

Ethikos Volume 32, Number 1. January 01, 2018 Collusion at the University

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Collusion is defined as: “Improper secret agreement between two or more entities, to defraud or deprive others of their property or rightful share, or to otherwise indulge in a forbidden, illegal or illegitimate activity.”^[1] What does collusion look like? In a television mini-series, it might play like this:

Collusion at the University: A mini-series

Scene 1: Cynthia, an administrative assistant (mid-30s, attractive), waves to receptionist as she enters the executive office of the departmental chair. She shuts the door and sits on his leather couch. Malcolm, (50-ish, tall), chair of the Chemistry Department at a prestigious university, sits next to her. Cynthia is holding two folders.

Malcolm: “Is the office renovation work order ready for the dean’s approval?”

Cynthia (hands him the folder): “Yep. I changed the account number, just like you said. We’re using the grant account to pay for the work.”

Malcolm: “Good. Do you have Faith’s copy?”

Cynthia: “Yes. Your financial officer used your departmental account. I’ll shred it.”

Malcolm: “No. File Faith’s version. She won’t know. I’ve sent her on an extended vacation.”

Cynthia (smiling): “What a relief!”

Malcolm: “Yep. If anyone gets nosy, it will look like a number mix-up.”

Cynthia: “Okay.”

Malcolm: “I’ve made you the interim financial officer, so you sign it. Now, off to the dean’s office.”

Cynthia (signs the work order and hands Malcolm a big folder): “My travel expenses need your signature.”

Malcolm (absentmindedly signs the papers):

“On your way, pick up my lab equipment orders. They’re on Faith’s desk. Use the same grant account number, then sign them. Might as well spend down that unused grant money to be as close to zero as possible.”

Cynthia: “Will do!”

Red flags of collusion

In this hypothetical television scene, collusion takes place behind closed doors. With little documentation, missing paperwork, verbal authorizations, and shoddy accountability, collusion evades detection and renders anti-fraud controls ineffective.

The employee, Cynthia, and the powerful chairman, Malcolm, have a close-knit bond, making deals behind closed doors. There is nothing wrong about renovating offices for the department chair. Their secret plan is to change the account number from a legitimate source (departmental funds) to some unspent grant money.

Malcolm gives Cynthia a new assignment, so Cynthia can approve work and purchase orders. By putting Faith (the legitimate officer in charge of internal control) on a forced vacation, the colluders eliminate a barrier to their scheme.

Although Malcolm rationalizes his action as an effective strategy (using unspent grant funds), he also knows the government has regulations for what can and cannot be charged. In this hypothetical scenario, and in many collusion cases, the offenders aren't concerned about the rules.

Cynthia gets rewarded for following Malcolm's directives when he approves her travel expenses without any proper review.

Accountability red flags

- inappropriate approval hierarchy
- no separation of duties
- misuse of signature authority
- circumventing the control environment
- no paper trail

Scene 2: Cynthia stops to chat with Malcolm's receptionist who works in a tiny cubicle right outside his door.

Cynthia: "How's the baby?"

Receptionist: "He's a handful! Can't wait to get a good night's sleep!"

Cynthia: "Being a single mom is hard! But I do have some good news for you!"

Receptionist (brightens): "Tell me!"

Cynthia: "As the interim financial officer, I've recommended a new office for you."

Receptionist (looking around her cluttered space): "Office? Ahh ... thank you. Where's Faith?"

Cynthia (whispers): "Faith? Haven't you heard? She's on an extended medical leave. Poor woman is headed for a breakdown."

Receptionist is silent.

Cynthia: “The Chair asked me to take Faith’s equipment folder to the dean’s office. I need you to open her office.”

Receptionist picks up the telephone to call Malcolm.

Cynthia (harshly): “No need to call the Chair. It’s time you took some initiative. Malcolm hates pointless questions.”

Receptionist: “Okay, but hurry.” *(She opens her drawer and gives Cynthia the key. Cynthia walks down the hall, unlocks her door, grabs the folder, and returns the key.)*

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