

**Analyze Each Asset Misappropriation Fraud Scheme in Terms of the Three Prongs of the Fraud Triangle.**

**Discuss Methods and Techniques That Can Be Used to Prevent the Fraud from Occurring.**

**Cash Receipt Scheme**

**Cash Disbursement Scheme**

## **Abstract**

The purpose of the research paper is to analyze asset misappropriation in terms of the element of the fraud triangle. The misappropriation assets are the cash receipt and the cash disbursement. The schemes as well as the methods and techniques that can be used to prevent them from occurring will be discussed.

## **Introduction**

Fraud has become one of the greatest pressures in the economic world due to its extreme problems affecting private and public sector organizations. The Association of Certified Fraud Examiners (ACFE, 2014) reported that a typical organization loses 5% of its resources each year to fraud. The most common occupational fraud is asset misappropriation. ACFE, (2014) defined asset misappropriation as a fraud scheme in which an employee steals or misuses the employer's organization resources." These fraud schemes include cash receipt schemes and cash disbursement.

### **Cash Receipt Scheme**

This is a popular type of asset misappropriation that includes fraudulent receipt of cash. The three elements of the fraud triangle must be present for this fraud to occur. These motives which include opportunity, pressure, and rationalization appear in varying degrees in fraud.

Cash receipt schemes occur because employees of an organization understand the company's insufficient internal control and lack of segregation of duties. For example, a cashier who understands the weakness of the company's internal control steals a large sum of money from the organization before the fraud will be discovered.

A cash receipt scheme may also occur when an individual has external or internal pressures. For example, an account manager steals company money because of an extravagant lifestyle and indulgence. Another account officer steals a company's money because he was dissatisfied with the job role.

Cash receipt schemes may occur through rationalization. An individual from the accounting department may borrow money from a company to pay back later in the hope that the organization will not notice. Such an employee justifies the action because of being one of the employees that are closest to the cash department.

### **Cash Disbursement Scheme**

Cash disbursement involves paying out cash. Individuals commit fraud when there is an opportunity for the removal of funds from the cash register or point-of-sale system. The Association of Certified Fraud Examiners (2000) report to the nation on occupation fraud and abuse found that nearly two-thirds of cases involved fraudulent

disbursement. This fraud can take in the form of check tampering, a billing scheme, a payroll scheme, expense reimbursement, and register disbursement.

An individual knowing that there is inappropriate internal control and lack of separation of duties in a company may write fictitious checks or forge the endorsement. Also, any loopholes may give an individual the opportunity to defraud the company by issuing electronic transfer payments that benefit the employee. Moreover, employees in the financial department may have the opportunity to issue credits to their accounts.

An Individual with external pressure may collude with other employees to commit some fraudulent activities in the company. Employees may also involve in petty cash disbursement and at the same rationalizing their act.

### **Methods and Techniques That Can Be Used to Prevent Fraud from Occurring**

Asset misappropriation fraud in the form of cash receipt scheme and cash disbursement can be prevented by

#### **Strong internal control System**

Having a strong internal control mechanism is one of the ways to prevent asset misappropriation. No single employee should manage all phases of transactions. The key element to having cash receipt controls is to separate duties for employees. This will help prevent employees from committing and concealing fraud. Segregation of duties reduces the opportunity for embezzlement.

Employers cannot control employees' pressure, motivation, or influence on the code of ethics. But they can control the opportunity for fraud. They can use the following cash controls. Signing of cash receipt log, making daily cash deposit, and monitoring the work of employees involved in the cash receipt and disbursement system.

#### **Conclusion**

Fraud in the form of asset misappropriation drains an organization's resources, reduces productivity, and can even lead to bankruptcy. Employers should provide fraud risk assessment and adequate internal control to safeguard their companies.

## **References**

ACFE (2014). Report to the Nation on Occupational Fraud and Abuse 2014.

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