talking about the stuff, it was huge. (P1)

Because, I think in trying to not get caught up with the whole emotional side of it, but still be able to keep everybody on track with their jobs and what their responsibilities were, it was a huge distraction. Oh my gosh, it seemed like every day that we heard something again through the rumor mill about what was happening or not happening. And, it was a huge distraction. And, keeping everybody on task and saying, hey, don’t be back in the break room talking about this all day long. We just really need to move forward and focus on what we’re doing. (P4)
One board member commented, "Things drug out. I remember it just seemed like it consumed so much time, so much energy (P7). Another board member commented on how the embezzlement affected the board’s work load.

Oh, our work load definitely went up. Our review process of the whole internal controls at the college became the primary focus of our board meetings for quite a while. In fact, until the accreditation was done...we reviewed it every meeting. Every meeting time was given to it. (P15)

This same board member went on to say that the president’s time was consumed with damage control regarding the embezzlement event and that the vice president’s time was consumed with managing the recovery.

And, [the president], basically, his role became damage control, public relations, keep a positive attitude. [The vice president] was the one that did the nuts and bolts work, the internal controls, the accreditation, and stuff like that; he managed that part of it. (P15)

Beyond those initial demands on the college’s time resources, an additional impact to time resources showed up in the continuing effects of the stricter controls that affected nearly every operation of the college. The following comments reflect how that affected the time resources of the college.

Yeah, it’s made the job more difficult, more time consuming. And, we’re more careful about getting quotes and estimates just to make sure that all of our stuff’s in order as best we can. (P17)
Where it was informal, obviously it takes time to make sure that things balance. I don’t think it significantly affected my work load. I know it has affected my assistant’s work load significantly. (P18)

Some increase to the demand on time resources is to be expected because of the appropriate increase to the attention on internal controls and proper business practices. But, some of the increase to the demands on the time resources of the college has, according to one participant, gone a bit over the top. “There have been some things that they put into place that seemed a little bit over the top” (P4). A couple of key administrators also note that the college is probably spending more time on things now than would be necessary had the embezzlement not occurred. But, they explain that this is where the college has to be for now.

You have to do the job a hundred and ten percent better than what you might otherwise do. Because once you lose the trust, it’s very difficult to rebuild it. And, you’ll spend a hundred times more time rebuilding it than you would have maintaining it, and have nothing to show for it. (P10)

We probably spend too much time on [internal controls] now. I think, probably, we are on the higher end of what we do for internal controls. I just feel like...that’s the way [we] have to do it for now. (P19)

One participant described a new internal control procedure regarding purchases made from eBay which seems, at least on the surface, to take internal control to an extraordinary fine level of detail.
And, then there are these interesting quirks that we didn’t even expect at that time but now represent financial and internal control issues. A good example for us, we do purchasing from eBay. Now, one of the most common ways of paying for purchases within eBay is with a Pay Pal account. Pay Pal is essentially an online payment system. What we’ve realized now is that the procedures that we’ve been following really do not have the level of controls that we want. And, so, what we’re implementing, as an example, is that one person will be able to make the bids and the purchase decision on eBay. Another person will have to buy off on the purchase order for that purchase. Another person will actually be the person with the password to the Pay Pal account and make the payment. And you see how we’ve come to the point where on some very odd, very unexpected purchasing processes, technology is creating situations that we didn’t expect but force us to think about controls processes. (P14)

In one sense, it is commendable that the college is looking at every conceivable risk in the internal control system. In fact, Gauthier (1996) points out that it is the responsibility of management to assess all risks that could hinder the agency from fully realizing its objectives. But, risk assessment involves two dimensions—

*significance* and *likelihood of occurrence*. The significance of a risk depends upon the degree of harm that could result if that risk is not successfully avoided. The likelihood of occurrence depends upon the probability that the risk will actually materialize. This assessment should be taken into account when developing internal controls. The cost of a control should never exceed the benefit it provides. At what point does the cost of exercising the control (several staff people handling the various layers of the purchasing process) exceed the benefit of purchasing from eBay? Ultimately, the college must make this determination. But, when it comes to internal control, more is not necessarily better (Gauthier, 1996).
This participant gave another example of an internal control that was being contemplated by the college which, in his words, would bring the accounting software to an almost forensic level of detail.

And, I think that from an information management perspective, we talk now about data integrity in the sense of making sure that we don’t have two students with the same social security. That’s one kind of data integrity. But, we also talk about systems for allowing us to check that same piece of data one month, three months, and twelve month increments so that we have some forensic ability to go back and see the changes. And, I don’t feel very comfortable that we have a good situation with that at the moment. There’s always any number of things on the list that need to be done. That’s one of them; the ability to look back a year or two years at any financial transaction. We don’t have that at the moment and that worries me. (P14)

This participant revealed that the college was considering devoting time resources to things that other colleges would not normally be contemplating. In the wake of embezzlement, it is understandable that a college would do this. But, at some point, the college needs to assess the value of continuing down this path. The participant stated that this control was on the list of a number of other initiatives that were being considered. While thinking about these things is the stated responsibility of management, implementing them is a function of careful analysis of both the significance and the likelihood of the risk (Gauthier, 1996). It is easy to allow attention to this level of detail to consume the limited amount of time resources the college has available to apply to other, higher priority items.

One participant gave the following account of a theft of $35 from a petty cash drawer as an illustration of excessive time and energy being spent on internal controls.
But, the point is it was only in petty cash. And, the "petty" is that it is a small amount of money. And, in this case, they had a $200 cash drawer that they were reconciling. So, the theft couldn't have been more than $200. But in this case, it was $35. I think if $35 in a cash drawer happened on any other campus they would have done whatever they had to do with the employee and forgot it. Here, we’re going to do that. But, now I’ve got to bring in an auditor to look at it that I had in here just, what, three weeks ago. I understand why we’re doing it but there’s nothing there to find. But, there is certainly an expectation [that is] much greater. (P19)

The cost of excessive controls not only exceeds the benefits, but the perception of excessiveness or redundancy may have a negative effect on how employees view the controls in general, thus adversely affecting the overall control environment (Gauthier, 1996). One participant described how an excessive control environment created some negative tension among the staff. The problem was not with the control, per se, but with how the issue was handled because of an excessive control environment.

I had never really had to do a requisition through my department. Our assistant has always done it. I just got the software put on there and put through a requisition and was called immediately in saying, ok, this is how we need you to submit it. It was just basically that the fiscal year had ended at the specific time they sent us the bill. We got the bill on June 30th and it wasn’t requisitioned that day. It was requisitioned, I think, a day after for the following fiscal year. I hadn’t heard anything from the people that actually got the requisition. I heard it from [my boss] because they had told [him]. Well, all they needed to do is call me and I’d have been down there. But, instead, it goes around the circle before it gets to you. And, a lot of times, once it gets to you, it’s already happened a week or two before. So, by the time you approach it, it is a different aspect. (P9)
A key administrator summed up the current state of affairs with the internal control system at the college. He described the impact that the embezzlement has taken on the college’s time resources due to the intense attention to internal controls.

We definitely...spend more time on internal controls than most institutions. I can tell you none of [the other colleges in our state] have a system in place like we have. In fact, [I get comments from] some of them. One of them said to me in [a] meeting, don’t you have another job? How did you put all this together? This is overwhelming. And, my comment to them was, yes I have another job just like you all do. But, this became a priority for our institution, obviously, you can see that. And, [we’ve] spent four years putting that manual together. Now, maybe it’s more elaborate than what we need, but I don’t think you can overkill, necessarily, something like that. And, the other thing is we had to answer to many people after the embezzlement, not only getting beyond how it happened and those kinds of things, but what are you doing about it subsequently. And, that became a real important thing not only with, say, our board and the public, but with accreditation agencies. So, we’ve had to file reports. [We] have had to file internal control reports annually to the [accrediting commission] for five years. [We] just filed the last one this spring, which they’ve accepted. They’ve accepted all of them, by the way. And, they also within that era and period of time sent a special person down here just to look at our internal control. And, we got about a 20 or 30 page report from her, very favorable. And, she said...I think I have a good system of internal control, but she said the difference is yours is much better documented than any I’ve seen. (P19)

The college was well aware that they were spending more time on internal controls than any other college they knew about. The board and the administration made it very clear in this study that there was a zero tolerance for mistakes in the area of fiscal management of the college. Even five years after the embezzlement was discovered, this level of performance was still expected. That level of performance was costly from the standpoint of the college’s time resources. The impact of that was
even more significant to the administrators who were required to put in as many hours
as it took to get the job done.

*Money costs.* Another major impact the embezzlement had on the college was
the impact to its fiscal resources. Obviously, there was the money that was embezzled
over time which had been determined to be at least $1.2 million. But, beyond that,
there were the costs associated with the investigation, the attorney costs, and the
continuing costs of the internal controls procedures which, by this college’s own
admission, were more extensive than most other colleges.

There were a number of comments from the participants regarding the
cutbacks and layoffs that have occurred at the college since the embezzlement was
discovered in 2000. Many believed that the layoffs and other cutbacks could have
been avoided had the money not been stolen over the years.

And, it was also interesting that after that happened, right around that
time, we were in the midst of a contract—faculty contract renewal—
and then we’ve had another contract renewal since then. And, both of
those, there was significant cuts. And, it’s interesting that those kinds
of things could have been maintained even though all of that money
was being embezzled. They still had the revenue to do that. And, when
that’s brought up it’s said we’re not going there with that one. We’re
not going to talk about that. This is how it is now. And, the question
simply is, we’re not down that much money. Why are we cutting these
programs when we didn’t have to when we really were down that much
money? (P20)

I’m wondering if we ever took freezes over the years for no reason at
all. (P5)
Part of the confusion surrounding this issue is that the state, like most every other state in the nation, began to experience a recession about the same time this embezzlement event was discovered. This college’s state funding was cut back on the order of 30% the year following the embezzlement. That precipitated a 20% reduction in staff and other cutbacks and concessions by the employees. So, it was hard for people to separate the state funding shortfall from the perceived shortfall from the embezzlement.

Another part of the confusion was that the president put out a mixed message in which sometimes he said the embezzlement was contributing to the college’s financial woes and other times he said it was not (CS, newspaper articles, March, 15, 2001; March 30, 2001; October, 2001). The board chair at the time also put out a letter that was misinterpreted by some people at the college in which he stated that the embezzlement amounted to the equivalency of 30 faculty positions or to the amount of tuition and books for 100 students for their entire two year degree (CS, letter, August 8, 2001). One participant noted that when properly understood, that money, spread out over 10 years, would not have had that kind of impact.

More of the comments I got was, well, we could have hired “x” more faculty with that money. We could have done—and yet, I say, the way it happened, because it was spread out over ten or twelve years, the reality of that is probably not as great as they—if you dropped all $1.2 million on the table at one time, you could do a lot of nice things with it. The point is that was spread out over ten or twelve years. So, we look at that and what do we all do. We just put it in something along the way. It might have been another person. It might have been fixing a roof. Who knows what? But, the money would have been gone over the ten year period in the budget. (P19)
This assessment is probably correct. The reality is that during the time period when the money was stolen (the 1990s), the college was not going through financial difficulties. The state was enjoying the same boom economy that the rest of the nation was enjoying with the stock market bubble, and the college was not in a retrenchment mode. The college’s financial woes, which were largely related to the economic recession that began in 2000, coincided with the discovery of the embezzlement. To say that the embezzlement had nothing to do with it, however, would not be accurate either. One key administrator commented on the effect the embezzlement had on the finances of the college.

The unfortunate part of all of this was it brought us below what we had as our floor level in contingency. So, we had about a $250,000 deficit in contingency that year. So, we were down to $750,000. We were supposed to be maintaining a million carry-forward. So, we had to rebuild the $250,000 plus be sure that we weren’t over budget for the next year. So, by the spring we were getting into layoffs. And, part of the layoffs, quite frankly, was a result of the embezzlement. So, when there’s an impact to the institution, part of that impact was a very heartfelt impact on employees. And, we also had budget cuts at the same time. But, all of this compounded and made the situation worse. So, as we look five years back, now, part of the occurrence and some of the budget issues we dealt with at that point in time were, in my opinion, a direct result of the embezzlement and having to rebuild those funds and the things that occurred. In that first year of layoffs we had about 15 layoffs that year. We probably had 8 to 10 the following year. (P10)

The amount of money that was embezzled within the 15 month period immediately prior to the discovery was over $331,000. This would have made a significant impact to the budget going into the recession, which hit the college within a
few months of the discovery. It would take the salaries of several positions to compensate for that amount of shortfall within one fiscal year. So, the previous participant's statement that some of the layoffs were directly related to the embezzlement is probably correct. However, the amounts that were embezzled in the prior years were much smaller and would, as a previous participant observed, have been absorbed within the budget for one thing or another.

A couple of participants commented on some of the other continuing fiscal costs of the embezzlement.

It cost the college money. We have two legitimate CPAs on duty besides administrative services. So, we have fairly expensive business staff, but they're also very good at what they do. (P10)

In some ways I think...we probably overreacted to the situation. Now that we have somebody that has embezzled money...it seems like we've gone out and tried to hire the best person money can buy. And, I don't even know what the salary is for a comptroller [is]. But, in a way I think that position now is being paid more than maybe other positions on campus that recruit, that bring FTE in, that raise money, etc., etc. Again, I think maybe we've overreacted as far as hiring people to cover that position. Because, I don't know that that position—I think you just need a very honest person in that position. And, hopefully, through your job search and everything that you do within Human Resources and selection committees that you should be able to find an honest and credible person that will bring integrity back to that position. (P18)

The fiscal costs to the college included the loss of the money that was embezzled, the costs of the investigation and attorney costs, and the continuing operational costs that have accrued to the college as a result of more intense internal
controls. While it may be true that these costs were absorbed and compensated for in one way or another through the years, the fact still remains that had this embezzlement not occurred, either the college’s ending balance at the end of that 10 year period would have been a million dollars higher or a million dollars would have been invested into the lives of students instead of the extravagant lifestyle of one individual.

A board member provided the following comment regarding the effect this loss of money had on students.

I think the worst thing about it for the college was, and of course hindsight being 20/20, how much quicker could we have moved forward on the development of the campus in a physical sense? Would we have been moving into that dorm process five years ago had this not happened? Of course, you don’t know, but you wonder about that. How much shorter would it have taken us to do some of the cross promotional elements? For instance, we’ve now got a campus site in [another political jurisdiction] which has been great for the institution and great as a resource to those students who were traveling back and forth. Could we have developed and had that in operation within a shorter timeframe? I think the other thing you will encounter is, what types of programs or what types of learning opportunities on campus did we just overlook completely because that’s not where the focus was? You don’t think of it on a student level because you think of it as those who were more directly involved. But, were there any students in that process that were underserved by virtue of that other circumstance because the focus was not on making classrooms better, bigger, or getting them updated technologically or what have you? (P13)

The board chair at the time commented on the particularly repugnant nature of the crime in that the thief stole, not for the necessities of life, but to support an extravagant lifestyle that was beyond the reach of most county residents.
It is important to note this money was not stolen by a thief who used it to pay for medical expenses for a loved one. Nor was it used for the basic necessities of life. Instead, [the comptroller] became a thief in order to purchase luxury cars, jet skis, a motor home, and other things few county residents could afford through years of backbreaking labor. (CS, letter, August 8, 2001)

Cressey (1953) states that one of the three essential ingredients to the motivation to commit embezzlement is that the thief has a non-shareable financial problem which he or she must secretly solve. Hughes (2001) states a similar finding which suggests that individuals embezzle because they believe they need or strongly desire the stolen articles and they believe they cannot obtain them through legitimate means. Based on the comment of the board member above, it appears that this finding supports the findings of Cressey and Hughes on this point. The fine differentiation between a non-shareable problem and a strong desire notwithstanding, the spirit of the finding is confirmed.

In summary, a major area of change brought about by the embezzlement was the toll that the embezzlement took on the college’s resources of time and money. There were both short term and long term effects to those costs which included both the initial flurry of expenditures and activities that took place immediately after the discovery of the embezzlement and the continuing effects to both time and money due to the stricter, perhaps excessive, internal controls.
**Communication Issues**

A critical issue for the college, which was not necessarily a result of the embezzlement, but certainly contributed to the negative results of the embezzlement as reported in this study, was communication. Most participants reported that communication at the college was not good before, during, and after the discovery of the embezzlement. One participant made a comment about the quality of communication at the college in general. “The communication aspect at our institution is lacking a lot” (P9). The comments below from a number of participants highlight the state of communications at the college regarding the embezzlement event. One participant noted that the administration should have been more open and should have explained why they were making the decisions that they were making. The participant suggested that the administration could have at least provided some closure to the incident after the event was over.

The worst thing about the whole event, I think, was not knowing exactly what was going on. I think if they had just opened it up and said, ok, this is what happened. This is why we’re making the decisions that we’re making, this is why we’re not talking about it at this time; maybe have a big open forum and say after the fact. I think the secrecy of it. I think it should have just been more open all along. (P16)

Another participant suggested that people needed to know the facts so that they could provide accurate answers to questions from the public.

I really would say [the worst thing about the whole situation was] the communications from the clerical staff all the way up. People need to know so they can feel better about what’s going on. Or, [so] they can
answer questions better from someone who asks them. And, can you answer some of those questions? Ok. Information’s important. But, it also has to be right information. If you don’t have it right, you’re going to turn around and tell it wrong to somebody else. (P11)

Another participant noted that there was never any meeting where people were called together to provide information about the event.

I don’t know that we ever had really a meeting to call together to say here’s what happened and why. I don’t think anybody knew what happened, how it happened, or why it happened for sure. (P19)

Another participant observed that the lack of communication from administration left the staff open to all sorts of speculation and rumor.

What I observed was people that I worked with... just felt that a lot more could have been communicated. It was like we were always saying, well gosh, what’s happening now? What’s going on? I think some staff felt like we were just sort of kept from a lot of things and not fully aware. I think a lot more could have been communicated to faculty and staff because we really weren’t told a whole lot about the whole process. And, that just opens it up for all kinds of rumors and speculation. (P4)

Another participant noted that the lack of institutional information structures created a vacuum which was filled with erroneous and sometimes bizarre information coming in from other sources.

What I remember most about the communication was that [the comptroller’s husband] was sending emails into the campus institution. Since he’d been an employee at [the college], a lot of people had
contacts with him. The emails looked like the ravings of a madman. It was just bizarre in a lot of situations. And, so, on the one hand we had kind of a limited amount of official information. And, there was not, as I recall, a regular communication of, this is what we know now. We never received that to my knowledge. There was a healthy rumor grapevine, as I recall. The line workers, I don’t think they ever got real efficient communication. And then there was this bizarre external communication coming in. The lack of any sort of official communication structure meant that it was folks out of the business office essentially gossiping. But, we ended up hearing, oh, it’s a million two, or it’s a million four, or whatever. We didn’t know how much it was. I mean, we didn’t really know how much it was until it was released to the newspaper. And, we heard apocryphal stories about moldy money and I have no idea what the answer was at that point. I think that the lack of communication had existed well before that. It was an institutional lack of information structures. And, once you get into a crisis point and you’re busy with everything, it’s too late to build information structures at that point. And, so, I think that we kind of reaped what we had sown well before that time anyhow. But, what it did, I think, was just left us open for the aftermath of essentially continued distrust of limited communication or no communication.

(P14)

The 1990 accreditation report from the regional accrediting commission seems to support the claim that poor communication had been a long standing problem for the college. The report stated that the administration used an ineffective communication method that relied on “mutual understanding in an informal way” (CS, accreditation report, October 23-26, 1990). The report went on to say, “This characteristic is creating a problem in that a uniform understanding of the manner in which the college approaches its problems is not shared by all parties.” The report described a lack of clear direction in the reporting structures which resulted in the board interacting directly with various members of the college causing “disproportionate attention on some facets of the institution to the detriment of others.
[and serving] to confuse an understanding of who is responsible for what and who speaks with authority.” The report also noted that there were negative internal relationships that were inhibiting the smooth operation of the college. Although these conditions existed 10 years prior to the discovery of the embezzlement, and under a completely different administration, it was this organizational culture in which the embezzlement was initially carried out. It is not unrealistic to assume that much of that culture continued through the decade that followed all the way through to the discovery of the embezzlement in the Fall of 2000. In fact, the report from the accrediting commission’s visit to the campus in 2000 contained a recommendation regarding the “vacuum of leadership at the senior administrative level due to inordinate turnover” and recommended that the college take steps to correct the negative internal climate at the college.

The committee, therefore, recommends that [the college] take those steps that are necessary to ensure that administrators facilitate cooperative working relationships, promote coordination within and among the college’s organizational operating units, and encourage open communication and goal attainment. (CS, accreditation commission report, October 10-13, 2000)

Participants asserted that communications were not good during the recovery from the embezzlement and offered suggestions for what would have helped to improve both communication and credibility with the administration. One participant commented that there was a lot of negative feeling toward the administration due to the lack of communication and suggested that if the administration had opened up the
communication it would have helped to diminish the speculation and rumors that were filling the void of official communication.

I think [there was a lot of negative] feeling towards administration that they should have opened it up. They just didn’t talk about it. Nothing came down that said, don’t talk about it. No, nothing ever came down, but they just didn’t. It just seemed like it was kind of a hush, hush thing. And, so, the rumor mill starts up. We don’t know what’s going on. Anytime there’s a closed door and you see suits in there, ok, what’s going on? And, up to a point I could understand it until after it was done. And, then, I think they should have just opened it up and said, ok, this is what—and stop the rumors, and stop that and be open and honest. And, then you go, ok—or tell us why the decisions were made that were made. Right or wrong, at least you could understand where they were coming from, where now you don’t. Like I said, maybe the lawyers said don’t do this and they didn’t. Maybe they didn’t. We don’t know. And, the rumors in a small school are not good. And, I’m sure that plays some part of it. So, yeah, you see a lot of negativity towards our administration because of that still existing today. (P16)

Another participant suggested that the administration made several mistakes that contributed to the erosion of trust and credibility. The participant observed that the administration was unwilling to admit any culpability, did not try to help the staff understand what was going on and why, and never pulled the staff together to let them know how the various employee groups were being affected by these events. The participant suggested that if they had done that, it would have strengthened the administration’s credibility with staff. As it was, their silence on the issue contributed to the erosion of trust and credibility.

Had they come out and simply said the checks and balances weren’t in place. They should have been. They were not. We don’t know how this happened or why this happened. We’re going to find out and it’s going
to be stopped. Had that been said, we might have been a bit more open to hearing other kinds of things. It was like that wasn’t addressed. It was like we weren’t smart enough to think of that piece on our own. So, it was glossed over. No, we’re not going to let this person go. They have demonstrated their strengths. This was an oversight on—whatever they would need to say that qualified him, or them, to still be there, we needed to know that. And, they could have addressed that. But, it was like it was a non issue. So, I think that would have helped. And, I think had the president pulled us all together and talked about—faculty, ok, this is how this has affected you and probably will affect you. Student services, this is how it’s going to affect you and how it—there are going to be some changes that are going to affect you in the future and this is what they’re going to be. I think we would have all been a bit more conducive to believing some of the other things. But, they didn’t really tell us. We never got a whole lot that you couldn’t read in the newspaper. (P20)

Several of the participants mentioned that the campus never got much information other than what they could read in the newspaper. In answering the question about the level of communication during the recovery from the embezzlement, a key administrator seemed to affirm that there were no official communications to the college community other than what the administration was putting out to the newspapers.

I’m trying to think of what we did initially, but it was mostly just things that occurred in the paper and trying to be forthright about that and let people know. You did the normal talks that you do as you have faculty or staff meetings, opening events. I think we were probably as open as we could be internally and still—because as you’re going along you’re learning what’s happening at the same time. So, the information you have of what occurred is slightly more than what you can tell a campus. So, you’re as open as you can be in what’s going on without giving the court case away or the legal issues, from my recollection. But, I think we tried to be—I think there’d be perceptions different between mine maybe and what some others felt at that time, but I think we were
probably as open with the college community, and I think the broader community, as we could. (P10)

Many of the participants acknowledged an understanding that the administration was probably limited by the advice of legal counsel as to what they could be saying publicly about the case. They did feel, however, that the administration was not as forthcoming with information as they could have been and that the campus should have been given a heads up before information was released to the media. The feeling of not knowing what was going on was disconcerting to many and contributed greatly to the misinformation that went around regarding the incident. More importantly, participants felt that after the legal cases were settled the administration should have provided some mechanism for bringing closure to the issue for the campus. Several of the participants noted that in the absence of any official communication, people went about constructing their own realities surrounding this event and filled that vacuum with misinformation that was not helpful and that ultimately contributed greatly to the negative emotional impacts that this event had on the campus.

In 2002, the college began doing campus climate surveys in response to accreditation issues. In the 2002 campus climate survey, communication was reported as the greatest weakness of the college by a considerable margin based on the number of times it was identified in a tally of free responses. In the 2003 campus climate survey, where a Likert type scale was implemented, the effectiveness of college communication was rated as needing improvement with an average rating of 2.6 on a
scale of 1 (poor) to 5 (excellent). In the 2004 survey, it was rated 3.19, an improvement over the previous year, but still barely above needing improvement. In the 2005 survey, the communication rating had dropped back to needing improvement with a rating of 2.81 on the Likert scale. This survey data tends to support the observations of the participants in this case. My interaction with participants also revealed participants had widely divergent views about the basic facts in this case which supports the notion that internal communications surrounding this event were not as good as they could have been. A couple of participants gave some sage advice that sums up this section.

When a tragedy or some crisis happens in an institution...immediately, there’s a quick response team that comes in and whether it counseling available and support and all of that, that is probably something that would have been very helpful because...there was so much hearsay, so much rumor, so much innuendo, everyone was building their own little scenario of how this happened and why it happened. And, unfortunately, that can be very not positive and very devastating. And, we, had a few meetings, but it really wasn’t as good as it could have been as far as support for the students, faculty, and some kind of a plan in place to have executed through all the whole process. (P4)

I think that instead of feeding the fire with a lot of the politics that goes on in a small institution as to the talking that goes on behind closed doors, or at social events, or things of that nature, I think that when you have a college in-service like you do the week before school starts, I think that when you’re talking about your internal control policy, you’re talking about how to requisition, and your accounts payable and receivable, and the reasons why you do the things that you do, I think that there needs to be a little educational session as to why you do the things that you do. I don’t think that you need to get into the breadth of the entire embezzlement by any means, but I think you need to have a real positive tone on it and educate the people as to this is something that happened to us that shows you that we’re a small institution in
rural America in...a town that most people haven’t heard of. And, something this large happened here. And, this is why it’s never going to happen again and these are the positive changes that we’ve done since then. And, that’s basically the reason behind what we do. So, I think having people know it that way. And, then if people have questions, there’s nothing to hide. The people that the embezzlement involved or that were involved in the embezzlement as far as having a hand in it are no longer at the institution as far as I know. So, I think that if people have a question, that gives you the chance to actually give them the correct answer instead of getting it through the rumor mill. (P9)

The data collected in this study suggest that communication was not good before, during, and after the embezzlement was discovered. Although the communication issues were not a result of the embezzlement, this environment of ineffective communication provided the culture in which the embezzlement was initiated and carried out for nearly ten years. This culture of ineffective communication was also identified as a factor that contributed to the damage that occurred to trust and credibility at all levels of the organization subsequent to the discovery of the embezzlement.

Who Was Affected and How

This section answers the question—who was significantly affected by this event and how were they affected?—and deals primarily with the effects of the embezzlement on individuals within the organization. The intent of this section is to demonstrate how particular individuals were affected as a result of this event so that readers of this research may be able to experience vicariously what this event was like for those individuals. As one reads this section, it becomes abundantly clear that none
of the individuals mentioned will ever allow something like this to happen on their watch again. The goal of this research is to motivate leaders of institutions to take preemptive actions to prevent embezzlement in their own institutions without having to go through the painful experiences that these individuals have endured. In addition to the effect the embezzlement had on individuals college wide, there were certain individuals who were particularly affected by it. When asked who was most affected by this event, the participants consistently identified the president, the dean of administrative services, and a bookkeeper who was instrumental in the discovery phase of the investigation. Obviously, there were also effects on the perpetrator of the crime and on her family, but those effects are the direct consequences of her own purposeful actions and are outside the scope of this study.

Effects of the Embezzlement on Individuals College Wide

This section deals with the emotional damage that individuals across the college experienced as a result of the embezzlement and the actions that followed the embezzlement. These emotional damages manifested themselves in a number of ways including a sense of violation, fear, suspicion, betrayal, and resentment. The following excerpt gives a good synopsis of the emotions as they were expressed by various participants.

There still are a lot of open wounds from that situation. I mean, it was devastating for the college. And, personally and professionally, as someone who’s been at the college for a long time, this was a violation. I mean, I consider the college and all of the staff and folks that work there as part of my family. And, whether it’s somebody that breaks into
your own home, you felt violated as an individual. It was devastating, for me, and I think for many of the other employees. It was a shock, we were angered, the betrayal, it was all of those things a person goes through when they have been violated. And, it truly was a violation of the college and also all of us who were dedicated and loyal employees of the institution. (P4)

A couple of key administrators agreed that the embezzlement was a huge emotional event for the campus and that it has created a negative internal climate that still lingers today.

It was a huge emotional event for everybody, the community, the campus. There are still people that have bad feelings about it today and it’s hard to recover from it totally. I still have a place I feel about half empty because of it. (P19)

The impact was direct to employees within the institution. It created... a negative internal climate in my opinion within the institution, which then we had to work on in the forthcoming years. I think it definitely created a context as to who’s to blame for this. (P10)

And, people were blaming and accusing others in the wake of the embezzlement. The comptroller and her husband were leveling accusations at others in an attempt to defend their claims of innocence. Partly as a result of those accusations, and partly just the normal course of a prudent investigation, other people at the institution were investigated to determine whether they had any direct connection to the embezzlement. A board member noted, “I think when something like that happens you start even challenging your own team, the members of your own administration”
(P7). He added, “Everybody was afraid that they would be challenged because there was such a distrust” (P7). A key administrator commented that “there were investigations done against the office of the president to some extent [and] more importantly, the business manager in just reviewing things in the background” (P10). Another participant reported that the bookkeeper who was instrumental in much of the discovery phase of the investigation was also investigated (P8). The administration is quick to point out that these were cursory checks and that nothing was ever found that would indicate that anyone other than the comptroller was involved in the embezzlement (P10).

This sense of suspicion went further, however, and caused some participants to report that they now look at others in the institution with a wary eye, although they have never done anything to attract such suspicion.

It impacts your ability to trust other employees and other people. I think the most significant thing for me was it just makes me wonder, hey, if [she] was doing this, somebody else could be doing this. If money’s being pilfered this way, what other resources were taken? It wouldn’t surprise me if it happens again now. (P17)

I would have never thought that she could do it. And, so, I guess you kind of look around and think, well, maybe they could have done it, or maybe they could. I’ve worked there 18 years. She was there as long as I was. (P16)
Additionally, there was a sense of resentment that those who had actually perpetrated the crime were not punished more severely. Some participants commented on this resentment.

They should have gone after her in a lot more aggressive way. I know I share that sentiment with the other staff. (P4)

What they didn’t do right was she wasn’t prosecuted. They negotiated—they took away some of their toys so that she didn’t get much jail time. She got sixteen months. People get sent away for writing bad checks, sometimes, more than that. And, so, she wasn’t held accountable. That much money and you got 16 months? (P8)

A key administrator confirmed that there was a negotiation process whereby the college sought to recover as much of the stolen money as they could. In a concerted effort between the college and the district attorney, the perpetrator turned over assets in exchange for a lighter criminal sentence.

But, it came from the board to recover the funds, officially. Quite frankly, the legal authorities helped us in that process, because, either you’re going to sign over your assets or you’re going to be charged with a whole lot more than you are now. So, you take your choice. (P10)

A common complaint among those who investigate fraud is that organizations and law enforcement do not do enough to punish fraud and other white collar crime offenses. “This contributes to high fraud levels...because potential offenders are not deterred by the weak or nonexistent sanctions that are imposed” (Wells, 2005, p. 37).
According to the 2004 National Fraud Survey, 77% of reported cases end in dismissal of the employee with no restitution and 20% of reported cases end in some kind of deal for restitution. The remaining 3% of cases end with the employee quitting or otherwise disappearing, or a referral to law enforcement for prosecution (Wells, 2005). Williams (1997) observes that only 1% of all cases are referred for prosecution. Williams (1997) and Davia et al. (2000) agree that it is crucially important that embezzlers be prosecuted to the fullest extent possible. Otherwise, there is little to deter the potential embezzler. One participant commented that for the small amount of money the college ended up recovering, they should have prosecuted the perpetrator to the fullest extent of the law. "With the little bit of money we got out of selling everything, it wasn’t worth it. She should have been in there for years" (P8). The decision of the college to enter into a settlement agreement in lieu of stricter legal sanctions, however, was predicated upon the belief that the most responsible thing to do was to recover as much of the taxpayers’ money as possible. Which of those courses of action was more correct will remain a topic of discussion in the literature. A key administrator summed it up by saying that the college would like to have held the perpetrator more accountable, but that in order to recover as much money as possible, the negotiation process was necessary.

I think we recovered as much as we could. In order to get as much money for the institution, we had to do it. I would have loved to have held them a little more accountable for their crime than what they got. (P10)
Immediately after the embezzlement was discovered there was some concern for security and some fear for the physical safety and well being of certain people at the college. A board member recalled the presence of security officers at the board meetings right after the events started to unfold and remembered there being some discussions about increased security measures for certain members of the administration.

I remember there being security personnel at one of those first board meetings. I also remember there being a couple of discussions of what the college would pay for in addition to what a member of the administration might ordinarily expect in terms of their protection and safety. I remember a couple of notifications that one of the spouses, or one of those involved, had actually come onto campus. And, there were shockwaves that kind of reverberated. And, I don’t remember that either individual ever came into an actual board meeting, but I remember there being a discussion of them being on campus within the time frame of a public forum. Nothing ever came out of that but you certainly were filled with visions of somebody taking revenge into their own hands. And, gosh, now as a board member am I opening up my own personal safety to whatever actions these folks are going to take? (P13)

Another participant who came after the embezzlement issue was resolved commented that the issues of fear and concern for safety were still active concerns even three years after the event.

What I had heard was that there was some sort of an alert back in [the state where the president had moved to]; that the president considered the [comptroller’s husband] [to be] of some threat to him. And, I found that interesting...three years [after the incident]. I want to say that the president back in [the other state] may have taken out a restraining order because he thought that [the comptroller’s husband] might be in the area or something. And, that kind of got your attention because, you
know, it signified there'd been some fairly significant emotions, as one would assume passed under a deal like that. (P2)

These comments emphasize the threat that an event like this can bring to the safety and security of people in leadership at an institution who have to deal with an event like this even after they are removed from the institution by both time and distance. Several other participants made comments about the concern for fear and safety at the college and the presence of police on campus.

Our previous president...was concerned for his well being and safety as far as [he] didn’t know the state of mind of these people...because they would, from my understanding, would make threats toward him. So, I think his own personal safety was a concern to him. So, I would say it was the dean and then the president and then probably the ones that worked really close with [the comptroller] [who were most affected]. (P6)

And, [there was] a little bit of fear, too, after a while because of [the comptroller’s] husband and the comments and things that were said. And, we had a security guard in the office for a while after that. And, that’s a little distracting. (P16)

We’d have armed policemen from the police department that were there on campus. They would come in student services where key personnel, like our dean of administration or dean of student services were, and then certainly over in the president’s office. They would show up because somebody was sighted or it was rumored they were coming over. We didn’t lock down the campus, but part of it was to be aware. (P11)
I can remember the day and the afternoon when [the comptroller] was standing out in the quad talking to the police officers and I thought... whatever is going on here? (P14)

This heightened sense of fear and concern for safety coupled with the presence of police on campus contributed to the general level of emotional distress that people were feeling subsequent to the embezzlement event. The event also had a polarizing effect on people. Although practically all of the participants noted that the comptroller was not well liked, there were certainly some people who supported her. This created a climate of tension that still exists today. As one participant noted, no matter which side people were on, "you had that whole range of people being offended by that" (P10). This participant commented that it is an underlying current that can be sparked off if something goes wrong.

Oh, if they get torqued off at somebody, it’ll come up. It’s an underlying current and an underlying theme within it. I think you just have to scratch it wrong, or the wrong event. That’s why I say it’s so critical to the climate of the institution because it is so tenuous in the way the people probably view that. So, if anything questionable came up, it’d be right back. That’s why it’s so critical to maintain that and be forthright about it. (P10)

In summary, the embezzlement created emotional distress in individuals all across campus. That distress was described by various participants as a sense of violation, fear, suspicion, betrayal, and resentment. It also polarized people against each other based on whether they were for or against the comptroller and created a negative internal climate that still exists at the college today which is consuming time
and energy to manage. Readers of this study should recognize that these negative emotional effects can result from a significant case of embezzlement and should be motivated to take preemptive action to prevent embezzlement at their own institutions.

Effects of the Embezzlement on the President

The president was affected in two ways: (a) his sense of personal safety and well being were affected by threats from the comptroller's husband; and (b) his reputation and career prospects were affected by having been in leadership while this embezzlement was taking place. The personal safety issues were covered in the previous section and will not be repeated here. The effect the embezzlement had on his reputation and career are more inferential than anecdotal. The local newspaper ran several articles regarding the president's search for other jobs while he was working through this embezzlement ordeal. He was reported to have been on the list of finalist for several positions within the state before he eventually landed a position in another state. Several of the participants commented that they believed that the embezzlement was part of the reason that he did not land any jobs within the state. One stated, "I think it will follow him to every job he's ever going to apply for. I'm shocked that he found another job to be honest with you" (P18). Another participant, who asked that he not be identified with these particular comments, revealed that the college had been contacted by search committees from some of the colleges where the president was applying and that they were asking specifically about the embezzlement. This participant believed that this was not the only reason why the president did not get the
jobs, but he believed it was the major reason. When asked if the embezzlement event was affecting the president’s ability to lead at his new out of state institution, one participant made the following observation.

Well, the rumor beat him over there. He was trying to apply and, of course [the comptroller’s husband] was sending emails to that college trying to derail the whole thing to the point where I think they finally had to put a restraining order on him and say don’t send anything back here anymore. But, I think what it does for [the president], then, it’s going to raise suspicion at his new position about what he did in his past. Was he right, wrong? And, he’s got to try to answer all that stuff. So, I believe there is something there to that. (P19)

The potential exists for a selection committee to contact any member of the candidate’s former college for information about the candidate’s performance. As evidenced by the data in this study, the administration, of which the president is the chief, was blamed very heavily for allowing the embezzlement to go undetected for so long. It is within the realm of reasonable speculation that this event will have a continuing negative effect on the president’s reputation and career for as long as this memory exists at this college.

*Effects of the Embezzlement on the Dean of Administrative Services*

The dean of administrative services was the person who was most often identified by the participants as the person who was most affected by this embezzlement event. The excerpts of quotes on this section alone comprised 14% of the data that was gleaned from the interviews. This is second only to the excerpts of
quotes relating to the damage that was done to the relationship between the administration and the college faculty and staff which was reported earlier in this study. People had strong feelings about this. And, those feelings ranged from being sympathetic to the dean for his troubles to being outraged that the dean was not fired because of the embezzlement. This section will highlight quotes that allow the reader to experience this range of emotions. While I understand that putting these unvarnished comments into this report will be difficult for some readers, especially for the person to whom this refers, I think it is necessary to the purpose of this study to have this included. I hope the dean will understand that my purpose is noble and that the reporting of these data may be the catalyst that helps some other college administrator to avoid the pain that an embezzlement event can cause.

One board member identified the dean as one of two people who were seen as most culpable for the management failures surrounding the embezzlement, the other person being the president.

I think there was another member of the administrative team who was pretty closely allied with the president because of part of that individual's duty to assist in the budgeting. And, I think those two people were seen as being closely allied and seen as the two individuals who should have had the most oversight and most culpability in terms of the person who actually did the embezzling and the reporting. (P13)

A key administrator stated that there were three or four people at the college who still had significant feelings toward the dean who, from time to time, would question why the dean wasn't fired when the embezzlement was discovered.
I could name you three or four people that have pretty significant feelings towards the dean still as a result of that. And, every time their budget gets hit or something like that, or they get mad, [they say] they should have gotten rid of [him] back then when they had the opportunity. Or, [he] should have been held as accountable as the person who went to jail. So, there’s still those things that’ll come up once in a while. (P10)

Other participants observed that, either in their own estimation or from what they heard others saying, the dean had not done his job and should have been held more accountable or even fired.

The dean of administrative services took a lot of fire from the community, from the campus community, the community at large. The comptroller reported to him. I think a lot of people felt that, this happened on your watch, you should be out of here. I think a lot of people still feel that way today. (P12)

The way I felt about [the dean] at that point was why didn’t you pick up on this? This has been going on for over seven years. There have been comments made over the years but nothing ever was checked into. So, I felt that he didn’t do his job. And, I’m sure you’ve been told [the comptroller] was not liked at all. She was a real vindictive person and she was very cruel to people in there. And, when people would go to [the dean], the business manager, he protected her, the whole time. He would always protect her. When good people would go to him, I mean, he always had a comeback and protected her. So, I resented that and I resent him to this day. And, I mean, we get along and we talk, we get along, but I felt that he should have been held accountable because he was told. He never did anything. (P8)

There are people still that cannot believe that [the dean] didn’t lose his job, and hold it over him, and continually throw it back at him. There are people who are my acquaintances within the community who were boggled that the [financial management of the] institution was that
primitively handled during that time. But, there has been lasting
damage done in the way people trust the numbers. It shows up in
budget cycles where especially over the past four or five years where
we’ve seen such a dramatic decline in student funding. Every time that
the budget is presented to the board, it is scrutinized very
intensely...and the tone and tenor of the questions as they’re presented
to [the dean] specifically in the board meetings is frequently, how
accurate is that? Are you really sure about this? What are you trying to
hide? And, that’s really unfortunate to watch. From my perspective the
memory of the newspaper stories and the memory of the sense of
amazement that that much money could go missing continues to really
have a strong impact on the way that the board deals with the
administration when it comes to money. (P14)

Other participants commented on either their own feelings or the feelings they
heard others expressing about the dean’s educational background and his lack of
qualifications, in their estimation, for the job he holds.

Here this person sits, with minimal degrees, and questionable to
acceptable degrees of competency. Here they are remaining. And, here
are human beings who never did an undignified, irresponsible thing
since they came to work; may even have had more credentials. See, you
had that added to the human feeling of disappointment, hurt, pain,
disgust, anger, a little rage. (P3)

His qualifications always came up. Well, he’s only got his bachelors.
Why do we have a dean that doesn’t have his masters or doctorate?
Those were the types of conversations around the water cooler that you
would hear. Or, maybe, just like we went through a tough negotiation
period this time and so when you start—here’s [the dean] on one side
of the equation and our faculty negotiators on the other side. You may
hear somebody who’s very negative bring it up. It’s kind of a low blow,
so to speak. But, when you get into negotiations that’s usually the case.
(P18)
One participant observed that the dean became more guarded since the event and suggested that it may have been a defense mechanism for him against all the attacks he had to endure over the issue.

I would say [the dean] was hurt the most. He’s more to himself. I think it affected him a lot. He’s had to put up guards because of the comments made to him in meetings. He worked with her closely and I’m sure he trusted her. It seems to me, since that happened, he’s not as open. He’s more shielded. It just seems like he has his guard up all the time. It’s kind of like he has a chip on his shoulder now because of it. (P16)

Another participant also observed that the dean was more isolated since the event and suggested that perhaps he had been somewhat ostracized by some of the college constituents. The comment sounds a bit acerbic.

[The dean], he’s a nice guy. I know people would stop by and talk to him. People don’t stop by and talk to him anymore. I have to laugh. He’s in his office by himself, unless the president’s in there. Yeah, he’s pretty much left alone. The faculty, none of them respects him. And, he’s been there 20 years or whatever. (P8)

One participant acknowledged that the dean took a beating from the public and others over this event and that he made a conscious choice to immerse himself into his work as a way of coping.

I think that he has taken an awful lot of public beatings in one way or another from the faculty to the community, etc. And, my impression is that he has just...put his head down and he worked and that was his method of coping. And, I think that combined with the fact that money was gone and that the state funding was falling at the time, it was just a
miserable—and I don’t envy him at all, the position that he was in. (P14)

In contrast to the view that the dean somehow facilitated the violation of others at the college, one participant speculated that the dean, himself, may have experienced a sense of violation because he supported and trusted the comptroller.

I think the dean was very violated in the sense that he had supported her, felt she was very competent, a member—in fact, I think it was a board report where she was complimented as having had a clean audit the prior year. I think that was just before this occurred. (P10)

One participant expressed some frustration over the fact that people asked the board to fire the dean over the embezzlement and the board seemed to be fairly protective of him.

People sent letters to the board. And, we went when they had her hearing—some of us went and we talked to a couple of the board members there. And, at that point we were, like, something needs to be done about [the dean]. And they were pretty protective of him. And, the faculty just—everyone thought he should lose his job over it. People went to the board. And, they felt that to punish him again would be wrong. He’s already punished enough by having all this going on. (P8)

One participant’s description of the dean’s managerial skills revealed the fact that some of the dissatisfaction with the dean predated the discovery of the embezzlement, which begs the question as to whether the embezzlement merely provided a convenient opportunity to try to oust the dean for prior dissatisfactions.
I perceive his attitude for some of the staff is, he doesn’t support us, I think, and I don’t think he ever has. And, I think part of that came, we think, came from [the comptroller] because he listened to her. And, she was always crabbing at a lot of the people in the office and he would listen and he would come away with that concept about people. And, so, he had a little bit of that before from her, I believe. And, he still, I think, has that. But, it just doesn’t seem like he values us. But, he didn’t before, either. (P16)

A board member commenting on the fact that people were demanding that certain members of the administration be fired also made the observation that some of this dissatisfaction may have existed prior to the embezzlement.

And, it’s really kind of interesting. It seemed like many people wanted somebody to pay. But, it seemed to be it was either the administration or the thief. But, very few people really blended it. And, that caused me to think maybe they would want the administration to leave no matter what happened. It may have just allowed people who had frustrations or felt that the school might not have been headed in the right direction anyway to [vent]. (P7)

One participant commented that this event will probably affect the dean’s credibility and career prospects for the rest of his professional career.

I think the school will eventually get through it. But, I think it will always haunt the president and [the dean]. I know [the dean’s] pretty much grown up in the community and stuff, so I don’t see him ever taking another job. There’s just no way I can see. It’s going to be in his file. I mean, it would be the same way for me as a…director. To have that happen in [my] department, let’s say my assistant did something like that and it was a huge—a million dollar deal—there’s no way I’d [ever get] a job. (P18)
Conversely, one participant was strongly supportive of the dean and explains that the dean did everything he was supposed to do and the embezzlement occurred because the board and the president did not heed the dean’s warnings about the need for increased fiscal controls and did not provide him with the resources needed to prevent the embezzlement.

I think, too, in terms of the college, just in regards to [the dean], people kind of blame him for the embezzlement because he’s the dean of administrative services and in charge of the finances. But, I think the embezzlement, even though it’s his area, he didn’t get the support that he needed to not let an embezzlement happen. For ten years we’d been talking about needing a professional software package that would do accounting, that would do requisitions, that would have checks and balances. He didn’t have adequate staff to put the checks and balances in place that were necessary. And, he actually went to the board and we had letters from the auditing entities, the accounting entities that do our audits, saying, hey, you don’t have enough internal control. You need more layers. They told us all those things, and the board chose not to act on that. And, we suffered because of it. So, people point the finger at [the dean] but I don’t think that was his fault. [He’s] very competent in terms of his position and very savvy. And, of anybody on campus, he is probably more concerned with internal control and more savvy about conflicts of interest and appropriate use of financial resources than anybody else on campus. And, so, I think they want to find somebody to blame and he was the one. But, I think a lot of that’s misdirected. And, we would be really hard pressed to find somebody that’s as good a fit for our college as he is. I think he’s the right person at the right time. And, he’s worked at the college for over twenty years. He’s got an unbelievable amount of experience. He would be an extraordinarily tough person to replace. The reason he didn’t lose his job was because the board was well aware that we had a problem with staffing and we did have management letters to the contrary that said you need to do this and they didn’t do it. So, how can you blame him for it? He brought it to their attention and said we need to do this. And, they said, we’re not going to do this. So, it’s not his fault. But, that’s my personal opinion. (P17)
As one reads these comments, one is inclined to wonder just how accurate they may be. The comments run the gamut from describing this administrator as both excellent and incompetent. The importance of these comments, however, is not in whether they are true or not, but in that they are the opinions of those expressing them. The salient point is that this embezzlement event caused people to have very strong feelings about this person. So strong, in fact, that many questioned his qualifications and his right to keep his job. Even if these opinions are completely untrue and unfair, they emphasize the kind of culture that was created because embezzlement occurred on his watch.

*Effects of the Embezzlement on the Bookkeeper*

Another person who was identified as having been significantly affected by the embezzlement was the bookkeeper who was instrumental in the discovery and investigation phase of the embezzlement. She became the primary target of the comptroller’s accusations after the embezzlement was discovered and she ended up spending countless hours and many late nights digging through the accounting data to try to determine the extent of the embezzlement. One participant states that the bookkeeper was in fear for her safety because of the threats that the comptroller’s husband was making. She was working nights by herself trying to get all this figured out and get things ready for the auditors to come in and look and all this kind of stuff. Her husband was getting worried because [the defendants] were really zeroing in on [her] because she found everything. They were trying to say that she had done it. They were very threatening. I mean,
the president that left had to get a restraining order. But, she worked nights, she stayed there nights, until her husband got angry and said, no you’re not—and that was after—well, they were getting worried about [the comptroller’s husband] coming down there. So, she suffered more than anyone. (P8)

Other participants stated that the comptroller accused the bookkeeper of being the one who actually embezzled the money and that the bookkeeper was investigated to some extent by the college as a result.

[The bookkeeper was hurt the most] because [the comptroller and her husband] turned around and tried to accuse [her]. [The bookkeeper] was very well liked in our office. And, they twisted the tables and said, I didn’t, [the bookkeeper] did, and then [she] was under suspicion for a while. (P16)

Well, I think [the bookkeeper] got blamed for a lot of it by [the comptroller]. And, it wasn’t her. And, I think she feels that there were some indications and that she had reported those indications and they didn’t get acted upon. Specifically, I don’t know what they are. But, I think she confronted [the comptroller] often. I had dealings with [the comptroller]. She could be a very intimidating person. (P11)

Although there was less data regarding the impact to this individual, it is important to note that the negative effects of embezzlement can spill over onto the line staff as well as the management ranks. The bookkeeper in this case was impacted by having to work long hours, being accused of the crime, being investigated by the college, and suffering emotional distress such as fear for her personal safety and
resentment that management had not valued her input regarding the warning signs of the embezzlement.

**Summary of Findings**

The findings of the study are divided into two major sections: (a) the historical background of the case; and (b) the sociological effects that accrued to the college as a result of the embezzlement. The answers to the first three research questions—(a) how was the embezzlement carried out; (b) how did the embezzlement go undetected for so long; and (c) how was the embezzlement eventually discovered?—provide the historical background of the case. The answers to the last two research questions—(a) how have things changed at the institution since the embezzlement; and (b) who was significantly affected by the embezzlement and how were they affected?—demonstrate the sociological effects of the embezzlement upon this institution. An analysis of the data revealed the following major findings:

1. The embezzlement caused a major change in the internal control framework and environment at the college.
2. The embezzlement caused major damage to trust and credibility at all levels of the organization.
3. The effect of the embezzlement upon the college's relationship to the community was inconclusive.
4. The embezzlement significantly affected the college's resources of time and money.
5. The embezzlement was facilitated by a culture of ineffective communication that had existed at the college for years.

6. The embezzlement damaged the reputation and credibility of certain individuals within the college and negatively affected the emotional climate for people throughout the college.

**Soundness of Data and Findings**

The soundness of the data and the findings may be judged by the three methods included in this study: (a) the credibility of the researcher; (b) the rich, thick description; and (c) triangulation. My personal disclosure statement coupled with my writing style may help the reader of this research to judge my credibility as a researcher. The rich, thick description that I have provided, much of which comes directly from the words of the participants, may help the readers to judge the plausibility, authenticity, integrity, and relevance of this research. The points of triangulation which were both explicit and implicit in the results section of this study may also help to determine the soundness of the data and the findings.

Generally, there was considerable agreement among the accounts of the 20 participants. Where there was not agreement, all opposing viewpoints were described in the rich, thick description which gives the reader the opportunity to decide what makes the most sense in light of all that is known. Additionally, there was agreement between the stated themes of the participants and the themes that I derived from my analysis of the data. (This point is fully described in the conclusion chapter of this
study.) Due to the necessary separation between the historical background of the case and the sociological effects of the case which was described earlier, there was not much opportunity to triangulate between the written documents and the interview data. The written documents were primarily used for the historical background while the interview data were primarily used for the analysis of the sociological effects of the embezzlement.
CHAPTER 5: CONCLUSION

This chapter provides the closing thoughts of the study and contains a summary of the research, insights for policy and practice, and implications for future research. The discussion of the findings of the study in view of related research was included in the results chapter and is not repeated here. The conclusion also includes additional material from the participants that seemed to fit better here than in the results sections. This new material describes the lasting effects of the embezzlement on the institution and provides reflective suggestions and advice to help the participants of the study and other users of this research to look to the future with confidence and hope.

Summary of Research

The purpose of this study was to examine one case of embezzlement at one community college in order to assess the sociological effects of the embezzlement on that college. Although there was no attempt to generalize the study beyond the one community college under examination, individual readers may find that the study fits other cases with which they are familiar and may find the study useful for their own institutions. The study sought to answer five research questions: (a) how was the embezzlement carried out; (b) how did the embezzlement go undetected for so long; (c) how was the embezzlement eventually discovered; (d) how have things changed at the institution since the embezzlement; and (e) who was significantly affected by the embezzlement and how were they affected?
The embezzlement was carried out by the comptroller who was stealing money from college bank deposits and adjusting the financial records to cover her activity. Due to a lack of internal controls or a lack of attention to them, the comptroller was able to gain access to a number of steps in the business operations that allowed her to abscond with the bank deposits and to cover the trail of her activities. The embezzlement was eventually discovered when a bank teller noticed an anomaly with one of the college’s bank deposits and reported that anomaly to the college. The deposit was unusual because it was made up of moldy money that was not properly wrapped in the bank’s normal wrappers.

The embezzlement caused a major change in the internal control framework and environment at the college; major damage to trust and credibility at all levels of the organization; and negatively affected the college’s resources of time and money. The effect of the embezzlement on the college’s relationship to the community was inconclusive. Individuals throughout the college experienced emotional trauma that was described in various ways including a sense of violation, fear, suspicion, betrayal, and resentment. In addition, the president, the dean of administrative services, and a bookkeeper who was instrumental in the discovery and investigation of the embezzlement were particularly affected. The president’s personal safety and well-being were affected by threats from the comptroller’s husband, and his reputation and career prospects were affected by having been at the helm while this embezzlement was taking place. The dean of administrative services became the primary target for criticism and suffered major damage to his professional reputation and career.
prospects. The bookkeeper became a primary target of the comptroller and suffered emotional distress from being accused by the comptroller of being the one who had actually committed the crime.

The significance of this study rests upon three points: (a) the paucity of the literature that exists on the subject; (b) the damage that embezzlement does to people, their institutions, and the public trust in general; and (c) the importance of the case in and of itself, that is, the rich, thick description of the case that brings the issue of embezzlement in community colleges to life in such a way that it motivates people to action. This study begins to fill the void that exists in the body of literature on the subject of embezzlement in community colleges and provides information to college administrators which might help them detect and prevent embezzlement in their own institutions.

The research methodology used in this study was qualitative using a case study approach. The data collection mechanisms were document analysis and participant interviews. Public records were collected and examined to answer the first three research questions which provided the historical context for the study. Interviews with 20 participants comprising a representative sample of approximately 17% of the college’s faculty, staff, administration, and board provided the answers to the last two research questions which revealed the sociological effects of the embezzlement. The study found that the embezzlement was a catalyst for a number of significant consequences to the college including the implementation of stringent internal controls; major damage to trust and credibility at all levels of the organization;
negative impacts to the college’s resources of both time and money; and damage to the reputation, credibility, and emotional well being of certain individuals within the college.

The effects of the embezzlement continued to be felt at the college five years after the event. The following comments by several participants described the lasting effects of the embezzlement.

I’ll never forget it. I mean, it was—here we are this small, rural community college, just an average community college where an individual absconded with over a million dollars. I think the long term thing is the victims who will remember it the longest. (P4)

There’s not a board meeting—not a single board meeting—that has gone by since then where it hasn’t been raised...because whether we did it or didn’t do it, it was lost on our watch. And, that’s something that as individuals we don’t get over very easily. And, the institutional memory is, that’s a wink away. I mean, that was just yesterday in the life of the institution. It has never been forgotten. And, I don’t think it will for a very long time. (P7)

I think it’s an overriding cloud that you can’t get rid of, nor will you ever. So, as we do anything, you always have to be cognizant of the potential negative impact that old feelings can have if anything goes wrong. But, it’s always there and will always affect how well you can do within your own community. (P10)

There’ll always be a stigma that goes with it. And, that’s something that time will probably never completely cover. We’ll always be the community college...that got burned. That will always be in people’s minds. I believe it’s getting less. Every year that goes by, it’s less of a scar, but the scar will always be there. It’s a scar on [people’s] career
just like it’s a scar on the college because they were...here when that happened. (P15)

One participant used the analogy of having cancer to illustrate the lasting effects of embeazzlement on the institution.

A lot of people recover from cancer but you never forget you had it. You had cancer, you recovered, but you carry the scars all your life. Even if you recover from cancer, you still live your life differently. And, people that know you’ve had cancer they never forget you’ve had it. You could run into someone 10 years later and they’re going to remember you because you had cancer. You might look totally different. You could be cancer free for 30 years but they’ll look at you and say, you had cancer 30 years ago, didn’t you? You look pretty good now. But, they still remember that you had it. (P15)

One of the questions that I asked the participants near the end of their interviews was, as you think back over the totality of this whole embeazzlement event, what would you say was the worst thing about it? Or, to put it another way, what would you say was the biggest, black mark that it left on the college? The question was designed to get the participants to synthesize their comments into some kind of conclusion that would help me as I tried to reach my own conclusions about the data. From the 20 participants in the study, there were seven themes that came out in response to that question. The seven themes were: (a) that the college allowed the embeazzlement to happen to itself; (b) the damage to trust and credibility; (c) the damage to the relationship between the board and the president; (d) the damage to the college’s relationship with the community; (e) the lack of communication; (f) that the
perpetrator got off too light; and (g) the negative impact to the strategic initiatives of the college. I found it to be a useful and informative exercise to compare these themes to the themes that I derived from my own analysis of the data. There was a close correlation between the two.

The first observation—that the college allowed the embezzlement to happen to itself—corresponds to the treatment of internal controls. The data reveal that the college either had not implemented adequate internal controls to prevent the embezzlement from happening, or that inadequate attention had been paid to them. Essentially, the college allowed this to happen to itself. This, in turn, precipitated many of the other “worst things” that followed. The other points of correspondence between the two outlines are fairly obvious. The data reveal that there was massive damage to trust and credibility at all levels of the organization, notably: (a) the damage to trust and credibility between the board and the administration; (b) the damage to trust and credibility between the administration and the college staff; and (c) the damage to the trust and credibility between the college and the community. The data also reveal that one of the major issues at the college was the lack of effective communications at all levels of the organization. Poor communications helped to contribute to the embezzlement occurring in the first place and contributed significantly to the damage to trust and credibility that occurred subsequent to the discovery of the embezzlement. The observation that the perpetrator got off too light corresponds with and is a subsection of the discussion of the emotional damage that occurred as a result of the embezzlement. And, finally, the observation that the
embezzlement negatively affected the college’s ability to advance its strategic initiatives corresponds with the costs that accrued to the college as a result of the embezzlement, notably the extra demands on the resources of time and money.

A distinctive of qualitative research is that it allows the data to emerge naturally from the study and the themes to emerge naturally from the data. I think the fact that the participants’ “outline” of their own data matches so closely with the outline that emerged from my analysis demonstrates that I have captured the essence of what they intended to say.

Another distinctive of qualitative research is that things are often discovered along the way that the researcher was not necessarily looking for. One thing that became clear to me early on in the interviews was that nearly everyone was trying to put the most positive spin on the situation that they could. People told me some very negative things about the embezzlement, but they nearly always followed those comments by emphasizing the positive results that have accrued to the college as a result of it. I think this can be attributed to the fact that the people of this college really do care about their college and they want to be remembered in a positive light. Consequently, some of the participants offered some advice about what it would take to bring healing to their institution. I had not necessarily looked for that information, but I think it is important to include it here.

One thing that will be needed to heal the institution is time. With time comes the changing of the guard. One participant noted that, “As things evolve, things change. I really believe time will heal this eventually” (P18). Most participants
acknowledged that things were better at the institution than they were five years ago when this all first came to light. There is hope that with time, and with the changing of the guard, the painful memory of this issue will fade away. The danger, however, is that it will be completely forgotten. Something like this needs to be memorialized as an object lesson for the college so that new generations don’t go down the same path and commit the same errors. The college will need to figure out how to keep the memory of this event alive in a positive way so that the pain and emotional distress are gone but the lessons learned are never forgotten.

Another thing that it will take to bring healing to the institution is to improve the communication aspect of the college. The data were very conclusive that communication at the college had been ineffective for years and that poor communication contributed greatly to the entire embezzlement debacle. Both the interview data and the campus climate surveys indicate that communication continues to be an area that is in need of improvement at the college. One participant commented that it would help if the administration would just listen to their employees. “Maybe just listen and check it out a little bit” (P16). Wheatley (2002) suggests that we could change, not only our colleges, but the world, if we would learn to listen to each other again.

I believe we can change the world if we start listening to one another again. Simple, honest, human conversation. Not mediation, negotiation, problem solving, debate, or public meetings. Simple, truthful conversation where we each have a chance to speak, we each feel heard, and we each listen well. (p. 3) Conversation, however, takes time. We need time to sit together, to listen, to worry and dream
together. As this age of turmoil tears us apart, we need to reclaim time to be together. Otherwise, we cannot stop the fragmentation. (p. 5)

Wheatley goes on to point out that as long as we have been around as humans, we have solved our problems and celebrated our successes by sitting together and sharing our experiences. We have recounted our dreams, shared our stories, and generally felt comforted to be in the world together. “When the world became fearsome, we came together. When the world called us to explore its edges, we journeyed together” (p. 4). Among the other good things the college has done and is doing to restore health to the institution, they must make this coming together a vital part of the organizational culture.

A third piece of advice that came from the participants was that the college should stay the course with the new and improved internal controls. As one participant put it, “I think the most important thing is both to tell administration and the faculty that you make sure that you don’t shortcut on the bean counters and all those kind of things because if you do, this will happen to you” (P5). Indeed, the perpetrator in this case came precariously close to getting away with the embezzlement altogether. Had it not been for the tip that the college received from the bank regarding the unusual bank deposit, it might never have been discovered and the perpetrator would have gotten away with it, because she was due to retire within six months of when the embezzlement was discovered. The 2004 National Fraud Survey states that fraud is discovered by a tip from a vendor or a customer in less than 8% of reported cases (Wells, 2005). Conversely, according to the survey, fraud is discovered by the careful
application of internal controls including both internal and external audits in about 53% of all reported cases. Gauthier (1996) adds that educating employees about the purpose and operation of internal controls can itself help to discourage fraudulent behavior. A workforce that is more knowledgeable about internal control policy and procedures is more like to see and report suspicious incidences to management. The 2004 National Fraud Survey states that fraud is discovered as a result of tips from employees in about 24% of the cases reported. Adding that to the percentage of cases that are discovered as a result of effective internal controls, an organization approaches the ability to detect fraud in about 77% of the occurrences. From these data, it should be obvious that an effective and efficient system of internal controls is the single most effective way to prevent or detect embezzlement in an organization.

Another participant added this piece of sage advice to this point. “You can’t go on trust. You better have those procedures in place [and] you better make sure somebody’s looking at them once in a while” (P19).

A final piece of advice was aimed more directly at helping others to avoid the damage that has occurred at this college. Participants of this study sincerely hoped that this research would help others to see the damage that can occur if something like this happens in their own institution, and to be motivated to take action before they experience the hardship that this college has had to endure. One participant noted, “We didn’t spend enough time at it before and that was part of our problem. And, we probably spend too much time at it now” (P19). Another participant noted that “once you lose the trust, it’s very difficult to rebuild it. And, you’ll spend a hundred times
more time rebuilding it than you would have maintaining it, and have nothing to show for it” (P10). As a way of encouragement for others, a participant advised, “this was not a pleasant experience to go through for anybody—for me, the institution, for our public, the staff. And, I think a little more work up front would have saved a lot of work down the road” (P19). I would like to allow this participant to give the closing words of this study as a message of encouragement and hope to all who will read this and who may have opportunity to make a difference in the future.

Some staff still have a hard time getting over it. I do, too. But, what do you do once it’s happened? And, so, I think as an institution what we try to say to people is, folks, one way or another we have to move on. And, we can still be mad at [the dean], or we can be mad at somebody else. But, let’s focus back to what our mission and goals are here of educating students and giving the best product we can. And, I think for the most part our campus has done that; maybe slower for some folks to move along. But, pretty much, I think that’s why we’ve survived out here for 30, 40 years is because our people for the most part are dedicated to what we do, believe in what we do, just like your people do. And, I think it really helps us move forward. I think we’ve moved forward very positively. I think we’ve still done good things on campus since this happened. And, I just think we have a lot of good things ahead of us. This is one thing that’ll certainly be in our record book forever. But, I think we can look back in a few years and at least be proud of the fact of what we’ve done after it. (P19)

Insights for Policy and Practice

This section summarizes the insights that I gained from the study with regard to policy and practice. It is important to note that these are not generalizations because my intent has not been to generalize the results of this study beyond the one case under observation. Rather, these are insights, or naturalistic generalizations, that I
made as a result of having experienced the case under study. Other users of this research may have different insights which may or may not agree with mine. My insights are provided only as a starting point for others to begin considering the implications of this study.

1. *Internal controls are the single most effective means of preventing and detecting embezzlement in an organization.* The 2004 Fraud Survey showed that an effective system of internal controls, including internal and external audits, gave agencies the ability to detect fraud in approximately 77% of reported cases. Organizational leaders should make the implementation and maintenance of internal controls a high priority for their organizations.

2. *The cost of a control should never exceed the benefit it provides.* My study revealed that the college under study had adopted a zero tolerance for risk subsequent to the discovery of the embezzlement and consequently had created an excessive control environment to reduce the risk of any occurrence to zero. Gauthier (1996) pointed out that more is not necessarily better when it comes to controls and that risks need to be evaluated in light of the potential significance of the risk and the likelihood of the occurrence of the thing being controlled. The cost of a control should never exceed the benefit it provides.

3. *Trust cannot substitute for effective polices and procedures.* One of the participants in my study commented, “You can’t go on trust. You better have those procedures in place and you better be sure somebody’s looking at them once in a while” (P19). Effective policies and procedures protect everyone’s integrity.
Depending on trust rather than ensuring that everyone follows standard operating procedures opens people up to question and suspicion. Standard operating procedures protect both the agency and the individual.

4. **Effective communication is essential to the development of a healthy organization.**

   Most participants in my study believed that a culture of poor communication contributed to the embezzlement and to the subsequent damage to trust and credibility at all levels of the organization. The notion that effective communication is essential to healthy relationships is an almost universal truism. Institutional leaders need to develop and maintain a culture of effective communication in order to foster healthy organizations.

5. **Proactive management is much more cost effective than reactive management.** My study revealed that the college was spending more time and money repairing the damage that the embezzlement caused than it would have spent on measures to prevent it from occurring in the first place. One participant observed, “A little more work up front would have saved a lot of work down the road” (P19). Another observed, “Once you lose trust, it’s very difficult to rebuild it. You’ll spend a hundred times more time rebuilding it than you would have maintaining it in the first place, and have nothing to show for it” (P10). Organizational leaders should understand the benefit of proactive management and should set budgetary priorities that ensure this type of management.

6. **The credibility of an organizational leader can rise or fall in relationship to the degree of proactive management he or she provides.** The dean of administrative
services was derided regarding his education and qualifications subsequent to the embezzlement event. My impression from being on the ground with the participants is that had he taken proactive measures to prevent the embezzlement or to detect it early on, he would have been praised for his wisdom acquired through experience rather than derided for not having a master's degree or doctorate.

7. *It is difficult for an organizational leader to remain with the organization after a major embezzlement event.* The dean of administrative services was allowed to remain at the college after the embezzlement event even though he was perceived by many as the one most culpable for not preventing or detecting the embezzlement. Participants noted that he was withdrawn and aloof after the event and that others in the college had somewhat ostracized him.

8. *The career prospects of an organizational leader can be hampered by a major embezzlement event.* Participants reported that both the president and the dean of administrative services were impaired in their ability to obtain employment elsewhere due to the embezzlement having occurred on their watch.

9. *A major embezzlement event objectifies staff discontent.* It was clear that staff had been unhappy with administration prior to this event. But, that discontent had been random and had not found any particular traction prior to the discovery of the embezzlement. This event provided a verifiable focal point for that discontent which had not existed before.
10. *Staff represent a valuable repository of knowledge, experience, and insight.* The participants revealed a number of strategies that could have been helpful in the prevention, detection, and recovery phases of the embezzlement. One participant commented that it would have helped if the administration would have listened to their employees. “Maybe just listen and check it out a little bit” (P16).

Organizational leaders need to recognize and tap these resources for the good of the organization.

*Implications for Future Research*

There is a need for future research in the area of embezzlement in community colleges. The findings of my study support Strawser’s (1997) findings that these illegal activities divert budgeted resources from their intended uses, deflect the focus of agency leaders, and erode the public’s confidence in the integrity of its government. Cox et al. (1979) pointed out that there was no real research on the subject in his day. And, Strawser (1997) points out that there are still practically no studies that provide a systematic investigation and analysis of frauds and, in particular, fraud occurring in governmental entities. He suggests that this important issue is of particular interest at this time. Several implications for future research emerged from my study which are listed here for consideration.

1. *A study of the 1173 community colleges in the U.S. to determine the extent of embezzlement in community colleges.* My study did not include a survey of community colleges nationally due to the limitations of both time and money.
needed to conduct such a survey. A quantitative survey study could be commissioned by a grant of some kind which would help to answer the question of whether embezzlement is a problem for community colleges and would help to substantiate the need for further studies in this area.

2. *A study to assess the true public reaction to the embezzlement event of my study.*

The findings of my study were inconclusive regarding the tenor of the response from the community regarding this embezzlement event. Some participants believed there was a lot of public outcry over the event while others stated that the public response was surprisingly mild. Since my study included only participants from inside the college, I was not in a good position to make a conclusion in this area. A study could be done which would include only participants from the community at large to determine what the public reaction was really like in response to this event. If the proposed study found that there was very little public outcry over the event as was suggested by several participants in my study, a corollary study could be done to find out why this was so.

3. *A study to determine whether there is any statistically significant relationship between organizational communication and occurrence of embezzlement.* My study revealed that a culture of ineffective communication existed at the college before, during, and after the embezzlement event. I made the observation that this culture of ineffective communication probably facilitated and fostered the embezzlement event. A correlational study could be done with a statistically significant sample of community colleges which have had a significant case of
embezzlement to determine whether there is any statistically significant relationship between communication and occurrence of embezzlement.

4. *A study to determine how communications occur in healthy organizations that have had a significant case of embezzlement.* My study revealed that there was considerable discontent over the level of communication that occurred relative to the embezzlement event. Further, my study revealed that the organizational culture at the college under study was not healthy with regard to several dimensions of organizational leadership. Many participants believed that the manner in which communication was handled contributed to the damage that occurred to trust and credibility at all levels of the organization subsequent to the embezzlement event. A study could be done of several healthy organizations which have had a significant case of embezzlement to determine how communications were handled in those institutions and what effect, if any, that had on the organizational recovery from the embezzlement. The findings could be used to suggest better practices to other institutions experiencing similar problems.

5. *A study that explores the facts of a case of embezzlement itself.* Due to the fact that both the civil and criminal cases were settled out of court, and the legal peril that this presented, my study was limited to the exploration of the sociological effects that accrued to the college subsequent to the embezzlement event. A study could be done at another college in which the legal climate would permit an investigation into the facts of the case itself to better understand that side of the embezzlement
issue. The field is wide open as to what the researcher may wish to explore in such a study.

6. *A study to assess the statewide implications of the embezzlement in my study.* My study was limited to the examination of only one community college. It is reasonable to assume that this case of embezzlement may have had ramifications on other colleges within the state in which it resides and on other statewide measures and issues. A study could be done to assess the effects that this case of embezzlement, or another case somewhere else, may have had on state legislators, policy makers, other colleges, donors, and voter initiatives statewide. Such a study would help to create a better understanding of the effects of embezzlement from a macro system perspective.

7. *A study to determine why external audits fail to catch embezzlement.* My study revealed that although the college was having external audits performed as prescribed by statute, the audits failed to catch the embezzlement. A study could be done to explore why audits fail to catch embezzlement. The results of the study could be used to develop audit procedures that are more effective in catching such fiscal malfeasance.
BIBLIOGRAPHY


APPENDIX
Appendix A: Informed Consent Document

Project Title: Stealing the Public Trust: A Case of Embezzlement at a Community College
Principal Investigator: Dr. Alex A. Sanchez, College of Education
Research Staff: Donald G. Wallace, Doctoral Candidate, College of Education

PURPOSE

This is a research study. The purpose of this study is to explore how things change after a significant case of embezzlement has occurred at a community college and to understand how college personnel and the community are affected by such an event. The results will help community college presidents, board members, administrators, and others better understand the issue of embezzlement and may motivate them to take measures to prevent embezzlement at their own institutions. This research study is being conducted in partial fulfillment of the requirements for the Doctor of Philosophy degree at Oregon State University. The results of this research may be used for publications and presentation. The purpose of this consent form is to give you the information you will need to help you decide whether to be in the study or not. Please read the form carefully. You may ask any questions about the research, what you will be asked to do, the possible risks and benefits, your rights as a volunteer, and anything else about the research or this form that is not clear. When all of your questions have been answered, you can decide if you want to be in this study or not. This process is called "informed consent". You will be given a copy of this form for your records.

You are invited to participate in this research study because you are associated with the community college that is the focus of this study and the researcher hopes that you may be willing to share your thoughts on the situation with him. The researcher anticipates approximately 15-30 participants in this study.

PROCEDURES

If you agree to participate, your involvement will last for approximately one hour and will involve a face-to-face interview with the researcher. An audio tape recording will be made of the interview to aid the researcher with accuracy and transcription. The interviews will be free flowing and conversational in style and will seek to answer the following questions:

1. How have things changed at the institution since the embezzlement?
2. Who has been affected by this event and how have they been affected?

You may decline to answer any questions.
RISKS

Although the researcher will attempt to keep your identity confidential by not using your name or title, it may still be possible for your identity to be surmised by readers, leading to some risk of embarrassment or other repercussions. Some participants may find the discussion of this topic upsetting. If the specific community college and embezzlement case in question are disclosed, the results of this study may upset other people who are involved in the particular case.

BENEFITS

The researcher anticipates that society may benefit from this study by having community colleges that are motivated to protect themselves against embezzlement thus protecting the taxpayers’ investment and the public trust.

COSTS AND COMPENSATION

You will not be compensated for participating in this research project.

CONFIDENTIALITY

Records of participation in this research project will be kept confidential to the extent permitted by law. However, federal government regulatory agencies and the Oregon State University Institutional Review Board (a committee that reviews and approves research studies involving human subjects) may inspect and copy records pertaining to this research. It is possible that these records could contain information that personally identifies you. All data collected will be stored in a secure location and will be accessible only by the researcher. In the event of any report or publication from this study, your identity will not be disclosed. Additionally, the college will not be identified by name, region, or state. Although the researcher will attempt to keep your identity confidential by not using your name or title, it may still be possible for your identity to be surmised by readers, leading to some risk of embarrassment or other repercussions. You may compromise your own anonymity by talking about your participation in this study with others. The researcher emphasizes the importance of your maintaining your own anonymity in this study. Although you will not be mentioned by name or by title, your statements may be directly quoted in the study which may allow others to discover your identity. The researcher will try to maintain your confidentiality, but cannot guarantee confidentiality due to the nature of this case. The researcher will have sole responsibility for transcribing the audio tapes. You will be identified by pseudonym on the tapes. Data will be kept for a period of three years after completion of this study at which time all data will be destroyed.
AUDIO OR VISUAL RECORDING

By initialing in the space provided, you verify that you have been told that audio recordings will be generated during the course of this study. The audio recordings will be made to assist the researcher in gathering data during the interview. All audio recordings will be stored in a secure location and will be accessible only by the researcher. All recordings will be kept for a period of three years after completion of this study at which time they will be destroyed.

____________________  Participant’s initials

VOLUNTARY PARTICIPATION

Taking part in this research study is voluntary. You may choose not to take part at all. If you agree to participate in this study, you may stop participating at any time. You are free to skip any questions in the interview that you would prefer not to answer. If you decide not to take part, or if you stop participating at any time, your decision will not result in any penalty or loss of benefits to which you may otherwise be entitled. Any data collected from you prior to your withdrawal may be included in the study results.

QUESTIONS

Questions are encouraged. If you have any questions about this research project, please contact: Dr. Alex Sanchez, 541-737-8202, sancheza@oregonstate.edu, or Donald G. Wallace, 503-663-4331, donald.g.wallace@comcast.net. If you have questions about your rights as a participant, please contact the Oregon State University Institutional Review Board (IRB) Human Protections Administrator, at (541) 737-3437 or by e-mail at IRB@oregonstate.edu.

Your signature indicates that this research study has been explained to you, that your questions have been answered, and that you agree to take part in this study. You will receive a copy of this form.

Participant's Name (printed):

_____________________  ____________________
(Signature of Participant)       (Date)
RESEARCHER STATEMENT

I have discussed the above points with the participant or, where appropriate, with the participant's legally authorized representative, using a translator when necessary. It is my opinion that the participant understands the risks, benefits, and procedures involved with participation in this research study.

(Signature of Researcher)  (Date)