

## ACCOUNTING SCANDAL: A CASE STUDY OF ABC UNIVERSITY, A PUBLIC UNIVERSITY IN THAILAND

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### Abstract:

Accounting scandals have become a systematic manifestation in the global business scenario and have consistently made the headlines which expected to continue during the years. Individuals were not satisfied so they attempt for a greater attainment regardless of integrities. The aim of this paper is to discuss the accounting frauds committed at a public university in Thailand recently. The people involved and the name of the university in this paper will be kept unknown for confidentiality purposes. Instead they will be represented by fictitious name or aliases. Thus, this institution will be known as ABC University and the people involved represented by pseudonyms. This research paper provides an insight in ways by which the huge money amounted to approximately more than 1.60 billion Baht amounting to more than \$32 million of siphoned funds were manipulated. This paper is a case study revealing the sequence of events of the fraud scheme using content analysis and time frame which were on December 22, 2014 to end of February 2015. The primary fraud committed by a perpetrators and others involved was done by colluding in fraud and altering official documents. We concluded that there was a lack of best practice of internal control which is evident in both parties that leads to bad governance. Finally, ABC University scam bring responsiveness to the ABC University as a government institute in Thailand. However, no special armor against corruption; and this is noticeably a time for vigilance.

*Keywords: accounting fraud, accounting scandal, AMLO, fraud*

# 1. INTRODUCTION

Recently accounting scandals have become a systematic manifestation in the global business scenario and have consistently made the headlines which expected to continue during the years to come. Individuals were not satisfied so they attempt for a greater attainment regardless of integrities. Thus, the United States of America government responded to these events and initiated the congressional action that resulted in recent legislation (Sarbanes-Oxley Act of 2002) and auditing standards (Statement on Auditing Standard No. 99) that require companies and their auditors to be more aggressive in detecting and preventing fraud, which, in turn, has elevated the importance of the accounting profession in protecting the integrity of the financial system in order to prevent and detect such scandals (Sarbanes–Oxley Act, Wikipedia, n.d.).

## 1.1. ABC University Accounting Scandal

On December 23, 2014, the headlines of some newspaper in Thailand read “The Anti-Money Laundering Office (AMLO) will investigate alleged huge embezzlement at ABC University involving 1.60 billion baht of siphoned funds”. The financial scandal blasted with the arrest of two key prime suspects namely: Miss Nicole, Head of the ABC’s Financial Division; and Mr. Mario, a former Manager of Bank I, SM North Branch – and others involved. ABC University is located on a 160-hectare site twenty miles east of Bangkok is the largest public university of science and technology. The AMLO was in charge for the investigation of the mentioned financial scandal. The Anti-Money Laundering Office (AMLO) is Thailand’s arm fighting against money laundering and the financing of terrorism.

## 1.2. ABC University As A Public University

ABC University is a prominent research and educational institution and it is well-known as the top-ranking engineering institute in Thailand. It is in the city of Bangkok, Thailand. The five faculties at ABC University were: engineering, architecture, industrial education, science, and agricultural technology that cover the range of technical disciplines. The Institute offers 44 study programs leading to a bachelor’s degree, with 17 master’s degrees and one doctorate program in electrical engineering, and the first engineering doctorate program in Thailand. About 18,000 undergraduate students and 3000 post graduates have enrolled in this institution .The Computer Research and Service Center, School of Graduate Studies and Central Library complete the organizational structure, with the establishment of the Faculty of Information Technology in operation in 1994. Under planning are an International Education Center and the ABC University Industrial Park.

### *ABC University Structure*

ABC University became a legitimate public university under a legislation act, which regulates its governance, administration and operation. Like other public universities in Thailand, ABC University is a government agency under the supervision of the former Ministry of University Affairs, which was merged with the Ministry of Education. At present, ABC University like other public or autonomous universities is under the supervision of the Commission on Higher Education affiliated with the Ministry of Education. Each public university has its own Act empowering the University Council to function as the governing body.

The President or Rector, as chief administrator that operates university according to the policy laid down by the university council which comprises Chairman, President, Deans, Directors of Institutes of the university and other qualified persons not salaried by the university. The Dean’s Council and the Faculty Senate are two advisory bodies which may also take part in governing the university were allocated annual budget for their operation.

Personnel, financing and general administration of the universities had to entirely comply with the bureaucratic system. Like other government agencies, public universities were allocated budget for the Bureau of the Budget and the Comptroller General’s Department, Ministry of Finance. A university president received privileges equivalent to those of a director general who is the top executive at the departmental level, although the tenure of the university president is 3-4 years. The uniqueness of universities in Thailand is that the establishment of each individual university needs to be made by

promulgating its specific act (Office of Higher Education Commission Ministry of Education, Thailand, 2013).

### **1.3. The Anti-Money Laundering Office (AMLO), Thailand: Investigating Team**

The Anti-Money Laundering Office, Thailand was established in 1999, the Anti-Money Laundering Office (known as AMLO) is Thailand's arm fighting against money laundering and the financing of terrorism. As an enforcement agency, AMLO has been empowered to authorize the search of places and vehicles and has been given authority to seek court approval to conduct electronic surveillance where there is evidence of a money laundering offense. The office works with the Transaction Committee, which has authority to seize suspicious money and property and pursue the forfeiture of assets through civil proceedings. AMLO has the responsibility for the custody, management, and disposal of seized property. Over the past eight years of its operation, AMLO had seized assets pertaining to predicate offenses up to an amount of 4,124.8 million Baht approximately USD 117.85 million as of December 31, 2008. The seized assets ranged from land and premises to bank accounts, gemstones, cash and vehicles (AMLO, 2001).

## **2. REIVIEW OF LITERATURE**

### **2.1. Fraud, Accounting Fraud, and Accounting Scandals**

#### *Fraud*

Fraud is known as an intended act by one or more persons amid management, those charged with governance, employees, or third parties, involving the use of dishonesty to acquire an unjust or illegal advantage. Romney & Steinbart (2008) noted that to be considered a fraud, the deception must be characterized by "a false statement, representation, or disclosure"; "a material fact," that causes the fraudster to initiate the fraud; the "intention to deceive"; a "justifiable reliance" of the fraudster on the misstatements; and an injured party. Athabasca University (2015) enumerated fraud includes but is not limited to: alteration or falsification of paper or electronic documents (checks, reference letters, grant applications, time sheets, requisitions, budgets etc.) including the inappropriate destruction of paper or electronic documents. Similar to the ABC University scam scheme wherein a perpetrators falsified the documents.

#### *Accounting Fraud*

Successively accounting is the foundation of all financial reporting a corporate scandal in this extent is commonly known as accounting fraud which with the help of the media becomes an accounting scandal. The most common type of fraud is the misstatement of financial statements (Albrecht & Albrecht, 2004). According to a KPMG report (2003), accounting fraud is the most costly form of financial fraud. Financial fraud or accounting fraud is the intentional misrepresentation or alteration of accounting records regarding sales, revenues, expenses and other factors for a profit motive such as inflating company stock values, obtaining more favorable financing or avoiding debt obligations. Employees who commit accounting fraud at the request of their employers are subject to personal criminal prosecution (Business Dictionary, 2015).

#### *Accounting Scandal*

Accounting scandals are political or business scandals which arise with the disclosure of financial misdeeds by trusted executives of corporations or governments. Such misdeeds typically involve complex methods for misusing or misdirecting funds, overstating revenues, understating expenses, overstating the value of corporate assets or underreporting the existence of liabilities, sometimes with the cooperation of officials in other corporations or affiliates. In public companies, this type of "creative accounting" can amount to fraud, and investigations are typically launched by government oversight agencies, such as the Securities and Exchange Commission (SEC) in the United States (Wikipedia, 2015). Like for instance the Accounting Scandal case of ABC University. The AMLO was in charge for the investigation of the mentioned financial scandal. The Anti-Money Laundering Office (AMLO) is Thailand's arm fighting against money laundering and the financing of terrorism.

## **2.2. Fraud Cases Related To ABC University Scam**

The quantities of money that can be accumulated during an embezzlement scam that lasts years can be overwhelming. When hearing the dollar amounts of some of cases, it is amazing to imagine that these plans were not perceived sooner. These cases involve different sized companies and different values of crime, but provide an opportunity to see what violations people are willing to attempt. The following examples of high profile embezzlement cases:

### *Horseplay in Dixon: Lessons Learned from the Rita Crundwell Fraud*

The fraud persisted over two decades and was complicated by the nature of the local government, the behavior of the individuals hired to complete the audit, the bank that held the City's accounts, and ultimately the trust everyone placed in Rita. According to the complaint, a joint holder of that Capital Development Fund account is listed as RSCDA, and that checks written on that account list the account holder as "RSCDA, C/O Rita Crundwell." The complaint alleges that between September 2011 and February 2012, approximately \$2,783,912 in various tax funds were deposited electronically into one of the city's accounts. Crundwell allegedly moved these funds around to other bank accounts held by the city and eventually allegedly transferred most of these monies into the Capital Development Fund account. Between September 2011 and March 2012, in her capacity as comptroller, Crundwell allegedly wrote 19 checks totaling \$3,558,000 on the Capital Development Fund account payable to "Treasurer," and deposited these checks into the account listing RSCDA as the joint account holder. She then allegedly took \$3,311,860 from the RSCDA account by checks and online withdrawals, using only \$74,274 for the city's operations. Crundwell allegedly used the remainder of those funds, more than \$3.2 million, for her own personal and business expenses, including approximately \$450,000 relating to her horse farming operations, \$600,000 in online credit card payments, and \$67,000 to purchase a 2012 Chevy Silverado pickup truck (Barbara Apostolou, Nicholas G. Apostolou, & Greg Thibadoux, 2015).

### *The 10 Billion Pork Scam or the Priority Development Assistance Fund Scam*

The 10 Billion Pork Scam or the Priority Development Assistance Fund scam, also called the PDAF scam or the pork barrel scam, is a political scandal involving the alleged misuse by several members of the Congress of the Philippines of their Priority Development Assistance Fund (PDAF, popularly called "pork barrel"). JLN Corporation, headed by Janet Napoles, a trading company syndicate has defrauded the government of Php. 10 billion over the past 10 years using funds of Pork Barrel of lawmakers in her vast network and various government agencies of ghost projects that involved the creations of fake foundations or NGO's and funds deposited directly to the foundation bank account. Funds were remitted to Janet Napoles who splits with lawmakers (40 to 60 percent of PDAF goes to lawmaker in exchange for the right to determine implementing agency and fund beneficiary or the officials of involved agencies. Janet Napoles was forging local government officials, producing fake receipts, and fabricating names of beneficiaries of state of funds (Carvajal, Nancy C, 2013).

### *Sandhogs Piggishly Pilfered Fraudulent*

On December 1, 2009, Melissa G. King, 58, Employees Benefits Manager, of Irvington, New York, was arrested and charged with embezzling at least \$42.6 million from the Sandhogs' Union Local 147 in New York City where she had been employed as employee benefits fund administrator. Specifically, King was charged with one count of theft and embezzlement in connection with employee benefit plans, and 11 counts of money laundering. The scheme was fraudulent funds transfers for 7 years (2002 – 2008 inclusive). Similarly with Sujata "Sue" Sachdeva, Chief Finance Officer, perpetrated Koss Corporation, Milwaukee, Wisconsin with the amount of \$ 40.9 million in 2010 dollars (\$34.5 million actual) with the duration of 12 years (1997 – 2009), the scheme was fraudulent funds transfers (Christopher T. Marquet, 2011).

## **3. RESEARCH METHODOLOGY**

This paper is a case study revealing the sequence of events of the fraud scheme using content analysis. In terms of information collection, we searched for evidence from the reliable newspaper published in Thailand. The information was used for our content analysis. Content analysis is a research technique for systematically analyzing written communication and as a research technique

deals with documentary materials that are already existing available (Calderon & Gonzales, 1993). Markoff, (1998) defines content analysis as “any systematic reduction of a flow of text (or other symbols) to a standard set of statistical manipulable symbols representing the presence, the intensity, or the frequency of some characteristics relevant to social science<sup>1</sup>”. The people involved and the name of the university in this paper will be kept unknown for confidentiality purposes. Instead they represented by fictitious name or pseudonyms. Thus, this institution will be known as ABC University and the people involved represented by pseudonyms.

#### **4. OBJECTIVES OF THE STUDY**

The aim of this paper is to discuss the accounting frauds committed at the ABC University, Thailand recently. ABC is a government, prominent research and educational institution and it is well-known as the top-ranking engineering institute in Thailand. This research paper provides an insight in ways by which the huge money amounted to approximately more than 1.60 billion Baht of siphoned funds were manipulated. The Anti-Money Laundering Office (AMLO) is Thailand’s arm fighting against money laundering and the financing of terrorism. The AMLO was in charge of the investigation of accounting scandals at ABC University. The main objectives of this study is to highlight the ABC University accounting scandal by portraying the sequence of events from December 23, 2014 up to the end February 2015, the key parties involved, and major follow-up actions taken by the involve in the scam.

#### **5. FACTS AND TIMELINE OF ACCOUNTING SCANDAL: A CASE STUDY OF ABC UNIVERSITY IN THAILAND**

December 16 2014, ABC University Acting Rector Mr. Zhen assigned a lawyer to file a complaint with the Crime Suppression Division (CSD) Bangkok, Thailand to a suspected financial fraud seeking action against those involved in alleged corruption involving 80 million Baht. A Police Colonel and acting chief of the CSD’s sub-division 1 confirmed that the institute later discovered that the total amount of money missing from its accounts was approximately more than 1.60 billion Baht from 2012 up to recent year, amounting of over \$32.7 million.

##### **5.1. The Perpetrators**

December 22, 2014 the Anti-Money Laundering Office, Thailand (AMLO) issued a warrant of arrest to the two key prime suspects for allegedly colluding in fraud and altering official documents namely:

1. Miss Nicole, 56 years old and Head of the ABC University Financial Division.
2. Mr. Mario, 40 years old, former Manager of Bank B II, SM North Branch.

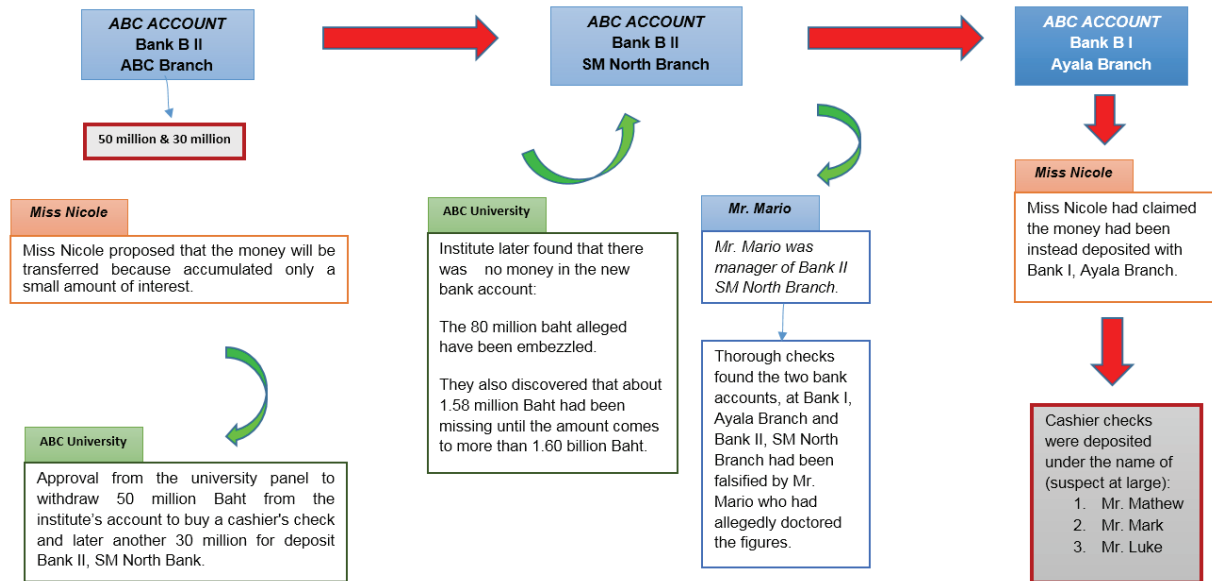
December 23, 2014, Mr. Mario was arrested at his house in Bangkok, and Miss Nicole was detained while receiving medical treatment in a private hospital in Bangkok City.

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<sup>1</sup>“Revolutionary demands: a content analysis of the Cahiers de Doléances of 1789” by Shapiro, G. and Markoff, J. 1998, Stanford, CA: Stanford University.

## 5.2. ABC University Scam Scheme

Figure 1: Money Flow of ABC University Scam



Source: Authors processing

Figure 1 shows the money flow of ABC University scam. October 1, 2014, Miss Nicole had spoken to ABC University committee that the institute's money deposited to the Bank II, ABC University Branch accumulated only a small amount of interest. Miss Nicole proposed that the money be transferred to the Bank II, SM North Branch, where Mr. Mario was the manager and she had sought approval from the university panel to withdraw 50 million Baht from the institute's account to buy a cashier's check for deposit at Bank II, SM North Branch, and later another 30 million Baht to the same bank.

The institute also discovered that about 1.58 million Baht had been missing from its accounts. With the 80 million Baht alleged to have been embezzled, the amount comes to approximately more than 1.60 billion Baht.

An initial investigation found the missing of approximately more than 1.60 billion Baht was transferred to several other bank accounts that belong to other people. Sources revealed that cashier's checks worth 1.60 million baht had been deposited into three accounts belonging to Mr. Mathew; three accounts containing 1.6 million baht belonged to Mr. Mark; and six accounts with 1.2 million Baht belonged to Mr. Luke.

They will face legal actions after evidence of the alleged embezzlement and document falsifications were found. The ABC's accusations against Mr. Mario and Miss Nicole stem from thefts the institute said occurred between 2012 and 2014.

Mr. Mario said he realized there was some irregularity in the movement of money, but Miss Nicole said the money would be spent for the benefit of the institution and she would return the money in January 2015, so he did approve the transactions. He denied receiving any money from Miss Nicole.

**Figure 2:** Summary of ABC University Accounting Scandal Scheme

<b>Victim Organization</b>	<b>ABC University – Public University in Thailand</b>
<b>Amount:</b>	<i>Approximately more than 1.60 billion Baht amounting to \$32.1 million.</i>
<b>Perpetrators:</b>	<i>Miss Nicole, 56 years old, head of the ABC's Financial Division, Mr. Mario, 40 years old, former Manager of Bank II SM North branch.</i>
<b>Suspect at Large:</b>	<i>Mr. Mark, 32 years old Mr. Mathew, 26 years old Mr. Luke, 32 years Old</i>
<b>Year Discovered:</b>	<i>2014</i>
<b>Duration: 2012-2014</b>	<i>2 years</i>
<b>Scheme:</b>	<i>Colluding in fraud and altering official documents</i>
<b>Investigation Team in Charge:</b>	<i>Anti-Money Laundering Office, Thailand (AMLO)</i>

Source: Authors processing

**5.3. ABC University Scrutiny**

January 30, 2015, ABC's Director of Legal Affairs Mr. James and Associate Professor Thomas, Acting Vice-President of the ABC University, as part of the university scrutiny team looking into the scandal, met the Crime Suppression Division (CSD) investigator to examine financial documents. Speaking after an examination of financial documents, Associate Professor Thomas said cashier's checks were deposited into accounts belonging to Mr. Mathew and Mr. Luke between the year 2013 and 2014. Cashier's checks worth millions of Baht were deposited into accounts belonging to key suspects in the embezzlement scandal at ABC University.

Associate Professor Thomas said officials at Bank I, Ayala Branch had handed over to the team some 14 copies of cashier's checks. The university did not have these financial documents. The scrutiny team wants to know who signed requests to buy the cashier's checks. Associate Professor Thomas notified that the evidence would complete the picture of who was behind the embezzlement scandal. The Rector, Deputy Rector, and Assistant Rector have the authority to sign requests to buy cashier's checks. Miss Nicole told the police that she sought approval from ABC University to withdraw money from the institute's accounts to buy cashier's checks for deposit at different banks.

**5.4. Ex-Rector of ABC University Role for the Scam**

*The Investigation against the Ex-Rector of ABC University*

January 5, 2015 Mr. Philip the former Rector of ABC University and a suspect in the high-profile siphoning of approximately more than 1.60 Baht billion from ABC University bank accounts was summoned by authorities to hear five serious charges against him. Authorities said the charges were: theft, forgery of official documents, embezzlement, negligence and money laundering.

January 28, 2015, Mr. Philip insisted that he was not involved with the university approximately more than 1.60 billion Baht embezzlement scandal. Mr. Philip attempted to allay suspicions that an expensive lot of land he owns is connected to the embezzled funds. Mr. Philip insisted the land was inherited from his mother before he became rector at ABC University. At the time he received the inheritance, the land was worth about 35 million Baht. However, it is now worth more than 80 million Baht, he said.

Investigators also raised questions about 2 million Baht in cash in Mr. Philip's possession, which he said is part of a retirement package he received in October 2014. The amount paid to him was 12 installments of his monthly salary, he said, and when added to his savings comes to 2 million Baht. When asked about a remark by police that a former ABC University executive had signed his name on a request to close three university accounts with a commercial bank, Mr. Philip said the National Anti-Corruption Commission (NACC) didn't ask him about that matter. A source in the police team probing

the scandal revealed a former ABC executive was involved in the scam and had signed a request to close the accounts about a year after he left his job. The three accounts were empty by the time they were closed, said the source. Police investigators believe the bank accounts were closed in an attempt to conceal evidence of the embezzlement from ABC's management.

There were reports that Mr. Philip had declared 86 million Baht in assets to the Anti-graft Agency. His assets include houses and structural buildings worth about 32 million Baht, 42 million Baht in land plots, vehicles worth 8 million Baht and other valuables worth 4 million Baht.

#### *The dismissal of ABC University Ex-Rector term*

The sacking of Mr. Philip from the rectorship position of the ABC University was royally endorsed and announced on the Royal Gazette. No detail was given in the announcement of the Office of the Prime Minister which was published in the Royal Gazette although Mr. Philip was sacked more than two years ago after he was found guilty in changing grades for his son by the ABC Council with a vote of 9-4. He was also accused of opening a doctorate course to allow politicians to attend without consent by the council.

According to the announcement of the Office of the Prime Minister, it said the royal endorsement of the sacking of Mr. Philip, the Rector of the ABC University, from the rectorship position, is retroactive from November 21, 2013. The announcement, dated January 12, 2015, was published in the Royal Gazette last January 14, 2015, and signed by Deputy Prime Minister.

### **5.5. Bank Roles in ABC University Scam**

#### *Bank I urged to declare stand for ABC University*

Mr. Jacob, Vice Dean of Faculty Engineering ABC University, submitted an open letter to the President of Bank I about the stolen of approximately more than 1.60 billion Baht from ABC accounts and he would like to know the bank position telling the plan to do in the future.

The letter also asked Bank I and Bank II of which accounts were involved in the scam to show their positions as well. The group questioned Bank I for security measures and its ability to keep people's deposits safe after cash was gradually withdrawn from ABC's accounts to the tune of one billion Baht without anyone noticing.

Mr. Jacob would like the bank to show its stand on how it will take responsibility for the damage and rebuild confidence among savers. It should also report the problems to the Bank of Thailand and explain to the public how it happened.

Bank I executive notified that in this case, we routinely checked back with ABC's executives to confirm withdrawn amounts and found nothing irregular about the balances. However, we noticed some strange behaviors in Mr. Mario when he was manager at our Ayala Branch. He tended to approve withdrawals before all signatures were given and we asked him to leave without disciplinary action. We did warn the bank that he worked for after us about this. Also, approving withdrawals is not proof that we are at fault, drawing the analogy between bank operations and a pipe. A bank is like a pipe, when water flows in, we have no way of knowing whether it's good water or bad water. The persons who know best are those controlling the valves at the money owner and receiver. We can't tell whether the money was legitimately acquired.

Mr. Noah, Bank I, President informed that it was too early to say so since the bank would have to abide by the law. For our part, we have to find out whether we did anything differently in this case. If we did wrong, we'll face the consequences. But if we didn't, we don't know how we should take responsibility. Mr. Mario a key suspect in this case was manager of Bank I Big Ayala Branch when three fixed deposit accounts were opened in the year 2012. It later turned out someone withdrew approximately more than 1.60 billion Baht from them.

After the case came to light, Bank I issued a statement on December, 23, 2014 informing that Mr. Mario used to be its employee but resigned in September 2013. The bank also pledged full



cooperation with authorities. Also, Bank I issued a statement confirming its commitment to cooperating fully with investigators and tracing the money trail.

January 24, 2015, the Bank I rebutted the ABC University remarked that the bank should have done more to facilitate the police investigation into the university's embezzlement scandal.

Bank I Executive Vice-President for Financial Crime Prevention and Security, Mr. Moses insisted again that the bank has been compiling information regarding the university's bank accounts found to be involved in the scandal as well as other related financial transactions and supplying them to police investigators right from the start. Bank I announced to the public and provide further clarification about their standpoints pertaining with the account of ABC University.

**Figure 3:** Bank I Provides Further Clarification for ABC University Accounts #3, January 23, 2015.

**January 23, 2015**

**Re: Bank I Provides Clarification for ABC University Accounts (#3)**

Further to Bank I previous clarifications regarding our actions regarding the case of ABC University deposit accounts, the bank would like to provide a further status update.

Bank I has rendered its full cooperation in gathering and providing account information and other financial transaction documents to officers investigating this case from the beginning of the case and without delay. We would like to reiterate our full cooperation with police officers investigating this case by providing relevant evidence in order that action can be taken against any offenders. Currently, certain transaction documents are being collected, and they will be delivered to investigation officers as soon as possible.

In this connection, the Bank would like to explain that following normal procedures the bank will immediately notify account owners of any unusual transactions when any irregularity in a customer account is discovered. If the account owner confirms that a transaction is illegitimate the bank will follow legal procedures in taking action against any parties involved in fraudulent activity, including any concerned staff should they be involved. However, the Bank must treat a withdrawal as a regular transaction as intended by the account owner if the account owner acknowledges the transaction and confirms the legitimacy of the transaction and accuracy of the account balance.

The bank fully recognizes its duty as an ethical financial institution for all customers, and strictly adheres to providing service with integrity and discretion in protecting its customers' benefits as a priority. We have provided the above information to further the understanding of all parties.

Sincerely

Bank I

Source: Author processing.

#### *Bank I Agrees to submit all ABC papers*

February 13, 2015, Bank I has agreed to hand over to ABC University all the documents related to the 1.60 billion Baht theft from the university's accounts by February 23, 2015. The Bank I Chairman, Mr. Andrew said that if it was proven by the court of law its employees were involved, or the damage was caused by their carelessness, the bank would "take responsibility" as required by law.

Executives of the Bank I and ABC University executives met to discuss the submission of the documents which ABC said had been long delayed. The meeting followed mass withdrawals of money from Bank I accounts by ABC's staff and students.

Acting ABC University Rector Professor Simon said that the Bank I had promised to send eight pieces of evidence involving three ABC's large accounts at Bank I, Ayala branch by February 18, 2015. The bank will also submit the remaining 31 pieces of evidence related to another five accounts by February 23, 2015. Another 68 documents requested by ABC University will be send to police and their copies delivered to ABC.

Mr. Simon hoping that Bank I will cooperate fully so police can bring the perpetrators to justice and return the money to us. Mr. Andrew, Bank I, Chairman assumed after the meeting the bank had never compromised with corruption. We've set up a fact-finding team of which members had no role in the case for transparency. He also said that the bank would review its procedures of withdrawals, transfers and backdated slip signing. It will also reduce the approving authorization of branch managers.

*Bank I and ABC University Agree on a Financial Remedy of up to Baht 1.5 Billion Embezzlement Probe by the Police to Continue*

The Bank I and ABC University announced that both had reached an agreement on the embezzlement incident. Bank I has offered financial compensation of up to Baht 1.5 billion to ABC University on the embezzlement related losses suffered by ABC University based on the Institute's preliminary assessment. However, if the actual loss sustained by ABC University amounts to less than Baht 1.5 billion, the compensation payment will be reduced accordingly. This accord in no way affects the ongoing criminal proceedings against the persons being investigated for the fraud.

In fact, Bank I and ABC University reaffirmed their commitment to cooperate fully with the current investigation by the Royal Thai Police. Further, from this point forward, any information or news relating to the embezzlement will be provided only by the law enforcement authorities, to avoid the risk of jeopardizing the criminal proceedings.

**Figure 4:** Bank I Provides Further Clarification for ABC University Accounts #4, January 23, 2015

**January 23, 2015**

**Re: Bank I Provides Clarification for ABC University Accounts (#4)**

With regard to the incident regarding the deposit accounts of ABC University whereby the institution has made some remarks as to the Bank's operations, Bank I would like to provide further clarification that the Bank has not been negligent on the matter, and has rendered our full cooperation to police officers from the beginning without any delay. Financial documents used by police officers investigating the matter have all been provided by the Bank. As one of the Bank's prime customers, ABC University has been satisfactorily served all along. However, the Bank is also required to protect interest of both ABC University and itself based on ethical basis.

Regarding the withdrawal transactions which have been retrospectively authorized, the Bank would like to advise that such transactions are occurred from time to time for special customers. The Bank has determined stringent operational practice that requires the concerned staff to seek approval from the supervisor and confirmation from account owners. Such transactions must also be signed by account owners or authorized persons. In the case of ABC University, the Bank also received a written confirmation. However, details of transaction would involve any fraud of any individual or group will be at the authority of police officer to prove the case.

Concerning the premature withdrawal of fixed deposit account, as mentioned by ABC University executives, the Bank would like to explain that fixed deposit account can be prematurely withdrawn or closed as wished by the customer. The Bank has a duty to take care of customers' interest in terms of interest rate and transaction protocol, which is a common practice.

Regarding the change of authorized signers of the deposit account, the Bank will take action as required by the customer, similar to the case of ABC University, which has been performed as requested.

Please also advise that as soon as the Bank has discovered non-compliant practice performed by Mr. Mario, a former Bank I staff, Bank I has ordered his supervisor to meet University executives and received a written confirmation from them, making Bank I believe that such transaction was legitimate.

Bank I would like to reiterate that the Bank fully recognizes its responsibility as an ethical financial institution for customers. It is strongly committed to provide services with integrity and discretion to protect interest of customers as a priority.

Sincerely

Bank I

Source: Author processing

## **6. MESSAGE FROM THE RECENT ACTING RECTOR OF ABC UNIVERISTY**

Professor Simon, Acting Rector of ABC University, notes that on behalf of ABC University, he would like to thank Bank I for demonstrating responsibility for the damage caused by this unfortunate incident. Like Bank I, ABC University wishes to prevent any recurrence of this type of loss and is urgently establishing appropriate preventive and corrective measures, including tightening of the internal controls relating to financial management and transactions, as a deterrence against fraud. Also, with respect to the criminal investigation, ABC University will provide its full cooperation to the law enforcement agencies in bringing the perpetrators to justice and to achieving an equitable outcome for all parties concerned.”

## **7. SUMMARY**

The ABC University accounting scandal is an evidence of the frauds in the field of educational institution, due to greed and self-interest of the top personnel in the organization. The accounting scandals pinpointed those involved in alleged corruption involving of approximately more than 1.60 billion Baht from 2012 up to recent year, amounting to more than \$32 million by colluding in fraud and altering official documents for almost two year’s duration of the scheme.

The Anti-Money Laundering Office Thailand fraud investigation at the ABC University scam is still ongoing. A thorough investigation was done to solve the case. AMLO had performed a thorough investigation of the case and coordinate its efforts with agencies concerning the ABC University scam.

The Financial Head of ABC University was swindling the university fund, as mentioned by the perpetrator Miss Nicole, sought an approval from ABC University to withdraw money from the institute’s accounts to buy cashier’s checks and were deposited at different banks. The involvement of ex-Rector of ABC University in this scam who has the authority to sign requests to buy cashier’s checks, and Mr. Mario, former Manager of Bank II, another perpetrator who allegedly falsified and doctored the figures within the involved bank succeeded the ABC University scam.

The financial institutions like Bank I, Ayala Branch, have a significant signal function in the fight against fraud and money laundering practices. They are obliged to report doubtful transactions and provide a conduit through which money (including laundered money) flows. Because of this as noted by Bank I, Executive, “the financial system is the focal point of anti-money laundering initiatives”. The bank involved knows very well their responsibility.

The Bank I issued a statement confirming its commitment to cooperate fully with investigators and tracing the money trail. The proper coordination of Bank I and thorough investigation of AMLO will help the case to be solved as soon as possible. The compensation Bank I has offered, of up to 1.5 billion Baht, is grounded on its obligation to the principles of good corporate governance and a deep sense of accountability towards its customers and Thai society. Given that a Bank I employee is involved in the embezzlement, Bank I is demonstrating its accountability for the wrongdoing.

## **8. CONCLUSION**

The current fight between Bank I and ABC University is excessively extended, it may have a simple negative influence on the standing of, and the public assurance in, both Bank I and ABC University and may even impair the reputation of Thailand’s economic and educational sectors, given the position of Bank I as a major bank in Thailand and of ABC University as a leading academic institute in the country. Both Bank I and ABC University have sought to escape further opposing impact. In this setting, the investigation and legal actions against wrongdoers will continue and both Bank I and ABC University provide full cooperation to the Police to facilitate the investigation and consequent legal proceedings.

As we concluded, we’ve seen a lack of best practice of internal control in both Bank I and ABC University. The best internal control system includes: (1) preventive control activities that aims to deter the instance of errors or fraud and thorough documentation and authorization practices; both Bank I and ABC University failed in this preventive control activities, (2) detective control activities identify undesirable incidents after the fact and the most obvious detective control activity is

settlement. The benefits of having the best practice of internal control reduces the possibility of fraud happening and help them discover it earlier which minimizes the impact.

In terms of responsibility and accountability of Bank I and ABC University, we concluded that they were not well established. The management accountability and responsibility should be accountable for maintaining an adequate system of internal control. Management is responsible for communicating the expectations and duties of staff as part of a control setting. They were also responsible for assuring that the other major areas of an internal control framework were addressed which leads to transparency from top management to staff and operating personnel.

We found out that the ABC University has no evidence of proper checking of financial controls and effective action when failures or wrong doings are identified by others which is an example of bad governance. An institution having a good governance are accountable, effective and efficient, participatory, transparent, responsive and equitable that ensure that a comprehensive and credible financial report.

Finally, ABC University scam bring responsiveness to the academic institution or ABC University as a government institute in Thailand on higher education that has to remain its superior reputation like most different organizations. However, no special armor against corruption; and this is noticeably a time for vigilance.

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