

Trolley dodgers case

Finance



Executive Summary The Trolley Dodgers was exposed that it had internal control problems existed. The other hand, found that employees embezzlement. The first part of this report identify and explain the characteristics of employee fraud indicated in Dodgers case. such as perpetrator must gains the trust or confidence of the person or company being defrauded. etc And then, the second part is explain the internal control weaknesses and understanding internal control objectives . The third part based on the understanding of the Committee of Sponsoring Organisations 'internal control.

Final part is recommendation for Dodgers internal control problems. Table of Contents Introduction3 Characteristics of the employee fraud in Trolley Dodgers case3 The internal control weaknesses in the Dodgers` payroll system4 The critical evaluation of the internal control problems in the Dodgers` payroll system5 Recommendation for Dodgers internal control problems7 Reference List: 9 Introduction In this report, I will be divided into four parts. The first part will cover Identify and explain the characteristics of employee fraud .

The second part is explain the internal control weaknesses that were evident in the Dodger` payroll system . the internal control weaknesses include: no independent check and Dodgers don't have separation of duties, etc. The third part is to understanding the Committee of Sponsoring Organisations ' internal control framework to evaluate internal control problems. The COSO's internal control framework have five interrelated components. the five components includes: Controlenvironment, Control activities, Risk assessment , Information andcommunicationand Monitoring.

<https://assignbuster.com/trolley-dodgers-case/>

The final part is recommendation for Dodgers internal control problems. Characteristics of the employee fraud in Trolley Dodgers case Employee fraud is an employee within the company to improperly deceptive means to obtain the company's money or other property. Through understand to Romney and Steinbart for the employee fraud has a number of important characteristics. However, the analysis and interpretation in this case related to employee fraud Characteristics. One basic characteristics of employee fraud is perpetrator must gains the trust or confidence of the person or company being defrauded.

In the case mentioned Edward Campos is operations payroll Chief. He is longtime working for the Dodgers . He was known not only for his work ethic but also for his loyalty to the club . However, His boss think Campos was on vacation , He will come back to company and did the payroll. Dodgers Trusted him. The facts have proved that perpetrators has gained the trust of the company , His behavior is consistent with employee fraud of characteristics . Many employee fraud cases are the characteristics of perpetrators and employers to establish a good relationship of trust.

Other case about Bess is cashier supervisor at the campus student health services (SHS)? she is trusted employee? she was able to commit this fraud undetected for nearly 13 years? why? But the answer is simply: Because don't anyone suspected the SHS cashier supervisor because she was a trusted, well-liked employee. " Fraud research finds that most members of the general public fit the profile of the typical fraud perpetrator" (Peterson and Gibson 2003). But Dodgers' case and Bess case similar, so to meet this characteristics of employee fraud.

<https://assignbuster.com/trolley-dodgers-case/>

The fraud perpetrators use false or misleading information to obtain asset or money is the fundamental elements of employee fraud. This element is required no use other violent offenders, Other employee fraud is they the hide their tracks by falsifying records or other information (Romney and Steinbart 2009). Because he false wage income of workers, He registered about \$ 2000 weekly wage employees. However, the real wages of workers earning \$ 7 per hour. His salary more than 55% false.

On the other hand, He completely controlled the payroll system for filling out the weekly payroll cards for the employees of the Dodgers. Because, He designed and implemented to payroll and only himself understand full payroll system. Other case admitted to manipulating work samples, falsifying records to cover up its poor performance as a Medicare contractor(Healthcare Financial Management 1998) . Demonstrate through their privileged position to falsifying records is general public fit the profile of the characteristics fraud perpetrator

The internal control weaknesses in the Dodgers` payroll system Internal control refers the process implement by the corporate board of directors, managers and other staff, and provide reasonable assurance . The purpose of internal control is to ensure the reliability and accuracy of financial reporting, efficiency of operations, and compliance with laws and regulations. The internal control weakness in the Dodger's payroll system include: 1. The Trolley Dodgers don't have independent check and performance .

Because, Campos controlled the system so completely that he personally filled out the weekly payroll cards for each of the 400 employees of the Dodgers. 2. Trolley Dodgers should have must vacation for senior managers. Because, A management position working in a long time, then he will be more familiar with the internal control vulnerabilities, the possible implementation corruption. 3. The Dodgers don't have separation of duties, Campos is operations payroll chief. He designed and implemented of a new payroll system,.

However, this is only himself understanding of all system operations. He was the trusted employee who got trusted too much, However, that Campos took advantage of his authorization. He came back during vacation to do the payroll. On the other hand, Camps routinely inflated the number of hours worked by several employees and then split the resulting overpayments fifty-fifty with those individuals. These employees pay \$ 7 per hour, but these employees weekly wage approaching \$2000. He did not ensure the integrity of assets and reliability of financial reporting.

This information is also proved that the internal control failed to arrived goal of the segregation of duties. Enterprises to integrity and strengthen the internal organization, it is the economic activity of firms for planning, directing and controlling the organizational basis, the core problem is a reasonable segregation of duties. Under normal circumstances, Dealing with each business or the economy in the whole process a few important aspects, Companies need to be up to the two departments or two or more departments, two or more staff for the purpose of mutual control.

The critical evaluation of the internal control problems in the Dodgers' payroll system. What is internal control? Different people have different interpretations. Generally, people try to understand the internal control for the organization to reduce work of the decision-making errors and defects in the implementation of the control. These controls may be internal oversight, it may be management manuals, rules and regulations. These theories are not wrong, but not comprehensive. In accordance with the internal control theory, these are only part of the internal control, but not all.

Internal control theory suggests that internal control is a systematic framework. It is built on the basis of risk management. The five elements include: Control environment, Control activities, Risk assessment, Information and communication and Monitoring. (Romney and Steinbart 2009). We call this architecture as Committee of Sponsoring Organisations' (COSO) internal control framework. The internal control integrated framework has been widely adopted as the principal way to evaluate internal controls. Will through the five elements to evaluate the internal control problems with the Dodgers' payroll system.

The control environment is the establishment, Strengthen or weaken the specific policies, procedures and their impact on the efficiency of the various factors, mainly refers to the major factor. Control environment have a direct impact on the implementation of internal control and execution of business objectives and related to the overall strategic objectives. Control environment, including the values ?? of employees, personnel competence, management's business model, the allocation of rights and responsibilities.

In this case have found problem is Trolley Dodgers no reasonable structure and clear division of responsibility approach.

Because, Campos is payroll chief. However, Campos completely controlled the payroll system for filling out the weekly payroll cards for the employees of the Dodgers. Therefore, the formation of a single department, resulting in no mutual constraints of the internal control system. The control activates is Instruction is to help executive management policies and procedures. It throughout the organization, at all levels and functions, including a variety of activities such as approvals, authorizations, confirmed that adjustment, business performance evaluation, asset protection and separation of duties.

The Trolley Dodgers don't have separation of duties, However, that Campos took advantage of his authorization. He came back during vacation to do the payroll. Risk assessment is to identify and analyze the process of achieving goals related risks, which with the economy, industry, regulatory and operating conditions are constantly changing, the need to establish a mechanism to identify and deal with the corresponding risks. Dodger's case cannot be any problem in this regard. Information and communication is surrounding the control activities are information and communication.

From internal and external information must be a certain format and time interval to confirm the capture and transfer to ensure the company's employees to perform their respective duties. Effective communication is a broad communication, including the enterprise from top to bottom, bottom-up and horizontal communication. Effective communication includes the relevant information with parties outside the enterprise effective

communication and exchange, such as customers, suppliers, administration and shareholders.

Dodgers does not have very good communication, so senior managers do not understand the financial statements of a problem. Monitoring is the entire business process must be monitored. Through the normal management and control activities and staff activities in the course of his duties to monitor, to evaluate the quality of operation of the system.

Evaluation of different steps depending on the scope and implementation of risk assessment and monitoring program effectiveness. By understanding the Dodgers case can determine a great part of this monitoring problem.

Dodgers not have normal company monitoring department. Lead to administrator can't find employee fraud. Recommendation for Dodgers internal control problems Based on understanding of the COSO' internal control framework and the Dodgers facts, I recommend Dodgers to strengthen its internal control system. Internal controls perform three important point, segregation of duties , strengthen the monitoring and Must ensure that the accounting documents and accounting records of the completeness and correctness.

All of those three are suitable for Dodgers' situation. Three proposals are as follows: 1. When these functions are combined in one individual, it is possible to the misappropriation asset and conceal the crime by manipulating the related records ? such as overpayment 55% with those employee. So, When the economic activity of firms for planning, directing and controlling the organizational basis, the core problem is a reasonable segregation of duties.

Under normal circumstances, dealing with the whole process of business of each economy, Must two department or more than two departments, two or more two employees take responsibility, its purpose is to restrict each other. Therefore, Separating the incompatible functions of cash recording and cash custody, independent check of cash received and cash deposited, The mandatory vacations with other personnel performing duties during the employee's absence. 2. Dodgers need to strengthen monitoring. However, it is necessary to establish an internal audit department.

Internal audit is to strengthen the internal control system is a basic measure. Internal audit responsibilities include the review of accounts, It also includes inspection, evaluation of internal control system is perfect. Through the company's financial report of audit. The audit report submitted to the Board of Directors. Thus ensuring the company's internal control system more perfect. 3. Must ensure that the accounting documents and accounting records of the completeness and correctness. Because in this case found that the perpetrators falsified accounting documents.

Conclusion Through the analysis of the Trolley Dodgers' case, we found internal control have weakness It don't have separation of duties and don't have independent check and performance. Also, Dodgers had internal control issues according to the Committee of Sponsoring Organisations' (COSO) internal control framework . Analysis of the case of internal control, and finally gives three suggestions. Recommendations include segregation of duties , strengthen the monitoring and Must ensure that the accounting documents and accounting records of the completeness and correctness.

Reference List: Book references: Romney, MB & Steinbart, PJ 2009, Accounting information systems, 11th edn, Pearson Prentice Hall, Upper Saddle River. AcademicJournal articles references: Bonita K Peterson and Thomas H Gibson. ' Student health services: a case of employee fraud' In Journal of AccountingEducation2003 21(1): 61-73 HFM (Healthcare Financial Management); ' Illinois Medicare carrier guilty of fraud, agrees to a \$144 million settlement. ' September 98, Vol. 52 Issue 9, p10, 1/4p LIN LIN