Corporate Training Assessment Technique: 
Risk Factors Associated with 
Misappropriation of Assets

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Due to rapid advances in technology, companies are spending record amounts of money on training as they seek to increase employee skills (Armour 1999). Because managers believe that corporate fraud is a growing problem, an important skill for all employees should be the ability to recognize the risk factors that are frequently associated with fraud. A number of instructional cases have been developed that focus on the problems of employee fraud and unethical management practices. Training materials and professional standards now include more detailed information on the subject of fraud and the auditor’s responsibility, as well as management’s responsibility, with respect to the detection of fraud. The next logical step is to assess employee training on this topic. In particular, can employees recognize risk factors when they are embedded in an actual instance of misappropriation of assets? We offer a case, based on an actual instance of misappropriation of assets, that may be used as a corporate training assessment technique (CTAT). Since training dollars are an important resource allocation decision, assessment of the training that is provided to employees is essential. Further, since effective teaching produces learning, then evaluation of learning is critical to assessing teaching effectiveness. We also include instructions for using the CTAT, teaching notes, and suggestions for developing additional instructional cases.

INTRODUCTION

Due to rapid advances in technology, companies are spending record amounts of money on training as they seek to increase employee skills and to boost retention (Armour 1999). Armour notes that employers spent $60.7 billion on training in the United States in 1998, which is a 26 percent increase from 1993. Wexley and Latham (1991) claim that almost all private and public organizations have formal training and development programs. These authors noted that some organizations spend as much as 15 percent of total payroll on these activities.
Corporate managers know that adequate training for employees can decrease the entity’s liability risk, as well as the potential for error, fines and penalties (Clarke 1998; Linares 1999). To decrease an entity’s vulnerability to misappropriation of assets, an important skill for all employees should be the ability to recognize risk factors that are frequently associated with this type of employee fraud. Further, since many corporate executives, managers, fraud detection experts, and researchers believe that corporate fraud is a growing problem, this should be an important topic for employee training.

Jurinski and Lippman (1999) note that most fraudulent activities are discovered through internal controls, by other employees noticing fraud, or by internal auditors. However, corporate managers who have responded to the KPMG fraud surveys indicate that they are less confident in their ability to recognize fraudulent activities. In the 1993 study, 96 percent of the managers who participated in the survey indicated they were knowledgeable about the ways in which fraud can occur in an organization. That number dropped to 84 percent in 1995, and to 80 percent in 1998. At the same time, approximately 75 percent of the managers indicated that they consider fraud to be a major problem for business and about two-thirds of the respondents believe the incidence of fraud will increase.

An equally important incentive for organizations to train employees on the topic of misappropriation of assets is the magnitude of losses that result from employee misbehavior. Calhoun and Luiizzo (1992) point out that the cost of economic crime in 1990 was at least $114 billion, that one dollar is lost to external crime vis-à-vis eight dollars to internal crime, and that one out of three employees is involved in some type of fraud. However, it is difficult to detect unethical (or illegal) behavior such as fraud while the activity is in progress.

The purpose of this paper is to present a corporate training assessment technique (CTAT) that may be used to appraise corporate training on the topic of fraud. This CTAT was developed using the risk factors and procedures for assessing risk that may arise from misappropriation of assets, identified in paragraphs 18-25 of SAS No. 82, Consideration of Fraud in a Financial Statement Audit, (AICPA 1997).

The rest of the paper is organized as follows. The next section provides a literature review on studies that examine misappropriation of assets and red flags; section three discusses training and assessment techniques. The following section offers suggestions and conclusions. The Appendix contains a case, developed as a corporate training assessment technique, which includes teaching notes to assist the instructor in an evaluation of the effectiveness of corporate training on the topic of misappropriation of assets.
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Fraudulent activities are discovered through fraud, or by internal auditors. However, corporate fraud surveys indicate that they are less activities. In the 1993 study, 96 percent of indicated they were knowledgeable about the fraud. That number dropped to 84 percent in the same, approximately 75 percent of the managers.

The next section provides a literature review on the topic of misappropriation of assets and red flags; section three discusses the next section offers suggestions and conclusions; and four as a corporate training assessment technique (CTAT) is introduced. This CTAT was developed for assessing risk that may arise from misappropriation of assets. SAS No. 82, Consideration of Fraud in

Accounting researchers have examined the topic of fraud and fraudulent activity from a variety of perspectives and have employed a variety of research methodologies in an attempt to better understand and explain this problem. The majority of these studies have focused on misstatements arising from fraudulent financial reporting rather than misstatements arising from misappropriation of assets (Heiman-Hoffman et al. 1996; Ponemon 1994; Hooks et al. 1994; Johnson et al. 1993; Matsumura and Tucker 1992; Uecker et al. 1981; Baron et al. 1977). Recently, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) sponsored two studies on fraud (Beasley et al. 1999). This study examines instances of alleged fraudulent financial reporting by SEC registrants reported in SEC Accounting and Auditing Enforcement Releases for the period 1987-1997. The report identifies key company and management characteristics that could help auditors recognize warning signs.

Seidman (1990) noted that not many studies have been reported on the topic of fraud. His explanation for so few studies on this topic is that such public information might encourage more individuals to commit fraud - that is, the information might teach others how to com-
mit fraud. Hollinger and Clark (1983) note that although relatively few researchers have empirically examined employee theft, several theoretical models have been developed to explain this problem of employee misbehavior: (1) external financial pressures, (2) workplace inequities, and (3) general moral laxity.

Seidman's (1990) study of fraud, an example of the first paradigm, used a survey instrument to gain insights pertaining to more than 500 cases of fraud. Seidman was able to develop a profile for the typical perpetrator, a description of commonly used schemes, and a summary of the methods used by perpetrators to avoid detection. Seidman claims that the outside activities of employees, their lifestyles, and their financial stresses all require careful and continuous scrutiny.

The second paradigm explains employee theft as an attempt by the employee to resolve various (perceived) workplace inequities. Fowler (1996) suggests that management style is frequently at fault in these situations, which can include management not listening to employee suggestions, employee perceptions of inadequate pay, employee beliefs that they are the subject of unfair treatment, and management ignoring outstanding employee achievement.

A number of studies examine the third category, which is also referred to as the deterrence doctrine. This theory assumes that the perceived threat of sanctions influences personal behavior, and has been investigated within a variety of contexts. Hollinger and Clark (1983) examined misappropriation of assets based on the deterrence doctrine. Randomly selected employees from three different industry sectors were asked to self-report their involvement in a number of property theft activities. The results indicate that the magnitude of employee theft is related to both the perceived certainty and severity of organizational sanctions. However, younger employees are not as deterreable as their older counterparts, especially under conditions of both high certainty and high severity of punishment.

Matsumura and Tucker (1992) investigated a form of the deterrence doctrine in an accounting setting by developing an experiment using game theory. The game involved one decision by the manager and two by the auditor. Within this context, the researchers investigated the effects of penalties, lawsuits, and loss of reputation. The results indicate that increasing the auditor's penalty decreased fraud; increasing the audit fee resulted in less fraud; and increased testing decreased fraud.

In other studies, researchers have found additional factors that may serve as a deterrent to fraud. Hooks et al. (1994) investigated the deterrent effect of a good communication system within a corporation. After a review of whistle-blowing may be used as an effective in-tervention to reduce fraud. This study found that, across industries, whistle-blowing may be used as an effective intervention to reduce fraud. This study found that, across industries, whistle-blowing may be used as an effective intervention to reduce fraud. This study found that, across industries, whistle-blowing may be used as an effective intervention to reduce fraud.

Another form of deterrence is the presence of the internal audit function. A wide variety of auditors, not-for-profit (NFP) organizations, and other professionals, including forensic accountants, have found that the presence of the internal audit function significantly reduces the likelihood of fraud. A recent study by Barton et al. (1996) found that the internal audit function played a critical role in reducing fraud in not-for-profit organizations.

Several researchers and forensic accountants (Thornhill 1997; Robertson 1997) have noted that purchasing fraud (the fraudulent disbursement of funds) is the most common form of fraud. The accountant notes that purchasing fraud is often used to benefit the perpetrator at the expense of the organization. In other cases, purchasing fraud is used to benefit the perpetrator at the expense of the organization. In other cases, purchasing fraud is used to benefit the perpetrator at the expense of the organization. In other cases, purchasing fraud is used to benefit the perpetrator at the expense of the organization.

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tem within a corporation. After a review of the relevant literature, they concluded that whistle-blowing may be used as an effective internal control mechanism to deter fraud. They suggested that this represents a rational approach to deterrence since fraud involves concealment whereas good communication fosters an open environment. Parilla et al. (1988) examined the deterrent effect of pre-employment screening and the threat of punishment. This study found that, across industries, organizations vary in terms of victimization from theft and in terms of the deterrent effect of controls to reduce organizational theft.

Another form of deterrence is the presence of internal auditors in an organization. Welch et al. (1996) noted that the internal audit function restricts the ability of perpetrators to access a wide variety of accounts in sustaining a fraud. These authors analyzed 2,573 reported cases involving the misappropriation of assets in both the public and private sectors, focusing on the victims of the fraud, the characteristics of the perpetrators, the schemes that were used, and the methods of detection. The results indicate that poor company attitudes (control environment) toward existing controls helped the perpetrators commit the fraud. These authors also found that when proper separation of duties was lacking, when employees lacked sufficient competence, and when employees were able to manipulate documentation (internal controls), the probability of fraud increased significantly. Weak internal controls were often used to the advantage of the perpetrator.

Barton et al. (1996) suggest that not-for-profit entities (such as volunteer, religious, and charitable organizations) are particularly susceptible to an occurrence of fraud for a number of reasons. First, the operating environment of a not-for-profit usually does not have the internal controls normally found in for-profit entities. Second, the management team and the boards of directors of not-for-profits often believe that their charitable mission somehow insulates them from fraudulent activity. Third, not-for-profit entities are often managed by a single individual who has a dominant personality. When a dominant manager is combined with a typically all-volunteer board of directors, the results can be disastrous. Barton et al. (1996) report on such an instance in their case study of a not-for-profit entity where the director misused over $244,000. The authors note that the most serious problem for this not-for-profit entity was the lack of a strong internal control structure.

Several researchers and forensic accountants have concluded that purchasing fraud (i.e., fraudulent disbursement of funds) is the most prevalent method employees use to misappropriate assets (Robertson 1997; Thornhill 1996; Levy 1985). Thornhill (1996), a forensic accountant, notes that purchasing fraud fits into the broad category of input tampering, which involves the entry of false or fraudulent data into a computer and can include data that
have been altered, forged, or counterfeited. Thornhill (1996) suggests that the persons who most often perpetrate a purchasing fraud are trusted, authorized computer users, who have either neutralized or avoided any controls that are in place.

Red Flags

It is difficult to detect the misappropriation of assets while the fraudulent activity is in progress. As Albrecht (1996) points out, it is not an event that is normally witnessed firsthand. Rather, it is "...a crime shrouded in ambiguity, and is sometimes difficult even to determine whether or not a crime has actually been committed" (p.26). Too frequently the scheme is discovered by accident. Green and Calderon (1996) believe, however, that "red flags" can create crucial pieces of evidence in signaling the likelihood of fraud. Further, they argue that the internal auditors are optimally positioned to identify and assess any red flags that are present.

According to Uretsky (1980), red flags are situational indicators that suggest the auditor should be more watchful than normal. When more than one red flag is present, the auditor should move from professional skepticism to suspicion. Albrecht et al. (1980) conducted an extensive review of existing fraud-related literature to identify the individual and organizational factors (red flags) that might be used by auditors to detect fraud. These authors acknowledged that a single definition of fraud was problematic, and concluded that the following definition was preferable for their study. Fraud is: (1) improper actions resulting in a material misstatement of the financial statements and is harmful to shareholders or creditors; (2) improper actions resulting in the defrauding of the consumer public (such as false advertising); (3) embezzlement and defalcations perpetrated by employees against their employers; or (4) other improper actions such as bribes, kickbacks, violations of regulatory agency rules, and failure to maintain an adequate internal control system.

Albrecht et al.'s (1980) study resulted in a list of 87 red flags for fraud that were divided into two categories: (1) factors that motivate individuals to commit fraud on behalf of the company (e.g., fraudulent financial statements), and (2) factors that motivate individuals to commit fraud against the company (e.g., misappropriation of assets). A number of studies or surveys have examined or added to Albrecht et al.'s list (Albrecht and Romney 1986; Pincus 1989; Loebbecke et al. 1989; Beasley 1996; Heiman-Hoffman et al. 1996; Weisborn and Norris 1997; Summers and Sweeney 1998; and the annual KPMG Fraud Surveys).

Albrecht and Romney (1986) empirically analyzed the predictive ability of the 87 red flags identified in Albrecht et al.'s (1980) study. Results suggest that only about one-third of the 87 red flags were significant predictors of misstated. Several of the red flags that require executives to take vacations of more than one month; (2) lack of trust in key executives (overlooking controls); and, (4) poor accounting.
C.A. Strand, K. A. S. Lancaster and J. Thorne

CORPORATE TRAINING ASSESSMENT TECHNIQUE 199

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misstated. Several of the red flags that were significant predictors were:
(1) failure to require executives to take vacations of more than one or two days at a time; (2) too much
trust in key executives (overlooking controls); (3) inadequate internal controls or failure to
enforce controls; and, (4) poor accounting records.

Pincus (1989) utilized a field experiment to examine the efficacy of a red flags question-
naire. The author identified a red flags questionnaire as an audit tool that is designed to help
auditors assess the risk of materially misstated financial statements on ordinary audit
engagements. The subjects were 137 mid-level auditors in a large CPA firm, with an aver-
age of 18 months experience being in charge of fieldwork for their clients. Approximately
half of the auditors assessed a case where the financial statements were materially misstat-
d due to fraud and the other half assessed a parallel case with no material misstatements.
The results indicate that the auditors who used a red flags questionnaire to aid them in fraud
risk assessment considered a more comprehensive and uniform set of potential fraud indi-
cators than did those subjects who did not use a questionnaire. The author utilized a hypo-
thetical case, and acknowledged that using a fraud case developed from a real situation
should increase the likelihood that the results of the experiment would generalize to an actu-
ual audit situation.

Based on SAS No. 53 (superseded by SAS No. 82), Loebbecke et al. (1989) utilized a sur-
vey to study auditors’ experience with material irregularities. The subjects were 165 audit
partners of KPMG who had one or more experiences with a material irregularity (either a
material defalcation or material misstatement of financial statements). Each subject
described an irregularity with which (s)he had experience. The results indicate that red flags
were present in a large proportion of the cases of material fraud. As in prior
research, the authors found that “…where controls are weak, a significant condition exists
that would allow either management fraud (misstated financial statements), a defalcation, or
an error to occur” (p. 25).

Heiman-Hoffman et al. (1996) utilized a survey to query 130 auditors regarding their opin-
ion of some warning signals of fraud. Specifically, the auditors were asked to rank 30 poten-
tial warning signs as to their relative importance in spotting fraudulent financial reporting.
The auditors who participated in this study were from several offices of one of the (then) six
largest accounting firms. Those who responded to the survey considered client dishonesty
to be the most important red flag. Overall, the results are consistent with prior research in
that a weak control environment is an important indicator of fraudulent financial reporting
activities by management.
Weisborn and Norris' (1997) study used the 87 red flags that were validated in Albrecht and Romney's (1986) study and applied them to 30 well-known and relatively infamous cases of fraudulent financial reporting that were included in the text, Contemporary Auditing: Issues and Cases by Knapp (1986). The results of this study suggest that dishonest or unethical management is the most important red flag for detecting management fraud, followed by: (2) too much trust in key executives (overriding controls); (3) domination of the company by one or two strong individuals; and (4) inadequate internal controls or failure to enforce controls.

Summers and Sweeney (1998) focused on the association between financial statement fraud and a specific risk factor that was not identified as a “red flag” in SAS No. 82 or in prior research. These authors claim that insider trading should be an important risk factor for auditors who are attempting to detect fraud and to regulators who are monitoring insider trading. Specifically, Summers and Sweeney hypothesized that during the period of fraudulent financial reporting by entity officials, insiders in the company will strategically reduce their net position in the entity’s stock. The results indicate that insiders in companies with fraudulent financial statements did in fact reduce their net position in the entity’s stock through a high level of stock sales activity.

SAS No. 82 provides examples of red flags (risk factors) believed to be associated with misstatements arising from misappropriation of assets. This Statement identifies two categories of risk factors: (a) the general susceptibility of assets to misappropriation, and (b) specific control weaknesses. The initial category pertains to the nature of an entity’s assets and the degree to which they are subject to theft, while the latter pertains to the lack of controls designed to prevent or detect the misappropriation of assets (AICPA 1997, para. 18). Table 1 provides a list of the two groups of risk factors derived from SAS No. 82.

TRAINING AND ASSESSMENT TECHNIQUES

A number of instructional cases, which describe employee fraud and unethical management practices, have been developed to train employees in the detection of risk factors that are frequently associated with the misappropriation of assets. Training materials and professional standards now include more detailed information on the subject of fraud and the auditor’s responsibility, as well as management’s responsibility, with respect to the detection of fraud. The next logical step should be to assess employee training on this topic -- did the employees learn what you taught them? In particular, can employees recognize risk factors when they are embedded in an actual instance of misappropriation of assets?

<table>
<thead>
<tr>
<th>Table 1 Risk Factors Related to Susceptibility of Assets</th>
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<tr>
<td>a. Risk Factors Relating to Susceptibility of Assets</td>
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<tr>
<td>- Large amounts of cash on hand</td>
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<tr>
<td>- Inventory characteristics such as too much inventory</td>
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<tr>
<td>- Easily convertible assets</td>
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<tr>
<td>- Fixed asset characteristics, such as furniture</td>
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<tr>
<td>b. Risk Factors Relating to Control of Assets</td>
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<tr>
<td>- Lack of management oversight</td>
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<tr>
<td>- No screening procedures for asset transfers</td>
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<tr>
<td>- Lack of appropriate segregation controls</td>
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<td>- Lack of appropriate authorizing controls</td>
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<tr>
<td>- Poor physical safeguards over assets</td>
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<tr>
<td>- Lack of documentation for transactions</td>
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<td>- Lack of mandatory vacations</td>
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Source: Statement on Auditing Standards 1997

Corporate training assessment technique the instructor has taught and what the employee misbehavior. According to Cottell and Harwood (1996), feedback so that instructors may change improve student learning. Further, Ange techniques on a regular basis provide become more self-assessing, more self-directed:

Further, training (educational) assessment Rebele et al. (1998) describes as follows. Because effective teaching pricational to assessing teaching effectiveness, I
Corporate training assessment techniques (CTATs) are used to assess the gap between what the instructor has taught and what the employees have learned. If the instructor discovers that a gap does exist, that employees do not recognize these risk factors (or only a few), then the expectation is that the instructor would adjust the training methodology that was used to ensure that the learning objectives are met. For example, if the training was delivered via lecture format, the instructor might choose cases, instructional videos, or a combination of these methods to help employees recognize a wider variety of the risk factors that signal employee misbehavior.

According to Cottell and Harwood (1998), assessment can provide important and timely feedback so that instructors may change course coverage and/or teaching approaches to improve student learning. Further, Angelo and Cross (1993) believe that using assessment techniques on a regular basis provide students (employees) the necessary feedback to become more self-assessing, more self-directed, and more effective learners.

Further, training (educational) assessment may improve the quality of learning (Angelo and Cross 1993). Rebele et al. (1998) describe the underlying premise of assessment techniques as follows. Because effective teaching produces learning, an evaluation of learning is essential to assessing teaching effectiveness. In general, corporate training assessment techniques

### Table 1 Risk Factors Relating to Misappropriation of Assets

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<tr>
<th>Category</th>
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<tbody>
<tr>
<td>a. Risk Factors Relating to Susceptibility of Assets to Misappropriation:</td>
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<tr>
<td>- Large amounts of cash on hand</td>
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<tr>
<td>- Inventory characteristics such as small size, high demand, high value</td>
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<tr>
<td>- Easily convertible assets</td>
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<tr>
<td>- Fixed asset characteristics, such as small size, marketability</td>
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<td>b. Risk Factors Relating to Controls:</td>
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<tr>
<td>- Lack of management oversight</td>
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<tr>
<td>- No screening procedures for employees with access to vulnerable assets</td>
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<tr>
<td>- Lack of appropriate segregation of duties</td>
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<td>- Lack of appropriate authorization and approval of transactions</td>
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<tr>
<td>- Poor physical safeguards over cash, investments, inventory, or fixed assets</td>
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<tr>
<td>- Lack of documentation for transactions</td>
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<td>- Lack of mandatory vacations for employees</td>
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Source: Statement on Auditing Standards No. 82 (AICPA 1997).
(CTATs) have two characteristics: (1) they encourage both trainers and employees to engage in a constructive discussion of learning, and (2) they promote learning of the subject matter while providing feedback on teaching effectiveness (Beard 1993). CTATs should be anonymous exercises so that employees will be more likely to provide corporate trainers with unbiased feedback on what, how much, and how well the employees are learning.

The Springer Junction case (see Appendix) is constructed from an actual instance of misappropriation of assets that was the result of a governmental employee creating fictitious invoices. This case may be used to reinforce and assess employee learning subsequent to training on internal controls and fraud, as well as any instructional training that incorporates fraud awareness, and the risk factors that are typically present in actual instances of misappropriation of assets. The instructor may use the case as a stand-alone CTAT, or it may be used in conjunction with other instructional cases that focus on employee fraud and unethical management practices (Dwyer 1998, Green and Calderon 1994, Mills 1995). Surveys of corporate training directors indicate that case studies have repeatedly received high ratings for developing problem-solving skills (Kaupins 1997). In other research, case studies have been shown to help develop critical thinking and judgment abilities (Anthony 1974; Subotnik 1987; Campbell and Lewis 1991). The intent of these instructional tools is for employees to build their recognition skills of risk factors associated with the misappropriation of assets, and for instructors to assess the effectiveness of this method of instructional delivery as it pertains to learning about fraud risk factors.

Such instruction and reinforcement should help employees gain expertise in the area of red flags and employee misbehavior. For example, Bonner and Pennington’s (1991) results suggest that instruction is important for learning and for good task performance by experts. Bonner (1990) noted that task-specific knowledge aided experienced professionals in making better decisions. Based on these results, Bonner suggested that training and decision aids could be useful in improving performance. The timing of this instruction appears to be important, also, based on Bonner et al.’s (1997) finding that instruction prior to experiencing an event is instrumental to improved learning. Johnson et al. (1993) conclude that to successfully detect fraud one must not only continually acquire new knowledge, but also learn how to use what they already know.

Bonner and Walker (1994) studied the effectiveness of various combinations of instruction and experience (practice and feedback) in producing this knowledge. Their results suggest that combinations of instruction and no experience, or instruction and practice without feedback do not produce knowledge. However, practice with explanatory feedback was helpful.

Choo’s (1996) results show that repeated exposure to expertise in a going-concern task, which suggests expertise by prolonged practice (Spires 1991).

SUGGESTIONS AND CONCLUSIONS

The Springer Junction case in the Appendix of assets that may be used to help employees are frequently associated with employee fraud. Specific CTATs throughout a training course, are a means to helping any actual instance of fraud may be taken as a scenario. Perhaps the instructor might replace any instruction with a CTAT to determine whether the employees are learning.

The annual fraud surveys conducted by KPMG are a growing concern to the business is relevant for corporate training if employees wish to reinforce their work environment. Employees may gain expertise in fraud risk factors that are commonly associated with these incidents. Suggestions for employees to increase the effectiveness of the training are included in SAS No. 82. Similarly, trainers are provided to employees to increase the effectiveness of training.

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American Institute of Certified Public Accountants, Financial Statement Audit. Statement on Standards for Inspection of Public Accountants, Inc.


encourage both trainers and employees to engage in activities that they promote learning of the subject matter (Beard 1993). CTATs should be designed to provide corporate trainers with valuable information on how well the employees are learning. A CTAT is constructed from an actual instance of misappropriation involving a governmental employee creating fictitious entries in the accounts. The CTAT could be used to assess employee learning subsequent to any instructional training that incorporates the same risk factors typically present in actual instances of misappropriation. The case as a stand-alone CTAT, or it may be used as a case study that focuses on employee fraud and unethical conduct (Bonner and Calderon 1994, Mills 1995). Surveys of actual instances of fraud have repeatedly received high ratings from academic researchers (Springs 1997). In other research, case studies have been used to teach critical thinking and judgment abilities (Anthony 1974; E. D. Johnson et al. 1993). The intent of these instructional tools is for employees to gain expertise in the area of red flags that may indicate areas of concern. Bonner and Pennington’s (1991) results suggest that training and decision making can be enhanced by using case studies to facilitate learning. The timing of this instruction appears to be important (Bonner and Pennington 1991). Johnson et al. (1993) conclude that to maximize learning, employees need to continually acquire new knowledge, but also retain the knowledge that they gain.

The effectiveness of various combinations of instruction and practice in providing this knowledge. Their results suggest that the most effective combination is practice with explanatory feedback was helpful. Choo’s (1996) results show that repeated exposure may be an alternative proxy for audit expertise in a going-concern task, which supports earlier findings that novice auditors gain expertise by prolonged practice (Spikes 1991).

**SUGGESTIONS AND CONCLUSIONS**

The *Springer Junction* case in the Appendix represents an actual case of misappropriation of assets that may be used to help employees practice the recognition of common clues that are frequently associated with employee fraud. If a trainer wishes to use several fraud-specific CTATs throughout a training course, additional cases may be developed that are similar. Any actual instance of fraud may be taken from a newspaper, news journal, or business journal. Next, the instructor would select three risk factors from SAS No. 82 to include in the scenario. Perhaps the instructor might repeat a risk factor or two that was used in this CTAT to determine whether the employees could recognize that risk factor(s) in a different setting.

The annual fraud surveys conducted by KPMG continue to document the fact that employee misconduct is a growing concern to the business community, which implies that the topic is relevant for corporate training if employees are to be properly prepared for this threat in their work environment. Employees may greatly benefit from periodic instruction on the risk factors that are commonly associated with the misappropriation of assets, such as those included in SAS No. 82. Similarly, trainers should routinely assess the training that is being provided to employees to increase the efficacy of such instruction.

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CORPORATE TRAINING ASSESSMENT TECHNIQUE


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**APPENDIX**

**Department of Finance**

**City of Springer Junction**

**Instructions for Trainees:** The case mate

**Organizational Chart for a governmental office.**

**Background Information and Organizational Chart:**

**that is contained in the Scenario.**

**Using these pi questions that follow the scenario.**

**Each question each question to the best of your ability.**

**There are 8 situations.**

**BACKGROUND INFORMATION:**

Stan Wandell was pleased. He recently accepted the position of Finance Director for the City of Springer Junction, a city with a population just over 60,000. Over the past several decades, and collected over $80 million in revenue per fiscal year.

Stan’s picture has already appeared on the front page of the Springer Junction newspaper. In the interview for that feature article, Stan identified a few key issues that are currently facing the Finance Department. He noted that initially he planned to address these day-to-day concerns he had about the Department’s operations.

First, he plans to streamline procedures in the Internal Audit Division. Currently, many procedures are rarely used. He also wants to improve the way in which financial information can be provided quickly when needed by citizens. He is concerned about the Department’s need to provide timely information to citizens. Stan believes that this may have caused Department employees to be more effective in their roles.

Stan noted that the City does not have an internal audit function. Quigley & Matherson, CPAs has been the Independent Auditors for over a decade. Stan is considering bringing in an internal audit function to improve the Department’s oversight.