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EMPLOYEE CONTROL AND OCCUPATIONAL FRAUD IN REMOTE WORK

The main problem addressed in this article is the identification of occupational fraud risks in remote work, and their impact on control solutions implemented by managers. The article is based on desk research (including the analysis of available reports and their findings) and structured interviews with managers and experts. In addition to the systematization of occupational frauds during remote work, and methods of controlling fraud, the main result is the identification of key variables that managers should take into account when minimizing occupational fraud. These include the level (and form) of control, levels of job satisfaction and trust, and the skills of employees and managers. This project, therefore, also poses terminological challenges related to the definitions of occupational fraud and counter-productive work behavior, and further identification of the phenomenon of fictitious human capital. These may be relevant from the perspective of further research on the problem of management and effectiveness of remote work.

Keywords: employee control, fraud risk, methods of control, remote work, occupational fraud.

1. INTRODUCTION

Employee control is one of the principal management functions and a relatively well studied and constantly developed area. The recent Covid-19 pandemic has enforced significant changes in working environments, including a shift to remote and hybrid work models and organisational changes in terms of working shifts, time and methods. These factors have contributed to risks related to employee expectations, determinants of effective work and occupational fraud. As a result, a need has arisen to modify both the scope of control and the manner in which it is conducted. The primary problem addressed in this article is the identification of occupational fraud risks in remote work and their impact on control solutions implemented by managers. The article was prepared based on desk-research analysis (including the analysis of available reports and their findings) and structured interviews with managers and experts.

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2. CONTROL AND PREVENTION OF FRAUD

In addition to planning, organising and motivating, controlling emerges as another fundamental function of management. It is most frequently defined as setting a system of processes that allows the organisation to achieve effects consistent with its aims and objectives, as well as revise plans to adjust for possible deviations (Cyfert, Krzakiewicz, 2020).

The use of control mechanisms is intended to promote behaviour that complies with the organisation's policies. Control can serve employees as an indication of what is expected from them, support in the identification of their development path and motivation. At the same time, employees might perceive control activities as a threat, a hindrance and an interference with the working conditions. As a result, an important aspect in the use of control and supervision is to apply a positive approach to control activities, emphasise the importance of tasks and objectives, ensure that the latter are understood and, if necessary, verify the reasons why they have not been achieved (Marciniak, 2015). Miscomprehension of control principles and the implementation of excessive or inadequate control activities (abusive supervision) can generate tension among employees, managers and employers and contribute to organisational misconduct and unethical behaviour (Liu C., Yang, Liu J., Zhu, 2018).

Effective control (audits, inspections) must therefore have a clearly defined purpose (e.g. to ensure compliance with the applicable procedures and legal regulations) and area (e.g. organisational processes, systems and employees' actions and conduct), it must use the adequate control methods and must be conducted at the right time by people of high competence, morale and personal ethics (Szejniuk, 2018).

Proper control has a positive impact on performance and deters negative behaviour – including frauds defined as employee actions that have a negative effect on the organisation and its elements, and recognised as morally reprehensible (Maciejewska, 2016; Association of Certified Fraud Examiners, n.d.). It also determines other processes and principles – for example, by enforcing the need to secure and protect company assets, identify the rules of conduct for employees (Huang, Lin, Chiu, Yen, 2017) and draw consequences in case of deviant workplace behaviour (DWB).

Based on the general deterrence theory, when faced with possible sanctions and penalties for engaging in negative behaviour (an infringement, a fraud, a criminal offence), that is when effective control systems are in place, employees are less likely to succumb to unethical behaviour (Johnston, Warkentin, McBride, Carter, 2016; Huang et al., 2017). As a result, it seems advisable to pay attention to the forms and framework of control. For example, *ad hoc* internal inspections for the safeguarding of assets do not provide effective protection against corruption risks and are less effective in combating occupational fraud (Maulidi, Ansell, 2022).

Another important issue is also the selection of appropriate tools. They can be dedicated to the protection of assets (including cash) and information, as well as work supervision. They include tools used for the monitoring of working time, employee presence, tasks and activities, tracking the use of the internet, e-mail and business phones, and geolocation (Kot, 2021).

3. CONTROL CHALLENGES AND FRAUD IN REMOTE WORK

The effectiveness of control activities and their role in fraud detection and prevention changes with the evolution of work processes. The introduction of remote work, enforced by the pandemic, proved to be a significant change that was sudden and difficult to predict.

While the pandemic period saw cases of fraud where employees pretended to have Covid-19 or reported fake symptoms (Tajvar, Hosseini, Fakherpour, 2021; Balkhi, Nasir, Zehra, Riaz, 2020), they were not recognised as a significant challenge of remote work. At the same time, many studies of forced remote working reveal that employees' burnout during remote work caused lower identification with the employer and reduced engagement in work (Volini, Schwartz, Denny, Mallon, Van Durme, Hauptman, Yan, Poynton, 2020; Drela, 2022). It is suggested that agreeing on clear rules that establish the times when people must be available and help with workload management may provide an answer to this challenge (PwC, 2020; Łukasik-Stachowiak, 2022). Similarly, in studies where respondents were asked the question: *How did HR technology enable HR to respond to the COVID-19 pandemic?*, 'monitoring performance, productivity and engagement' were indicated as the principal HR solutions (Cadigan, Card, Will, 2021). Some researchers also highlight that the actual changes in employee performance (effectiveness) could be related to the characteristics of specific departments (Raźniewski, Fierla-Jakubowicz, Oleksiuk, 2021).

Effectiveness is supported by the ability to use data analytics and shift to an evidence-based approach (KPMG, 2020). Direct indications are made regarding the creation of a digital mindset and the implementation of real-time analytics to connect people and data with business outcomes. It is also argued that one of the largest barriers is building models to integrate humans with technologies (to create new habits and management practices for how people adapt, behave and work in partnership with the available technology). Similar observations were raised by specialists working remotely in the United States, who identified communication, collaboration and time management with colleagues via technology as the most significant challenges of remote work (Hayes, Priestley, Moore, Ray, 2021). It is argued that the system of communication with employees is one of the fundamental elements for the preservation of employee motivation during remote work (Krugielka, Kostrzewa-Demczuk, 2021).

In the context of remote work, enterprise information security is emerging as an issue of high importance (Raźniewski et al., 2021). Despite increased investments in information security, many organisations around the world have not managed to avoid related risks and frauds due to employee non-compliance (AlGhamdi, Win, Vlahu-Gjorgievska, 2022). Moreover, employees are considered to be the weakest link of cyber systems (Sulaiman, Fauzi, Wider, Rajadural, Hussain, Harun, 2022).

4. RESEARCH RESULTS (IDENTIFIED FRAUDS AND CONTROL METHODS)

Seeking to learn more about challenges related to employee control during remote work, particularly with regards to fraud prevention, we used the results of our original research conducted as part of the project *Tools for managing teams of employees in conditions of forced remote working based on technological solutions of economy 4.0*. The project financed within the Regional Initiative for Excellence programme of the Minister of Education and Science of Poland, years 2019-2023, grant no. 004/RID/2018/19, financing 3,000,000 PLN.

Computer-Assisted Web Interviews (CAWI) were conducted with 500 respondents (employees of companies with international capital) who worked in the office (on-site in the company) before March 2020, i.e. before the COVID-19 pandemic, and then remotely between March 2020 and May 2021, as instructed by the employer. Non-probability sampling was applied, with factors such as company size and gender taken into account. Respondents were asked to assess remote work, its impact on the broadly defined performance and the impact of IT tools and organisational solutions on workflow. To confront employees' assessments with those of managers', interviews were conducted with 14 middle or senior managers in companies with international capital, responsible for the management of teams working remotely. The results of employees' assessments were presented to the interviewees who were asked to share their opinions on the survey results and their own experience and practices.

The content of the interviews was organised by the corresponding survey questions and categorised as: confirmation of the survey results, critical opinions (when a survey result was contrary to a manager's opinion), extended remarks (opinions extending beyond the commented results) and solutions (tools) applied for employee behaviour support or prevention. In parallel, statement tagging was conducted. This article focuses on managers' comments and solutions related to the following categories: employee control and fraud prevention and identification.

Fraud identification: According to managers, remote work made it possible to simulate work, which includes pretending to be busy and extending the execution time of certain tasks (whose performance under remote work conditions was hindered according to employees). Satisfaction with work flexibility (rated very high by employees) could be related to the fact that remote work provided employees with an opportunity to simultaneously address private matters and organise family life (for which employees cannot be blamed but only during the periods of forced remote working and lockdowns).

An important disruption was the non-performance of work due to the need to work remotely (refusal, delayed response to tasks received from colleagues and internal or external clients) or the transfer of responsibilities to people working on-site at that time (although one manager saw it as a positive manifestation of work flexibility). In particular, the following were indicated based on managers' experience:

- Inability to reach the employee on the phone, random breaks from work;
- No response to e-mails or instant messages;
- Passive approach at meetings, persistent and questionable 'technical problems';
- Leaving the remote workplace, e.g. city sounds heard in the background during a telephone conversation;
- Work outside working hours, e.g. sending correspondence well past regular working hours (while not responding during regular working hours).

Among the results of these disruptions, the respondents listed the following: extended time of processes, disrupted work and workflow (affecting the work of others) and in some cases also reduced quality (work performed within minimum acceptable standards). Such behaviour contributed to a higher number and escalation of conflicts. However, the latter were also said to have been caused by communication problems (not always resulting from the employee's reluctance or fault but also generated by remote work conditions).

Another issue that was highlighted were overtime pay requests supposedly due to task performance outside working hours and without considering downtime or employee's lack of activity during working hours.

While the interviewed managers did not link employees' behaviour with direct financial consequences, damage and losses, their observations seem to have influenced their personnel decisions, both at the time and afterwards.

Control performance: According to managers, employee control was much more limited particularly in the initial periods of remote work compared to work performed on site. However, this assessment largely depended on managers' individual experience. Not everyone postulated the need to increase control, and some interviewees even talked about the liberalisation of the company's approach to *ad hoc* inspections in favour of greater focus on the verification of results.

In parallel, a common conclusion and a condition for the efficient operation of the organisation was the implementation of the principles of work accountability (assessment of work results rather than work input/effort), with the division of responsibilities into smaller assignments or the development of measurement methods for tasks that had previously not been subject to control or parameterisation. Some managers observed that the introduction of greater verification of tasks during remote work enabled a more effective employee evaluation.

Increased work accountability (improved measurability) began to be reflected in making the payment of salary conditional on the effects of work, with the indication for some employees to work part-time.

Another important issue was the development, identification and dissemination of rules of remote work, and writing them down together with instructions. This applied to the organisation of working time (also in terms of agreeing work with private life during working hours) and the ability to prioritise tasks and task reporting methods. Interviewees also talked about relatively simple rules such as completion of work schedules and participation in meetings with cameras on.

A common recommendation indicated as key to efficient employee management (in terms of control and performance) was the use of IT tools and their implementation method, with instant messaging systems, virtual co-working spaces and other dedicated solutions (particularly in the reporting and workflow categories) featuring as frequent proposals.

5. DISCUSSION

Our interviewees did not identify typical acts of fraud leading to the depletion of the company's assets or other deliberate actions to the detriment of the employer which could be linked specifically to remote work (and had never been observed before). However, our study revealed an area of fraudulent behaviour and control related to the broadly defined effectiveness (employee performance, efficiency) and working time (employee availability). Therefore, the frauds identified by our respondents can be classified as counterproductive work behaviour (CWB) (Baka, 2017) rather than deviant workplace behaviour (DWB) (Rasic Jelavic, Glamuzina, 2021; Robinson, Bennett, 1995; Liu et al., 2018).

An important area for discussion, emerging from the interviews with managers, (but also visible in the context of HR trends for 2023 as a human approach to the employee-manager relationships ('HR trends 2023: Melding humanity and hybrid work to retain top talent', 2022)) is the need of trust in employees depending on their maturity and responsibility for tasks and skills (co-determined by employees). The key challenge is to find the balance between the necessary level of control with its possible consequences (which can have a negative effect on employees), freedom and trust (as well as the risk of

overcontrol (Lloyd, 2015; Manroop, Petrovski, 2022; Yang, Kim, Hong, 2023)). This dilemma can be illustrated with the ‘pressure’ exercised by managers, for example, on employees caring for children. On the one hand, the lack of control and certain rigour may lead to non-performance of tasks, but on the other, it may result in employee fatigue, lower commitment levels, reduced innovation, excessive use of childcare leaves and, in extreme cases, resignation from work. Similarly, it is also challenging to show trust while ensuring information security, which is facilitated by the certainty and perceived severity of penalties and the awareness of being monitored (Raddatz, Marett, Trinkle, 2020). It is also worth highlighting the relationship between higher levels of dissatisfaction with organisational IT systems and a greater probability to engage in computer fraud. Moreover, this relationship appears to be significantly stronger in employees who consider themselves technologically literate (Amo, Cichocki, 2019).

On the one hand, managers are facing the challenge of ensuring effectiveness in a difficult period, but on the other, they must support the team, adapt to changing work models (particularly, regarding the working time and ensuring the right to disconnect outside working hours) and ensure good atmosphere of work (for example, by providing space for informal interactions), while making time and space for employee control and monitoring.

Having lost the possibility of direct control, managers are the ones that must demonstrate the skill in the use of remote work tools and the ability to adapt to them to properly formulate employees’ tasks and the organisation’s aims and objectives (rather than focus exclusively on work control) (cf. Sahadev, Purani, Kumar, 2013). Our interviewees provided examples of communication tools (as well as communication and data exchange systems), many of whose functionalities (according to our respondents) were never used.

While extending beyond the fraud-control relationship, another interesting finding regarding effectiveness in remote work emerges from our study: the reduction of waste. Remote work has reduced many bureaucratic requirements and enforced a better organisation of administrative processes (e.g. collaborative editing of documents, document archiving and sharing). Similarly, less time is spent on small-talk and chatting; however, the lack of the latter may have contributed to the deterioration of relationships³.

6. CONCLUSION

Systematising our discussion, Figure 1 presents the key variables that managers should consider so as to minimise occupational fraud. They take into account the levels (and forms) of control, satisfaction with work, trust and employees’ skills. Certain paradoxes emerging from relationships between these variables can prove challenging – for example, the risk of the negative impact of controls on employees’ satisfaction. Therefore, managers’ competencies in the use of control tools and control implementation remain an important issue (Andrew, 2010).

³ Interesting and disturbing at the same time data in this regard is presented by the Capterra report, according to which relations with co-workers are now the least important factor in job satisfaction (Westfall, 2022).

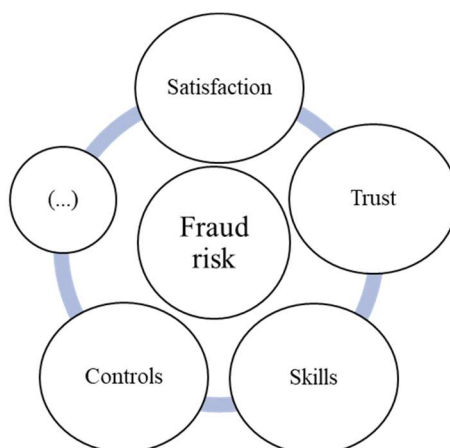


Figure 1. Factors reducing the risk of fraud in remote work

Source: Own study.

This article has some limitations. One of them is related to the fact that our study revealed no cases of typical fraud involving, for example, asset misappropriation, data theft, etc., whose intensity may have changed due to remote work. This interdependence should be the subject of separate research.

A challenge in our study was to combine managers' assessments of and reflections on remote work with the concept of occupational fraud. Not every definition includes slowing down work and the lack of commitment among typical examples of fraud. This raises a certain linguistic and terminological challenge regarding undesired forms of workplace behaviour. Although the latter have a negative effect on performance and work quality, causing distortions and slowing down work processes, they are not considered to be frauds and cannot be addressed with the use of the same tools as those applied for fraud identification, prevention and sanctions. It is our intention to attempt to resolve this problem in the future studies by exploring said types of behaviour as categories of fictitious human capital.

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