Abstract: Complete document sets and availability ability to capture business flow have been underestimated among small-medium business practitioners, affecting the bigger chance of unnecessary loss and increasing risks which prone to fraudulent acts both originally from internal and external parties. This research is equipped with interview transcript involving Mr. Daniel Ifianto, CEO (Chief Executive Operational) of CV. Mandiri Jaya Agro-business (MJA), and his wife as CFO (Chief Financial Officer), which main business activity is exporting paddy and corn seeds as respondents.). Second Entity, as the research object, is a CV. DCK which is an architecture and interior design company, Mr. DK. Research Method used is a qualitative study which is investigating monetary and operational fraud, errors, and omissions occurred both intentional and unintentionally related to the availability of complete documents and Standard Operating Procedure (SOP) application. The research finding shows that solutions were found through creating sets of document copies, authorizations, and document cycle movements concluding parties and people involved both internally and externally. The implication was fraud has been significantly reduced, and the owner feels that applying a complete set of documents and proper authorization has been useful for monitoring the organization itself before fraud happens.

Keywords: Fraud, Risks, Accounting Information, Integrated Documents, Document Flow.


Accounting information system helps smoothen business operations in terms of implementation, control, making investment decisions, as well as in quality provision and valid data which are used as a basis for evaluating periodic performance evaluation. This financial statement aims to provide useful information for management and stakeholders in making decisions related to resource allocation (ACCA, 2010; FASB 2006). In doing so, the application for standardized accounting information which is in accordance with the nature and scope of business is highly needed by the company, since this will facilitate the company or related industry to withdraw data and make business decision more efficient and effective based on the phenomena that occurred in that company and industry (Dalci and Tanis, 2002 in Zakaria, WN W, et al., 2017).

In general, many family businesses and micro, small and medium businesses (MSMEs) have not fully implemented accounting information systems yet as well as implemented standard operating pro-
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procedures in executing their business operations, none-theless the importance of standard operating procedures for small companies(Prakash, Gupta, 2008 in Terviozski, 2010). In this kind of business, knowledge transfer occurs through family ties and social networking rather than following the SOPs, while incorporate companies, SOPs are implemented daily. In addition to that, informal social relationship based on trust and sanctions is more preferable in forming a comfortable working atmosphere.

Commonly, MSMEs fear several aspects, such as the amount of investment for establishing a new division that is responsible for making system as well as its payroll system, discomfort in using a computer and new system, and data transparency for tax purposes. Fortunately, that does not happen in Mandiri Jaya Agro-business Company (MJA Company). As the CEO of MJA Company, Daniel desires to standardize his company’s business activities. However, he faces resistance from the previous generation since they regard the application of accounting information systems as a burden to the company. The researcher then finds this phenomenon, which is the difference of perception and acceptance between two different generations on the benefits of applying accounting information system, is interesting to be studied furthermore.

Meanwhile, the MJA Company was established without involving the previous generation, and ever since its establishment, this company has already implemented an offline accounting information system with complete document sets and already designed its flowchart of operating activities.

Besides studying the occurred phenomenon in MJA Company, the researcher also focuses on examining how the respondents interpret the implementation of accounting information system in their company’s business operations, which are stated in the following statements of interpretation, acceptance of implementing accounting system enthusiastically or as a burden, (2) mapping staffing competence, (3) as a tool to control organization, (4) as a business investment, (5) as a tool of assistance for company operations, (6) as a determinant of business strategy, and (7) as an increased business value.

The delay in updating the latest information on accounting information causes weak control of the company. The lack of availability of this information causes a time gap between the information that is currently available and what is needed at a certain time, thus causing fraud opportunities in the business.

The need for a continuous audit process is also required to maintain the implementation of compliance with the applied accounting information system, while in fact, many owners and managers of MSMEs have not yet implemented computerized accounting and document management information. Documents are manually checked on an annual basis. This is contrary to the theory states that financial information is useful only if produced real-time and free from errors, fraud, and inattention (Vasarhelyi, Teeter, and Krahel, 2010; Economist, 2000).

LITERATURE REVIEW

In the context of information system, accounting is identified in its three main components, namely (1) language in business and financial information sources (Wilkinson, 1993: 6-7); (2) information as an important process in processing data as a basis for decision making, taking action and fulfilling legal obligations, and; (3) system as an integrated entity where a corporate framework is focused on specific goals(Bhatt, 2001; Thomas and Kleiner, 1995).

AICPA (American Institute of Certified Public Accountants, 1966) states that accounting is an information system, precisely quantitative information that explains economically-effective practical activities.

One of the important purposes of accounting is to communicate relevant information for helping the decision-making process, where the quality and type of information enable decision-makers to be aware of the possibility of taking preventive actions which, at the same time, allows them to reduce overall costs and increase profits(Scavone, 2006: p. 1,278 in Hovey, 2014).

Romney et al. (1997), state that information system is organized to gather, input, and process data and then later are stored, organized, and re-
ported as information so that the organization can achieve its goals and targets. In the past, AIS focused on the process of recording, inferring, and validating data related to business financial transactions only, while in this recent development of AIS, organizational performance assessment uses Balanced Scorecard method where performance is tracked and measured based on four main dimensions, namely financial performance, management performance, social responsibility, and employee responsibility (Soudani, 2014).

Along with the automation process in business, the accounting process and the use of technology are no longer treated separately. Achieving increased efficiency and effectiveness of institutional working targets is only possible whenever the use of Accounting Information System (AIS) is carried out appropriately to give positive values for the user’s company. Ouda (2003) explains that technology emphasizes strategic control of priority establishment and aggregate expenditure, as well as facilitates maximum efficiency and effectiveness through the delegation of management authorities.

Supporting Ouda’s explanation, Soudani (2012) adds that the main advantages of maximum utilizing accounting information system area better adaptation to environmental changes, an improvement on transaction management, and increased competitive advantage for companies. In addition to those, it is stated that the flow of information communication among different levels of staff will be smoother than before, and chances for new business opportunities through the company’s external relationship with overseas clients who access the company’s website will be made possible by the online-based or digital-based accounting information system (Grande et al., 2010; Huang et al., 1999).

The rapid growth of business and accounting development needs real-time data, which is not only based on past transactions but also useful to evaluate company performance. A well-designed AIS can help its users to support and run business strategies, as well as facilitate strategy management and improve organization or company performance (Gerdin and Greve, 2004).

Salehi (2010) defines information technology as a tool to produce accurate, reliable, and real-time information. In UAE (United Arab Emirates), the use of accounting along with information system has enabled companies to improve their relations with suppliers and consumers, as well as to shorten transaction time compared to manual methods. “A computerized accounting system can handle financial data efficiently, but the true value of an accounting system was that it was able to generate immediate reports regarding the company” (Shinde, Kulkarni-Mairalpant, 2018).

METHOD

This research is a descriptive qualitative in nature, with a case study approach as its research design. Two main respondents for this research were Mr. Daniel Ifianto as the CEO of MJA Company, and Mr. DK as the owner of DCK Company. This research aims to describe the accounting information system and document application on the internal control implementation of both companies and to describe the respondents’ interpretation of the accounting information system in their business. The data needed from each company were gathered through the interview process, by providing semi-structured questions about accounting information system, the use of documents, and its flowchart in each company’s business operating processes.

RESULTS AND DISCUSSION

MJA Company was established in 1998 as a family business that was started by two generations before the current CEO (who is currently the third generation). Based on the interview results, the second generation, the mother of Mr. Daniel Ifianto, expressed her objection against the proposed use of accounting information system and standardization of document completeness and its flowchart as guidelines in running the business, due to the convenience factor of the well-managed business. She argued that since business performance is good, the business needs no further improvement. Besides her objection, there is also a concern for changes in the MJA company business system, since it requires more time to adjust to the new system.

On the other hand, according to Mr. Daniel Ifianto as the current CEO of MJA Company and
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Zendy Regina as the CFO. The implementation of SOP and AIS in the form of accurate and relevant documents and standardized flowchart can minimize misunderstandings and provide clarity of procedures for system implementers (does not depend on the presence of previous personnel or implementers) (DI, 2018). Similar to this, the second respondent, Mr. DK as the CEO of DVK Company also views accounting information system and available complete document sets as guidelines in working as well as becoming a tool to control company management (DK, 2018).

The inspection of documents in accordance with the flow of the company’s SOP requires a long period, and accuracy since most of the business processes in the respondents’ companies are still done manually. According to Chan, DY, and Vasarhelyi MA (2018), a traditional auditing practice has not been able to keep pace with the economy in real-time, resulting in its delayed guarantee ability. The lack of real-time guarantee support is mainly due to the nature of traditional auditing practice manuals. In practice, manuals of auditing procedure require intensive time and energy. Also, business performance and decision making are highly dependent on the roles of the CEO of each business.

The decentralization process has not been carried out, and many activities are only in the owner’s knowledge and practice. It is done to protect important company data as a form of business to protect the business uniqueness, for example, a series of business operational of DCK Company which was founded in 1997, with focus on providing design services and manufacturing interior furniture based on the consumers’ demand.

Availability of Accounting Information System and Supporting Document

The initial stage in this research was starting from the CEO meeting (as a designer). At this stage, the researcher provided a sketch description based on the client’s expectation on paper, which later was transformed into a form of software document with agreed specification (design, size, and price) to get the consumer’s approval. After that, the revision was done and finished until signed by the consumer as a form of agreement.

In the second stage, after the design was approved, a Work Order letter was issued in accordance with the design draft that was already signed in the previous stage. This Work Order contains information about type and quantity of material needed, order design, a specific size of each item, and cost of goods, consumer name, date of delivery, and name of the employee. This Work Order is very important, which is why its design is made by the CEO himself, stored in soft-file filing, and becoming a reference for preparing the following documents: (1) Cost of Sales, (2) list of main and supporting items to the Supplier, (3) reference of issuing bank giro based on suppliers’ bills on raw material purchases, (4) goods design (specification, size, material, manufacturing date, who creates the goods) in the manufacturing process to craftsmen, (5) a basic issuance letter for sales note to be billed to the consumers with the amount of down payment that must be repaid before beginning the working process, (6) reference for checking the working results before being delivered (carried out by the CEO himself), (7) delivery order contains delivery date that agreed by the consumer, and (8) issuance of payment receipt before the order is delivered to the consumer based on the date that consumer agrees.

The personnel who are in charge to make Work Order are Note Supervisor (NS). The tasks and rights of NS, including making HPP budget and issuing an invoice. Furthermore, this HPP budget is made by estimating the increase in material prices, including other operational costs to minimize the risk of loss caused by the difference in profit targeted with the actual profit. The next personnel is the Administrator. The administrator is in charge of making delivery report, selling and purchasing record, and shipping and payment reminder. The other personnel employed are nine craftsmen and one driver.

The whole process is done manually, while the issuance of notes based on the order number is recorded in the triplicate notebook. As a tool of reminder, there is a note board in the workshop to remind the workers of all works that must be
completed. This system is considered adequate and has been implemented since this company was founded. Furthermore, according to Mr. DK, this system is already useful in managing work order and becoming a tool of control in the process of checking company documents and the quality of work results.

The respondents’ companies, the MJA Company, and DCK Company are still carrying out their business operating processes manually, both for the working order process and for their document completeness. According to Mr. Daniel Ifianto, based on the nature of his company as a retailer company, there is no process of changing goods form, so the work order in his company is simpler, starting from sales, purchase order (ordering goods to suppliers), shipping goods purchased, and distributing goods to consumers.

**Indications of Fraud, Inattention, and Errors in System Application and Standards**

In practice, DCK Company is free from fraud until now; meanwhile, errors still happen in the process due to human factor and inattention of the craftsmen, such as broken glass, errors in cutting goods pattern, and lack of neatness in work finishing. Those examples resulted in business risks to occur in the form of the difference between the budgeted profits with the real budget spent.

From Mr. DK’s statements, this profit difference is still within the reasonable range and can be tolerated by the HPP budget (the budget was already designed by NS to anticipate an increase in price and possibility of loses), so it does not significantly affect his company’s business performance. Furthermore, the management of DCK Company uses family principles. This principle is applied in a situation like demand for raise and other situations, where communication and negotiation processes are carried out directly by the owner and his employees.

Besides functions as a guide for working processes and the flowchart of documents in business operations, Work Order also functions as a fixed consumer data and design preferences, as well as a financial performance control tool for DCK Company. The employee who works as NS in DCK Company is the CEO’s trusted person. Based on the interview results, NS has worked for decades at the company, so NS is also familiar with the HPP data, the selling price, and names of the company’s consumers.

On the other hand, the MJA Company has experienced two frauds, carried out by the buying and selling department. In this company, there is no clear separation of authorization so that all employees can enter the warehouse and have access to the place and retrieve goods, even though there are stock cards and stock records in the computer. From the CEO’s statement, there was a mismatch of items written on the stock card records compared with on the computer notes. For the record, the recording of goods carried out for goods whose circulation is fast.

The first fraud happened in 2015, where one staff of marketing used his bank account as an account to pay goods and receive payment from consumers. The fraud was revealed after it lasted for about six months after consumers complained about the differences between account numbers of the company they already knew. The total loss of this fraud reached Rp. 35,000,000. The fraud was known by the CEO when there was a need for payment of funds for the family situation. When the CEO examined deeply, there was a mismatch between the numbers of goods purchased with the numbers of goods that had to be received. This case was settled in a family manner, without involving authorities, and the person who committed this fraud was asked to be responsible for what he did before being fired from the company.

The second fraud happened in 1998. Unfortunately, this case was not solved as the case happened in 2015. In this case, the employee who committed the fraud used office telephone facilities to make transaction order to suppliers and sell goods to consumers in the evenings outside normal working hours, which was lasted for about three months. The increased telephone bill raised suspicion for the CEO. After investigation (by asking for the details of the number contacted), the CEO found out about underhand transaction (consumers served are the...
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consumers of MJA Company). In addition to that, there were reports from suppliers related to the goods orders which are considered as out of the usual transaction done by the company. When the fraud was revealed, the guilty one already resigned from the company. Later, Mr. Daniel Ifianto also explained that the person who committed fraud also opened a business in the similar field, and although he already sabotaged the loyal consumers of MJA Company as his consumers, his business only lasted for six months.

The Role of Accounting Information System as a Solution to Business Problem

From the statements of Mr. Daniel Ifianto, the CEO of MJA Company, so far there is no standard document and inspection in his company, where “early warning system” is possible to prevent or minimize loses. Suspicion is based on the instinct of the previous owner (the late mother of Mr. Daniel), so the confirmation process begins with calling the person concerned. The phenomenon asked the person concerned is also based on the confirmation of suspicion obtained from the other person’s statements, such as other employees, suppliers, or consumers. When asked whether there are physical evidence and standardization of the process of tracking evidence of irregularities and fraud from the perceived suspicion, in accordance with Mr. Daniel Ifianto’s statement, there is no standard that is consistently carried out by the company.

Differences between The CEO’s Point of Views on the Application of AIS and Completeness of Documents in Business Operations

In this case, based on the comparative results on the interview results of both respondents, there have been differences in the quality of the roles meaning, the importance of the application of accounting information systems, and the completeness of documents in their businesses. Mr. DK states that the meaning of his business is conveyed in its functions as (1) the guidelines in for the control and inspection of financial and production activities, (2) a reference for company management flowchart, and (3) a tool for decision-making and business budgeting.

As for Mr. DI, through the exposure of process of experience of two frauds occurred in his company, he interprets the importance and functions of accounting information system as well as the completeness of documents based on more dimensions, namely (1) functioning as a leverage in corporate marketing, (2) as a CRM (Customer Relationship Management) support tool, (3) as a provider of working corridors (similar to the interpretation of Mr. DK which is as a control guidelines to check for working operational activities), (4) as a tool for workflow planning, especially in time management, (5) as a tool of control (CCTV) to minimize and even eliminate cheating opportunities, (6) as a check-up tool for corporate financial health (Early Warning System) and measurement of company financial performance, and (7) as a performance evaluation tool for staffing based on their roles and competencies (from an HRM perspective).

Strengths and Weaknesses of the Application of AIS and Completeness of Documents in the Internal Control Process

Based on the results of interviewing two different respondents, there are similarities related to the advantages of applying the AIS and the completeness of documents in conducting business. Both respondents have agreed that (1) control process can run optimally by standardizing the accounting information system, reference of completeness, and standardized document flow, (2) the application of AIS and completeness of documents can become guidelines for working procedure, and (3) the application of AIS and completeness of documents can become assessment tools, especially for financial performance and generally for business performance. Furthermore, both respondents also mention that accounting information system can be quite complicated to implement since they require much energy to study and implement it consistently, which is supported by the objections from the second generation of their companies. Also, changes from busi-
ness process habits, which is without separating personal financial and business financial are considered well-taken and already bring financial benefits, so the previous generations feel that the company does not require new changes. The previous generations also feel concerned that they have to get out of their comfort zone and must adjust themselves with new changes which will potentially bring new difficulties. Regarding this, the MJA Company, towards the proposal of the 3rd generation, begins to implement an accounting system and standardize documents in implementing his operational business processes. This situation also happens in the DCK company, since this company has not also separated between personal and business finance, and it is felt that the current system which has not yet used a computerized system is still adequate sufficient to accommodate the company’s needs.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

As revealed from this research results, the respondents both agreed that the AIS and the completeness of document are very crucial in implementing their business operations. The respondents describe that the AIS functions as (1) guidelines to control process and assess financial and production activities, (2) a reference of company management flow, and (3) a tool of assistance for decision-making and business budgeting.

Recommendations

As for the differences, there have been the differences in the depth on the meaning of function, the width of the AIS function, and the completeness of the documents from the informant. Besides the above three functions, the AIS system and document completeness function as (1) a leverage of company marketing, (2) a tool to support CRM (Customer Relationship Management), (3) as tool to plan workflow especially in time management, (5) a check-up tool for corporate financial health (Early Warning System) and measurement of corporate financial performance, and (7) a performance evaluation tool for staffing based on their roles and competencies (from an HRM perspective).

This research is conducted by taking the interview results based on a semi-structured method which might be explored furthermore. The aspects that are possible to explore more are (1) planning of the AIS system that will be implemented in the future, and (2) differences in the point of view between employees, CFO, NS, and (3) planning for completeness of documents in the future. Research on the similarity of respondents’ industry and business scale must become the attention of selecting the respondents in the future (in this research, manufacture of job order or retail commodity) can become a proposal for next research, in order to compare and study the procedures of AIS and completeness of document flow in depth.

REFERENCES


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