



# Analyzing Fraudulent Practices in Community Group Regional Grant Funding

Faisol<sup>1</sup>, Bambang Haryadi<sup>2\*</sup>, Siti Musyarofah<sup>3</sup>

## AFFILIATION:

<sup>1</sup>Faculty of Economics and Business, Universitas Nazhatut Thullab Al-Muafa Sampang, Indonesia

<sup>2,3</sup>Faculty of Economics and Business, Universitas Trunojoyo Madura, Indonesia

## \*CORRESPONDENCE:

bambang.haryadi@trunojoyo.ac.id

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## Abstract

This study investigates fraud in community group grant funds, supported by the Regional Government to enhance Provincial Government programs. Using a qualitative descriptive method, data were collected through interviews, observations, and documentation. Findings indicate a lack of genuine community involvement in forming groups, with grant proposals often requiring dubious payments to coordinators. Physical development projects frequently utilized subpar materials and did not align with initial budget plans. Additionally, there was manipulation in reporting activities, with projects funded by village funds improperly claimed as grant initiatives. Delays in the accountability reporting, influenced by postponed project execution, complicate oversight. The study underscores the necessity for stringent regulations to prevent grant fund fraud, thereby assisting the Provincial Government in maintaining the integrity of its developmental agenda.

**Keywords:** grant funds, fraud, community groups

## Introduction

Since the initiation of the grant program by the Regional Government in recent years, there has been a significant increase in physical developments across remote villages, with the budget for grant funds expanding annually. Notably, during the fiscal years of 2020 and 2021, the East Java Provincial Government disbursed 7.8 trillion in grant funds, a portion of which was allocated to community groups for infrastructure projects in each district and city within East Java Province (KPK, 2022; KPPOD, 2023). The substantial budget for grant funds underscores the program's capacity to attract public interest and accommodate diverse needs, significantly contributing to community welfare (Aigwi et al., 2021; Runtuwarouw et al., 2019; Srhoj et al., 2021).

In recent years, the grant program has emerged as a focal point within the Regional Budget, garnering attention and contention among various stakeholders. According to the Minister of Finance Regulation Number 99 of 2017 on the Administration of Grant Fund Management, grant fund disbursements in monetary form constitute non-repayable expenditures with specified allocations (Arif & Nasution, 2022). Despite its intended purpose, the community group grant program has frequently been

subject to misuse by both governmental entities and community members. This issue arises from several factors, including the improper implementation of the grant program's system by the Regional Government and the presence of moral hazards among unethical government officials and community members (Haliim, 2020; Syaifullah et al., 2018; Utami et al., 2019).

At the close of 2022, the Corruption Eradication Commission (KPK) undertook an operation leading to the apprehension of a key fraud figure, the Deputy Chairman of the East Java Provincial DPRD, due to involvement in grant fund transaction malpractices. This particular case of grant fund fraud extended beyond the Deputy Chairman, prompting the KPK to also arrest four additional suspects. These included the expert staff of the Deputy Chairman of the East Java Provincial DPRD, a village head from Sampang Regency, and a prominent coordinator of community group grant funds within the same region (KPK, 2022). The fraudulent scheme orchestrated by these suspects involved the buying and selling of grant funds under a collaborative agreement. This agreement, implicating the Deputy Chairman and the other suspects, facilitated the misappropriation of 39 billion in funds intended for community group grant programs from the East Java Provincial Budget spanning from 2020 to 2024 (KPK, 2022).

In addition to documented cases of grant fraud, existing literature further substantiates the prevalence of such malpractices. Syaifullah et al. (2018) identified that fraud in the management of community group grant funds is pervasive, involving a wide range of actors from the executive, legislative, and community sectors. Such fraudulent activities are described as widespread, systematic, and organized. Moreover, other studies have highlighted discrepancies in the actual utilization of grant funds versus their intended purposes, noting that field implementations often deviate from the Cost Budget Plan (Harahap, 2019; Lestari et al., 2019; Utami et al., 2019). Additional research underscores the challenges in grant fund distribution, attributed to inadequate monitoring processes that lead to frequent implementation discrepancies. These findings emphasize the urgent need for the government to establish stringent Standard Operating Procedures (SOPs) to prevent the misappropriation of community group grant funds (Ardhiyanto, 2018; Indrijantoro et al., 2023; Lathifah & Yudha, 2018; Ngene et al., 2021).

In addition to documented instances of grant fraud, existing research corroborates the widespread occurrence of such malfeasance. Syaifullah et al. (2018) found that fraud in managing community group grant funds involves a broad coalition of actors from executive, legislative, and community sectors, characterizing these fraudulent activities as extensive, systematic, and organized. Further studies have indicated that the actual deployment of grant funds to community groups often diverges from its intended use, primarily due to discrepancies with the Cost Budget Plan. Additionally, research has highlighted challenges in the distribution of grant funds, attributing them to inadequate monitoring processes that lead to frequent mismatches between planned and actual implementations. These findings underscore the critical need for the government to develop and enforce stringent Standard Operating Procedures (SOPs) to prevent the misappropriation of community group grant funds.

The phenomenon of grant fraud, as explored in various studies, reveals a troubling trend where individuals frequently seek to exploit government grant programs for personal gain, thereby tarnishing the integrity of governmental and societal efforts (Clark, 2017). Further research underscores the vulnerability of grant fund programs to

fraud, necessitating heightened scrutiny and the implementation of rigorous controls to thwart the misappropriation of funds (Kopung et al., 2016; Olufemi & Adekemi, 2021; Sasono & Rohman, 2022). Additionally, investigations into the motivations behind grant fraud have found that perpetrators often view these government-disbursed programs as opportunities for illicit profit and self-enrichment. Despite these challenges, the primary aim of grant programs—to enhance community welfare through infrastructure development—remains a noble endeavor, emphasizing the critical need for safeguarding these initiatives against fraud (Chaurey & Le, 2022; Madiarsih et al., 2020; Mokgethi & Waldt, 2020).

The nexus between fraud and grant funds has evolved in complexity with the advancement of time, notably manifesting through local government initiatives such as community group grant funds. This conduit for fraud stems from vulnerabilities that allow for the exploitation of grant funds, including abuse of authority, illicit transactions of grant programs, and the pursuit of financial gains from such programs (Lathifah & Yudha, 2018; Pradana, 2020; Prasetya et al., 2020). Vousinas (2019) introduces the fraud hexagon theory, identifying opportunity and lax oversight as critical enablers of fraudulent activities, particularly highlighting the insufficient monitoring of community group grant program management. This perspective aligns with the theory of planned behavior, positing opportunity as a significant external factor that influences an individual's control over their actions. The likelihood of fraud increases with the perceived opportunity to commit such acts, as individuals capitalize on perceived vulnerabilities to engage in deceitful practices (Ajzen, 2020).

Given the phenomena and prior research on community group grant funds, exploring the theme of fraud within these funds presents a compelling and important opportunity for deeper investigation. Thus, the primary research question addresses how fraud in community group grant funds unfolds across the stages of planning, implementation, and accountability. The aim is to elucidate the nature of fraud within grant fund management throughout these phases. This study distinguishes itself from existing literature, which largely discusses grant fraud without incorporating comprehensive theoretical frameworks such as the fraud hexagon theory, thereby overlooking the individual factors contributing to fraudulent behavior (Ardhiyanto, 2018; Barus & Nasution, 2022; Chaurey & Le, 2022; Indrijantoro et al., 2023; Ngene et al., 2021; Syaifullah et al., 2018; Utami et al., 2019). Contrarily, this research introduces a novel approach by applying the fraud hexagon theory, which integrates several elements that influence an individual's propensity to commit fraud, including pressure, opportunity, rationalization, capability, arrogance, and collusion (Vousinas, 2019). The outcomes of this study aim to offer significant insights for the Provincial Government on preventing fraud within grant funds through the enforcement of strict regulations concerning proposal submission, fund disbursement, project implementation, and accountability. Additionally, it seeks to empower the community to actively participate in monitoring the grant program funded by the Provincial Regional Budget.

## Research Method

This research employs a descriptive qualitative methodology as outlined by (Moleong, 2013), which is capable of providing a comprehensive description and is particularly suited for investigations aimed at uncovering phenomena or events (Creswell, 2016). Specifically, this study focuses on detailing the fraud associated with community group

grant funds across the phases of planning, implementation, and accountability, through the lens of the fraud hexagon theory. The objective is to furnish a nuanced and thorough depiction of grant fund fraud, leveraging the descriptive qualitative method to facilitate a deep and systematic exploration of the issue.

The study was conducted in the fictitious Pangilen Regency, Toroan Province, a pseudonym chosen to protect the integrity of the research findings and to allow for a more unrestricted examination of fraud in the context of grant fund management. The use of pseudonyms does not detract from the authenticity or the factual basis of the research findings observed in the field. The research primarily targets key informants involved in the management of community group grant funds, ensuring a focused approach that facilitates the extraction of critical information. This strategic focus is instrumental in achieving the research's primary goal: to elucidate the mechanisms of fraud in the management of community group regional grant funds comprehensively.

**Table 1. List of Research Informants**

Pseudonym	Description
Ay	Chairman of Pokmas
Kar	Pokmas Treasurer
Bar	Pokmas Coordinator
Wah	Grant Fund Recipients
Son	Member of Parliament
Jak	Representative of Related Service
Fan	Worker / Tradesman

Source: Community Groups, 2023

Table 1 presents a list of informants selected for this study, each referred to by a pseudonym to ensure confidentiality. Informants are integral to the research process, contributing essential insights for the completion of the study (Moleong, 2013). Their participation is key in offering perspectives related to fraud in community group grant funds. The selected informants have a direct connection to the management of grant funds, spanning from planning and implementation to accountability, thereby enriching the research with their firsthand experiences and observations.

To gather field data, researchers employed interviews, observation, and documentation strategies (Sugiyono, 2015). Initially, interviews were conducted with key informants, including the head of the community group, the community group treasurer, the community group coordinator, and other relevant participants. These interviews focused on practices of fraud within the grant fund's lifecycle, from planning and implementation to accountability. Subsequently, researchers engaged in direct observations in Pangilen Regency, Toroan Province, examining the physical development processes financed by grant funds and assessing the outcomes of these projects. Finally, the documentation phase involved collecting critical management documents such as grant fund proposal submissions, budget estimates (RAB), and financial reports (LPJ). These documents were meticulously reviewed and photographed for further analysis in the study's discussion section.

Following data collection, the researchers will process the gathered data to ensure the analysis aligns with the study's aim of elucidating the nuances of grant fund fraud, from planning and implementation to the drafting of accountability reports. The chosen method of data analysis is the interactive model, which encompasses data collection, reduction, presentation, and conclusion drawing as sequential stages (Goffin

et al., 2019; Ridder, 2017). Utilizing the data derived from interviews, observations, and documentation, the researchers will assess findings related to grant fund fraud across these stages. To ascertain the validity of the findings, triangulation techniques will be employed (Sugiyono, 2011), allowing for the cross-verification of interview outcomes with observational data and documentary evidence, including grant fund proposals, budget estimates (RAB), and financial reports (LPJ). This comparative analysis ensures a comprehensive and in-depth discussion of the data, enriching the study's conclusions.

## Result and Discussion

Prior to delving into the intricacies of community group grant fund fraud, it is pertinent to present a succinct overview of the findings related to fraudulent practices observed in the field. The primary objective of this research is to delineate the fraud occurring in community group grant funds across the stages of planning, implementation, and accountability. The investigation revealed several key issues: the formation of community groups often lacked genuine collective deliberation, rendering the process merely formalistic. Additionally, the submission of grant proposals frequently required payments or fees to community group coordinators. It was also found that the execution of physical development projects did not align with the budgeted allocations (RAB), with the quality of purchased building materials consistently below standard. Furthermore, there was evidence of manipulation within community groups, such as the misrepresentation of village fund projects as grant-funded initiatives. The submission of accountability reports for the grant funds to the overseeing agency was typically delayed or not timely. These preliminary findings will be thoroughly analyzed to dissect the mechanisms of grant fund fraud.

Previous research corroborates the prevalence of such fraudulent mechanisms, highlighting the exploitation of grant funds through abuse of authority, transactional practices in grant program allocations, and the pursuit of undue financial gain from grant programs (Pradana, 2020; Prasetya et al., 2020). Additionally, it has been demonstrated that the distribution of grant funds suffers from inadequate oversight by both government and community entities, leading to frequent discrepancies between planned and actual implementation. This calls for the urgent formulation of robust Standard Operating Procedures (SOPs) and regulations to mitigate the risk of fraud in grant fund programs at all stages (Ardhiyanto, 2018; Indrijantoro et al., 2023; Lathifah & Yudha, 2018; Ngene et al., 2021).

To secure a regional grant in cash from the Toroan Provincial Government, community groups are required to craft and submit a detailed written grant proposal, which must include the organizational structure of the community group. This proposal serves as a fundamental prerequisite for applying for and receiving grant assistance from the Toroan Provincial Government. The establishment of a community group organization should ideally be a collaborative effort involving various community members. The process envisages convening a deliberative meeting to unanimously select six individuals who will constitute the organizational framework of the community group. This framework includes positions such as the head of the community group, the secretary, the treasurer, and three additional members, thereby ensuring a comprehensive representation within the organizational structure.

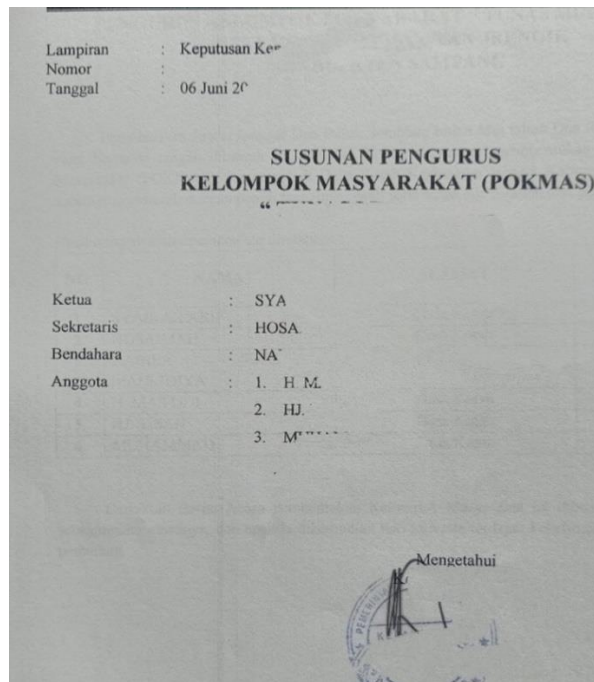


Figure 1. Composition of Pokmas Management

Source: Pokmas proposal, 2022

As described in Figure 1 above about the village head's decree related to the composition of the community group management (pokmas) that it is clear here that the community group (pokmas) is determined by 6 people which include such as the head of the pokmas, the secretary of the pokmas, the pokmas treasurer, and 3 other members. In establishing the community group organization, the people selected in the community group organizational structure are required to deposit a photocopy of their respective ID cards (Kartu Tanda Penduduk), this is done for the purposes of making a grant proposal that will be submitted to the Toran Provincial Government. However, problems in the field arise that the formation of community groups is not carried out by joint deliberation between the community in general. Regarding the issue of the formation of community group organizations that were formed as a formality, the researcher will ask Mr. Ay as the head of the community group, so Mr. Ay gave the statement below:

*"So far, the formation of community groups has not been carried out in an official forum, only the chairman and treasurer have been invited to receive grant funds. The secretary and three other members are not informed, most community groups are like that. We only ask for their ID cards to be photocopied, after photocopying we return the ID cards again."*

On this occasion, the researcher's question was deeper related to the formation of community groups that were formed formally, so the researcher asked again what underlies the formation of community groups carried out formally. Mr. Ay continued his statement:

*"Actually, we just obey what is ordered by the grant recipient, it is he who has the money and he who proposes the grant program to the Regional Government. When the grant funds are disbursed, the treasurer and I will be given money".*



Mr. Ay gradually opened the veil of disclosure that the formation of community groups was only carried out by a handful of people. How could it not be that the formation of community groups was only carried out by a few people without confirming to others such as the secretary of the community group and 3 other community group members. The secretary and three other members were only asked for their ID cards (Kartu Tanda Penduduk) without confirming that they would be used in the organization of the community group to submit a proposal for grant money to the local government. This was done because of pressure that the head and treasurer of the community group only followed the will of the grant recipient on the grounds that there would be a reasonable reward or lure when the grant funds were disbursed. So that these findings identify that fraud arises in the planning stage of grant funds such as the formation of community groups that are carried out with only formalities and the stages do not run properly. The researcher still wanted to get deeper information related to this issue, so the researcher asked another informant, namely Mrs. Kar as the treasurer of the community group:

*"Yes, that's right, only the chairman and treasurer participated. The problem is that this is an order from the grant recipient, moreover, the one who submits the grant proposal and who disburses the money at Bank Jatim is only the chairman and treasurer of the Pokmas, the others don't have to".*

In line with the recognition of Mrs. Kar as the treasurer of the community group, from her experience in the world of regional grant programs, community groups cannot be doubted, especially since she has a track record of being the treasurer of several community groups. In her confession, it is true that in the formation of the community group organization, only the chairperson and treasurer were confirmed, this was done at the behest of the grant recipient. Ms. Kar also revealed that the secretary and three other community group members were not invited because at the time of the grant disbursement, only the head and treasurer of the community group were needed. So in this case there was manipulation of community group management data in the grant proposal carried out jointly by the grant recipient, the head of the community group, and the treasurer of the community group. It seems that information related to this problem is not enough until here, so researchers try to ask other informants directly, namely Mr. Wah as a grant recipient:

*"Look, I explained that in this community group, only the chairman and treasurer work, so there is no need for a secretary and 3 other members. After all, the work is only submitting grant proposals, NPHD and disbursements at the bank. Moreover, if the grant funds are disbursed, the chairman is given 2.5 million, the treasurer 2 million, so if I invite all of them, my share can be reduced. You have to pay for the grant first".*

Mr. Wah, a recipient of grant funding, openly admitted that he exercised his rights and authority in the management formation of community groups, particularly in deciding the inclusion and exclusion of members. He justified his selective approach by highlighting the prerequisite payment for grant application, aiming to maximize his benefits from the grant program. This practice emerged in a context marked by lax oversight and regulatory frameworks governing the formation of community groups. Consequently, Mr. Wah was able to manipulate data within both the management proposals of community groups and the budgetary proposals with relative ease.

Such actions stand in direct contradiction to the East Java Governor Regulation Number 134 of 2018, which outlines the Procedures for Budgeting, Implementation,

Reporting, and Accountability of Grant Funds. According to this regulation, one of the eligibility criteria for receiving grant funds is the formation of a community group management consisting of six members, as detailed in the grant application proposals. However, empirical observations reveal a divergent practice on the ground; the formation of community groups frequently bypasses collective deliberation among community members, with only the positions of chairman and treasurer being formally confirmed. This deviation suggests that the establishment of community groups often serves merely as a procedural formality, lacking genuine communal engagement or adherence to regulatory stipulations (Lestari et al., 2019; Syaifullah et al., 2018).

The phenomenon observed in this study can be analyzed through the lens of the Fraud Hexagon Theory, which identifies several factors that predispose individuals to commit fraud. Firstly, the factor of pressure, as discussed by Wolfe & Hermanson (2004), can compel individuals towards fraudulent actions. Specifically, the pressure faced by the heads of community groups (pokmas) and their treasurers, who engage in fraud at the behest of grant recipients, illustrates this point. They are enticed into fraudulent activities with the promise of rewards upon the disbursement of grant funds, aligning with Faisal (2018) findings that pressure from superiors and the allure of reasonable rewards can precipitate fraud. Secondly, opportunity plays a crucial role, wherein the lack of stringent regulations and oversight in the formation of community group organizations facilitates fraudulent activities. According to (Ajzen, 2020) the broader the opportunity to commit fraud within the formation of community groups, the higher the likelihood of its occurrence.

Thirdly, rationalization is identified as a factor where actors justify their fraudulent actions as acceptable due to the initial requirement of fee payment to apply for grant funds. This scenario often results in the exclusive invitation of only the chairman and treasurer for community group formation, aimed at maximizing profit from the grant funds. Tuanakotta (2018) supports this notion by positing that rationalization allows fraud perpetrators to find justifications for their actions. Fourthly, arrogance is observed among grant recipients who coercively manipulate the community group formation process, involving only the head and treasurer and excluding others. This behavior aligns with Crowe (2011) assertion that arrogance, characterized by a perpetrator's belief in their invincibility, facilitates fraud. Lastly, the element of collusion is evident when fraud is committed collectively by multiple actors, such as grant recipients, community group heads, and treasurers, operating covertly. Ajzen (2020) corroborates this, suggesting that collaborative support among actors in committing fraud enhances its feasibility and execution.

This research further explores the grant funding process, specifically focusing on the planning stage and the submission of proposals by community groups to secure grant funding. The submission of a comprehensive grant proposal constitutes a primary criterion for community groups aspiring to receive financial support from the Toroan Provincial Government. The process mandates that such proposals be submitted subsequent to the formal establishment and legal recognition of the community group. According to the East Java Governor Regulation Number 134 of 2018, which delineates the Procedures for Budgeting, Implementation, Reporting, and Accountability of Grant Funds, a valid proposal to the Toroan Provincial Government must include a detailed description of the activities endorsed by the community group's management. Additionally, it should encompass a meticulously prepared Budget Plan, outlining the



anticipated expenditures. This regulation ensures that the proposed activities and financial planning are congruent with the objectives of the grant fund program, thereby facilitating a transparent and accountable allocation of resources.

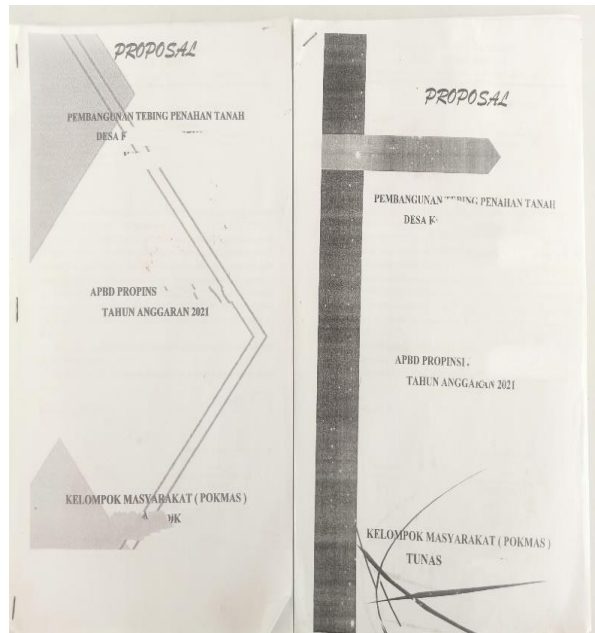


Figure 2. Pokmas Grant Proposal

Source: Grant Fund Proposal, 2022

As shown in Figure 2 above, the grant proposal is the main requirement for community groups in obtaining grant programs. The purpose of submitting a proposal is for community groups to get cash grant program assistance from the Regional Government to improve infrastructure development in their village such as assistance with road paving costs, retaining walls, concrete rebates, and other activities that can support community welfare through the grant program. However, in recent years in submitting grant fund proposals, several problems have arisen, one of which is where to get grant money from the Regional Government of Toran Province, community groups must first make money transactions to purchase regional grant fund programs. Regarding this issue, the researcher will ask Mr. Wah as the grant fund recipient directly:

*"I apply for community group grants every year, usually I submit 7 to 10 grant proposals, and every time I apply, I pass. But to qualify, we first pay or pay a fee to the community group coordinator".*

On this occasion, researchers tried to uncover more deeply so that researchers could get truly valid information. So the researcher asked Mr. Wah how many money transactions were paid for the purchase of the grant program:

*"I usually pay 30% to 35% depending on the proposal. For example, if the budget is 150 million, I pay 30% or 45 million".*

Mr. Wah's statement confirmed that in the planning stage of submitting a grant proposal there was a money transaction first to get a grant program. Furthermore, the submission of Mr. Wah, who annually submits grant funds to the Toran Provincial Government in the form of a proposal containing the program and budget plan for the costs to be used, the grant fund proposal submitted by Mr. Wah is not even half-hearted, there are 7 to 10 grant fund proposals and all of them are confirmed to pass. However,

the proposal was passed because Mr. Wah purchased the grant program from the community group coordinator. In each program, the price has been determined, for example, in a budget submission of 150 million, Mr. Wah makes a transaction of 30% or 45 million. Regarding this issue, the researcher tried to ask other informants, namely Mr. Bar as the community group coordinator:

*"Yes, this is true, there are many community group coordinators, not just me. All community group coordinators to get the grant program also buy (kulaan) from the DPRD. We buy cheaper from the DPRD and then sell it to the pokmas below."*

In line with the statement of Mr. An as the coordinator of the community group, who confirmed that to obtain a regional grant program, it is necessary to make money transactions or purchase grant programs from DPRD members. So that the grant program obtained is later sold again to each community group below. Purchasing grant programs from DPRD members is cheaper, but later they are sold to community groups below at a higher price. So that from the actions taken by the actors there is a financial benefit from buying and selling grant funds. The buying and selling of grant funds has become a habit in recent years, this is done to obtain more financial benefits from regional grant programs (Syaifulah et al., 2018). Researchers will ensure this information is valid, so researchers asked Mr. Son directly as a member of the DPRD:

*"Yes, it has become commonplace in recent years, the DPRD is running for money, so if you rely on your salary and do not take advantage of the grant program, you will not make a profit. The important thing is that it is not social assistance funds, because if it is social assistance funds I never take advantage. If it's a community group program with grant funds, it's okay"*

During the investigation, the serene atmosphere significantly facilitated the research process, enabling the acquisition of pivotal information that constituted the researcher's primary goal. Mr. Son, a member of the Toroan Province Regional People's Representative Council (DPRD), disclosed that the practice of trading grant funds, often involving a fee payment, has become a widespread phenomenon among many DPRD members in the current era. He rationalized that relying solely on a salary is insufficient for DPRD members to recoup their electoral campaign investments. Consequently, engaging in the sale and purchase of grant funds represents a strategy for generating additional income from the grants allocated to community group coordinators. Furthermore, he revealed that DPRD members are annually allocated grant programs funded by the Regional Revenue and Expenditure Budget (APBD) of Toroan Province.

Nonetheless, these practices starkly contradict the stipulations of the Minister of Home Affairs Regulation Number 13 of 2018 on Guidelines for Distributing Grant Funds and the East Java Governor Regulation Number 134 of 2018 regarding Procedures for Budgeting, Implementation, Reporting, and Accountability of Grant Funds. Notably, neither regulation endorses the commercialization of regional grant funds, let alone for personal profit. These regulations explicitly outline that the regional grant funds, disbursed by the Regional Government to community groups, aim to support communal welfare through infrastructure development projects such as road paving, concrete rebates, retaining walls, water channels, and other initiatives designed to improve community livelihoods (Sadikin et al., 2021).

This research explores the dynamics of fraud within the context of grant fund transactions, applying the Fraud Hexagon Theory as proposed by Vousinas (2019). The

findings identify several underlying factors that predispose individuals to commit fraud. Firstly, rationalization is observed where the long-standing practice of buying and selling grant funds is normalized by the perpetrators, who perceive it as a commonplace and legitimate means of profit-making. This rationalization aligns with [Ajzen \(2020\)](#) findings, emphasizing the role of normalization in facilitating fraudulent behaviors. Secondly, the study uncovers instances of collusion, where fraudulent activities, specifically in the buying and selling of grant funds, are collaboratively executed and acknowledged by various stakeholders, including members of the DPRD (Regional People's Representative Council), community group coordinators, and community groups themselves. This phenomenon mirrors the observations made by [Susandra & Hartina \(2017\)](#), which suggest that the likelihood of fraud realization increases with the support from multiple actors involved in the fraudulent scheme.

Further investigations into the implementation of community group grant funds reveal that these groups are designated by the Tororan Provincial Government as primary agents responsible for executing the grant aid program, funded by the Tororan Province APBD (Regional Revenue and Expenditure Budget). The government's trust in community groups stems from their active participation in DPRD recess activities, which are aimed at capturing and addressing community aspirations through grant programs for infrastructure development, such as road paving, concrete rebates, retaining walls, waterways, and other beneficial projects.

However, challenges emerge when this trust is not effectively leveraged by the community, particularly the community groups. Recent issues highlight that the grant programs administered by the Regional Government have not been implemented as intended, leading to discrepancies between the actual use of the grant funds and the government's expectations. Preliminary field observations by researchers have documented several cases where the outcomes of grant programs are both disappointing and deceptive, as illustrated in Figure 3.



**Figure 3: Construction of TPT**

Source: Community Group, 2022

At that time, at the end of the year, to be precise in December 2022, researchers carried out direct observations in the field for the purpose of completing a scientific research work entitled "dissecting fraud in regional grant funds for community groups".

Long story short, when they arrived at their destination, not long after, the researchers felt a very cool breeze approaching them. However, the coolness of the wind just passed and only came for an instant, as if it was pushed aside by the view which showed that the physical development funded by grant funds was in a very sad condition and full of deceit.

Regarding the problem of TPT (Land Retaining Wall) construction above, researchers argue that the fraudulent practice of regional grant funds arises from various stages such as the planning and implementation stages. It cannot be denied that the fraudulent practice of grant funds has recently become a public conversation, especially evidenced by the OTT (Hand Capture Operation) by the KPK (Corruption Eradication Commission) against one of the unscrupulous community group coordinators in Panglilen Regency and also the Deputy Chairperson of the Toroan Provincial DPRD regarding the case of buying and selling grant funds (KPK, 2022). It is also corroborated by various findings in the field during the implementation of physical development that is not in accordance with the quality or not in accordance with the RAB (Budget Plan Cost) as evidenced in Figure 3 above. Regarding this problem, the researcher will ask Mr. Wahid directly as the grant recipient:

*"Here's the thing, this grant program is from the beginning of buying first and then getting it, so when implementing construction such as construction materials, the price is looking for cheap ones. For example, stones, yes, in the RAB, the type of stones that are of good quality such as mountain stones, but in the field, look for those that are cheaper than mountain stones".*

The researcher still wanted to uncover this information more deeply so the researcher asked question after question in order to get truly valid results. As revealed by Mr. Wah:

*"Another example, for example, in the RAB, the payment for builders is 150-200 thousand, but in the field they are paid 100 thousand, for example, the number of builders in the RAB is 15 people, we only use 7-10 people and in the RAB the construction time is usually 15 days but in the field only 7-10 days are enough".*

Little by little Mr. Wah opened the veil of recognition, that the results of researchers in making observations in the field were not dismissed by Mr. Wah. It is true that the fact that the implementation of physical development financed by grant funds does not match the quality or does not match the RAB (Budget Plan Cost) that has been determined (Utami et al., 2019). Fraud actors take such actions because they reason that from the beginning, to get a grant program, they have to pay a fee first so that the materials used in physical development are cheaper than the price in the RAB. In addition, the payment for builders is not given according to the nominal amount in the RAB and the time for implementing physical development in the field is also faster than in the RAB. The actions of these fraud actors certainly aim to gain more financial benefits from the physical development implementation program financed by regional grant funds. To ensure that this information is valid, the researcher asked directly to the worker or construction worker, namely Mr. Fan:

*"Yes, it is true, I know for myself that the quality of building materials is cheap, usually materials like that are quickly damaged. This project work is different from the work on the construction of residents' houses where there are meals and cigarettes. If this project is "close tomang", aka there is no food".*



Mr. Fan, an experienced contractor in the domain of physical development work funded by grants, highlighted significant concerns regarding the quality of building materials utilized in such projects. He asserted that the use of substandard materials not only compromises the integrity of the physical structures but also accelerates their deterioration. Furthermore, Mr. Wah posited a contrast between the execution of physical development projects under the grant program and the construction of residential houses, where the latter often includes provisions for food and cigarettes for the workers, a practice not observed in grant-funded projects. This discrepancy suggests a broader issue of mismanagement and neglect within the grant-funded physical development programs, starkly contravening the East Java Governor Regulation Number 134 of 2018. This regulation mandates that recipients of grant funds execute physical development projects in strict accordance with the stipulated NPHD (Regional Grant Agreement Manuscript) and RAB (Budget Cost Plan), ensuring quality and accountability. However, observations in the field reveal a significant deviation from these standards, with projects frequently failing to meet the prescribed quality criteria or even adhere to the defined RAB (Haliim, 2020; Harahap, 2019; Utami et al., 2019).

Extending these findings through the lens of the Fraud Hexagon Theory, as proposed by Vousinas (2019), reveals multiple factors that drive individuals towards the malfeasance of grant fraud. Initially, pressure emerges as a critical factor, where the deliberate choice not to procure quality building materials is motivated by a desire to maximize financial gains from the grant funds. This phenomenon aligns with the insights of Wolfe & Hermanson (2004), who noted that the presence of motive and pressure can precipitate unethical behaviors, including fraud. The theory posits that when such pressure coincides with a fraudulent intent, the likelihood of committing fraud increases significantly (Tuanakotta, 2012). Moreover, the opportunity for fraud is notably facilitated by the lack of oversight during the project implementation phase, allowing for the misallocation of grant funds. This situation is reflective of the Theory of Planned Behavior, which identifies opportunity as an external factor that can influence an individual's control over their actions. Consequently, the greater the perceived opportunity for deception, the higher the propensity for fraudulent activities, especially under conditions perceived as conducive to fraud (Ajzen, 2020).

Similarly, rationalization where the actor's fraud action in cutting the grant fund budget is a natural thing because the actor considers that from the beginning, to get this grant, you have to pay a fee first, so it is okay to seek more benefits from regional grant funds. As stated by Tuanakotta (2018) that rationalization is an attempt by someone committing fraud to find justification for the fraud he committed. Rationalization is an important element in the occurrence of fraud, where the perpetrator usually seeks justification for his actions. Fourth, arrogance where the actor commits fraud with the mode of buying building materials that are not of high quality, this is done because he has a strong backing so that no one reviews the fraud that has been committed. This nature will trigger the belief that he will not be known if fraud has occurred and existing sanctions cannot befall him (Crowe, 2011).

The next finding is still at the stage of implementing community group grants. Public concerns in recent years about Regional Government programs sourced from the APBD (Regional Revenue and Expenditure Budget) of Toran Province are increasingly becoming, no exception to the community group regional grant program (pokmas) which in recent years has been a lot of talk in the public and in the mass media reporting

problems related to the management of regional grant funds that are not on target and even many patterns and modes carried out by grant fund fraud actors such as the mode of embezzlement of grant fund budgets, budget mark-ups, budget abuse, and many other modes (Ngene et al., 2021).

When looking back a little, there are many fraud cases that have occurred related to regional grant funds, one of which is the case in Sumenep Regency in 2017 where the treasurer of the community group committed fraud in grant funds with the mode of cutting the budget as evidenced by the work in the field not in accordance with the RAB (Cost Budget Plan). Similarly, a case that occurred in Blitar Regency in 2021 where the recipient of regional grant funds committed fraud with the mode of cutting the grant fund budget and marking up costs so that these actions concluded polemics from various parties, which resulted in the fraud actor being sentenced to 4 years in prison. Another case in Panglilen Regency, if you observe the case in Panglilen Regency, there are many patterns and modes of grant fund fraud committed by actors that have not yet been revealed to the public, one of the modes that occurs is manipulating the grant fund program by claiming that the physical development program funded by village funds has been built. Related to this issue will be conveyed by Mr. Ay as the head of the community group:

*"That is one of the modes that occur, usually cooperation between grant recipients and village heads. In the field there is no development, but later the LPJ report to the agency such as photos of 0%, 50% and 100% uses physical development programs from village funds that have been built".*

The statement of Mr. Ay as the head of the community group that the cooperation between the grant recipient and the Village Government, in this case the village head, can facilitate his steps in committing fraud with the mode of manipulating the community group grant fund development program by acknowledging or claiming the village fund program that has been built. For the accountability report to the agency using village fund development documentation such as photos of 0%, 50%, and 100%. So it appears that fraud was deliberately carried out jointly between the grant recipient and the village head. Regarding this issue, the researcher asked Mr. Wah as the grant recipient directly:

*"To manipulate is not that easy. In addition to cooperation with the village head, we need to be close to the agency, we also share results with the agency. Besides, during the monitoring, the agency only takes samples, so my program does not get monitored".*

On this occasion the researcher asked further regarding this issue, so Mr. Wah continued his statement:

*"If there is no cooperation, it will not be possible and difficult, cooperation from various parties will facilitate the plan".*

From Mr. Wah's admission, manipulating pokmas data is not as easy as turning the palm of your hand. In addition to cooperation with the village head, on the other hand, it is necessary to be close to the relevant agencies in terms of strong cooperation and mutual support for each other. The Dinas will also give approval on the condition that they both benefit from the grant funds. In addition, in monitoring the field, the agency only visits several community groups or only takes samples, so not all grant-funded physical development programs are monitored by the agency, so that fraud by claiming



physical development programs financed by village funds will be ensured to be safe and avoid monitoring by the agency.

The fraud committed by these actors when viewed from the fraud hexagon theory proposed by [Vousinas \(2019\)](#) then there are several underlying factors. First, there is an opportunity where fraud by manipulating community group data is a mode of budget embezzlement with weak supervision factors and no supervision during the implementation of physical development, so that fraud actors easily commit fraud on grant funds. In line with research conducted by [Zulaikha & Hadiprajitno \(2016\)](#) environmental factors that support and provide opportunities for actors to commit fraud. Opportunities can also occur due to apathy, weak internal control or poor supervision. Second, there is an ability where fraud committed by actors with the mode of manipulation of community group data because it is based on the expertise of actors with strong backing, so that this grant fraud can be carried out. One of the abilities of fraud perpetrators is to be able to control social situations that can benefit him by influencing others to cooperate with him ([Crowe, 2011](#)).

Third, arrogance where fraud is committed by actors who feel they can do it without being afraid because there is already backing and support from other actors, so that this fraud can be realized. This arrogance will trigger the belief that fraud actors will not be recognized if fraud has occurred and existing sanctions cannot befall them ([Albrecht & Zimbelman, 2017](#)). Fourth, collusion, namely the fraud committed by the actors is by cooperating with each other between 2 or more people in this case the head of the community group, grant recipients, village heads, and related agencies, this is done because of an agreement and mutual benefit from the grant funds. In line with research conducted by [Setiawan et al. \(2013\)](#) that fraud can be realized because of cooperation, and enjoyed together.

Furthermore, fraud in community group grant funds does not only occur at the planning and implementation stages, but fraud arises from various stages, one of which is the accountability stage of community group grant funds. The mode of grant fund fraud has various patterns, such as this fraud action where the accountability report for regional grant funds worked on and submitted by community groups to the Regional Government is not on time or delayed. The regional grant fund accountability report which is actually done by the community group, which in this case has been fully submitted to the community group coordinator ([Barus & Nasution, 2022](#)).

Although the accountability report for grant funds has been fully done by the community group coordinator, in reality there are obstacles in submitting it to the PUB office. In East Java Governor Regulation Number 134 of 2018 concerning Procedures for Budgeting, Implementation, Reporting and Accountability of Grant Funds that in the accountability of regional grant funds, recipients of grant funds in this case community groups must submit a grant fund accountability report to the Regional Government through the relevant agency no later than 3 months after the disbursement of grant funds is made. However, researchers found in the field that the accountability report for grant funds was not carried out according to a predetermined schedule, even the deposit to the agency was also not on time. Related to this problem will be conveyed directly by one of the informants, namely Mr. Bar as the coordinator of the community group:

*"If you follow the rules, the accountability report is deposited no later than 3 months after the disbursement of money, but in reality the deposit is sometimes made 4-5 months after the disbursement. Actually, the delay factor*

*is because the implementation at the bottom is also delayed, if at the bottom it is already delayed, it will have an impact on the deposit of the LPJ".*

The statement from Mr. Bar as the coordinator of the community group who also on this occasion has an important role in terms of making and depositing the accountability report of the regional grant funds of the community group. That if you follow the predetermined schedule, the accountability report must be deposited no later than 3 months after the disbursement of the grant money at bank jatim. However, in fact in the field what happened was that the deposit of the regional grant fund accountability report was carried out in the fourth month and fifth month after the disbursement of the grant money. The factor in the delay in reporting grant funds is because during the physical development work is also not carried out according to a predetermined schedule, so that it has an impact on the delay in the accountability report for grant funds. Related to this was also conveyed by Mr. Jak as a representative of the PUB office:

*"Yes, that has become a habit, every year the deposit of the accountability report of many community groups is not on time (delayed), even though at the time of the NPHD it was agreed that the accountability report must be deposited according to schedule".*

On this occasion the researcher asked more deeply to get valid data, further statement of Mr. Jak as the representative of informants from the PUB office:

*"Regarding the delay in the pokmas accountability report, the agency also cannot impose sanctions, because the sanctions are given if the pokmas embezzles grant funds".*

Mr. Jak, present during the inquiry, exhibited signs of irritation when questioned about the timeliness of the grant fund accountability reports submitted to the overseeing agency. His frustration underscores a pervasive issue among community groups, where delayed submissions of these reports have become commonplace. Despite the clear stipulation in the NPHD (Regional Grant Agreement Manuscript) — mutually agreed upon by the community groups and the Tororan Provincial Government (the latter represented by the relevant agency) — that accountability reports for the disbursed grant funds should be submitted no later than three months post-disbursement, adherence remains lax.

The problem is compounded by inadequate supervision and the absence of effective sanctions for the delayed submission of grant fund accountability reports by community groups (pokmas). Currently, punitive measures are reserved exclusively for cases of embezzlement, leaving the overseeing agency with no leverage to enforce timeliness in report submission. This lack of enforceable sanctions for delays contributes to an environment where the necessity of timely accountability is diminished, thereby undermining the governance and oversight mechanism intended to ensure the proper utilization of grant funds.

The analysis of fraud within the context of grant fund management, as informed by the Fraud Hexagon Theory proposed by Vousinas (2019), reveals multiple factors contributing to fraudulent activities. Initially, the opportunity for fraud, particularly in the untimely submission of grant fund accountability reports, is identified as a critical issue. This opportunity arises primarily due to inadequate supervision and inherent weaknesses in the grant management process, including delays in implementation that subsequently affect the timeliness of accountability reporting. This finding is consistent with the research conducted by Zulaikha & Hadiprajitno (2016), which asserts that opportunities for fraud are significantly increased by the lack of stringent oversight.

Furthermore, rationalization emerges as a key factor where the habitual submission of delayed accountability reports by community groups is perceived as justifiable. This rationalization serves as a psychological mechanism for actors to absolve themselves of guilt, supported by the notion that such practices have been longstanding and widespread. According to (Ajzen, 2020), rationalization within the Theory of Planned Behavior is closely linked to the influence of subjective norms; if fraudulent behavior is common within a social environment, it may normalize and encourage similar misconduct among others. Arrogance also plays a pivotal role, characterized by a disregard for the consequences of submitting grant fund accountability reports late, due to the absence of applicable sanctions. This brazen attitude fosters a belief among perpetrators that their fraudulent actions will remain undiscovered and unpunished (Crowe, 2011).

Drawing from the findings and discussions presented in this study, several recommendations are proposed to address the identified issues. Firstly, the Toran Provincial Government should develop and implement a comprehensive fraud prevention model for grant funds. This model should include the establishment of stringent regulations covering the entire grant management cycle—from proposal submission, agreement drafting (NPHD), fund implementation, to fund accountability. Secondly, it is imperative for the community to play an active role in overseeing grant programs disbursed by the Provincial Government, ensuring transparency and accountability. Lastly, the insights gleaned from this study are intended to serve as a valuable resource for future researchers, offering a foundational reference for investigations into fraud within regional grant funds management for community groups.

## **Conclusion**

This research culminated in several key findings related to fraud in the management of community group grant funds, encompassing the planning, implementation, and accountability stages. Initially, the study revealed that the formation of community groups often lacks collective deliberation, resulting in a process that serves merely as a formality with limited participation to the head and treasurer. Furthermore, the submission of grant proposals frequently entails financial transactions, including payments to community group coordinators and, indirectly, to DPRD members, to secure grant funds. The implementation phase is characterized by discrepancies between planned and actual expenditures, with a notable trend of procuring substandard building materials to maximize profits. Additionally, the research identified instances of manipulation in the reporting of physical development projects, involving collaboration between community group leaders, village heads, and relevant agencies. Lastly, delays in submitting grant fund accountability reports were observed, primarily attributed to lagging project timelines, which in turn affect the timely completion of accountability documentation.

The study faced several limitations, chiefly stemming from the inability to conduct direct observations at each stage of the grant fund management cycle, including the formation of community groups, proposal submissions, field surveys, and fund disbursement. These constraints were due to the ongoing nature of the grant management process during the research period. As such, this study opens the floor to discussions from readers who may offer differing perspectives or additional insights. The researchers welcome constructive criticism and suggestions that can enrich future investigations into this subject. Given these limitations, it is recommended that subsequent research endeavors undertake direct observation at all critical phases of the

grant fund management process. While the current study was able to examine certain aspects of grant fund management, a more comprehensive observation encompassing the entire cycle would provide a deeper understanding of the mechanisms and challenges inherent in the management of regional grant funds.

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