



FRAUD

IN COMMUNITY SPORT ORGANIZATIONS



WHAT IS FRAUD?

Fraud occurs when someone uses their position/role for personal gain through the deliberate misuse or misapplication of the organization's assets or resources.



WHY DOES FRAUD HAPPEN?

CSOs worldwide are vulnerable to fraud since they are managed mainly by volunteers that we trust. Many CSOs also lack internal controls, resources, and expertise to prevent and detect fraud.



IMPACT OF FRAUD

Fraud can have a negative impact on a CSO's finances and reputation as well as the experience of sport participants and volunteers

Our research examined media stories from Australia, Canada, Germany, and the United States from 2008-2018. Using the fraud diamond framework (Wolfe & Hermanson, 2004), we found that there are four main indicators of fraud: **Pressure, Opportunity, Rationalisation, and Capability.**

CASES OF FRAUD IN COMMUNITY SPORT HAD THE FOLLOWING FRAUD INDICATORS AND THEMES:

PRESSURE

(individual has an incentive to commit fraud)



- ✓ Personal financial stresses
- ✓ Supporting lavish lifestyles
- ✓ Addictions
- ✓ Personal health issues

OPPORTUNITY

(organization is exposed to risk of fraud through weak oversight and/or controls)



- ✓ Access to organizational accounts
- ✓ Insufficient financial oversight mechanisms (checks and balances)
- ✓ Vacancies in key positions (e.g., treasurer)
- ✓ Perceived trustworthiness of club leaders

RATIONALIZATION

(individual rationalizes committing fraud)



- ✓ Denial of responsibility
- ✓ Good intention for use of funds
- ✓ Self-justification (e.g., "I deserve the money")

CAPABILITY

(individual possesses the personal traits and abilities to carry out fraud)



- ✓ Educated professionals (e.g., trained in finance/accounting)
- ✓ Learned advantage (e.g., knowledge of club activities, routines)

RESEARCH TEAM:



Lisa Kihl, PhD,
University of Minnesota,
USA (lkihl@umn.edu)



Katie Misener, PhD,
University of Waterloo,
Canada



Graham Cuskelly, PhD,
Griffith University,
Australia



Pamela Wicker, PhD,
University of Bielefeld,
Germany