

### *An Instance of Fraud*

Some years ago, a graduate student obtained some funding from an external, private source that would support his stipend, enable him to travel, and, very importantly, allow him to purchase supplies (e.g., cells and reagents) for his research. This funding came as a considerable relief because the University had recently had to assume significant budget cuts in research programs, and the student anticipated needing some expensive materials for his research.

As the student tried to move his project forward, however, he was stymied by the PI (who was also the lab director) who refused the student's requests for supplies and reagents. The PI explained that "the funds are no longer there," and that the student should cease making inquiries regarding the nature and amount of his grant monies.

The student finally approached the Dean of Research and explained his concerns. The Dean's response was much in line with the PI's: That the University has had to cut budgets, that the PI has the authority over expenditures, that everyone must make do in these hard times, and that the student should simply accept these limitations and be grateful he still has his entire stipend. The Dean also noted that the PI is one of the University's most valued faculty members and that any public accusations against him would be intolerable.

The student tried one more strategy: He requested and received a full audit of his grant from the lab's financial administrator. As the student reviewed an itemized list of purchases charged to the grant, he noted multiple travel expenses, costs for reagents and cells, and some other items that were never used in his project. The student returned to the Dean's office with these findings. The Dean became very upset and said, "You had no right to request this. It is very clear to me that you are not the kind of team player we expect our students to be here. By doing this, you should know you have jeopardized your career here and anywhere else for that matter."

Traumatized by the exchange, the student wondered what to do next.

### *Expert Opinion*

It is disturbing but hardly beyond reason to think that such a case might occur today. One can at least imagine an ethically obtuse PI thinking: "This is my lab. I'm in control. All the money that comes into it is within my discretion to allocate. This kid's a graduate student with a grant, but I have two postdocs who've been here forever and need jobs. Obviously, their need is greater, so it seems perfectly ethical of me to take from Peter to give to Paul. As for the graduate student complaining that I'm not approving his purchase requests, I'll simply say that his work isn't far enough along to merit them, which is why I deny them. And regarding the audit, I'll just say that it was an honest mistake, or that I was going to reimburse the student's account anyway; that I did it for the sake of expediency and that I had no intention whatsoever of defrauding anybody's grant. And if that graduate student thinks things were unpleasant up until now, he has no idea what's in store."

We shall simply state what anyone reading this scenario should already know: When an institution accepts a grant, the institution is obligated to comply with the terms of the award. While some grants may provide considerable leeway for a research team to spend whatever money is allocated however the team wants, it is extremely likely that the graduate student's

award was precisely targeted to his research and its associated expenses. If so, his grantor would obviously have a straightforward right to anticipate that the moneys would be spent for those stipulated purposes and not for others.

Put simply, the relationship between the grantor and the grantee is a contractual one: The grantor issues a request for proposals and presumably promises to award monies to the one(s) that the grantor selects. In return for receipt of those monies, the awardees agree to abide by the promises and stipulations they made in their original proposals. Given the above scenario, then, the PI obviously committed fraud by using funds stipulated for one purpose to reimburse totally unrelated ones. One can only imagine the reaction from the student's granting agency if it learned of this!

Astonishingly, the Dean of Research seems oblivious to this basic understanding and supports the PI's fraudulent behavior. This is why the best strategy for handling a situation like this might well be for universities to have a "hot-line" to which complaints can be made and investigated. While some complaints will be nonmeritorious, others—presumably like the graduate student's—will certainly be of interest to the institution. Technically, of course, the student's University is the recipient of the grant, which is sub-contracted to the PI's lab where the student works. Consequently, it is the University that is expected to maintain the integrity of its relationships with its grantors. While the moral motivation of the University's interest in this case involves its promissory obligations pursuant to receiving grant dollars, the practical reason for a University's pursuing complaints like the student's is simple: The PI's fraudulent behavior can endanger the entire University's ability to secure extramural funding. A university must be able to police this kind of bad behavior so as to make a good faith showing to the research community of its integrity and fiscal responsibility. Even a relatively small instance of fraud, like this one, can do incalculable damage to an institution's reputation and its funding streams.

What generally happens with a "hot-line" complaint at research universities is that the complaint goes directly to a regulatory compliance officer. After an initial review, he or she will appoint an individual who has administrative oversight of the problematic department or division and who will conduct the investigation. Importantly, the investigation is a formal and anonymous one, meaning that once the graduate student submits his complaint, the investigation proceeds independently of him or her. Relevant findings will be turned over to the University's appropriate oversight committee. We will not discuss determining the severity of penalty imposed on guilty parties, except to say that no case of overt fraud seems insignificant. Indeed, to treat any as such would give the perpetrators permission to continue their nefarious ways.

Universities that are serious about fiscal integrity will likely have low "between-group interdependencies."<sup>1</sup> In other words and as in this case, financial functions like auditing will be separate and organizationally insulated from the ongoing, day to day work of the employees they monitor. That insulation is extremely important in policing behaviors like fraud for the simple reason that high between-group interdependencies make it all the easier for unethical complicities to occur. This observation is borne out in studies of organizational corruption, which show that the extent of corrupt behaviors is often a function of how closely knit the involved groups are, especially if they *collectively share rewards or punishments*. Thus, if the PI or Dean of Research could reasonably threaten the University's auditors with harm if they

brought forth incriminating evidence against the PI, then finance's oversight function would be disabled.

And that brings us to our final point, which is that rather than threaten the complaining student, the Dean should protect him, take his concerns seriously, and follow up. The Dean must appreciate how the student's accusation of the PI will affect the student's career: If an investigation clears the PI of wrongdoing, the student's accusation will be deemed malicious and the student will be branded as dangerous. If an investigation finds the PI guilty of fraud, the student will still be in the middle of a very unpleasant situation. Either way, the student's accusing the PI of fraud will end their relationship—which is something that a thoughtful, compassionate Dean should appreciate. But this Dean seems nothing of the sort. One can only think that the Dean and this PI have witnessed a long relationship during which they enjoyed virtually unchecked power to spend money however they wanted. They probably could not have enjoyed that history without additional complicity from other executives in the University, who surely knew of the goings on. While the Dean and the PI may believe they are invulnerable to investigation or penalty, numerous and recent examples show how wrong they might be. Obviously, their behaviors and ideologies are remarkably contrary to the most fundamental of moral expectations, and they need to be held accountable for their actions.

1. Blake Ashforth and Vikas Anand. "The Normalization of Corruption in Organizations." *Research in Organizational Behavior*, 2003;25:1-52.