

PHENOMENOLOGY STUDY: TRIGGER FACTORS OF FRAUD TENDENCY ON ACCOUNTING-FINANCE DIVISION

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Abstract

This study aims to examine the factors that influence the possibility of fraud on the division of accounting-finance. The population in this study were lecturers and staff at the Faculty of Economics, Semarang State University who engaged in the activity of accountability report (SPJ). The number of samples was 15 respondents by applying proportional cluster sampling, this study used qualitative method namely phenomenology and applied descriptive analysis in order to obtain comprehensive results. The results showed that rationalization factors affecting the possibility of fraud. Furthermore, capability factor also gave effect to the possibility of fraud.

Keywords: Fraud; Rationalization; Capability

INTRODUCTION

Cheating or is often known by the term fraud is a threat for all entities including large company, medium-scale company to enter college level. Fraud is more precise described as an iceberg phenomenon where only a slightly visible on the surface and still so big chunks below the sea surface. The case revealed just seems a little, when in fact there are many. This is similar to cases of fraud that exist in the world, where only a small portion is revealed, but actually there are many cases of fraud are uncovered. Cases that have been revealed include the cases of Satyam, Enron, BLBI and others. Most cases of fraud are in the form of 2 fraud in accounting field. Accordingly, rampant cases of fraud occurring in company has been enough to give a signal for educational institutions to immediately introspect themselves and do prevention as early as possible. Prevention to fraud action in college is very important to be done for the sake of the embodiment of good university governance so as to provide optimal service to the public.

Furthermore, (Tuanakotta, 2012) revealed that there are three main factors in an entity that could motivate fraud action such as opportunity, rationalization and pressure. These three elements have a very close relationship to the fraud action both small and large scale. Hereafter, this study also will examine more deeply related to factors that can trigger fraud committed by an employee at the college. Therefore, in an effort of the embodiment of good university governance, an organization obliged to make efforts include risk identification and risk management (Rezaee, 2009). This can be done by way of anti-fraud implementation or fraud prevention. According to Zimbelman et al (2012) some ways to prevent fraud are the creation of a positive working atmosphere and fraud awareness training. If within a university is able to

create a fraud prevention strategy, the performance of the university will increase and can reach a good university governance. The purpose of this study was to examine the factors that influence the possibility of fraud on the division of accounting-finance.

Cressy in Tuanakotta states that there are three factors that can trigger fraud action for individuals and organizations. This is known as fraud triangle theory that includes pressure, opportunity and rationalization. But along with the times, fraud theory began to shift to a broader sphere by adding capability element. The addition of this element led to a new theory called The Fraud Diamond Theory.

As for kinds of fraud according to Zimbelman et al (2012), in an organization is: employee fraud, a fraud committed by an employee of a company, entity or college; fraud management, committed by a company management or the leader of an organization; investment fraud and other 3 customers fraud, is a kind of fraud that done via internet; other fraud, all forms of activities that seek to take advantage in a way that is not true and harm others.

Research related to fraud motivating factors have been done many (Abbott, 2002; Cressey, 1950; Wolfe et al, 2004). However, the research conducted on non-education sector so that on education sector is still rarely carried out research related to it. Hence, this study has the objective to examine the factors that trigger fraud tendencies on the division of accounting-finance in college.

METHODS

Population of this study was all the units involved in the process of accounting-finance both in terms of budgeting and accountability process on the Faculty of Economics, Semarang State University. Sample of the research included 5 accounting educators personnel, 5 finance personnel, and lecturers involved in the process of SPJ both in groups or department as many as 5 people. The number of sampling selected based on proportional cluster sampling, where each cluster would be represented proportionally.

This study used a qualitative approach that was phenomenology. Phenomenology was an approach that examined a particular phenomenon from the standpoint of the participants. This study described the meaning of some individuals' experiences about a phenomenon. According to Bogdan & Biklen in Sugiyono (2009: 19) a qualitative research method was often called naturalistic research methods for its research conducted under natural condition (natural setting). Qualitative approach chosen in this study for the following reasons: (1) Had the quality of double, holistic, dynamic, result of construction and understanding; (2) the relationship between researchers and object studied was interactive with data sources in order to gain the meaning; (3) the relationship of its variable was reciprocal / interactive; (4) transferability (only possible in the bond of context and time); (5) bound values that brought by researchers and data sources.

Main data sources in this qualitative research were words and actions (Silverman, 2007). Consequently, the main instrument in this study was the 4 researchers themselves through the interview that was expected could analyze more in qualitative data obtained. Furthermore, this study used a combination of two data namely secondary data and primary data. Secondary data was in the form of

Semarang State University (UNNES) annual reports, UNNES strategic plan, Economics Faculty (FE) work programs and other literature. Then, primary data obtained by means of observation / surveys, interviews and situational study that occurred in the Economics Faculty of Semarang State University.

RESULTS AND DISCUSSION

Based on interview results with 15 informants from division of finance, accounting, and lecturer in charge of an activity found that fraud behaviour that committed by each informant was different. Pressure that was experienced by a person such as the preparation of budget preparation activities and the determination of responsible activity was done in the early in the year. This was as told by W as follows

“...at the beginning basically for each activity, who the actual person in charge of the activity was. At the beginning, it has been set the person in charge of the activity. The planning has been set. At the time budget year, the person in charge of the activity carried out its activities.”

It was as told by B as follows

“... yes many factors, if we did not arrange programs, then we did not have budget for the next year, automatically there was no activities running, there was no funding, there was no financing. So it was in accordance with duties and functions, we have to arrange those activities programs.”

After the budget was set then the person in charge of the activity conducting the activity and reporting the use of these funds. The use of budgets could be in accordance with the budget plan and could not. It was as said by C as follows

“...Budget absorption was. If the budget 10 million only was used 8 million called efficiency. Two million was not absorbed.”

Evidence of accountability report must be in accordance with the rules or regulations applicable. If it was not appropriate, it must be replaced as required in the rules. This was said by W as follows

“..... The essence was the treasurer was paymaster PMK 20 paid, I had the authority to manage the money supply. As for direct filing was the authority of PPK. I was responsible for the money issued via UP. The requirements of SPJ was accepted or not, it has been rules such as having letterhead, stamp, invoices, if it was not in accordance with the existing requirements, I returned it.”

Each transaction document was tested and examined by part of examiners and identified its validity in accordance with existing regulations. If it was not appropriate, it must be replaced. This was in line with as said by N as follows

“...for accountability report (SPJ) testing, after the person in charge of the activity took UP later in the period of one week, then came here to hand SPJ, SPJ which we examined must be in accordance with fare, the bills was in accordance with the standards or not. There was letterhead, address, invoices, or not in accordance with the rules I returned again to the person in charge of the activity.”

The validity of documents and accountability reports were also investigated by NN as he said as follows

“...in case of they collected the accountability report, there were photographs there, if there was or no someone who was able to detect it, oh it seemed that it was not conducted in Balemong yesterday, why, why the picture was in Balemong, oh it was conducted yesterday at FE why the writing was in Balemong, so it could be detected or not.”

The validity of the document was sometimes questioned due to it was not in accordance with regulation. As said by K as follows.

“... we see from the bills, the right bills must have letterhead and stamp, so the letterhead must be a print, not a copy. Well, if it was a copy, it seemed create itself, then made its own stamp, stamped then submitted to the finance. Now it could be seen there, and then the writings, the writings...”

Condition where a person had an opportunity to commit fraud action could be weak internal control. It was called by chance (opportunity). One that was done to identify it was by conducting separation of powers, as claimed by K as follows.

“...The separation of powers was in accounting sub division, for division of eee financial accounting was recorded by separate staff, then for ... division of assets recorded by other staff, so eee money flow and goods flow recording was done by different ee staff, then if in FE, eee that recorded has been 6 already indepent in the accounting division, then that disbursed funds was financial sub-division. So ter,, so there was separation of powers.”

Each section has its own duties and powers as claimed by Y as follows.

“...for example division of recording was me, then eee was another staff, afterwards ee here there was mba ismah who archived such things. So we had our own jobs, but accounting sub division indeed did that..”

Furthermore it was also said by K as follows

“...Uh-huh. So first we were given money supply, thereafter we gave to the person in charge of the activity, the person in charge of the activity conducted the activity. Well, trans .. the evidence of the transactions we collected, after that we input in the Financial Section later entry in the BKU (Exhibit Treasury), General Ledger, sorry...”

Each evidences of accountability report (bspj) was tested and the remaining money if it was more, it must be returned. After that, bspj was audited. This was said by K as follows

“...Just be audited later, yes. He.eh From the documents were audited by external or internal admin. Thus, the validity of shopping documents or... shopping especially in finance was, audited by, internal and external auditee. So therein was really spent in accordance with the needs or not, it also could be in therein, or maybe the shopping was fictitious or .. not could be seen there...”

Each activity was recorded in a computerized as stated by NN as follows

“..all the time the process eee recording from umpag sub division, then noted in the application of Sima BM BMN in accounting sub division, then the report printed from the eee simaba BMN application.”

Same with NN, K also said that each activity was conducted in a computerized recording.

“so for example, eee meant here was the disbursement of funds that had several kinds. What was the first step? It was PK, right? For instance from the person in charge of the activity would hold an activity, after making the proposal, the plot was finished he finded a fund thourgh PK. The transactions proof of PK from finance division would be sent to Accounting division. Well, that’s where we could also check the feasibility of PK itself, in accordance with the Budget Plan in the proposals that already existed yesterday or not, in accordance with its budget or not, in accordance with the activities program or not, afterward from those PK recently we noted, either in here, there was record manually, we used Excel meant manual, then also eee used system, in Si Akun. Because, why did we still need to record in Excel? Because indeed, Si Akun have not accommodated all the needs that we needed, well after the recording and next we archived it.”

Y also stated the same thing with K as follows

“..if in Si Akun was the same with this, the eee was just like that, we just could note the ledger, reconciliations, cash, like that, yet the management needs, for our internal needs was not only that, but more than that, for instance, eee detail of each activity program, in terms of budget how much it was? How much was the realization? How much was the balance? How much was the absorption? What plan was for the future? What PK which was hanging? What PK which have already handed SPJ? any its LS proposal? There was still a lot, meanwhile, all those things was not accommodated in Si Akun, like that. So indeed we were having back up manually done in the form Excel by ourselves,..”

But K also did manual recording. As he said as follows

“...eee would also be noted by us manually, then we archived it, well after those SPJ gathered in finance and later proposed to H building, the mechanism used GU or Nihil TUP if indeed that was TUP.”

Someone could also justify that fraud (rationalization) as claimed by KR as follows

“..Demands and difficulty of SPJ, forcing the executive budget tended to manipulate the data, and sometimes when SPJ directly approved by the examiner of SPJ.”

It was also said by D as follows

“...Remaining funds of the activity submitted to the faculty, sometimes reported running out and the remaining funds were managed by the department to finance the activities of the department that could not be reported in SPJ.”

Remaining funds of an activity was typically not returned to the faculty (faculty treasurer) but would be kept for cash of the department.

“..Remaining budget of the activity was returned to the department, report to the faculty written running out. But if the department wanted to be returned it to the faculty, it could be returned to the faculty.”

IN said that if there was money left saved in the department treasury for the operational activities of the department.

“..Often there were excess funds, and the remaining fund was saved in the department. SPJ was made running out as big as Budget Plan. Otherwise, if the realization of the budget exceeded the Budget Plan, still that was allowed to be reported was amounted to the Budget Plan. The remaining budget of others activities used to cover the activities that was lack of funds. The remaining budget was kept by the treasurer of the department to be department cash. It was not to be borrowed, used for tentative activities example such as for department meeting.”

But W said the remaining money of the activity was sometimes given to the faculty sometimes to the department.

“...Remaining money of the activity sometimes was returned to the faculty, sometimes to the department. In the department level, remaining funds were managed by the treasurer of the department and should not be borrowed.”

Lastly, capability of fraud perpetrators in committing a form of fraud was very structured. As said by W as follows

“ ... The treasurer had empty bills to ease SPJ. In fact, shopping was did in the store that cheaper and reported with bills of the store that was more expensive, because the difference in funds would be used to finance expenditure which should not be reported, such as the cost of students' IELTS test, paid speaker, bought souvenirs or gifts for the speaker, the cost of speaker banquet.”

DS also said the same thing with W as follows

“...Often keeping empty bills to ease SPJ.”

IN also said the same thing with W and DS as follows

“..If there was a mistake in SPJ, must find a new bill.”

It was also justified by N, that was the person in charge of the activity must replace wrong bills.

“...for accountability report (SPJ) testing, after the person in charge of the activity took UP later in the period of one week, then came here to hand SPJ, SPJ which we examined must be in accordance with fare, the bills was in accordance with the standards or not. There was letterhead, address, invoices, or not in accordance with the rules I returned again to the person in charge of the activity.”

Consequently, the capability to obtain bills and do mark up becoming motivating factor for someone to commit fraud.

Based on Diamond Fraud Theory there were four factors that could trigger fraud among others opportunity, pressure, rationalization and capability. These factors could fully jointly lead a person to commit fraud. Or only one, only two factors were also able to trigger someone committing fraud. As happened in finance / accounting division of Economics Faculty showed that there were two factors that motivated someone to commit fraud namely rationalization and capability.

Rationalization was a condition in which a person justified his/her mistakes behaviour (Tuanakotta, 2012). One of the things that trigger was difficult procedure that must be followed such as the difficulty in SPJ forcing someone to do justification / rationalization to his/her deviant behaviour, as claimed by KR as follows.

“..Demands and difficulty of SPJ, forcing the executive budget tended to manipulate the data, and sometimes when SPJ directly approved by the examiner of SPJ.”

It was also said by D as follows.

“...Remaining funds of the activity submitted to the faculty, sometimes reported running out and the remaining funds were managed by the department to finance the activities of the department that could not be reported.”

Remaining funds of an activity was typically not returned to the faculty (faculty treasurer) but would be kept for cash of the department.

“..Remaining budget of the activity was returned to the department, report to the faculty written running out. But if the department wanted to be returned it to the faculty, it could be returned to the faculty.”

IN said that if there was money left saved in the department treasury for the operational activities of the department.

“..Often there were excess funds, and the remaining fund was saved in the department. SPJ was made running out as big as Budget Plan. Otherwise, if the realization of the budget exceeded the Budget Plan, still that was allowed to be reported was amounted to the Budget Plan. The remaining budget of others activities used to cover the activities that was lack of funds. The remaining budget was kept by the treasurer of the department to be department cash. It was not to be borrowed, used for tentative activities example such as for department meeting.”

But W said that remaining money of the activity handed to the faculty occasionally and to the department once in a while.

“Remaining money of the activity was returned to the faculty on occasion, sometimes to the department. In the department level, remaining funds were managed by the treasurer of the department and should not be borrowed.”

Hence, the behaviours above were actually a form of justification that funds of the activities that should be deposited back to the faculty but instead kept for the needs of the department, with assumption that the remaining funds of the activity was also used real for the needs of the departments such as purchasing an impromptu meeting consumption, purchasing tactical other departments needs. This was in accordance with research conducted by Cressey (1950) which stated that some offenders said that they knew actually what they have done was illegal and wrong, but they justified their own minds that their behaviour was not illegal.

Capability was one the factors that could motivate someone to commit a fraud action. The pattern of the fraud was very well structured, as claimed by W as follows.

“ ... The treasurer had empty bills to ease SPJ. In fact, shopping was did in the store that cheaper and reported with bills of the store that was more expensive, because the difference in funds would be used to finance expenditure which should not be reported, such as the cost of students’ IELTS test, paid speaker, bought souvenirs or gifts for the speaker, the cost of speaker banquet.”

The same thing was also said by DS as follows.

“...Often keeping empty bills to ease SPJ.” Saving empty bills was considered as a smart way in tackling the problem. If having reverse bills, then when there was a mistake in the SPJ could be soon resolved quickly and the person concerned could immediately continue his other job.

IN also said the same thing with W and DS as follows.

“..If there was a mistake in SPJ, must find a new bill.”

It was also justified by N that was the person in charge of the activity must replace wrong bills.

“...for accountability report (SPJ) testing, after the person in charge of the activity took UP later in the period of one week, then came here to hand SPJ, SPJ which we examined must be in accordance with fare, the bills was in accordance with the standards or not. There was letterhead, address, invoices, or not in accordance with the rules I returned again to the person in charge of the activity.”

The necessity to look for new bills, making the parties concerned troublesome and sometimes making stressful actors of SPJ. Therefore, it could be concluded that capability became one the factors that could drive someone to commit SPJ fraud. This capability included the ability in collecting bills, ability in doing price mark up as well as ability to face emotionally response from himself/herself and his/her surrounding environment.

HR capabilities could be formed from formal and non-formal education in order to obtain a wide range of knowledge and science. Thus, good or poor quality of human resources could be seen from the

factors of education, experience and training obtained all the time. Nevertheless, once in a while the quality of human resources was not separated from spiritual and emotional elements which also determined someone's quality in getting along and living work.

The capability of human resources had an enough significant role in the prevention as well as the implementation of fraud. Human who were the most noble creatures and as *rahmatan lil Alamin* was evidently not always able to maintain its consistency. Humans who were social beings sometimes could not be separated from various things that were nearby included educational background, family conditions and society. These three things shaped the quality of a human became more meaningful or even created disastrous. According to Sumarjino (2004: 84) human resources included several elements among others skills, education, willingness and ability in activities development. If someone had ability but did not have a will then it would be difficult for him to be able to develop himself even would trigger on the negative things.

Chaer (2003) revealed that psychological theory of stimulus-response (S-R) relationship had the notion that past experience was able to provide key answers for the current problems. Moreover, according to Ahmadi (2002) believed that in theory, human soul was composed of several power such as memory, observing and thinking power. The entire power would be able to develop well through proper training. Consequently, experience, education and power that owned by human would affect both positive and negative behaviour. If someone was able to grind it into a positive direction then the behaviour would be good and avoid from various fraud. But if the ability that he owned was sharpened to negative way then he would commit fraud.

CONCLUSIONS

This study has been conducted in accordance with a predetermined method. The result of the study showed that the factors of rationalization and capability influenced the possibility of fraud. Rationalization is an attitude of justification to mistakes / deviations done. Meanwhile, capability is someone's ability in committing fraud / deviations. Therefore, in the future need to be revisited relating to performance appraisal system. Which was originally based on the absorption of activity funds is replaced by the achievement of a particular product. Furthermore, the remaining funds are expected to be able as a form of efficiency that eventually would be right for related units to be managed again by certain oversight. Hence, further research can add a variable that is internal control variable.

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