The Role of Executive Compensation in Corporate Fraud

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Table of Contents

1. Introduction

Accounting fraud as defined by US Legal, an online legal dictionary, is fraud "that is committed by a company by maintaining false information about the sales and income in the company books, with an intention to inflate the worth of a company's assets or profits" ("Accounting Fraud Law & Legal Definition," n.d.). Within the 2014 fiscal year alone, the SEC filed 755 actions against violators and obtained orders worth $4.16 billion in penalties ("SEC announces enforcement results for FY 2015," 2015). To ensure that companies maintain integrity in the markets and that investors are protected, the SEC holds each company to very high standards when reporting financial information. With so many individual entities available to monitor and prevent fraud activity, the issue continues to persist in businesses across all industries. While today technology makes it more difficult to track fraud, it is up to executives to uphold the highest standards of integrity for their employees and company.

The practice of ethical behavior is an important indicator that determines the long-term success of company performance. To ensure that this type of behavior can be maintained, the board of directors is established to monitor the actions of senior management and executives (Richards, Melancon, et al, 2008, p. 6). My study was conducted to understand the relationship between executive compensation and corporate fraud. This is done by comparing the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) compensation of both fraud companies and their competitors (non-fraud companies) for the year that the fraud was committed. The CEO and the CFO are the highest executives in a company below the chairman. For reporting purposes, most companies report compensation information for both the CEO and

CFO in the annual proxy statements. The proxy statement information is examined to see if there is a common trend between how compensation correlates with fraud.

The financial information gathered for each company takes into consideration the size and the industry of the fraud company and its competitor non-fraud company for that year. After an analysis of the information, results show that there is a trend with CEO compensation and fraud; CEOs that committed fraud were also the ones receiving higher pay. However, I found little difference in pay for CFOs of fraud companies and non-fraud companies. Thus, I conclude that CFO compensation is not related to fraud.

The conclusions were made after breaking down compensation into cash salary, other compensation, and total salary. After pulling all available data from company proxy statements, the compensation information divided up into total dollars, average total dollars, and median total dollars. This breakdown reduces the skewness of the total dollars when comparing companies. To further expand on the compensation breakdown, the data were isolated to look at cash salary per employee, other compensation per employee, and total salary per employee. The total salary per employee, average total salary per employee, and median total salary per employee were also applied when looking at the data. The salary breakdown per employee allows the results to be seen from a different perspective. It is possible that executives are compensated with more money if there are more employees that work under them.

Taking compensation with respect to employee size into consideration, results also show that the compensation gap between fraud company CFOs and non-fraud company CFOs were too small to say that CFOs were likely the ones that committed the fraud. The CEO compensation showed different results with pay gaps between fraud CEOs and non-fraud CEOs to be significantly larger. The margin of compensation differences is big enough to suggest that

CEO compensation may play a role in the likelihood of a company committing accounting fraud. One possible explanation for CEOs committing fraud is because of performance based compensation. Because CEOs get paid based on the performance of the company, it is likely that CEOs are more inclined to inflate their numbers to make their company look better in order to be compensated more.

The research done is motivated by the desire to understand what drives individuals to commit fraud in a company. There are many factors to consider when trying to understand why fraud was committed, but specifically, the scope of the research is limited to analyzing how pay gaps between competing executives can show a trend of fraudulent behavior. Typically, incentives strongly influence the behavior of executives, increasing the likelihood of engaging in fraudulent activities (Haß et al., 2015). It is important to note that there are other factors not tested in this research that could play a significant role in fraudulent behavior. This study is limited exclusively to compensation in the years that fraudulent activity occurred.

The next section of the paper will discuss the role of Chief Executive Officer and the Chief Financial Officer, and the various components that make up executive compensation. Section 3 provides information on the companies used in the research as well as how the research was conducted. Section 4 highlights the results of the findings in detail, and Section 5 includes a conclusion on the result findings and beliefs associated with those findings.

2. Background Research and Hypothesis

2.1 THE ROLE OF THE CEO AND CFO

The role of the Chief Executive Officer as laid out by Sterling-Resources is to maintain responsibility in developing and executing the company's long-term goals while creating shareholder value ("Roles and Responsibilities Chief Executive Officer," n.d.). This often includes the responsibility of making important decisions and communicating between management and the Board of Directors. In addition to communicating with key figures within the company, the CEOs have a responsibility of communicating with shareholders and other stakeholders. One form of communication that is often used to explain the health of a company is an annual statement filed with the SEC. These annual statements contain fine details on the breakdown of assets, liabilities, and shareholder equity used by investors to make investment decisions. As mentioned by Sterling-Resources, one of the most important responsibilities of a CEO is to "ensure that the Company maintains high standards," in which everyone should ideally act with integrity ("Roles and Responsibilities Chief Executive Officer," n.d.). This includes the practice of reporting accurate financial data and following the rules of appropriate accounting.

The role of the Chief Financial Officer has historically revolved around creating and analyzing a company's financial statements. Today, the CFO is responsible for tasks that fall into four roles: steward, operator, strategist, and catalyst ("Four faces of the CFO," 2015). The steward role requires the CFO to maintain the books correctly, uphold compliance with financial regulation, and communicate important details to the Board of Directors and investors. As the operator role, it is expected of the CFO to maintain organization of efficient financial operations. In the strategist role, the CFO has a responsibility in helping executives create a plan to lead the company down a successful path. Their financial knowledge is vital in the process of deciding what is best for the future of a company. Lastly, as a catalyst role, the CFO has the power to make important executive decisions that change the finance function of the company ("Four faces of the CFO," 2015).

2.2 FRAUD AND WHY IT OCCURS

As stated in “An Analysis of Fraud: Causes, Prevention, and Notable Cases,” there are two types of fraud that can occur. The first type of fraud is the misappropriation of assets, which occurs when an individual steals company assets, and uses them outside the scope of their employment (Kennedy, 2012). The second type of fraud is misrepresentation of financial statements. This is typically done to make the financial position of the company look better, when in reality it may not be.

There are many reasons that could explain a person’s motive to commit some type of fraud. In most situations, the motive is to create a better financial position for oneself. According to Lori Richards, there are several types of fraudsters that could carry out the fraud. One of them is called the “Grifter.” This person’s motive from the outset was to steal money (Richards, 2008). Another is known as the “Borrower.” This person borrows funds without permission, but with the intention to pay it back to the original owner. This could also apply to someone who lies about performance results with intention to make it up at a later time (Richards, 2008). Another type of fraudster is known as the “Minimizer.” This person is fully aware of the unethical activities they are committing, but they justify their actions by minimizing the damage. Regardless of what type of fraud is being committed, there’s always a notion of advancing one’s position for some type of gain.

Identifying fraudulent activity is not an easy task to do. According to a study done by the Association of Certified Fraud Examiners (ACFE), the amount of time to detect fraud from the time it started was approximately 18 months (“2014 fraud statistics - ARA Fraud & forensic services,” 2012). Fraudulent behavior is something that anyone can do. It can especially be more common or happen often if the fraudster has never been caught or punished. The ACFE reports that 87% of the people that engage in fraudulent activity have never been charged or convicted of a fraud related crime (“2014 fraud statistics - ARA Fraud & forensic services,” 2012). In addition, about 77% of the frauds worked in the accounting, operations, sales, executive/upper management, customer service, purchasing and finance department.

2.3 HYPOTHESIS

These statistics above show how common and easy it is to commit a crime that could affect the long-term progress of a company. According to these statistics, it is possible for executive management to engage in this type of behavior. To understand why fraudulent behavior exists and how it could be linked to executive compensation, a type of gain must be identified to create a sense of motivation for that individual. In this case, the gain would be the amount of compensation gap between fraudulent executives and non-fraudulent executives. My hypothesis as stated below:

> Hypothesis: Executive officers that are receive higher compensation are more likely to engage in fraudulent financial reporting.

3. Procedure and Data

In this section, the hypothesis is tested to determine if executive compensation can be linked to the likelihood of engaging in fraudulent behavior. The results, observations, and conclusions are drawn from proxy statement compensation information for the 20 companies. For the 10 fraud companies identified, there were 10 additional non-fraud companies that served as controls for the research. The control companies serve as a baseline to determine how much more fraud company executives made over non-fraud company. It is important to note that the companies that did not commit fraud are only regarded as non-fraud companies for that year. Section 4 examines the results in detail.

3.1 COMPANIES AND COMPENSATION DATA

For the research, compensation information was gathered from 20 companies that included 10 fraud companies and 10 non-fraud companies. The 10 non-fraud companies matched based on number of employees and industry with the 10 companies that did commit fraud. The fraud companies and their matches are listed below with details on the fraud committed.

The first pair of companies examined was Dynegy Inc. and NRG. In the year 2000 Dynegy Inc. had boosted their cash flow to reduce taxes (Ex-Dynegy Exec Convicted of Fraud, 2003). During that year, Dynegy Inc. was under the executive leadership of Charles L. Watson (CEO) who made $6,868,238 and Robert D. Doty Jr. (CFO) who made $834,698. Their top competitor, NRG, had no reports of fraud that year, and was under the executive leadership of David H. Peterson (CEO) who made $2,255,008 and Leonard A. Bluhm (CFO) who made $869,475.

In the year 2001, there were a total of four companies examined. Halliburton had inflated its finances by overbilling for statements, overstating accounts receivable, and understating accounts payable in 2001 (Morgenson, 2004). During that year, Halliburton was under the executive leadership of David J. Lesar (CEO), who made $7,374,716. There was no reported compensation for the CFO that year. The matching competitor company for Halliburton was Baker Hughes with their CEO, J.W. Stewart, making $2,574,870 and their CFO, T.M. Whichard III, making $424,171. Within that same year, HealthSouth Corporation fraudulently made additional accounting entries to inflate numbers (Freudenheim, 2004). During that year, HealthSouth was under the executive leadership of Richard Scrushy (CEO), where he made

$11,719,491. There was no available information for the CFO of the company. Select Medical was the leading competitor in the industry. The company was under the leadership of Rocco Ortenzio (CEO) for a portion of the year, where he made $2,244,788. Robert A. Ortenzio was (CEO) for the remainder of the year, where he made $2,080,100, and Martin F. Jackson (CFO) made $497,060.

In 2002, four companies were examined for compensation information. The first fraud company examined was Tyco. During that year, Tyco had reportedly been involved with a racketeering scheme, unauthorized bonuses, and falsified expense accounts (Sorkin, 2002). The company was under the executive leadership of Edward Breen (CEO), where he made $22,853,362, and David J. FitzPatrick (CFO), where he made $5,433,367. The leading competitor for that industry was 3M, where the company was under the leadership of W. James McNerney Jr (CEO). McNerney made $5,158,476 that year. There was no reported compensation for the CFO. At a different point in time in 2002, it was discovered that Freddie Mac understated its earnings by approximately $5 billion over a three-year period (Glater, 2003). During that year, Freddie Mac was under the leadership of two CEOs. The first was Gregory Parseghian, who made $2,058,030, and the second was Leland C. Bredsel who made $7,640,094. The CFO of Freddie Mac, Martin F. Baumann, had no reported compensation information for that year. The leading competitor for the industry in 2002 was Ocwen Financial Corporation. The company was under the executive leadership of William C. Erbey (CEO), who made $1,058,438, and Mark S. Zeidman (CFO), who made $667,088.

During 2005, Dell failed to disclose to investors large payments from Intel, which caused Dell’s operating income to significantly increase. These payments allowed Dell to meet their earnings rather than solely from operations and management (Goldman, 2010). The company was under the leadership of CEO, Kevin B. Rollins, who made $4,169,398, and CFO, James M. Schneider, who made $1,665,266. Dell's leading competitor during 2005, was Hewlett Packard Company, with Mark V. Hurd (CEO) earning $24,394,835 for that year. The CFO, Robert P. Wayman, made $7,201,238.

Two years later in 2007, Lehman Brothers fraudulently moved $50 billion of assets of their books before the firm went bankrupt (Merced & Sorkin, 2010). At the time of the fraud, the CEO of the firm was R.S. Fuld Jr., who made $34,382,036, and the CFO C.M. O'Meara made $3,747,083. The competing firm in the industry in the year 2007 was Merrill Lynch. Merrill Lynch had an executive leadership change during the year, thus resulting in two CEOs and two CFOs. For the first CEO and CFO reported for the year, E. Stanley O'Neal (CEO) made $24,722,355 and Jeffrey N. Edwards (CFO) made $2,363,017. After the leadership change, Merrill Lynch was headed by John A. Thain (CEO), who made $17,307,610, and Nelson Chai, who made $1,677,495. Both CEO and CFO compensation information were taken into consideration when the analysis was performed.

In 2011, Monsanto Company failed to properly account for millions of dollars in rebates; the company had recognized most of the amount as revenue, but failed to recognize costs associated with the rebates during the same period ("Monsanto paying $80 Million penalty for accounting violations", 2016). During the time that the fraud was committed, the CEO, Hugh Grant, earned $11,568,670 and the CFO, Pierre Courduroux made $1,636,712. The leading competitor in 2011 was Archer Daniels Midland with P.A. Woertz (CEO) making $11,079,862 and R.G. Young (CFO) making $1,868,248. A year later in 2012, the Computer Sciences Corporation (CSC) was charged by the SEC for accounting and disclosure fraud. In addition, one of the executives allegedly inflated profits by adding items to CSC's accounting models ("SEC charges CSC and former executives with accounting fraud," 2015). At the time, Michael Laphen was the CEO of the company, and he earned approximately $20,859,081. The CFO of the company, Michael J. Mancuso made $1,665,266 for that year. The non-fraud competing company for this case was HP Inc. The CEO, Margaret C. Whitman made $2,481,751, while the CFO, Catherine A. Lesjack made $6,703,452 for following year.

The last fraud company to be discussed is Tesco. In 2014, Tesco announced that the company overstated its profits for the first half of the year by approximately $420 million (Jolly & Bray, 2016). At the time, the company was under the executive leadership of two CEOs. The first was Julio M. Quintana who made $3,025,924, and the second was Fernando R. Assing who made $2,615,231. The CFO of the company, Christopher L. Boone made $1,107,354 during 2014. The leading competitor for Tesco during this year was ASDA, a Wal-Mart branch company. The CEO, Michael T. Duke, made $5,643,677 and the CFO, Charles M. Holley Jr., made $8,199,391.

3.2 ALLOCATING COMPENSATION DATA

After gathering information on each of the 20 companies, the compensation data for each individual executive was broken up into Cash Salary, Other Compensation, and Total. The "Other Compensation" section covers finer details including stock options and awards. Since each company offers different types of awards, everything that did not fall under the salary category was grouped into other compensation. After breaking up the compensation information into these three categories, three more categories were made after dividing by the number of employees for each company. The additional categories now provided a perspective on how much each executive made per employee. The categories were Cash Salary per Employee, Other Compensation per Employee, and Total per Employee.

To expand on how much more fraud executives could have made over non-fraud executives, additional calculations were made to get totals for all fraud executives and all non-fraud executives. Six tables were created to first find total dollars, average total dollars, and median total dollars for the cash salary, other compensation, and total of all 20 companies. For example, for total dollars salary of the fraud CEOs each of the 10 fraud CEO salaries were added together to get total dollars. The same was also done for CEOs of non-fraud companies and CFOs. A similar process was used for average, but the average function in Excel was used to find the average total dollars for fraud and non-fraud executives. For the median, the median function was used in excel to get the median number of all the fraud and non-fraud executives. Six more tables were created to find the per employee amounts for total dollars, average total dollars, and median total dollars.

4. Results and Findings

When looking strictly at the information pulled from the proxy statements in Appendix A, it can be said that 8 out of 10 fraud CEOs had higher compensation totals than non-fraud CEOs. The companies that had information for multiple CEOs were considered as individual totals instead of the sum of all the CEO salaries. When looking at the CFO compensation totals, there was only 1 fraud company that had higher compensation than non-fraud CFOs. It is important to note that there were only 5 companies that had information for CFO compensation. When comparing CFO compensation based on totals alone, it can be observed that the amount compensated to fraud company CFOs and non-fraud company CFOs are very close.

After analyzing data for compensation totals, the next step was to examine the per employee data. Salary, other compensation, and total were divided by the number of employees that worked at the specified company. The data shows that only 6 out of 10 fraud company CEOs had larger per employee totals. While this statistic is quite dependent on the number of employees at each company, the trend still shows that fraud CEOs tend to receive higher pay. When looking at Dynegy and NRG alone, Charles Watson, CEO at Dynegy, made approximately $2,874.21 more than David H. Peterson at NRG. This trend is seen across the five other fraud companies, where CEOs received higher pay, but the pay gap was not necessarily as big as Dynegy and NRG's.

After comparing individual fraud and non-fraud CEOs, it can be observed that from the data alone most individual fraud CEOs made more than their competing CEOs. However, the next thing to examine is how the sum of all executive compensation compares with one another. Based on the two tables below, comparisons were made to determine which executives made more money, and how much the gap was between the controls.

Total Dollars (Fraud Companies)			
	Salary	Other	Total
CEO	$ 14,179,399	$ 120,954,872	$ 135,134,271
CFO	$ 2,353,972	$ 14,877,259	$ 17,231,231
Total Dollars (Non-Fraud Companies)	Salary	Other	Total
CEO	$ 8,524,201	$ 104,942,191	$ 113,466,392
CFO	$ 4,410,985	$ 26,334,650	$ 30,745,635

When comparing the overall salary total of all fraud CEOs with non-fraud CEOs, there is a distinct difference of $5,655,198 between fraud companies and non-fraud companies. For CFOs, non-fraud companies made $2,057,013 more than fraud CFOs in salaries. In other compensation, it can be observed that similarly, fraud CEOs make more than non-fraud CEOs, but this time the gap is $16,012,681. Following the salary pattern of CFOs, non-fraud CFOs made more in other compensation by $11,457,391 than fraud CEOs. Based on information observed for salary and compensation, the total came out to be more for fraud CEOs and non-fraud CFOs.

The next set of data examined were the averages of total dollars. From here, it is expected for the results to follow the same pattern of fraud CEOs making more money than non-fraud CEOs, and non-fraud CFOs making more money than fraud CFOs. Based on the table below, the results show that the pattern was consistent with expectations.

Average Total Dollars (Fraud Companies)	Salary	Other	Total
CEO	1,417,939.90	$ 12,095,487.20	$ 13,513,427.10
CFO	$ 336,281.71	$ 2,125,322.71	$ 2,461,604.43
Average Total Dollars (Non-Fraud Companies)	Salary	Other	Total
CEO	$ 852,420.10	$ 10,494,219.10	$ 11,346,639.20
CFO	$ 490,109.44	$ 2,926,072.22	$ 3,416,181.67

The fraud CEOs margin difference for salary compensation was $565,519 greater than non-fraud CEOs. For non-fraud CFOs, the salary difference was $153,828 greater than fraud CEOs. While these numbers create a trend that is consistent with other observations, it is important to note that averages are skewed. Within each set of averages there are outliers that skew the data; to reduce the skewness, the median was used.

The median number of total dollars was calculated to eliminate outliers that include one dollar salaries. Some CEOs are paid one dollar in salary, but are compensated more based on company performance. The table below shows the results of the calculations.

Median Total Dollars (Fraud Companies)	Salary	Other	Total
CEO	$ 1,043,029	$ 6,370,739	$ 7,507,405
CFO	$ 325,000	$ 1,254,212	$ 1,665,266
Median Total Dollars (Non-Fraud Companies)	Salary	Other	Total
CEO	$ 720,839	$ 4,017,780	$ 5,401,077
CFO	$ 316,366	$ 1,505,564	$ 1,772,872

Without the outliers, it can be observed that the fraud CEOs are still compensated more than non-fraud CEOs in both salary and other compensation. There is a $322,190 difference in salaries and a $2,352,959 difference for other compensation. These numbers are big enough to suggest that there may be a positive correlation between compensation and the likelihood of committing accounting fraud. When CFOs are observed, there is a change in the normal pattern. The fraud CFOs made $8,634 more in salaries, but made $251,352 less in other compensation when compared to the non-fraud group.

The last set of calculations done were to determine the total dollars per employee, the average total dollars per employee, and the median total dollars per employee. Included in Appendix C is the table used for observations. After analyzing the numbers, there seems to be a similar trend that is consistent with the findings above. For total dollars per employee, the fraud CEO group made more for both salary and other compensation, meaning the total was $2,520 greater. The non-fraud CFOs were also compensated more with the total being $261 more than the fraud group. The same trend was observed in both the average total dollars per employee and the median total dollars per employee, however, the compensation pay gap was different for both sets of calculations.

5. Conclusion

Based on the results of the findings, there is enough evidence to suggest that executives that are compensated more are more likely to engage in fraudulent activities. This would show the hypothesis to be true. After analyzing the data, the fraud CEOs made significantly more in compensation than non-fraud CEOs. This trend was noticed when comparing companies individually, companies based on the number of employees, and the overall total dollars of all the CEOs and CFOs. The numbers were large enough to indicate that larger pay had a positive correlation with companies that were charged with fraud in the past. To determine if CFOs also had a hand in engaging in fraudulent activity, the same comparison was done for the available compensation information. Observations show that the differences in compensation for all salary, other compensation, and total compensation calculations were too close to say that CFOs that were paid more were likely to commit fraud. Based on this study, the Chief Executive Officers had a more obvious motive to commit fraud because they were being paid more.

Companies today should pay closer attention to how executive compensation could impact fraudulent behavior. It may a good idea to lower CEO compensation to reduce the likelihood of executives to act on their own self interests. As stated in the background, the Chief Executive Officer has a responsibility to act in the best interest of shareholders and stakeholders. Fraudulently reporting annual statement information not only violates the ethical practice, but also miscommunicates information to investors. This type of behavior can be a severe threat to the success of the company in the long run. With that in mind, CEO compensation should be awarded in a way that prevents fraudulent behavior from being a concern. As seen from the observations made above, too much money can potentially be a bad thing.

Appendix A

Company	Salary	Other Compensation	Total
Dell-2005			
Kevin B. Rollins (CEO)	$ 869,231	$ 3,300,167	$ 4,169,398
James M. Schneider (CFO)	$ 535,385	$ 1,129,881	$ 1,665,266
Hewlett Packard Company-2005			$ -
Mark V. Hurd (CEO)	$ 816,667	$ 23,578,168	$ 24,394,835
Robert P. Wayman (CFO)	$ 975,000	$ 6,226,238	$ 7,201,238
CSC-2012			$ -
Michael W. Laphen (CEO)	$ 1,086,058	$ 19,773,023	$ 20,859,081
Michael J. Mancuso (CFO)	$ 632,000	$ 1,849,751	$ 2,481,751
HP Inc.-2012			$ -
Margaret C. Whitman (CEO)	$ 1	$ 15,362,141	$ 15,362,142
Catherine A. Lesjak (CFO)	$ 825,011	$ 5,878,441	$ 6,703,452
Dynegy-2000			$ -
Charles L. Watson (CEO)	$ 1,527,500	$ 5,340,738	$ 6,868,238
Robert D. Doty Jr. (CFO)	$ 253,125	$ 581,573	$ 834,698
NRG-2000			$ -
David H. Peterson (CEO)	$ 397,340	$ 1,857,668	$ 2,255,008
Leonard A. Bluhm (CFO)	$ 204,175	$ 665,300	$ 869,475
Lehman Brothers-2007			$ -
R.S. Fuld, Jr. (CEO)	$ 750,000	$ 33,632,036	$ 34,382,036
C.M. O'Meara (CFO)	$ 200,000	$ 3,547,083	$ 3,747,083
Merrill Lynch-2007			$ -
John A. Thain (CEO 2)	$ 57,692	$ 17,249,918	$ 17,307,610
E. Stanley O'Neal (CEO 1)	$ 584,231	$ 23,722,355	$ 24,306,586
Nelson Chai (CFO 2)	$ 34,615	$ 1,642,880	$ 1,677,495
Jeffrey N. Edwards (CFO 1)	$ 275,000	$ 2,363,017	$ 2,638,017
Monsanto Company-2011			$ -
Hugh Grant (CEO)	$ 1,409,179	$ 10,159,491	$ 11,568,670
Pierre C. Courduroux (CFO)	$ 382,500	$ 1,254,212	$ 1,636,712
Archer Daniels Midland-2011			$ -
P.A. Woertz (CEO)	$ 1,300,000	$ 9,779,862	$ 11,079,862
R.G. Young (CFO)	$ 500,000	$ 1,368,248	$ 1,868,248
Halliburton-2001			$ -
David J. Lesar (CEO)	$ 1,100,000	$ 6,274,716	$ 7,374,716
Baker Hughes-2001			$ -
J.W. Stewart (CEO)	$ 716,677	$ 1,858,193	$ 2,574,870
T.M. Whichard III (CFO)	$ 195,836	$ 228,335	$ 424,171

HealthSouth Corporation-2001			$ -
Richard M. Scrushy (CEO)	$3,961,169	$ 7,758,322	$11,719,491
Select Medical-2001			$ -
Rocco A. Ortenzio (CEO 1)	$ 800,000	$ 1,444,788	$ 2,244,788
Robert A. Ortenzio (CEO 2)	$ 725,000	$ 1,355,100	$ 2,080,100
Martin F. Jackson (CFO)	$ 250,000	$ 247,060	$ 497,060
Tyco-2002			$ -
Edward D. Breen (CEO)	$ 278,846	$ 22,574,516	$22,853,362
David J. FitzPatrick (CFO)	$ 25,962	$ 5,407,405	$ 5,433,367
3M-2002			$ -
W. James McNerney Jr (CEO)	$1,400,000	$ 3,758,476	$ 5,158,476
Tesco-2014			$ -
Julio M. Quintana (CEO 1)	$ 573,218	$ 2,452,706	$ 3,025,924
Fernando R. Assing (CEO 2)	$ 450,865	$ 2,164,366	$ 2,615,231
Christopher L. Boone (CFO)	$ 325,000	$ 1,107,354	$ 1,432,354
ASDA-Walmart (2014)			$ -
Michael T. Duke (CEO)	$1,366,593	$ 4,277,084	$ 5,643,677
Charles M. Holley Jr (CFO)	$ 793,617	$ 7,405,774	$ 8,199,391

Freddie Mac-2002			$ -
Gregory J. Parseghian (CEO)	$1,000,000	$ 1,058,030	$ 2,058,030
Leland C. Brendsel (CEO)	$1,173,333	$ 6,466,761	$ 7,640,094
Martin F. Baumann (CFO)			$ -
Ocwen Financial Corporation-2002			$ -
William C. Erbey (CEO)	$ 360,000	$ 698,438	$ 1,058,438
Mark S. Zeidman (CFO)	$ 357,731	$ 309,357	$ 667,088

Appendix B

Company	Dollars Salary per Employee	Other Compensation per Employee	Total per Employee
Dell-2005			
Kevin B. Rollins (CEO)	15.75	59.79	75.53
James M. Schneider (CFO)	9.70	20.47	30.17
Hewlett Packard Company-2005			
Mark V. Hurd (CEO)	5.44	157.19	162.63
Robert P. Wayman (CFO)	6.50	41.51	48.01
CSC-2012			
Michael W. Laphen (CEO)	19.39	353.09	372.48
Michael J. Mancuso (CFO)	11.29	33.03	44.32
HP Inc.-2012			
Margaret C. Whitman (CEO)	0.00	307.24	307.24
Catherine A. Lesjak (CFO)	16.50	117.57	134.07
Dynegy-2000			
Charles L. Watson (CEO)	687.13	2402.49	3089.63
Robert D. Doty Jr. (CFO)	113.87	261.62	375.48
NRG-2000			
David H. Peterson (CEO)	37.96	177.46	215.42
Leonard A. Bluhm (CFO)	19.50	63.56	83.06
Lehman Brothers-2007			
R.S. Fuld, Jr. (CEO)	28.63	1283.67	1312.29
C.M. O'Meara (CFO)	7.63	135.38	143.02
Merrill Lynch-2007			
John A. Thain (CEO 2)	5.77	1724.99	1730.76
E. Stanley O'Neal (CEO 1)	58.42	2372.24	2430.66
Nelson Chai (CFO 2)	3.46	164.29	167.75
Jeffrey N. Edwards (CFO 1)	27.50	236.30	263.80
Monsanto Company-2011			
Hugh Grant (CEO)	55.26	398.41	453.67
Pierre C. Courduroux (CFO)	15.00	49.18	64.18
Archer Daniels Midland-2011			
P.A. Woertz (CEO)	129.99	977.89	1107.88
R.G. Young (CFO)	50.00	136.81	186.81
Halliburton-2001			
David J. Lesar (CEO)	22.00	125.49	147.49
Baker Hughes-2001			
J.W. Stewart (CEO)	16.67	43.21	59.88
T.M. Whichard III (CFO)	4.55	5.31	9.86

HealthSouth Corporation-2001			
Richard M. Scrushy (CEO)	396.08	775.75	1171.83
Select Medical-2001			
Rocco A. Ortenzio (CEO 1)	19.05	34.40	53.45
Robert A. Ortenzio (CEO 2)	17.26	32.26	49.53
Martin F. Jackson (CFO)	5.95	5.88	11.83
Tyco-2002			
Edward D. Breen (CEO)	4.89	396.04	400.94
David J. FitzPatrick (CFO)	0.46	94.87	95.32
3M-2002			
W. James McNerney Jr (CEO)	15.65	42.02	57.67
Tesco-2014			
Julio M. Quintana (CEO 1)	1.20	5.15	6.36
Fernando R. Assing (CEO 2)	0.95	4.55	5.49
Christopher L. Boone (CFO)	0.68	2.33	3.01
ASDA-Walmart (2014)			
Michael T. Duke (CEO)	7.59	23.76	31.35
Charles M. Holley Jr (CFO)	4.41	41.14	45.55

Freddie Mac-2002			
Gregory J. Parseghian (CEO)	185.19	195.93	381.12
Leland C. Brendsel (CEO)	217.28	1197.55	1414.83
Martin F. Baumann (CFO)			
Ocwen Financial Corporation-2002			
William C. Erbey (CEO)	36.00	69.84	105.84
Mark S. Zeidman (CFO)	35.77	30.94	66.71

Appendix C

Total Dollars/employee (Fraud Companies)	Salary	Other	Total
CEO	$ 1,633.75	$ 7,198	$ 8,832
CFO	$ 159	$ 597	$ 756
Total Dollars/ employee (Non-Fraud Companies)	Salary	Other	Total
CEO	$ 350	$ 5,963	$ 6,312
CFO	$ 174	$ 843	$ 1,017
Average Total Dollars/employee (Fraud Companies)	Salary	Other	Total
CEO	163.38	$ 719.79	$ 883.17
CFO	$ 22.66	$ 85.27	$ 107.93
Average Total Dollars/employee (Non-Fraud Companies)	Salary	Other	Total
CEO	$ 34.98	$ 596.25	$ 631.23
CFO	$ 19.35	$ 93.70	$ 113.05
Median Total Dollars/employee (Fraud Companies)	Salary	Other	Total
CEO	$ 25	$ 375	$ 391
CFO	$ 9.70	$ 49	$ 64
Median Total Dollars/employee (Non-Fraud Companies)	Salary	Other	Total
CEO	$ 17	$ 114	$ 134
CFO	$ 12	$ 53	$ 75

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