

Revealing Fraudulent Practices in Management of Community Group Regional Grant Funding

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ABSTRACT

Grant funds are a Provincial Government program that is disbursed to recipients of grant funds, namely community groups, to improve community welfare through infrastructure development such as road asphaltting, concrete rebates, retaining walls, and other programs. This research aims to describe fraudulent practices in managing regional grant funds for community groups starting from planning, implementation, and accountability. This research uses descriptive qualitative methods by collecting data through interviews, observation, and documentation. The results of this research found that the fraudulent practice of managing regional grant funds for community groups began when the proposal was ratified, where there was an act of gratification aimed at speeding up the ratification of the grant fund proposal. During the disbursement of grant funds, unreasonable deductions were practiced by community group coordinators. This practice was carried out for the management of community groups starting from submitting proposals to preparing accountability reports. Fictional physical development activities have a strong backing, the aim is to embezzle and profit from the grant budget. Furthermore, grant fund fraud actors colluded with related agencies so that physical construction that did not comply with budget plans escaped supervision.

Keyword: Fraud, Grant Funds, Community Groups.

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1. INTRODUCTION

The phenomenon of fraud in regional grant funds from community groups has become more frequent in recent years, as evidenced by the fact that at the end of 2022, there was a sting operation carried out by the Corruption Eradication Commission against the fraud actor, Deputy Chair of the East Java Provincial People's Representative Council, regarding the bribery case for the grant fund program. In this case, apart from the suspect being the Deputy Chair of the East Java Provincial People's Representative Council, the Corruption Eradication Commission also carried out a sting operation against 4 other suspects, namely the expert staff of the Deputy Head of the East Java Provincial People's Representative Council, one of the village heads in Sampang Regency, and the coordinator of a community group. Most in Sampang Regency. The method used by the fraud suspects was to bribe the Deputy Chair of the East Java Provincial People's Representative Council with a mutual agreement for a total amount of 39.5 billion, where the money agreement was to launch the proposal for a grant funding program sourced from the Revenue Budget and East Java Province Regional Expenditures from 2020 to 2024. So as a result of the grant fund fraud case, the Deputy Chair of the East Java Province People's Representative Council was sentenced to 9 years in prison by the panel of judges at the Surabaya Corruption Court (KPK, 2022).

Referring to East Java Governor Regulation Number 134 of 2018 concerning Procedures for Budgeting, Implementation, Reporting, and Accountability of Grant Funds, the provision of regional grant program assistance to community groups must truly achieve targets and be accountable and be of benefit to the community, namely that the budget regions in the form of grant funds are prioritized to fulfill needs in terms of community welfare (Sianturi, 2017; Setiawan & Setyorini, 2018). Involving the community in the regional development process is an effective way to accommodate various

diverse needs (Jumadin & Wibisono, 2019). In other words, people who know about development in their village based on the problems they have faced and also the potential they have, so that no issues arise before the community, such as development financed from regional grant funds being implemented not by community needs so that the results are not can raise people's standard of living for the better (Ardhiyanto, 2018; Sadikin et al., 2021; Iswahyudi et al., 2023).

However, the facts on the ground show that the distribution of regional grant funds is not by community expectations and statutory regulations, where various problems have emerged for the public related to cases of fraud in regional grant funds from community groups involving many elements, occurring and increasing (Syaifullah et al., 2018; Barus & Nasution, 2022). It is proven that apart from the grant fund bribery cases above, there were also several cases of regional grant fund fraud that occurred in Blitar Regency in 2021, where recipients of the grant fund program committed corruption, these actions have caused state financial losses of approximately 148 million. So from this incident, the actor involved in bribery in regional grant funds was sentenced to 4 years in prison (Surabaya Corruption Court, 2021). A similar case occurred on the island of Madura, precisely in Sumenep Regency. In 2017, the treasurer of a community group committed a criminal act of corruption in regional grant funds with the amount of money received amounting to 600 million and it was found that state financial losses reached 82 million. This was revealed due to the work on the regional grant fund program. In the field is not by the predetermined cost budget plan. So the treasurer of a community group who committed a criminal act of corruption was sentenced by the panel of judges to 1 year in prison (Surabaya Corruption Court, 2017).

Regarding the phenomenon of fraud in regional grant funds, it is also proven from several previous research findings,

such as research conducted by Syaifullah et al., (2018) that the trigger for fraud in the management of community group grant funds was carried out in a marathon manner by various executive, legislative and community parties, in where acts of fraud in the management of grant funds are carried out on a massive, structured and even organized basis (Syaifullah et al., 2018; Ardhiyanto, 2018; Faisol et al., 2023). Other research also proves that there are various modes of fraudulent practice of grant funds used through budgeting in the process of determining Regional Revenue and Expenditure Budgets, resulting in the allocation not being on target even though there are still many other people who need regional grant fund programs (Labolo, 2017; Jumadin & Wibisono, 2019; Makalalag et al., 2020). Other research also found that in the distribution of regional grant funding programs, community groups are often misused, especially before regional elections where there is a tendency for regional grant program assistance to be used as a means of image and political gain, especially for incumbent couples, this is evidenced by recipients of regional grant funds who are not on target and the disbursement process is also not by the procedures and designations (Setiawan & Setyorini, 2018; Haliim, 2020; Madiarsih et al., 2020; Faisol & Alim, 2024).

In other research that discusses regional grant fund fraud, the findings show that many people apply for grant funds to the government and seek profits from the grant fund program, so grant fund fraud is a bad action for the government and society (Clark, 2017; Aigwi et al., 2021). Other research also found that government programs of the grant fund type often attract attention due to fraudulent acts committed by various parties, so it is necessary to receive special attention and implement strict mechanisms in managing grant funds to avoid misappropriation of grant funds (Kopung et al., 2016; Olufemi & Adekemi, 2021; Sasono & Rohman, 2022). Findings from other research also prove that all this time, fraudsters have thought

rationality about the grant fund program disbursed by the government as a way to seek profit and to enrich themselves, so that this act of fraud is far from the main aim of the grant program disbursed by the government is to increase community welfare (Madiarsih et al., 2020; Mokgethi & Waldt, 2020; Chaurey & Le, 2022).

From the phenomena and previous research related to regional grant funds for community groups that have been stated above, the theme of fraud in regional grant funds for community groups will become important and interesting if explored in more depth through this research. This research aims to describe fraudulent practices in managing regional grant funds for community groups starting from planning, implementation, and accountability. Apart from that, this research will explain the results related to a person's factors in committing fraud as well as the impact of fraud on regional grant funds. This research will be different from existing research, where this research will use the fraud hexagon theory which contains several factors for a person to commit fraud, such as pressure, opportunity, rationalization, ability, arrogance, and collusion (Vousinas, 2019). The researcher thinks that currently there has been no previous research that has addressed the theme of fraud in regional grant funds for community groups using the fraud hexagon theory, so this research must reveal fraudulent practices in managing regional grant funds for community groups in terms of the fraud hexagon theory (Vousinas, 2019).

As an initial illustration in this research, the number of regional grant funding programs for community groups entering Sungai Merah Regency, Madujaya Province has increased every year. It is proven that in the 2021 budget year, 947 regional grant program points were entering Sungai Merah Regency, and in the 2022 budget year there were 1,387 regional grant program points and each point received a budget of 100 million to 300 million depending on the budget plan

for each group. So it is clear that there will be an increase of 440 grant program points coming into Sungai Merah Regency in 2022. With this data, certainly, the regional grant budget disbursed will also increase. Remembering the statement by the Corruption Eradication Commission that a large grant budget will have a high potential for fraud (KPK, 2022). Of the many points of the very large regional grant funding program entering Sungai Merah Regency, it will be interesting for researchers to uncover more deeply the fraudulent practices of managing regional grant funds for community groups, starting from planning, implementation, and accountability.

2. METHODS

This research uses a qualitative descriptive method, in qualitative descriptive research it can provide a general picture and can be used for research about uncovering a phenomenon or event (Creswell, 2016). This research aims to describe the fraudulent practices of community group grant funds starting from planning, implementation, and accountability which are reviewed from the fraud hexagon theory. This research will conduct a study that aims to provide a detailed and in-depth description of what has been researched regarding the practice of regional grant fund fraud from planning, implementation, and accountability. Based on the researcher's observations of the research object, the qualitative descriptive method is deemed suitable and is expected to provide an in-depth exploration of disclosures, as well as systematic explanations in uncovering fraud practices in regional grant funds for community groups.

The object of this research was carried out in Sungai Merah Regency, Madujaya Province. The researcher uses a pseudonym, namely Sungai Merah Regency, Madujaya Province, this aims to provide security in disclosing research results and to provide freedom to reveal more deeply related to grant fund fraud practices starting from planning, implementation, and accountability. However, the pseudonym used by the researcher will not reduce the results of the research on the reality and facts that occur in the field. The focus of this research is several informants who play an important role in managing community group grant funds. So by focusing on research, researchers will easily obtain important information which is the main aim of researchers, namely to complete this article entitled uncovering fraudulent practices in managing regional grant funds for community groups.

Table 1 above is a collection of informants that researchers chose in this research, and the list of names above are pseudonyms used in this research. Research informants are people who are involved in the research and are an important part of the research completion process (Moleong, 2013). So that the presence of informants in this research can be used to assist researchers in providing opinions regarding fraudulent practices in managing regional grant funds for community groups. The informants that the researchers chose were informants who had direct involvement in the management of regional grant funds starting from planning, implementation, and accountability.

Table 1. List of Research Informants

Pseudonym	Information
AG	Chairman of Community Group
DW	Community Community Treasurer
MJ	Community Community Coordinator
PK	Grant Recipients
HR	Relevant Department Representative

Source: Processed Data, 2023

Data collection in this research was carried out by conducting interviews, observation, and documentation (Sugiyono, 2011). In the first step, the researcher conducted interviews with research informants, namely the chairman of the community group, treasurer of the community group, coordinator of the community group, and other informants determined in this research. In this interview, researchers will ask questions regarding grant fund fraud practices starting from planning, implementation, and accountability. Second, the researcher made observations by coming directly to the research object, namely Sungai Merah Regency, Madujaya Province, and observing directly the implementation of physical development funded by grant funds and observing the results of the implementation of the development program. Third, the researcher carries out documentation, where the researcher asks for important documents related to the management of grant funds such as proposal submission documents, cost budget plans, and grant fund accountability reports, which then in these documents the researcher observes and takes pictures of for analysis purposes in the discussion.

Next, the researcher will carry out treatment on the data collection obtained by the researcher, so that the results of the data analysis can be by the aim of this research, namely to describe the practice of grant fund fraud starting from planning, implementation, and accountability reports. The data analysis technique used by researchers is an interactive model that starts from several stages such as data collection, data reduction, data presentation, and finally conclusions (Goffin et al., 2019; Ridder, 2017). Furthermore, from the data obtained by the researcher, including data from interviews, observations, and documentation, the researcher will evaluate the results of observations regarding the findings of grant fund fraud practices from planning, implementation, and accountability. In this research, researchers will use triangulation

techniques to check the validity of the data obtained by researchers (Sugiyono, 2011). The data triangulation technique was carried out by comparing the results of interviews with informants with the results of observations in the field and also comparing the results of observing documents such as grant funding proposals, budget planning documents, and accountability report documents. Next, the compared data will be analyzed in a detailed and in-depth discussion (Yin, 2012).

3. RESULTS AND DISCUSSION

Gratification in Ratifying Grant Fund Proposals

The findings in this research began with the gratification of community groups in ratifying the proposal, this was done to make it easier at the next stage. Where apart from the requirement to form a community group organization to submit a grant funding proposal which will be submitted to the Madujaya Provincial Government, several other requirements must be met by the community group, namely having to get the signature of a sub-district head for the approval sheet for the grant funding proposal which will be submitted. To the Madujaya Provincial Government. The sub-district head's signature is an absolute requirement that community groups must obtain to expedite the process of submitting proposals for regional grant funds. If the grant funding proposal does not have approval from the sub-district head, certainly, you will not be able to submit a grant funding proposal to the Regional Government (Prasetya et al., 2020).

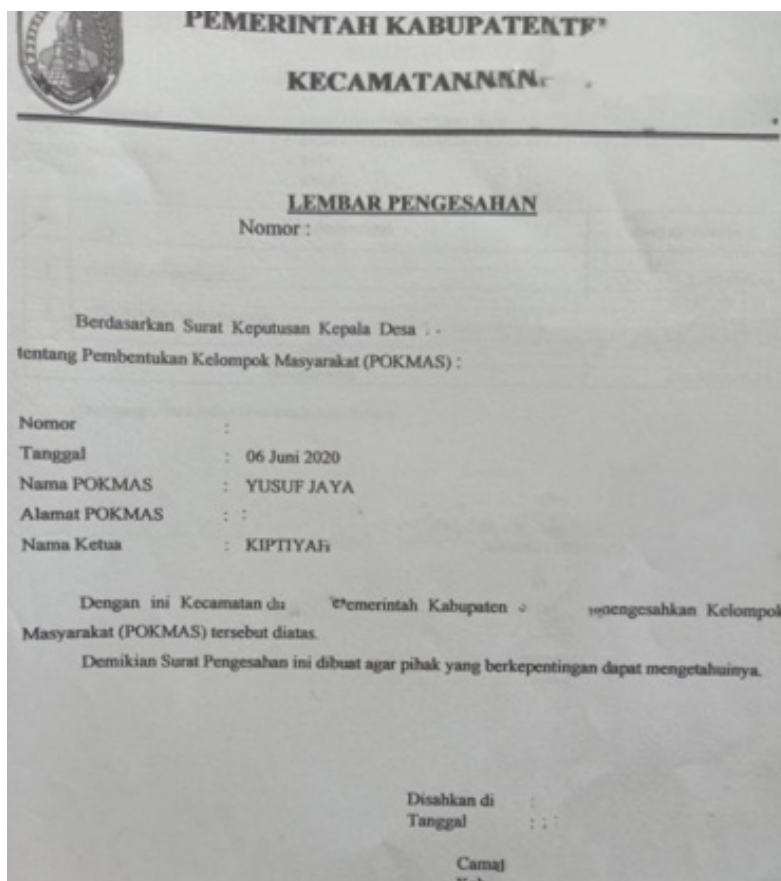
On the other hand, a sub-district head or sub-district head has complete discretion in approving every community group grant funding proposal submitted in his work area or sub-district area. So it is not surprising that every community group comes directly to the sub-district office to ask for the sub-district head's signature in ratifying the grant funding proposal so that it can be submitted to the

Regional Government. As shown in Figure 1, the approval sheet for community group grant funding proposals is below.

Figure 1 above is the approval sheet for the grant funding proposal which has been signed by the sub-district head according to the domicile of each community group. So, if a community group wants to submit a grant funding proposal to the Regional Government of Madujaya Province, they need to first get the sub-district head's signature for the validation sheet. However, the reality in the field is that to facilitate the ratification of grant funding proposals, community groups must provide gratuity money to the sub-district head. This issue will be conveyed directly by Mrs. DW as treasurer of the community group:

"I'll tell you... but please disguise my name [said Mrs. DW] to ratify the grant funding proposal. Apart from being signed by the village head, it must also be accompanied by the signature of the sub-district head. Usually, I am only ordered by Mr. PK [recipient of grant funds] to go to the sub-district to ask for the sub-district head's signature. Every time I ask for a signature, Mr. PK always entrusts me with 200 thousand for each proposal. "The message to me was like this...the money was given to the sub-district head so that the ratification would be expedited so that later if we asked for a signature the proposal would not be made difficult."

Figure 1. Grant Fund Proposal Approval Sheet



Source: Community Group, 2023

From the admission of Mrs. DW as treasurer of the community group, in submitting a grant funding proposal, the signature of the sub-district head is required on the proposal approval sheet, where also in approving the grant funding proposal signed by a sub-district head, gratuity money is required to speed up the signature of the grant funding proposal. It feels so valuable that the sub-district head's signature with the gratification will expedite the process of ratifying regional grant funding proposals. This fraudulent practice will become a habit for every community group that applies for regional grant funds so that if each community group asks for the sub-district head's signature, it must be accompanied by a gratuity. This information is not enough here, researchers are still curious about this issue. So the researcher asked Mr. PK directly as the recipient of regional grant funds:

"Yes, that's normal, other community groups will do the same... [Mr. PK admitted] If I asked for a signature to ratify the proposal, I would entrust the money to the treasurer or the head of the community group. "That's just to make things easier because if you don't worry too much about asking for a signature again it will be difficult."

In line with Mr. PK's confession, little by little Mr. PK opened the curtain on admitting fraudulent practices that the signature of the sub-district head is so valuable for ratifying regional grant funding proposals. Why doesn't every community group get a signature to approve a grant funding proposal from the sub-district head needs to be accompanied by a gratuity? This was done by the fraud actor only to expedite the process of ratifying the grant fund proposal and when asking for the sub-district head's signature in ratifying the grant fund proposal it was not complicated. Based on the East Java Governor's Regulation Number 134 of 2018 concerning Procedures for Budgeting, Implementation, Reporting,

and Accountability of Grant Funds, there is no meaning whatsoever which implies that ratification of grant fund proposals must provide gratuity money. So the act of gratification in ratifying the grant funding proposal is contrary to the Regulation of the Governor of East Java. Apart from that, in Law of the Republic of Indonesia Number 31 of 1999 concerning the Eradication of Criminal Acts of Corruption, acts of gratification are included in criminal acts of corruption which are prohibited in that law. So the actions of these actors have violated the criminal law on corruption by committing gratification by giving money to the sub-district head to expedite his affairs, namely to get the sub-district head's signature in ratifying the community group's regional grant fund proposal.

When viewed from the fraud hexagon theory proposed by Vousinas, (2019) several factors underlie actors in committing fraud. First, there is an opportunity where fraud is carried out by actors by giving gratification money to a sub-district head because of environmental factors that provide opportunities to commit fraud (Pradana, 2020). In the theory of planned behavior, opportunity is an external factor that influences the control of a person's behavior or actions. So the greater the opportunity to commit fraud, the more fraudulent acts will be realized because they feel there is an opportunity to cheat (Ajzen, 2020).

Second, there is a rationalization where fraudulent actions by giving gratification money to sub-district heads is a natural thing because many other community groups also do this and these fraudulent actions are aimed at facilitating the ratification of regional grant fund proposals. So this finding is in line with research by Ajzen, (2020) that if many other people commit acts of fraud, it can encourage other individuals to do so. Third, there is arrogance where the fraud actor does not feel afraid of committing fraud by giving gratification money to expedite the process of ratifying grant

funding proposals. This is in line with the theory put forward by Crowe, (2012) that an arrogant attitude of not feeling afraid can influence someone to commit fraud.

The fraudulent actions carried out by the actors using the mode of giving gratuities will have an impact on several stages. First, acts of gratification at the next stage, acts of fraud with gratuities for ratification of grant funding proposals have the potential to have an impact on acts of gratification at subsequent stages such as field surveys and implementation of regional grant agreement texts. Second, it has become a habit of community groups, acts of fraud with gratuities for ratification of grant funding proposals will also become a habit of community groups where each community group when asking for the sub-district head's signature must be accompanied by a gratuity to facilitate the process of ratifying grant funding proposals.

Disbursement of Grant Funds "Unreasonable Coordinator Cuts"

To implement the community group regional grant funding program that has been proposed to the Regional Government of Madujaya Province, it is necessary to disburse cash grant funds at one of the banks in Madujaya Province. In disbursing grant funds, you must go through the stages of implementing the regional grant agreement text in which community groups are emphasized to work on the grant fund program by the budget plan and other provisions by the grant agreement text. The disbursement of grant funds is carried out at one of the banks, namely Madujaya Bank throughout Madujaya Province which is assigned to distribute or disburse grant money from the Regional Government of Madujaya Province to each account of each community group.

The mechanism for disbursing cash grant funds must be carried out by the chairman and treasurer of the community group accompanied by the community group coordinator, because other community groups cannot be represented in

the disbursement of cash grant funds. From this disbursement, cash grant funds must be held by the chairman and treasurer of the community group to immediately implement physical development programs by the type of program proposed and determined. However, from the phenomena and realities in the field, when the disbursement of cash grant funds has been disbursed by community groups, the money is transferred to the coordinator to make deductions from the cash grant funds that have been disbursed. Regarding this issue, the researcher asked Mr. AG directly as the head of the community group:

"I'll tell you...[while thinking] It's like this, bro, when the grant money has been disbursed, the community group coordinator asks for the money and takes it to the coordinator's secretariat, and every chairman and treasurer is told to come along. Until the secretariat of the new coordinator was informed that there would be a deduction from the grant funds the coordinator, said it was to manage community groups from submitting proposals, regional grant agreement texts, inscriptions, and accountability reports. "The cuts made by the coordinator are quite large, around 8-10 million per community group depending on their respective budgets, if the budget is 100 million, it will be cut by 8 million, and the budget of 150 million will be cut by 10 million."

Recognition from Mr. AG as head of the community group was that the cash grant funds that had been disbursed should have been brought by the community group to immediately carry out physical development by the set budget plan, but in reality, the cash grant funds were transferred or taken by the community group coordinator. The aim of the coordinator in carrying out this action was to deduct grant money that had been disbursed by community groups. From the beginning of the fraudulent actions carried out by the coordinator of the buying and selling of grant funds, he felt that it was

not enough to reap profits from the grant funds until he carried out other fraudulent acts, namely by cutting grant money from each community group he handled.

If you listen to the informant's statement, the cuts to the budget for cash grant funds are very unreasonable, especially with very large nominal amounts, each community group is cut by 8 million to 10 million depending on the budget of each community group for the reason that it is necessary to manage the community group from the submission. Proposals up to grant fund accountability reports. So the fraudulent actions carried out by the coordinator made the community groups under the auspices of the coordinator anxious. To ensure the truth, researchers will ask other informants directly, namely Mr. MJ as community group coordinator:

"Look, sir, the deduction of grant money is a mutual agreement with the recipient of the grant or those who receive the program.

"So the deduction is for the operational management of community groups from the time they submit proposals to the preparation of accountability reports."

From the look on Mr. MJ's face, he looks confused, perhaps he realizes that the act of cutting very large grant funds is something that is not normal. Furthermore, as community group coordinator, he confirmed from his statement that in this case the deduction of regional grant funds had been through a mutual agreement between the recipients of the grant funds or it could be said that those who received the program. The community group coordinator also did not deny that the cuts in grant funds were justified to manage community groups, starting from submitting proposals to grant fund accountability reports. It felt like there wasn't enough information here, so the researcher asked Mr. PK directly as the grant recipient:

"Yes, there was indeed a previous agreement, but the coordinator didn't say how much money would be deducted,

he just said that you'll see when it's disbursed [annoyed expression on his face.] I think 8-10 million is too much and unreasonable. "From the start, I bought the grant program, and paid for the survey, when it was disbursed, quite a lot of deductions were made, so it was reduced."

From the slightly annoyed expression on his face, Mr. PK, as the recipient of the grant funds, admitted that it was true that there had been a mutual agreement between the coordinator and the recipient of the grant funds. However, in this agreement, the coordinator did not convey the nominal amount of money that would be deducted, so the grant recipients thought that the deduction from the grant funds was too much and was said to be unreasonable. Furthermore, from the start of submitting the proposal, we have purchased the grant program and field surveys and have also spent money on the coordinators and related agencies, but there are still cuts in grant funds which are even very large and unreasonable. Practically, this act of fraud, there are concerns that it will have an impact on the implementation of physical development that is not by the budget plan (Lestari et al., 2019).

This fraudulent act carried out by the community group coordinator also contradicts East Java Governor Regulation Number 134 of 2018 concerning Procedures for Budgeting, Implementation, Reporting and Accountability of Grant Funds, which states that in implementing the text of the grant agreement, the region receiving grant funds must carry out the grant funds according to the agreement, taking into account the amount, amount, and details of grant funds received. However, the amount of the budget received before the physical construction was carried out was made unreasonable cuts by the coordinator. So that the grant funds received by community groups will not be by the amount specified in the budget plan.

From the reality raised in these findings, that fraudulent acts of cutting grant money are unreasonable if viewed from Vousinas, (2019) hexagon fraud theory, several factors underlie actors in committing fraudulent acts. First, there is pressure where community group coordinators to commit fraudulent acts because they still feel they are short of initial profits such as buying and selling grant funds, so there is an urge to look for other benefits, namely from deducting cash from grant funds. This was done because he felt he had worked in managing community groups from submitting proposals and planning, to accountability. This finding is in line with what was stated by Wolfe & Hermanson, (2004) that one of the reasons a person commits an act of fraud is because of their drive to obtain more financial benefits, so that this drive can influence them to commit fraud.

Second, there is an opportunity for fraudulent actions by coordinators to deduct cash from grant funds that arise due to weak supervision regarding regional grant fund management mechanisms. Opportunities arise due to supportive environmental factors, thus influencing someone to commit fraud. In the theory of planned behavior, opportunity is an external factor that influences individual behavioral control over actions. The greater the opportunity to commit fraud, the more fraudulent acts will be realized because they feel there is an opportunity to commit fraud (Ajzen, 2020). Third, there is a rationalization where the coordinator assumes that fraudulent actions in cash deductions from grant funds are normal because the coordinator has taken care of community groups from submitting grant fund proposals to accountability reports. In line with the theory put forward by Tuanakotta, (2018) that rationalization is an attempt by fraud perpetrators to seek justification for the fraudulent actions they commit. Rationalization is also an important element in the occurrence of fraudulent practices, where perpetrators usually seek justification for their actions.

Fourth, is arrogance, where the coordinator commits fraudulent acts. He feels that he is not afraid of the act of withholding cash from the grant funds because he is not afraid that he can freely carry out fraudulent acts (Fadersair & Subagyo, 2019). Arrogance, when linked to the theory of planned behavior, influences a person's beliefs, namely regarding personality and attitudes. The less afraid a person is and is confident that he feels great about being able to carry out fraudulent acts in the management of grant funds without being detected, the more fraudulent behavior will be realized. Fifth, there was collusion in which fraudulent acts of cash deductions from grant funds were carried out by the coordinator because of mutually supportive and mutually beneficial cooperation between the coordinator and the recipient of the grant funds. As found by Vousinas, (2019) collusion is an agreement or contract between two or more people to take action for some unfavorable purpose, such as defrauding a third party of their rights.

Fraudulent actions carried out by practical coordinators will have an impact on several stages, including Firstly, the work does not comply with the budget plan, where the fraudulent act of cutting grant funds by the coordinator will have an impact on the physical development work in the field not being by the cost budget plan (Setiawan & Setyorini, 2018; Lestari et al., 2019). Second, state financial losses, where the fraudulent actions carried out by the coordinator by making unreasonable deductions from cash from grant funds also had an impact on state financial losses.

Fictitious "Strong Backing" Physical Development Activities

In recent years, there have been various patterns and modes of fraud in regional grant funds, not only those described in the findings above but there are still many facts about patterns and modes of fraud in the management of regional grant funds that have occurred in Indonesia, especially

in Sungai Merah Regency, Madujaya Province. If the phenomenon occurs, there are acts of fraud in regional grant funds that do not match the planned cost budget for work in the field. However, the findings of fraudulent practices in regional grant funds this time are even more interesting, namely that the fraud actors did not carry out the physical construction of grant funds in the field at all (Arif & Nasution, 2022).

Referring to East Java Governor's Regulation Number 134 of 2018 concerning Procedures for Budgeting, Implementation, Reporting and Accountability of Grant Funds the aim of providing grant program assistance is to help the community in solving existing problems such as infrastructure problems in villages such as paving roads, Concrete rebates, retaining walls, and other physical development activities are financed from regional grant funds sourced from the Madujaya Province regional income and expenditure budget. However, the reality in the field is that the regional grant program disbursed by the Regional Government of Madujaya Province is not being utilized properly by community groups the activities are far from the budget plan set and there is even no work, aka fictitious (Syaifullah et al., 2018). Regarding this issue, Mr. PK as the recipient of the grant funds will convey it directly:

"Every village must have a fictitious program depending on the backing, if the backing is strong then the fictitious can be carried out. But to carry out the fictitious work, you must first coordinate with the coordinator and department. In the 2022 fiscal year, I received 7 grant funding programs, I worked on 6 programs, and 1 I didn't work on one. To do fictitious work you have to work together, you can't do fictitious things just like that. "We are collaborating with several parties and also have to give kickbacks to community group coordinators and related agencies to make things easier."

With full awareness, Mr. PK, as the recipient of grant funds, admitted that there was a grant program whose development was not carried out, aka it was fictitious. This recognition was proven in the 2022 fiscal year, Mr. PK received 7 grant funding programs, including rebates for concrete, water channels, and the remainder for the construction of retaining walls. Of the 7 programs that Mr. PK received, there was 1 program that was without development work, aka fictitious. This fraud was carried out because there was strong support from various parties, such as coordinators and related agencies who had the task of distributing regional grant funds. More than that, the fictitious development fraud mode aims to embezzle the budget and to gain more profits from the practice of grant fund fraud, where each fraud actor also gets a share of the profits such as the coordinator and related agencies so that the grant fund fraud can be realized. Practically, if the fraudulent practice of grant funds is well established, it will certainly escape the supervision of the department. On another occasion, regarding the issue of fraud, the researcher also asked Mr. MJ as community group coordinator:

"This is how I explain it... fictitious work can be done, but not all programs can be fictitious, maybe one or two programs, the important thing is that the grant recipient, the head of the community group, coordinates with us, and then later we will also coordinate with the department."

In line with Mr. MJ's confession as coordinator, it is true that if a community group has a desire not to carry out work on a physical development program funded by grant funds, aka fictitious, then to carry out this fraudulent act, there needs to be coordination in advance between the grant recipient and the coordinator, the aim is to facilitate the steps in carrying out fictitious development actions. From good coordination, the coordinator will also carry out security measures for these

community groups by coordinating with the relevant agencies so that acts of fraud go unnoticed.

Practically, this fraudulent practice is contrary to East Java Governor Regulation Number 134 of 2018 concerning Procedures for Budgeting, Implementation, Reporting, and Accountability of Grant Funds, which states that grant funding programs disbursed to recipients of grant funds must be carried out by the text of the regional grant agreement and the budget plan provided. Put down. However, physical development was not carried out in this implementation, so there were fraudulent practices carried out by the actors. Apart from that, based on Law of the Republic of Indonesia Number 31 of 1999 concerning the Eradication of Corruption Crimes, the act of embezzling grant funds using fictitious development work carried out by these actors is an act of corruption which violates the law. So the practice of grant fund fraud can also be said to be a financial crime (Faisal, 2018).

From the findings related to the practice of grant fund fraud with fictitious development actions, if viewed from Vousinas, (2019) hexagon fraud theory, several factors underlie the actors in committing fraud. First, there is an opportunity for actors to commit fraudulent acts of embezzlement of grant funds because there are no supervisors during the implementation of physical development programs, which makes it easier for actors to commit fraudulent acts. The existence of the opportunity Tuanakotta, (2018) will cause the perpetrator to commit fraudulent acts, one of which is grant fund fraud. Second, is rationalization where actors commit fraudulent acts of embezzlement of grant funds because they think that this fraudulent act is normal. Rationalization in the theory of planned behavior is related to subjective norm factors (Ajzen, 2020). If many people in their social environment commit fraud on regional grant funds, this can encourage other individuals to commit fraud.

Third, there is the ability where fraudulent acts are carried out due to expertise in carrying out fictitious physical development activities so that their expertise can be realized in committing fraud. This finding is in line with research conducted by Omukaga, (2020) that actors need skills when committing fraud so that this opportunity can become a reality. An actor or perpetrator of fraud can control social situations that can benefit him by influencing other people to cooperate with him. Fourth, is arrogance where the actors commit fraudulent acts of embezzlement of grant budgets because they feel they are not afraid, especially with strong support from the coordinator and related agencies. So this trait of arrogance can trigger the belief that he will not be known if fraud has occurred and that existing sanctions cannot befall him (Crowe, 2011). Fifth, Vousinas, (2019) collusion where the fraudulent act of embezzling the actor's grant budget was carried out because of a lot of cooperation and support from various parties such as community groups, grant recipients, coordinators, and related agencies. In the theory of planned behavior, there is social support that influences a person's beliefs. If someone intends to commit collusion, and there is support from other actors, the collusion can be realized (Ajzen, 2020).

Fraud practices carried out by practical actors will have an impact on several stages. First, the stage is not running, where acts of fraud by carrying out fictitious activities will have an impact on the grant fund management stage not running according to the specified schedule. Second, fraudulent acts of fictitious activities will also have an impact on the manipulation of grant fund accountability reports. Third, budget embezzlement, acts of fraud with fictitious activities also have an impact on budget embezzlement carried out jointly by actors (Subaida et al., 2018). Fourth, failure of objectives, where fraudulent acts of fictitious activities will also have an impact on the failure of the Madujaya Provincial Government's objective to improve the

welfare of the community through the assistance of regional grant funding programs. Fifth, state financial losses, apart from the above impacts, fraudulent acts of fictitious activities, will also have an impact on state financial losses where grant funds disbursed by the Regional Government are not implemented.

Collaboration with the Department of “Physical Development Does Not Comply with Budget Plan and Escapes Supervision”

The Regional Government of Madujaya Province, in this case, has assigned the PUB service which has full discretion to supervise the physical development program financed from Madujaya Province grant funds that have been completed or completed. Supervision by the PUB service aims to ensure that the financial grant program that has been disbursed by the Regional Government of Madujaya Province to community groups is by its intended purpose and by the text of the regional grant agreement. However, the fact is that in the field the supervision carried out by the PUB service on physical development is only a formality, the fact is that in the field not all grant funding programs are supervised by the department.

This is evident from the physical construction that has been completed on average escaping from the supervision of the PUB service, one of which is due to the closeness between grant recipients and the PUB service to make a mutual agreement so that supervision is not carried out on physical development that does not comply with the budget plan. This was proven in the researcher’s observations that the physical construction of the type of retaining wall activity that the researcher observed in the field was not by the budget plan. So, from the results of observations by researchers in the field, there are indications that fraud actors are collaborating with several parties, in this case, the PUB department, so that the physical construction of retaining wall

activities that do not comply with the budget plan are not supervised by the department. To prove this statement, it will be explained in figure 2 and 3 below and the disclosure of one of the PUB service informants is also explained below.

As shown in Figure 2 above, the researcher directly observed the budget plan for the community group grant program where the researcher found that the physical development work in the field did not comply with the budget plan that had been determined. If the cost budget plan has determined the price for each use of building materials, but in the field, the physical work does not match what has been determined in the cost budget plan. This is also proven by researchers’ observations in the field during one of the retaining wall construction programs funded by grant funds which did not comply with the budget plan, as in Figure 3 below.

Figure 3. Physical Development not by RAB



Source: Grant Fund Program Observations, 2023

As shown in Figure 3 above, the researcher observed directly in the field and found that physical development that did not comply with the budget plan escaped the supervision of the relevant agencies. It can be seen from the picture above that the physical construction of this type of retaining wall was carried out haphazardly, so it was far from community

expectations and statutory regulations. Regarding this problem, researchers will ask Mr. PK directly as the recipient of the grant funds:

“On average, the physical construction of grant funds does not match retaining walls. To escape from the supervision of the department, we already have a previously close relationship with the department, so that even if it is not according to the budget plan, the costs will not be monitored and are guaranteed to escape supervision.”

Recognition from Mr. PK as the recipient of grant funds because of the large number of physical developments financed by grant funds, on average they do not meet the quality or do not comply with the budget plan that has been determined. Therefore, to avoid official supervision, recipients of grant funds need to be close first so that the physical construction that has been completed is

not subject to supervision. Proximity to related agencies is key for fraud actors to carry out their deviant practices. It felt like this information was not enough, so to get valid data the researcher asked Mr. HR directly as the representative of the relevant department:

“It’s like this, sir... the important thing is that there is coordination. When we come to the field, we must be directed towards good programs with the development results of at least one program because the department’s supervision is only an actual sample, all districts can’t be supervised.”

This is in line with Mr. HR’s statement as the relevant agency has a role in supervising the grant funding program which has completed construction. The existence of coordination between recipients of grant funds and related agencies will facilitate and expedite fraud that has been carried out. This flirting is proven by the agreement that when carrying out field supervision,

Figure 2. RAB of Community Group Grant Funds

1 m³ Pek. Bmangas			
0.0150	oh	Mandor	@ Rp. 130,000.00 = Rp. 1,950.00
0.0500	oh	Tukang Kayu	@ Rp. 125,000.00 = Rp. 6,250.00
Bahan :			Jumlah Upah (A) = Rp. 8,200.00
0.0070	kg	Semen Gresik	@ Rp. 1,325.00 = Rp. 9.28
0.0120	m ³	Pasir Hitam/Jawa	@ Rp. 347,300.00 = Rp. 4,167.60
Jumlah Bahan (B)			= Rp. 4,176.88
Jumlah (A+B) HSPK			= Rp. 12,376.88
PEKERJAAN TANAH			
1 m³ Pek. Galian Tanah Biasa Seukuran 1 Meter			
Tenaga :			
0.0250	oh	Mandor	@ Rp. 130,000.00 = Rp. 3,250.00
0.7500	oh	Pekerja	@ Rp. 100,000.00 = Rp. 75,000.00
Jumlah Upah			= Rp. 78,250.00
Jumlah HSPK			= Rp. 78,250.00
1 m³ Pek. Pasangan Pondasi Batu Gamping 15/20 (1pc : 4pc)			
Tenaga :			
0.0750	oh	Mandor	@ Rp. 130,000.00 = Rp. 9,750.00
0.0750	oh	Kepala Tukang	@ Rp. 130,000.00 = Rp. 9,750.00
0.7500	oh	Tukang Batu	@ Rp. 125,000.00 = Rp. 93,750.00
1.5000	oh	Pekerja	@ Rp. 100,000.00 = Rp. 150,000.00
Jumlah Upah (A)			= Rp. 263,250.00
Bahan :			
163.0000	kg	Semen Gresik	@ Rp. 1,325.00 = Rp. 215,975.00
0.5200	m ³	Pasir Hitam/Jawa	@ Rp. 347,300.00 = Rp. 180,596.00
1.2000	m ³	Batu Gamping 15/20	@ Rp. 174,363.00 = Rp. 209,235.60
Jumlah Bahan (B)			= Rp. 605,806.60
Jumlah (A+B) HSPK			= Rp. 869,056.60
PEKERJAAN PASANGAN			
1 m³ Pek. Plesteran (1pc : 3pc), tebal 1.5 cm			
Tenaga :			
0.0150	oh	Mandor	@ Rp. 130,000.00 = Rp. 1,950.00
0.0150	oh	Kepala Tukang	@ Rp. 130,000.00 = Rp. 1,950.00
0.1500	oh	Tukang Batu	@ Rp. 125,000.00 = Rp. 18,750.00
0.3000	oh	Pekerja	@ Rp. 100,000.00 = Rp. 30,000.00
Jumlah Upah (A)			= Rp. 52,650.00
Bahan :			
7.7760	kg	Semen Gresik	@ Rp. 1,325.00 = Rp. 10,303.20
0.0230	m ³	Pasir Hitam/Jawa	@ Rp. 347,300.00 = Rp. 7,987.90
Jumlah Bahan (B)			= Rp. 18,291.10
Jumlah (A+B) HSPK			= Rp. 70,941.10
1 m³ Pek. Acian			
Tenaga :			
0.0100	oh	Mandor	@ Rp. 130,000.00 = Rp. 1,300.00
0.0100	oh	Kepala Tukang	@ Rp. 130,000.00 = Rp. 1,300.00
0.1000	oh	Tukang Batu	@ Rp. 125,000.00 = Rp. 12,500.00
0.2000	oh	Pekerja	@ Rp. 100,000.00 = Rp. 20,000.00
Jumlah Upah (A)			= Rp. 25,100.00
Bahan :			
3.2500	kg	Semen Gresik	@ Rp. 1,325.00 = Rp. 4,306.25
Jumlah Bahan (B)			= Rp. 4,306.25
Jumlah (A+B) HSPK			= Rp. 29,406.25

Source: Community Group, 2023

the department asks to be directed towards good physical development so that physical construction that does not comply with the budget plan can escape supervision from the department. Furthermore, the supervision carried out by the department is only a sample, not all grant funding programs that enter Sungai Merah Regency are supervised by the department.

When viewed from Vousinas (2019) fraud hexagon theory several factors underlie the actors committing fraud. Firstly, there is an opportunity where fraud occurs by flirting between grant recipients and related agencies so that supervision is not carried out on physical development that does not comply with the budget plan. So the result is that there is no supervision from the department, considering that supervision should be carried out by the department. This finding is in line with the results of research conducted by Setiawan et al., (2013) that the absence of supervision will have an impact on a person's opportunity to commit fraudulent practices.

Second, there is collusion where the fraud is due to good cooperation between grant recipients and related agencies, the aim of which is to make irregularities easier. So that there is a lot of support from other fraud actors, the fraud act can be achieved. In line with what Vousinas (2019) found, collusion was carried out by 2 or more people with a hidden mutual agreement to mutually benefit from acts of fraud. In the theory of planned behavior, there is social support that influences a person's beliefs (Albrecht & Zimelman, 2017). If someone intends to commit collusion, and there is support from other actors, the collusion can be realized (Ajzen, 2020).

Practical fraud practices will have an impact on several stages. Firstly, the spelling did not comply with the budget plan, due to fraudulent actions carried out by the actors, this resulted in physical construction work that did not meet the quality or did not comply with the budget plan because it avoided supervision

by the department. Second, there is bribery where fraudulent actions without monitoring the physical development do not comply with the budget plan, which also results in bribery from fraud actors to related agencies, this is to carry out their plans. Third, failure of objectives where fraudulent actions without supervision of physical development do not comply with the budget plan will also have an impact on the failure of the Regional Government's objectives in providing grant funding assistance which is provided for the welfare of the community.

5. CONCLUSION

In this section, the researcher will conclude various findings in the field regarding fraudulent practices in managing regional grant funds for community groups in Sungai Merah Regency, Madujaya Province. First, there is an act of gratification by community groups at the time of ratification of the grant fund proposal, the aim of which is to speed up the ratification of the grant fund proposal signed by the sub-district. Second, in the disbursement of grant funds, there was an unreasonable deduction from the grant funds disbursement by the community group coordinator, this was done for the management of community groups starting from submitting proposals to preparing grant fund accountability reports. Third, fictitious physical development activities due to the existence of strong backing, the aim is to embezzle and reap profits over the grant budget, this is carried out in collaboration with related agencies and coordinators. Fourth, there is collusion with related agencies so that physical development that does not comply with budget plans escapes supervision, where grant recipients and agencies enter into joint agreements that are mutually beneficial to each other.

The limitation of this research is that researchers cannot make direct observations at each stage of regional grant fund management, such as forming community groups, submitting grant

fund proposals, and disbursing regional grant funds. Bearing in mind that the mechanism for managing regional grant funds is already in operation the time for conducting research is also limited. Therefore, the limitations of this research give rise to suggestions for future researchers to be able to directly observe each stage of managing regional grant funds, such as the stages of forming community groups, submitting grant fund proposals, and disbursing regional grant funds.

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