

Case 2-9 phar mor essay sample

[Business](#), [Company](#)



I feel that one major flaw in the Phar-Mor company is the fact that Mickey Monus has full control of the company and could pull off such a giant fraud scam. This is a flawed system in management. There were no checks and balances to keep this fraud from happening. Mickey Monus had so much control of those under him that he convinced them to go along with the fraud. That everything would get better soon and they would not have to worry. The ones that did know about the fraud were in a position to say something but chose not to.

If the company were structured better, another manager or high level authority would have caught the fraud being conducted and stopped it in its tracks within management. This in turn leads to the second flaw which is in the corporate governance. There had to have been a separate board of directors that should have had the capability of finding the fraud themselves instead of letting one man hid it from them. The company had audits being made but they were very poorly executed.

The audits should have been made at random and more frequently. Only checking four stores out of 300 every once in awhile is not enough. However, the management structure should have been set up better so that they could catch the movement of inventory to the audited stores. For the amount of money that was being lied about way too many people should have caught on to the fraud much sooner.

When Cherelstein and Finn both first found out about the fraud it should have been reported to the board of directors. They would have been able to relay the information to the proper places. The code of ethics for a

corporation is outlined in the corporate governance and should have been followed. It is clear that they did not take an ethical approach on the matter.