



PERGAMON

J. of Acc. Ed. 21 (2003) 61–73

Journal of
**Accounting
Education**

www.elsevier.com/locate/jaccedu

Student health services: a case of employee fraud

Bonita K. Peterson^{a,*}, Thomas H. Gibson^b

^aMontana State University, Bozeman, College of Business, 429 Reid Hall,
Bozeman, MT 59717-3040, USA

^bMontana State University, Bozeman, 204 Montana Hall, Bozeman, MT 59717-2440, USA

Received 1 October 2001; received in revised form 1 March 2002; accepted 1 July 2002

Abstract

The indicators of employee fraud often are not recognized by auditors or their clients until after financial losses have been incurred. Employee fraud costs society hundreds of billions of dollars every year [The Association of Certified Fraud Examiners. (2002). Report to the nation on occupational fraud and abuse. Austin: ACFE], and as such, it is increasingly important for auditors and accountants to have fraud prevention and detection skills. This nonfictional case of employee fraud in a university setting is designed to expose students to several different fraud issues. Topics covered in this case include: an explanation of why people commit fraud; the profile of the typical fraud perpetrator; recognizing red flags that may indicate the presence of fraud; the importance of a strong system of internal controls in preventing and detecting fraud; and audit procedures that may help to detect a skimming scheme. This case is appropriate for use in a first auditing course or a fraud examination course.

© 2002 Elsevier Science Ltd. All rights reserved.

Keywords: Fraud; Asset misappropriation; Skimming scheme; Embezzlement; Red flags

1. Introduction

This nonfictional case exposes students to a classic occurrence of employee fraud where the perpetrator was a long-time, trusted employee. This fraud is not an ingenious scheme committed by a criminal mastermind, but a case of a low-level employee who stole nearly three-quarters of a million dollars from her employer over a 13-year period.

The six learning objectives this instructional case is designed to achieve are: (1) to help students understand why people commit fraud, (2) to identify demographic and

* Corresponding author. Tel.: +1-406-994-4620; fax: +1-406-994-6206.

E-mail addresses: bonitap@montana.edu (B.K. Peterson), thgibson@montana.edu (T.H. Gibson).

psychological characteristics of a typical fraud perpetrator, (3) to give students practice in identifying red flags that may indicate the presence of fraud, (4) to provide students with a greater appreciation of the crucial importance of internal controls in helping to prevent and detect fraud, (5) to give students experience in identifying audit procedures that can help detect a skimming scheme, and (6) to enlighten students about the prevalence of fraud, the potential difficulty in detecting fraud, and how people can be affected directly or indirectly by a fraud. Because this case occurred in a university setting, students should realize that fraud can, and does, occur anywhere. When working the case, students use the factual information provided and apply their own knowledge of internal control principles and auditing procedures to arrive at solutions for the discussion questions.

2. Case

2.1. Background

The campus student health services (SHS) was relatively small in terms of revenue generated annually when compared to other university departments. For example, in the mid-1980s, the SHS reported about \$4 million per year in revenue, while the university recorded revenue of approximately \$175 million annually. Most of SHS's revenue was earned from providing various general health services for students, such as diagnosing health problems, performing X-rays, filling prescriptions, drawing blood, performing throat cultures, casting broken bones, and giving shots. Prior to 1984, the SHS was funded entirely by a health fee charged to all students. Starting in 1984, however, the SHS began charging students an additional fee for services rendered, which varied depending upon the type of service performed. Payment was made by students, usually with cash or a personal check, at the time the service was provided.

In 1986, the university's internal audit department performed a random audit of the SHS. During this audit, the auditors noted that there were insufficient procedures in place to adequately track revenue earned by the SHS. The internal audit department recommended that the SHS implement the use of prenumbered multiple-copied receipts for all services provided. The copies were to be distributed so that the physician or department performing the service kept copy 1, the cashier kept copy 2, and copy 3 was given to the student as a receipt. In addition, the internal auditors recommended that the SHS account for all receipts on a daily basis, including any voided copies of the receipt forms, and reconcile the total receipts to the daily deposit.

Shortly after the completion of this audit, severe university budget cuts eliminated two of the three internal audit department staff positions. Consequently, there were insufficient personnel to follow up on the implementation of recommended control procedures at the SHS.

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات