

A Comparison of Interviewing Techniques: HR versus Fraud Examination

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Abstract

Internationally, fraud is a great challenge facing business. One of the best ways to detect fraud is the interview. Interviewing is the systematic questioning of people who have knowledge of information, events, other people and evidence involved in a case under investigation. An interview may be used in the workplace on a daily basis to gather financial information. Asking questions in the proper order and assessments of the answers received can help determine truthfulness or deception. If the interviewer can master the art of developing a rapport with the interviewee, he or she may be able to elicit a more comprehensive answer. Characteristics of a good interviewer include: being a good listener, demonstrating fairness, lacking bias, and projecting professionalism. The types of questions used are: introductory, informal, assessment, and admission-seeking.

The interview techniques for hiring decisions follow a different format. The primary purpose is to determine if the applicant has the necessary skills for the job and if they will fit in with the organization culture. There are also many laws governing what can and can not be asked of a prospective employee. The techniques used are prescreening, structured interviews, and behavioral interviews.

The prescreening of applicants by Human Resource professionals has expanded to include reference checks, background checks, drug tests, credit checks, and conviction records. The manager can then use either a structured interview, where all applicants are asked the same questions, or a behavioral interview, where applicants are asked to describe significant events in past job situations. The purpose, as in fraud interviewing, is to detect any discrepancies in the verbal interview or with the application information.

This paper will compare the similarities and differences between the interview techniques used for hiring employees and those used for detecting fraud. Some similarities discussed are: how information is gathered; presumption of honesty; and, training of the interviewer. Of the many differences some of those that will be compared are: legal aspects; use of stress inducement; and, employee v. non-employee.

Interview theory – fraud examination

An interview is a conversation with a purpose. A successful interview requires planning. You must obtain facts in advance about the purpose of the interview, the background of the interviewee, and establish the location and time of the interview. Be certain all required documents are ready for use in the interview if necessary.

A rapport should be developed with the interviewee establishing a relaxed, free flow of information (Wells 1992, pp. 273-274). Using “small talk” allows common ground to be developed. The interviewer should find something, such as sports or travel that can relax the interviewee.

There are characteristics of a good interview. A good interview is thorough, long enough to get all the information needed. It must be pertinent, avoiding discussing unnecessary topics. The interview should be objective. Bias would both alienate the subject and taint the facts obtained. Timeliness is critical. As time passes, interviewees either forget information or get facts out of sequence.

There are characteristics of a good interviewer (Albrecht 2003, p. 239). He or she must project professionalism. The interviewer needs to be able to work informally. An interview cannot be accomplished with a checklist. The subject must not feel threatened or the information flow will cease. Most importantly, he or she must be a good listener. An inexperienced interviewer will talk too much and not listen enough. In addition, the interviewer must watch the reactions of the interviewee. Avoid being authoritarian. End every cooperative interview by expressing your appreciation.

The desired outcomes of the interview must be established. We must determine why we are doing the interview. What is the purpose? How can we get the information we want?

Types and sequence of questions

Introductory questions establish the purpose of the interview. They are meant to establish rapport and set the purpose of the interview. While the interviewee is answering questions, reactions to them should be observed. The demeanor of the interviewee at this point is one of being relaxed. We want to look for changes in behavior as questions turn to the topic of fraud. During the introductory phase non-sensitive questions should be asked. The interviewer should use terms like “inquiry” instead of “investigation”, and “shortage or paperwork problem” instead of “embezzlement or theft”.

Informational questions should not be confrontational. They need to be used for gathering information. There are three types of questions used in this phase. They are: open, closed and leading. Open questions require the interviewee to give a detailed response. It cannot

be answered with a “yes” or “no”. An example would be: “What do you do on your job?” A closed question can be answered yes or no. A typical closed question may be “Did you come into the office on Saturday?” A leading question contains the answer as part of the question.

The interviewer should avoid using double-negative questions. An example may be: “You did not state that you did not take the day off, did you?” In addition, complex questions should be avoided. These would be questions that require more than one answer.

Questions should be asked based on chronological order of the facts. The first questions asked should not cause the interviewee to become defensive. Require witnesses to give facts for any conclusions made. Understand each answer before you continue to next question.

Assessment questions are used if you feel that answers to informational questions were inconsistent or untruthful. The interviewer can observe the interviewees verbal and nonverbal clues to determine changes in behavior. These changes in behavior may indicate deception.

Verbal and non-verbal clues

Lying produces stress in the human body. People attempt to relieve stress while lying through verbal and non-verbal methods. These changes in physiology can be observed by a trained interviewer. Typical verbal clues to lying are:

- Speech pattern changes
- Repeating the question
- Intermittent memory
- Character testimony
- Answering with a question
- Tolerance toward dishonesty

Typical non-verbal clues to lying are:

- Changes in posture
- Illustrators
- Hand covering the mouth
- Manipulators
- Fleeing position
- Crossing the arms
- Push away evidence
- Fake smile

One or more of the above may be seen by the interviewer because the other person may be nervous. The interviewer must look for changes in behavior. If at the beginning of the interview the discussion is non threatening, then later when discussion turns to the “missing items” and the interviewee displays verbal and non-verbal clues, this may be an indication of lying. The interviewer should then look for changes back to a relaxed demeanor when the discussion returns to non-threatening topics.

HR Versus fraud interviewing

Whereas both fraud examination and HR screening with the intent of hiring make use of the interview process, the approaches and techniques utilized may vary significantly. For example, a fraud examiner considers an interview to be a conversation with a purpose while an HR interviewer focuses on maximizing the role of the interviewee in an attempt to gain behavioral data that is comparable between applicants. Secondly, the fraud interviewer utilizes “small talk” on non-related topics to relax the interviewee while the HR interviewer is careful to avoid any non-work related areas that could lead to a charge of bias or perhaps invoke the halo/horn effect thereby tainting the interview with information not relevant to job performance. Finally, the fraud interviewer avoids the use of a formal checklist and tries to keep the interviewee relaxed and non-threatened. The HR screener on the other hand must ask the same questions of all applicants in an attempt to gain a valid comparison from one person to another.

For the most part fraud examination focuses on past actions while HR screening is looking for likely future behavior. Nevertheless, both the fraud interview process and the HR selection process attempt to verify the background of the interviewee. Additionally, both interview types strive to be as objective as possible and avoid unnecessary topics.

The situation for interviewing as part of the personnel selection process is quite different from fraud interviewing. In the fraud interview, the examiner knows that the person is an employee of the firm. As such, there are few restrictions on what questions to ask, or how they are asked, as long as the person is free to leave at any time. In personnel selection, the applicant is not an employee of the firm, so is covered by a variety of laws and regulations that protect their rights. Naturally there is substantial variance in legality from country to country (Posthuma, et. al., 2006). For this reason, it is suggested that the Human Resources Department conduct all of the screening activities to avoid legal complications for the firm. It would be difficult to train all managers in the latest legal rulings governing the selection of new employees. The following section focuses on the full context of employment selection from the perspective of the HR

department. Whereas the fraud examination above stresses the interview, the HR context focuses on multiple predictions of likely future behavior within a legal framework.

Hr employee selection process

A number of considerations precede the actual interview selection process. To begin with it is wise to have conducted a thorough job analysis not only of the job in question but also for the jobs in close proximity on the organizational chart. The data gathered through job analysis leads to a complete job description of the knowledge, skills, abilities and other characteristics (KSAOs) needed to adequately perform the duties of the job under consideration (Myers, 2006).

Following the passage of the Americans with Disabilities Act (ADA) in 1990 it has become necessary to carefully identify and label the essential functions of the job as part of the job description determined by job analysis. Essential functions are differentiated from marginal or occasional duties that might serve to illegally discriminate against qualified applicants with disabilities who could otherwise perform the job requirements with or without reasonable accommodations (U.S. Senate, S.933). The inclusion of additional requirements not related to successful performance of the job might inadvertently exclude applicants from protected groups. This could lead to charges of discrimination against the firm. The essential functions of the job are then utilized in developing the complete job description. Naturally, applicants not possessing the necessary qualifications will be eliminated (Fong and Kleiner, 2002).

The organization must not only carefully define what it means to apply for the job, but they must also create comprehensive and valid application forms and biographical data forms. Without the defined application procedure it is unclear and impossible to defend in a court of law what determines formal application. For example, if one candidate calls to ask if there are job openings while another candidate submits an application and resume, which one meets the application requirements? This can lead to a charge of illegal discrimination even if the intent to discriminate was not there.

The creation of a valid application form must be void of terminology that violates either federal or state regulations. For the most part there should never be any reference to age, race, sex, color, national origin, religion, sexual orientation, arrests, or disabilities. The applicant can be asked if there is anything that would prevent or limit them in performing the job with or without reasonable accommodation. The final aspect of the application form is the inclusion of language that informs the applicant that the position is an at-will employment position meaning that either party can terminate the relationship at anytime for cause or no cause (Bennett, 2003).

If the organization intends to do any background checks, especially utilizing a third party, then the organization must notify the applicant in writing that a consumer report is required and solicit their written authorization. If the organization relies on information obtained by a third party for some form of adverse action such as denying employment then it is necessary to give the applicant a disclosure form that makes a pre-adverse action intent known to the applicant as well as provide a copy of the applicant's consumer report and a copy of a Federal Trade Commission report called "A Summary of Your Rights Under the Fair Credit Reporting Act" (Fair Credit Reporting Act—the FTC's Ruling on Employee Misconduct, 2004). Finally, after an adverse action has been taken the organization must provide the applicant with appropriate notification including the contact information for the Consumer Report agency, a disclaimer exempting the agency from responsibility for the adverse action and a notice of the applicant's legal rights.

By gaining the applicant's permission to check records as explained above the organization can consider references, work records, education records, conviction records, and credit reports. While the cost of performing the background checks may be high the cost of not discovering problems in the background of applicants is also very high and could even lead to negligent hiring thereby putting liability upon the hiring organization.

The next phase in the application process would be to perform any testing that relates to performance on the job. This could include a wide variety of tests designed to either determine if the applicant is physically able, technically capable, or psychologically fit for the job. For jobs that are more physically demanding, it is normal to do some type of skills and abilities testing. This could include drug screening for jobs that might involve worker or public safety. Mental abilities tests or psychological testing would be more commonly used for white collar or management positions. It is possible to defer the testing to a later time, but this could result in pressure to discount the results if the applicant does well in the interview.

Margaret Nowicki and Joseph Rosse (Nowicki and Rossi, 2002), conducted a study of the reasons that managers reported that a hiring decision did not turn out well and when it did turn out well. The study included information from 166 managers in a wide variety of industries. They found that 81% of the managers admitted that their own hiring procedures contributed to the problems with a poor hiring decision, particularly in the areas of reference checking and interviews. The other 19% of the problems were related to the characteristics of the particular applicants. A wide variety of reasons for the hiring failures were given by the managers. These ranged from pressure to hire a particular applicant to not following the proper hiring procedures of the firm. When the managers described the reasons for hiring the right employee, 71% reported that it was because of their actions. The other 29% was because of the applicants' skills or abilities. The most common reason given for a successful outcome related to the manager's ability to recognize the applicant's abilities. A smaller number reported that it was related to a rigorous or thorough application process.

It would appear that to improve the success rate of the hiring process and to avoid legal problems, it would be advantageous for the firm to follow well designed application procedures. The screening process would provide the manager conducting the personal interviews with a pool of well qualified applicants from which to choose. The interview can then focus on how well the applicant matches the job requirements, or how well they fit with the culture of the firm. The main issues will then be to determine the type of interview process to use within the firm, and the type of training to provide to the persons conducting the interviews.

Interview process

At a minimum, training in the types of allowable questions in an interview should be provided to anyone who might be involved in the interview process. On the SHRM website (SHRM, 2007), there is a list of interview do's and don'ts.

Table I

In addition, interviewers should be trained in the basic topics that can and cannot be covered when interviewing applicants with disabilities. If at all possible, questions should be reviewed in advance by an HR professional who is very knowledgeable concerning the provisions of the ADA. Pritchard (2007) has developed a list of topics that should be covered and those to avoid when interviewing someone with a disability.

Table II

With the necessary background information now in place and the training of managers who will conduct interviews complete, it is possible to consider the nature of the selection interview. Historically there are a variety of interview techniques available such as the depth, stress, group, or structured interview. Although managers often place a very high value on the one or another interview type, research tends to cast a fairly pessimistic view of the value of most interview types as an indicator of employment success (Brecher, Bragger & Kutcher, 2006; Arvey & Campion, 1982). Indeed, the unstructured interview is often touted for its ability to identify the likely personality fit between the applicant and the work setting (Olmstead, 2007). What this type of interview does not provide is the ability to compare one applicant to another. The one interview type that does tend to do better in providing valid comparisons as well as predicting an applicant's success plus being reliable and less likely to be discriminatory in nature is the structured interview (Brecher et.al., 2006).

For definitional purposes we consider a structured interview to consist of one or more interviewers along with an interviewee who interact verbally through an ordered series of

behavior based questions in an attempt to compare the KSAOs of the interviewee to those required for successful performance of the job duties as determined through thorough job analysis.

According to Wiesner and Cronshaw (1988) in a substantial meta-analysis of interview format and structure, structured interviews were found to have much higher predictive validity than unstructured interviews and may compare favorably with other performance predictors such as ability tests (Hunter & Hunter, 1984). The use of a structured interview will also help to reduce bias in the selection process. The Human Resource Department at Indiana University provides instructions to those conducting job interviews to try and collect accurate information in a uniform manner from all applicants for a job (Indiana University, 2007).

Table III

For most job selection situations, the use of a structured interview process would appear to produce the most consistent results. There is still a problem with individual managers introducing bias in the selection decision. Thorough training by professionals in HR of all those involved in the application and interview process could help to alleviate this problem. It is still a fine line between trying to sell the benefits of working for your firm and the unbiased evaluation of the KSAO's of all applicants.

Conclusions

While Fraud Examination and Job Selection both utilize interviews in accomplishing their goals, the process involved is quite different. In Fraud Interviewing, you are trying to get an existing employee to reveal information about their involvement in fraudulent activities against the firm. There are few limitations on the Fraud Examiner in terms of how they obtain the information, other than not being able to detain the employee against their will. In most cases, a the Fraud Examiner already has information about the situation, so a friendly approach to the person being interviewed would produce a higher level of cooperation. A skilled interviewer can determine the type of approach to use for a particular employee based on their responses to questions and nonverbal clues.

Employers are much more constrained by laws and regulations concerning the employee selection process. While there is nothing to prevent a firm from using a highly unstructured process for the selection of new employees, this can result in charges of discrimination and poor hiring decisions. It has also been shown that a more structured approach to employee selection results in a better fit between the KSAO's of the applicant and the needs of the firm. There are still managers who believe that they can determine who would best fit with the culture of the organization, but this has not been supported by the research.

Table I
Interview Topics to Avoid

- Age
- Arrest Record
- Association with Present Employees
- Bankruptcy and Credit Affairs
- Citizenship
- Disability
- Driver's License
- Educational Attainment
- Emergency Contact Information
- English Language Skills
- Height and Weight
- Marital Status/Name Changes/Spouse/Children
- Organization or Club Membership
- Race, Color, Religion, Sex, or National Origin
- Union Affiliation
- Veteran Status/Military Records
- Weekend Work/Shift Changes

(SHRM, 2007)

Table II
ADA Job Interview Checklist

Do:

- Ask if the person fully understands the job.
- Ask if the person can perform all job functions.
- Talk about the things you want done on the job.
- Ask if a tour of the work site would be helpful.
- State clearly what the expectations are for regular and reliable attendance.

Do Not:

- Ask the person if he/she has a disability that will prevent him/her from performing the job.
- Discuss the existence, nature, or severity of a person's physical or mental impairment.
- Ask about a person's health (mental or physical), or that of a family member.
- Discuss the progress of an illness.
- Ask if a person has had a drug or alcohol problem.
- Ask about a person's worker compensation history.
- Commit to a reasonable accommodation on the spot before discussing with the HR or Legal departments.
- Discuss irrelevant things
- Discuss job-related items until after a conditional job offer has been made.

(Pritchard, 2002)

Table III**Common Interviewing Biases**

- Stereotyping
- Inconsistency in Questioning
- First Impressions
- Negative Emphasis
- Halo/Horn Effect
- Cultural Noise
- Nonverbal Bias
- Contrast Effect

(Indiana University, 2007)

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