

FRAUD RISK MANAGEMENT TO DETECT

FRAUD RISK MANAGEMENT TO DETECT AND PREVENT EMPLOYEE FRAUD IN
SMALL RURAL BUSINESSES

by

Daphne Y. Bishop

Dissertation

Submitted in Partial Fulfillment
of the Requirements for the Degree of
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Abstract

This section provides discussion and research results of this study. The researcher used qualitative multiple case study to explore how small rural businesses establish Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal controls to deter and prevent employee fraud. A qualitative multiple case study was based on the fraud diamond theory. Thirty small business owners or managers located in rural areas were interviewed to gain a greater understanding of the effectiveness of internal control in small rural businesses. After thematic analysis, the researcher identified seven major themes: (a) management's commitment to integrity and ethical value, (b) identifying high-risk areas, (c) separation in key business functions, (d) ethically informed risk management, (e) leveraging technology, (f) financial and staffing challenges, and (g) low COSO familiarity. The findings showed that the participants implemented internal control procedures to the best of their abilities and knowledge to protect their business assets. Therefore, it appears that the internal control actions could help small business owners avoid potential profit loss. The research found strengths and weaknesses of internal control implementations. The strengths of their implementation were their awareness of the control environment, risk management, monitoring and information, and communication. The weakness of the implementation came from control activities, predominantly the violation of the separation of duties. Most of the participants knowingly or unknowingly gave the same employee multiple business responsibilities that could compromise the internal control procedure.

Keywords: COSO integrated risk management, employee fraud, small rural business, case study, internal control weakness

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Dr. Edward M. Moore, Director of Doctoral Programs

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Dedication

I dedicate this study to Jesus Christ, my Lord and Savior, who blessed me with an enriching journey throughout the program. I persevered through the dissertation with this Bible verse in mind: “I can do all things through Christ who strengthens me” (Ephesians 4:13, New King James Version). He has been my spiritual guide and strength when I needed it the most. I know that You have great plans for me (Jeremiah 29:11). I want nothing more than to serve Him faithfully with this doctoral degree.

I also dedicated this study to my loving and supportive husband, Charles, and daughter, Eve, who comforted and encouraged me throughout the journey. I want to thank my sister, Grace Chang, who initially encouraged me to pursue the degree and provided financial support.

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This study is the direct result of the effort of individuals who have invested in me throughout this journey. I want to sincerely thank my chair, Dr. John Halstead, for his guidance and support throughout the dissertation process. To Dr. Melissa Washington, thank you for providing meaningful and constructive feedback throughout your reviews. Finally, To Dr. Nichole Lowes, thank you for your encouragement and feedback which helped me grow as a student. I am sincerely grateful to have a caring and supportive committee.

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Section 1: Foundation of the Study

Employee fraud occurs more frequently in small businesses than larger enterprises (Kramer, 2015; Pedneault & Kramer, 2015). Employee fraudulent activities, such as checks and payment tampering, cost small businesses three times more than large corporations, 22% and 8%, respectively (Drew, 2018; Ruankaew, 2016). The fraud activity percentage caused by weak internal control at small enterprises is 42% compared to 25% of large companies (ACFE, 2016; Donelson et al., 2017). Most employee fraud events are discovered by anonymous reports, such as hotlines. The Association of Certified Fraud Examiners (ACFE) reported that businesses lost revenue to fraudsters at an amount of 3.5 trillion dollars annually (Klein, 2015). In all fraud reported, small businesses suffered the most (ACFE, 2016). Because of the great financial loss, ACFE officials recommend small business owners implement effective internal controls suitable to their business practices to detect and prevent employee fraud.

Hence, to establish an effective internal control system, small enterprise owners should observe their working environment and identify internal control opportunities to minimize occupational fraud and alleviate profit loss (Shepherd & Button, 2019). This qualitative research would help researcher explore the risk management strategies that small rural business owners utilize to detect and prevent the occurrence of fraud. The researcher would particularly focus on internal control assessment through multiple case studies to discover their impacts on securing business assets.

Background of the Problem

While employee fraud impacts organizations of all sizes, the risk of employee fraud is much greater for small businesses (Glodstein, 2015; Klein, 2015). Employee fraud has flourished with frequency and severity (Tschakert et al., 2016). Employee fraud causes 33% of business

bankruptcies of all business sizes (Boehmer, 2020). Employee fraud is conducted by trusted employees who have access to business resources and maliciously misuse assets to their benefits (Glodstein, 2015). Employee fraud can include petty theft, asset misappropriation, data theft, corruption, vendor fraud, payroll fraud, and financial accounting fraud (Lomer, 2020; Nigrini, 2019). Different working environments and circumstances, such as opportunities, rationalization, pressure, and capabilities (Koomson et al., 2020) contribute to fraud (Glodstein, 2015; Lokanan, 2015).

Small companies with fewer than 100 employees are classified as small businesses, according to the American Certified Fraud Examiner (ACFE; Drew, 2018). Small businesses play a vital role in U.S. economic growth (Advocate, 2020; Elimam, 2017), contributing to local economies by bringing prosperity and innovation to communities (Laguir & Den Besten, 2016). Small businesses vitalize regional economic growth by providing employment opportunities (Advocacy, 2019; Brown, 2018; Umam, 2017).

However, weak internal controls leave small businesses vulnerable to employee fraud that costs owners profitability (Hutton, 2019). According to the 2016 “Report to the Nations,” 30% of small businesses were the victim of employee fraud (Bunn et al., 2019). Adequate internal control management is the first line of defense that can effectively deter fraudulent activities (Hall, 2017; Nawawi & Puteh Salin, 2018). While literature suggests small business owners install internal controls to safeguard their business assets, little to no research explores how rural small businesses apply Committee of Sponsoring Organizations of the Treadway Commission (COSO) guidelines to protect their business profit. The purpose of the study is to gain insight into how rural small companies establish internal controls to detect and deter fraudulent employee activities such as cash embezzlement and asset misappropriation.

Problem Statement

The general problem to be addressed is employee fraud and misconduct in small businesses resulting in profit reduction. Small business median profit loss resultant of employee fraud is \$200,000, double that of large organizations, according to the 2018 Nations on Occupational Fraud and Abuses report released by the ACFE (Drew, 2018). Small businesses lose money from employee fraud activities such as billing fraud, check and payment tampering, asset misappropriation, corruption, and expense reimbursement fraud (Akuh, 2017; Bunn et al., 2019; Hess & Cottrell, 2016; Kramer, 2015). The small businesses susceptible to fraudulent employee activities often do not have enough financial or personnel resources to implement internal controls (Bressler & Bressler, 2017; Bunn et al., 2019; Omar et al., 2016). Consequently, weak internal controls hinder small businesses from profit growth, thus, negatively influencing their business sustainability and lifespan (Burch et al., 2019).

Recent “Reports to the Nations” from ACFE indicate that employee fraud is a prevalent issue that impedes profit growth in small businesses. However, little scholarly attention has been paid to the internal control implementation in small businesses that can enforce fraud risk management to deter employee fraud activities. Additionally, few scholarly articles address the challenges that small businesses face in rural areas. The specific problem to be addressed is potential employee fraud and misconduct in small businesses resulting in potential profit reduction in a rural business area in Nebraska. Nawawi and Puteh Salin (2018) and Stone (2016) recommended that owners and management establish internal controls to detect employee fraud.

Purpose Statement

The purpose of this qualitative study is to add to the body of knowledge by expanding on the understanding of what risk management plans or anti-fraud controls that small businesses in a

rural area have in place to prevent employee fraud activities. This large problem is explored as a means to better understand the impacts of employee fraud in small businesses in the rural region of Nebraska. Henry (2016) asserted that effective internal control implementation could minimize the risk of employee fraud. Tschakert et al. (2016) echoed that the early-stage recognition of internal control flaws could prevent small businesses from losing profits and assets. This qualitative study, using multiple-case study approach, explores internal controls applied by rural small businesses to detect and deter fraudulent employee activities. Thirty small businesses located in the Great Plains region in Nebraska are the targeted population. This investigation provides small business owners and managers with employee fraud awareness and hopes to obtain insights into the effectiveness of their current internal control practices for future internal control enhancement.

Research Questions

The research questions were designed to investigate how small businesses located in rural area implement internal controls and fraud risk management to detect and prevent employee fraud. The answers to the research questions would help owners and managers examine whether their current policies or procedures meet the requirements of best internal control practices. The findings may unveil the effectiveness of current practices and provide insights of potential correction or improvement suggestion to business owners and managers. The problem identified in this research addresses profit reduction caused by fraud activities resulting from weak internal controls. The researcher intends to utilize the findings to assist participants in developing practical internal controls. As such, these research questions were to examine participants' current internal control practices against the standards established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to safeguard business assets

and owners' equity. The questions further surveyed the struggles or hindrances that owners or managers faced when implementing internal controls. The proposed research questions were as follows:

RQ1: How do small business owners or managers in the Great Plains region, Nebraska, implement internal control and risk management plans to reduce employee fraud activities?

RQ1a: How do these small business owners or managers apply internal control standards established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to safeguard business resources?

RQ2: What challenges do owners or managers encounter when implementing internal controls?

Nature of the Study

This study was conducted with a flexible design using qualitative methods, specifically using a case study approach. This study explores risk management plans and internal controls to safeguard business resources and minimize fraud risk in small businesses located in a rural area of Nebraska. The researcher also discusses research paradigms, research methods, and research designs that are appropriate to the study.

Discussion of Research Paradigms

A research paradigm is a set of shared beliefs and aspects that researchers should understand to address problems (Brown & Dueñas, 2019; Kivunja & Kuyini, 2017). Researchers should understand the paradigms used in their research to address issues (Kaushik & Walsh, 2019). Kaushik and Walsh listed four paradigms: positivism, post-positivism, constructivism, and pragmatism have been commonly applied in the research (2019).

Positivism refers to a single objective reality that researchers seek to discover (Ryan, 2018). Positivists assert that there is no real distinct difference between essence and phenomenon (Panhwar et al., 2017). Positivist research usually produces numerical data (Bloomfield & Fisher, 2019). Positivists use experiments, quasi-experiments, tests, and scales to collect data (Kankam, 2019). Post-positivism refers to a single reality in which scientists seek knowledge that they would never fully comprehend due to hidden variables (Varpio et al., 2017). Post-positivism is associated with both quantitative and qualitative research methods (Galdas, 2017). The Post-positivism paradigm includes historical, comparative, philosophical, and phenomenological analysis besides quantitative analysis (Panhwar et al., 2017).

Constructivism refers to the reality that the individual determines, and researchers attempt to understand that aspect of reality (Huang & Liaw, 2018). From the constructivist perspective, researchers view knowledge from a subjective, personal, unique, and flexible aspect when they engage with the subjects (Ataro, 2020). Constructivists use interviews, observations, document reviews, and visual data analysis to collect research data (Adom et al., 2016). On the contrary, pragmatists advocate using mixed research methods in research (Kaushik & Walsh, 2019; Shannon-Baker, 2016). Shannon-Baker (2016) stated that pragmatism could help researchers frame their approaches to research problems and provide recommendations on addressing issues. Researchers use any methods available to understand the problem (Kaushik & Walsh, 2019).

The constructivism paradigm is associated with the qualitative research approach (Ataro, 2020). In this study, the researcher seeks to understand a phenomenon from participants' perspectives. The researcher would collect data using interviews and document review.

Therefore, the constructivism paradigm would guide the researcher to discover the subjects' views regarding the phenomenon.

Discussion of Method

Researchers conduct their research using one of the three research methods: quantitative, qualitative, and mixed methods (Creswell, 2015). Quantitative research applies a statistical or a numerical method to research design to seek new knowledge (Payne & Williams, 2011). Quantitative research involves data collection and data conversion into a numerical format from which a researcher performs statistical calculations and then draws conclusions (Thompson, 2018). A researcher utilizes the quantitative research method to test the relationship between variables, find patterns and averages, and make predictions (Krishnan, 2018). On the other hand, the qualitative research method, associated with the social constructivist paradigm, unveils the more profound meaning and significance of human behavior and experiences by recording and analyzing non-numerical information (Austin & Sutton, 2014; Creswell & Creswell, 2018). Qualitative researchers intend to obtain an in-depth and complex understanding of humans' experiences and behaviors within a small or specific group (Aspers & Corte, 2019; Creswell & Creswell, 2018).

The mixed research method involves collecting, analyzing, and integrating quantitative and qualitative data to achieve the research agenda (Alexander et al., 2016; Creswell & Creswell, 2018). This method allows researchers to identify various aspects of a phenomenon and then triangulate data results (Bryman, 2016). The following discussion explains why the researcher chooses the qualitative research method for this study.

Researchers use qualitative methods to explore a deeper understanding of underlying motivations, reasons, opinions of a phenomenon (Creswell & Poth, 2018). This method provides

insights into quantitative research problems identified by prior research (Austin & Sutton, 2014). Qualitative data collection approaches, unstructured or semi-structured techniques, include individual interviews, focus groups, and observations (Jamshed, 2014). The sample size is typically small in nature to fulfill the research quota (Vasileiou et al., 2018). Over two decades, the ACFE has identified increasing employee fraud and abuse cases within small enterprises using quantitative research (ACFE, 2016). While fraudulent employee phenomena persist, little research done illustrates the reasons and motivations behind them. This case study is designed to gain a better understanding of how small rural businesses apply internal controls to detect and prevent fraudulent employee activities. The researcher intends to select between thirty small businesses in the rural region for interviews which would reveal the effectiveness of their internal controls. Therefore, the qualitative research method is appropriate for this study.

The quantitative research method is not selected for the following reasons. Quantitative research tests hypotheses to prove the causal relationships of variables (Antwi & Hamza, 2015). For example, a researcher uses statistics to test significances like *t*-test, *z* test, *f* test, and others that examine the relationships between observed samples and the hypothetical samples (Parab & Bhalerao, 2010). Quantitative research applies a statistical or a numerical method to research design to seek new knowledge (Payne & Williams, 2011). An experimental design deliberately imposes a treatment on a group of objects or participants in the interest of observing their responses (Moeyaert et al., 2014).

Additionally, the experimental design creates a set of procedures to test a hypothesis to infer a relationship between causes and effects (Krishnan, 2018). Researchers manipulate one or more independent variables and measures their impacts on one or more dependent variables (Muhlbacher & Piringer, 2013; Watson, 2015). Researchers who utilize experimental design

require a strong understanding of the system they are investigating (Jhangiani et al., 2015). They must recognize the variables and how they are related or connected so that they can make specific testable predictions (Muhlbacher & Piringer, 2013; Watson, 2015). This study seeks a deeper understanding of an existing phenomenon already identified by quantitative research; it does not seek to test for causal relationships. As a result, quantitative analysis is not appropriate for this research.

Mixed method studies utilize a combination of quantitative and qualitative research techniques (Karimi et al., 2019). Schoonenboom and Johnson (2017) asserted that researchers must understand mixed-method design well to validity research issues. During the research design process, researchers ought to consider “design dimensions—purpose, theoretical drive, timing, point of integration, typological versus interactive design approach, planned versus emergent, and design complexity” (Schoonenboom & Johnson, 2017, p. 107) when executing a mixed research method. Researchers also collect quantitative and qualitative data simultaneously and then compare the findings side-by-side to draw conclusions (Guetterman et al., 2015). This study is not attempting to test the relationship between elements that lead to fraud: it seeks to discover why internal controls do not seem to prevent fraud in small businesses. As such, the quantitative methodology, which seeks to exploring relationships between variables, is not appropriate. Therefore, the mixed approach, which incorporates elements of quantitative methodology is not appropriate.

Discussion of Design

Qualitative research includes five design approaches narrative, phenomenological, ethnographic, grounded, and case study approaches (Creswell & Poth, 2018). The following

discussion shows that a case study is selected for this study rather than the rest of the research designs.

The narrative approach is an old tradition where human beings illustrate stories of their lives (Lewis, 2015; Morawski & Rottmann, 2016). Mertova and Webster (2012) added that in ancient times, stories were told and re-told to record the human experience and achievement. The narrative approach can address complex human behavior and cultural issues through unraveling the deeper layers of the subject (Creswell, 2015). Narrative design is not appropriate because the researcher does not intend to record a story chronologically.

Ethnographers conduct research in a “culture-sharing” environment (Creswell & Poth, 2018, p. 91), observing the social behaviors within the group (Morgan-Trimmer & Wood, 2016; Ting-Toomey & Dorjee, 2018). During the research, the ethnographers seek patterns of life surrounding the participants and participants themselves, such as beliefs, dialects, spiritual lifestyles, festivities, and other activities within the cultural cycle (Creswell & Poth, 2018; Grey, 2016). Creswell and Poth (2018) stated that perpetual patterns or activities formed or developed over time, are discerned by the researchers. While ethnography offers an opportunity to understand the abstracts of human interplay which may influence outcomes in the study, the core issue is not understanding the culture surrounding fraud as much as examining the already identified potential impact of risk management and internal control’s influences on small businesses.

Phenomenology research design focuses on studying a participant’s lived experiences within the reality (Neubauer et al., 2019). According to Creswell and Poth (2018), phenomenological research involves interviewing multiple individuals who have common experiences of an event or incident. Creswell and Poth (2018) indicated that the researchers

typically have a certain level of knowledge toward the field of the studies. Additionally, the phenomenological studies are to validate a phenomenon with supporting evidence; otherwise, it is merely a natural phenomenon (Creswell & Poth, 2018). Phenomenology is not appropriate for this study because participants do not encounter a unique event together, such as the Enron case.

Grounded theory design is described as a process or action, distinctively revealing the steps or processes (Creswell & Poth, 2018; Lai & To, 2015). A process or procedure created by a researcher seeks to explain an emerging theory of a specific plan or movement (Lai & To, 2015; Nunkoo & Ramkissoon, 2016). Researchers, firstly, utilize memo writing techniques to draw a flowchart of the procedure and to record and analyze the collected data (Johnson, 2016). Researchers, in fact, regularly compare the data collected from participants. The interview process is back and forth between researchers and participants to get thorough information to either support or contradict the phenomenon (Creswell & Poth, 2018; Gubrium et al., 2012). The goal is to arrive at a sound theory explaining the missing links and structure of the process behind a descriptive phenomenon (Creswell & Poth, 2018). This study does not describe an emerging theory; therefore, the grounded research design is not appropriate.

Case studies investigate the in-depth phenomenon of an individual, group, event, or community (Creswell & Poth, 2018). Also, case studies exam a modern-life situation with a deeper understanding (Yin, 2014). Research data are gathered from observation and interviews (Farquhar, 2012). To start a case study research, the researchers must decide the criteria of the study, such as a time frame (present time), location (site), and the group (participants; Yin, 2014). Creswell defined the criteria or parameter as a “boundary system.” Next, investigators should identify the intent of their studies, which is to reveal and make sense of a phenomenon (Creswell & Poth, 2018). Creswell and Poth (2018) recommended that a manageable participant

selection be between 2 to 5. Gentles et al. (2015) suggested sample size for multiple case study selection be between 4 and 10. Yin (2018) also echoed that 6 or 10 cases could achieve a compelling multiple case study. Finally, researchers observe the phenomenon, pre-determine the research direction, and select the participants accordingly (Creswell & Poth, 2018; Yazan, 2015). Case studies are appropriate for this study due to the elements mentioned above. In fact, the researcher sought to interview thirty small businesses in Nebraska's rural area regarding their effectiveness in detecting and deterring employee fraud. The researcher would interview more participants until she reaches data saturation, such as code saturation.

Summary of the Nature of the Study

This study should provide small rural business owners with an in-depth understanding of internal control procedures and risk management. Arguably, incorporating the Biblical worldview in the work environment should increase employees' ethical internal controls, which helps battle fraud temptation. The advantage of fraud knowledge is the increase in businesses' capability to detect fraud. The awareness of fraud and its detection could lead to profit growth or loss prevention. However, if most employees have higher ethical standards, internal control implementation is merely a security measure.

Conceptual Framework

After a rigid interview process, employees are expected to conduct business functions with integrity. This expectation comes with trust and, consequently, employees are granted access (keys) to perform standard business operations. By increasing the awareness of fraud indicators, managers and owners of small enterprises can design their internal control policies in opposition to fraud elements. A set of adequate internal control procedures can prevent employee fraud. The following discussion explains the conceptual framework of this study.

Fraud Theory Study

The conceptual framework for this study is the fraud diamond theory, an extension of the fraud triangle theory (Noble, 2019). Donald R. Cressey, a U.S. criminologist, developed the fraud triangle theory in 1950 (Lederman, 2019). The fraud theory encompasses the three elements: pressure, opportunity, and rationalization (Schnatterly et al., 2018). Cressey (1953) theorized that circumstances—(a) pressure, (b) rationalization, and (c) opportunities—lead trusted employees toward fraud temptations. The fraud triangle suggests that when an individual has perceived un-shareable financial need (pressure), weak internal control creates an opportunity for the person to commit fraud (Cressey, 1953). Auditors use the fraud triangle theory embedded in SAS 99 to explain the motivation behind a person's decision to commit fraud (Huang, Lin, et al., 2017; Powell, 2017).

Wolfe and Hermanson (2004) argued that in addition to fraud triangle elements, an individual who has the capability (access) is more likely to successfully commit fraud. Consequently, in 2004, Wolfe and Hermanson proposed the fraud diamond theory, which included capability as the fourth element to prevent fraudulent activities (Sujana et al., 2019). The fraud diamond theory emphasizes that fraudsters must have the ability and skills to carry out fraud activities (Mansor & Abdullahi, 2015).

Fraud Risk Awareness

Fraud risk elements recognition can help managers implement internal control (Bakri et al., 2017). Additionally, fraud deterrence works best when every employee is aware of the fraud risks and consequences associated with them (Murphy & Dacin, 2011). More than 40% of employee fraud is detected by tips (ACFE, 2014). Small business owners and managers should increase risk awareness through their code of ethics and common fraud abuse and waste policies

(Moore, 2010). Management of the business should explore tools and guidance published by COSO when formulating internal controls (Frazer, 2016). Mock et al. (2017) asserted that fraud risk awareness can help managers detect fraud activities.

Internal Control Established by COSO

Adequate internal controls create a fraud shield to protect business assets. Internal control includes five components: control environment, risk assessment, control activities, information and communication, and monitoring (Rae et al., 2017). An effective internal control system can reduce fraud risk to an acceptable level (Siregar & Tenoyo, 2015). Internal controls also include hiring procedures (background checks), anti-fraud awareness, IT control (limited access by authority level; Laufer, 2011), and operational controls (segregation of duties; Crain, 2019; Office of Inspector General, 2016). These controls can strengthen anti-fraud protection, enhance cybersecurity, increase cost savings, and boost business sustainability (Zhao, 2020).

Figure 1

Internal Controls Create Fraud Shield Against Employee Fraud



Note. Internal Controls Create Fraud Shield Against Employee Fraud is created by Daphne Bishop.

Discussion of Relationships between Concepts

The data collected from the study would show the theme of internal controls implemented by small rural businesses in Nebraska. Each owner or manager's experience varies due to financial, personnel, and professional-resource limitations. Because of their rural locations, owners and managers encounter challenges when hiring, whether professional or operating employees. Furthermore, after challenging hiring and onboarding processes, employees are bona fide trusted employees who are given accesses or authorities for operational functions. As a result, owners empower employees to function in different areas, which inadvertently cause weak internal controls. Additionally, due to the lack of professional finance personnel in rural areas, financial consultation might retrain small business owners to implement acceptable internal controls for their business operation. The themes would allow small business owners to review the strengths and weaknesses of their current implementations and provide modified or alternative internal control policies and procedures.

Summary of the Conceptual Framework

This conceptual framework illustrates key factor of this study such as fraud theories, fraud risk awareness, and internal controls. The fraud theories explain the psychologies and motivations behind employee fraud. The fraud theories offer tips and recommendations for fraud risk awareness. Owners and managers, equipped with fraud awareness, can use fraud indicators to apply internal controls. In 2013, COSO established internal controls procedures to help small businesses form fraud shields to detect and deter fraudulent employee activities (see figure 1). This study is to solidify that appropriate internal control procedures can discourage fraud activities, thus, protecting business assets.

Definition of Terms

Anti-fraud: Anti-fraud refers to internal control policies and procedures designed to prevent fraudulent practices (Dawson, 2016).

Asset misappropriation: Asset misappropriation refers to when an individual uses organizational or clients' assets for personal benefits (Kennedy, 2018).

COSO Internal Controls: COSO internal controls are generally accepted framework for internal control established by the Committee of Sponsoring the Organization of the Treadway Commission (COSO) to help organizations develop an effective internal control system (Graham, 2015).

Fraud risk management: Fraud risk management refers to management tools to understand and identify fraud risk to its business and weaknesses in controls vulnerable to fraudulent activities (Georgiades, 2015).

Occupational frauds: When an employee, officer, manager, or owner of a company commits fraud to benefit their financial gains, it is called occupational fraud (Suh et al., 2019). The types of occupational fraud are asset misappropriation, corruption, and misrepresentation of statements (Moore, 2018).

Rural areas: According to the U.S. Census Bureau, territory outside of cities and towns with 2,500 or more people is considered rural (Ratcliffe et al., 2016).

Segregations of duties: Employees should perform their duties with different authority levels, and no single individual should have the capability to generate, execute, and monitor activities within a business function (Henry, 2016).

Small businesses: An enterprise with less than 250 employees is classified as a small business, according to the U.S. Small Business Administration (SBA; Anastasia, 2015).

Assumptions, Limitations, Delimitations

The researcher must identify assumptions, limitations, and delimitations when planning the study. Once the researcher can clarify what restrictions may occur when conducting scholarly research, they can then adjust the method appropriately. Assumptions are elements that may influence the study for which the researcher somewhat has no control, such as participants' knowledge level of internal controls (Berg & Lune, 2017). Limitations occur when the researcher cannot anticipate the honesty level of interviewee responses (Dixon, 2015). On the contrary, the researcher has control over the study's scope, which is the delimitations (Theofanidis & Fountouki, 2018).

Assumptions

Assumptions are unexamined beliefs that the researcher accepts to be true (Milyavskaya et al., 2019; Panizza, 2019). Small businesses encounter challenges when implementing internal control procedures, such as segregation of duties (Davis et al., 2017) due to financial and personnel limitations. As such, the researcher assumes that small rural businesses have the same constraints to institute appropriate internal controls or contract external accounting professionals (An et al., 2018; Ayandibu & Houghton, 2017; Stone, 2016). The researcher also assumes that selected participants understand proper internal control procedures established by COSO (Moeller, 2011; Mutnuru, 2016; Rittenberg, 2006). The next assumption is that participants would answer interview questions honestly (Dixon, 2015). Participants are more likely to narrate their responses truthfully in a safe environment that offers confidentiality and anonymity (Doody & Noonan, 2016; Leedy & Ormrod, 2019; Saunders et al., 2015).

Limitations

Limitations are circumstances or conditions that the researcher cannot control (Shipman, 2017; Simon & Goes, 2017). The forcible limitations are the size of participation pool, the objective responses of participants, and the accessibility of internal control documents. First, the recruitment of the participants is voluntary. While participants may initially agree to participate in the study, they may opt-out of the opportunity afterward. Since data collection is based on self-reporting of participants, cognitive biases, such as fundamental attribution error, selective perception, and belief bias, may occur. As such, the participants might unconsciously overemphasize or underemphasize scenarios or situations. Lastly, some participants might not provide internal control documents due to their sensitivities.

The investigator plans to get a list of small businesses from the chamber of commerce and Nebraska Business Development Center (NBDC) to broaden the participant pool. During the recruitment, the researcher would ensure participants' confidentiality that their information cannot be identified (Lancaster, 2017; Surmiak, 2018). The guarantee of confidentiality may alleviate participants' concerns, resulting in genuine opinions. Lancaster (2017) noted that participants might provide honest opinions during interviews when they knew the researcher would protect their identities. To mitigate the data collection limitation, Yin (2018) recommended triangulation to strengthen data collection validity. The researcher would triangulate the research resources to attenuate the possibility of constraints. In addition to interview sessions, the researcher intends to observe participants' business procedures and review their non-business documentations to reach a convergence of the findings (Farquhar et al., 2020).

Delimitations

Delimitations are that researchers use specific criteria to limit the scope and boundaries of the study (Bański et al., 2018; Theofanidis & Fountouki, 2018). This research explores the internal controls implemented by small rural businesses in Nebraska. The researcher selects five to ten participants (Boddy, 2016; Yin, 2018) that have been in the same rural town or region. Boddy (2016), Burkholder et al. (2020), and Yin (2018) agreed that case study researchers could achieve data saturation by interviewing two to five cases.

Significance of the Study

The significance of this study is the effectiveness assessment of the current internal control and risk management practices in small rural businesses. Small rural businesses and communities can benefit from the findings of this research study. Initially, the research findings may benefit business owners and managers to implement best practices to avoid fraudulent occupational activities. The reduction of employee fraud may then enhance asset protection and increase business profit. Consequently, business profit growth sustains the community economically and socially.

Reduction of Gaps in the Literature

This study's findings may curtail the existing gaps in understanding how small rural businesses implement internal controls and risk management to prevent occupational fraud. While some researchers have explored the rationales of rampant employee fraud cases in the greater business world, limited studies have been conducted to reveal impacts on employee fraud risk in rural business regions. There is also little information shown as to why small businesses are vulnerable to high fraud risk. The percentage that small rural businesses utilize COSO

guidelines to establish internal controls is not surveyed either. The researcher sought to bridge the gaps through this study.

Implications for Biblical Integration

Fraud is an ethical decision problem rather than an accounting principle issue (Dorminey et al., 2012). Financial or personal gains resulting from internal deception, and wrongful acts are called fraud (Jaffer & Cameron, 2006). When an employee intentionally lies, deceives, or thieves from an organization to benefit themselves it is defined as employee fraud (Singleton & Singleton, 2011). Ethics is the moral principles that govern a person's behavior (West, 2018). Integrity, likewise, is described as the quality of being honest and possessing strong ethical principles (Bordeman & Westermann, 2019).

The Bible provides plenty of God's perspective regarding ethics and integrity. Solomon expressed that "to do what is right and just is more acceptable to the LORD than sacrifice" (*New International Version*, 2011, Proverb 21:3). Paul urged Corinthians to do the right thing in not only God's eyes but also in those of men, although it is challenging to do so at times (*New International Version*, 1973/2011, 2 Corinthians 8:21). Solomon also explained God's delight in man's integrity, "God detests lying lips, but he delights in people who are trustworthy" (*New International Version*, 1973/2011, Proverbs 12:22). Paul encouraged Christians to do as follows, "whatever is true, whatever is noble, whatever is right, whatever is pure, whatever is lovely, whatever is admirable, if anything is excellent or praiseworthy, think about such things" (*New International Version*, 1973/2011, Philippians 4:8).

Since fraud is an ethical behavioral problem, personal moral judgment plays a vital role in fraud prevention. A working behavioral standard should be "Do to others as you would have them do to you" (*New International Version*, 1973/2011, Luke 6:31). However, it is easier said

than done when pressure, incentive, and rationale (the fraud triangle) encircle an individual facing ethical conflicts.

Therefore, Paul encouraged us to pray for guidance to behave honorably (*New International Version*, 1973/2011, Hebrews 13:18). Solomon also motivated Christians to meditate upon this verse in their hearts for their daily conduct, “I know that you are pleased with me, for my enemy does not triumph over me. Because of my integrity, you uphold me and set me in your presence forever” (*New International Version*, 1973/2011, Psalm 41:11-12). God promises to bless people who do the right thing in His eyes. David acclaimed that promise and guided Christians as to what to do in 1 Kings 2:3, “and observe what the LORD your God requires: Walk in obedience to him and keep his decrees and commands, his laws and regulations as written in the Law of Moses. Do this so that you may prosper in all you do and wherever you go” (*New International Version*, 1973/2011).

Higher education in accounting and professional associations recognize that ethics can guide people to do the right thing. Consequently, institutions have included ethical classes into their curriculum to educate future professionals. Nevertheless, organizations should provide adequate internal control and risk management in the case of moral failure. While internal control cannot eliminate fraud, adequate implementation can reduce fraud risk significantly.

Benefit to Business Practice and Relationship to Cognate

As law enforcement is to the law, internal controls are to Generally Accepted Accounting Principles (GAAP) and Sarbanes-Oxley Act (SOX; Moeller, 2014; Simkova, 2005). Both are set up to prevent crimes and detect violations while laws and principles are standards for behaviors. Studying psychology and the rationale behind crimes and fraud become essential to combat illegal events (Ramamoorti, 2008). Due to an upward slope in cases of financial scandals and

asset misappropriations in the business world, internal controls and accounting ethics education have become hot topics (Jaijairam, 2017). In 2002, the U.S. Congress passed the Sarbanes-Oxley Act to help protect investors and deter fraudulent financial reporting activities by corporations (Basile et al., 2015). As the accounting field has been confronted with increased fraudulent activities, AICPA also established professional code of conduct guidelines for Certified Public Accountants (CPA) to guardrail their professional judgment (Lawson et al., 2016). COSO also published guidance on internal controls to mitigate business fraud activities (Frazer, 2016).

Moreover, some universities have developed forensic accounting programs to train students on how to detect and prevent fraud, aside from audit and financial accounting degree paths (Pergola & Walters, 2017; Syah, 2017). Fraud study inclusion in the curriculum can help curb monetary fraud rate, thus, increasing the public's confidence in business.

Summary of the Significance of the Study

This study should provide small rural business owners with an in-depth understanding of internal control procedures and risk management. Arguably, incorporating the Biblical worldview in the work environment should increase employees' ethical internal controls, which helps battle fraud temptation. The advantage of fraud knowledge is the increase in businesses' capability to detect fraud. The awareness of fraud and its detection could lead to profit growth or loss prevention. However, if most employees have higher ethical standards, internal control implementation is merely a security measure.

A Review of the Professional and Academic Literature

This study explores the effectiveness of internal controls executed by small rural businesses to detect and prevent fraudulent employee activities while mitigating profit loss. The professional and academic literature review summarizes fraud theories, occupational fraud, and

an integrated internal control framework. The literature review section illustrates the roles and relationships amongst fraud theories, occupational fraud, and integrated internal controls. The intertwined relationships of fraudulent activities, fraud theories, and internal controls form a life cycle of fraud prevention (Huber et al., 2015; Rendon & Rendon, 2016). To prevent or detect fraud, understanding the rationale behind the crime is crucial to developing prevention policies or mechanisms. This review discusses how employee fraud impacts small businesses and how internal control can help small businesses combat the challenges.

Business Practices

Internal Controls in Small Businesses. Small business owners can use the COSO framework to assess their internal control systems (Graham, 2015; Stone, 2016). COSO has developed COSO guidelines to help small business owners establish internal controls (COSO, 2013). The five components with 17 principles could help users understand the requirements to build an effective internal control (Fay & Dickins, 2017). They could also help small business owners design and implement internal control systems (Fay & Dickins, 2017).

Lotich (2020) stated the core value of the business is its people. Owners should emphasize their values, including integrity, ethical value, and competence, through the employee handbook or personnel manual (Lotich, 2020). The value creates a working culture and control environment where they operate (The Leader's Guide, 2020). The control environment is the foundation of organizations that shapes and drives business operations. Managers could utilize risk assessment to identify potential risks, analyze possible damages, and manage the risks to an acceptable level. The control activities component could help business owners establish control policies and procedures to achieve organizational objectives while addressing risks. The fourth component—information and communication—enables managers to capture relevant operating

information and then communicate its internal and external goals to related parties. Business leaders must assess their control activities on an ongoing basis to ensure internal control effectiveness (Murphy & Free, 2016). Business owners evaluate the effectiveness of internal control to protect the business and comply with laws and regulations (Peltier-Rivest & Lanoue, 2015). Business owners must continuously assess fraud risks and train employees to understand internal controls' value in preventing occupational fraud (Peltier-Rivest & Lanoue, 2015).

Impact of Occupational Fraud in Small Business

The U.S. Small Business Administration (SBA) used staff numbers and their past three annual revenues to rank the size of firms (Office of advocacy, 2014). SBA defined that a small business is an independently owned and operated entity that hires less than 100 employees. The small business structure included sole proprietorship, partnership, Limited Liability Company (LLC), S corporations, and corporation (Office of advocacy, 2014; Trad & Freudenberg, 2017). For this study, a small business is defined as a privately owned and for-profit organization that employs less than 100 employees.

SBA (2019) showed the following facts. Small businesses have been crucial to economic growth in the United States. Approximately 99.9% of companies in the United States were small enterprises. Sales contribution from Small business was more than 50%. Small businesses hired 47.3% of the U.S. private workforce. In 2019, small enterprises created 1.8 million new jobs in the United States. The top three industries with small businesses were (1) health care and social assistance, (2) hospitality and food services, and (3) retail stores. Although small businesses proliferated, owners faced challenges of sustainability (Hess & Cottrell, 2016).

Turner and Endres (2017) noticed that more than 50% of small businesses closed their operations within 5 years. The U.S. Bureau of Labor Statistics reported roughly 20% of small

companies did not survive within the first year (Carrigan, 2020; Dautovic, 2020). Additionally, about 50% have halted their operation at the end of their fifth year. Only 33% have persisted after 10 years (Carrigan, 2020; Dautovic, 2020). As a result, small corporation owners needed strategies for business sustainability (SBA, 2019). The most urgent challenge that small business owners faced has been employee fraud that required immediate attention (Kennedy & Benson, 2016).

Employee fraud has been one of the biggest challenges for small businesses (Hess & Cottrell, 2016; Kennedy & Benson, 2016; Kramer, 2015). Klein (2015) indicated that most owners did not realize that fraud could severely damage their businesses. Small companies should seriously take fraudulent activities because they could severely hinder and disrupt their cash flow and working capital (Klein, 2015). Bressler and Bressler (2019) pointed out that small businesses were vulnerable to occupational theft, stealing, and embezzlement that could drain their profit. Kramer (2015) indicated that small businesses have had ill-defined business practices and flawed internal control processes. Consequently, weak internal control revealed that small business owners lacked accounting knowledge and business management skills, leading them to business calamity (Turner & Endres, 2017). Kapardis and Papastergiou (2016) concluded that occupational fraud—payroll fraud, cash theft, and check manipulation— could compromise small organizations' financial stability.

Furthermore, Wells (2017) summarized common fraud scenarios as follows. Employees may skim money from unreported sales or collections. Staff from the payment departments could issue fabricated refunds to their relatives. Procurement assistants could create bogus invoices and then deposit checks into fake vendor accounts. Sales representatives could pad expense reimbursement reports. Payroll analysts could issue checks for fictitious employees and for

excess overtime. Procurement managers could receive kickbacks from vendors to maintain contracts (Wells, 2017).

Employee fraud could impair businesses and their reputations (Peters & Maniam, 2016). A Disney staff member responsible for issuing refunds to unsatisfied customers authorized more than \$100,000 fraudulent refunds to her friends (Gordon, 2020). Denise Inaba, the sole accountant for Jaspo Inc., stole roughly \$4.7 million by writing herself 1200 petty-check checks (Johnson, 2002). Gilberto Escamilla, a former Texas juvenile center employee, stole and re-sold fajita meat for a total of 1.2 million from 2008 to 2017 (Hafner, 2017). While the cases mentioned above were not related to small businesses, similar scenarios could happen within small industries. According to ACFE (2016), small business owners often did not report fraud offenses because they wanted to avoid embarrassment. Small businesses also did not have adequate resources to execute internal controls, such as accounting and audit personnel, to help detect and prevent fraud (Kramer, 2015).

Summary of Impact of Occupational Fraud in Small Business

Small businesses encountered fraud losses at a rate of 200 times that of large corporations (ACFE, 2018; Fraud Statistics, 2018). Denman (2019) stated that 75% of fraud activities were not detected on time. On average, U.S. businesses lost 5% of their gross revenue to fraud (Klein, 2015). Private companies, including small businesses, had an average loss of \$164,000 per a fraud (Denman, 2019; Fraud Statistics, 2018).

The Role of Management in Mitigating Fraudulent Employee Activities

The regulations in U.S.—The U.S. Sarbanes-Oxley Act of 2002 and the U.S. Federal Sentencing Guidelines of 2005—have raised management’s responsibility for fraud risk

management (ACFE, 2016; Gorshunov et al., 2020). Management has been responsible for preventing and detecting fraud, business irregularities, and misappropriation (Boyle et al., 2015).

While no internal control systems could eliminate fraud completely, a well-designed internal control could effectively deter fraudsters (Hess & Cottrell, 2016). Suh et al. (2019) indicated that adequate internal control could minimize perpetrators' opportunities to commit fraud and enhance company confidence in internal control systems. Business owners and managers have been advised and encouraged to learn and understand fraud risk management that could productively reduce fraud risk to an acceptable level (Boyle et al., 2015; Suh et al., 2019). Business managers and owners could then develop internal control procedures to deter fraudulent employee activities, thus, mitigating financial loss (Kramer, 2015).

Henry (2016) recommended that small business managers establish an adequate control environment to foster an effectual anti-fraud culture. Henry further emphasized that managers and owners should make anti-fraud measures and policies visible and available to employees at the working place (2016). Employees would be less likely to carry out unethical conduct when they perceived a clear code of conduct within the organization (Sherif et al., 2016). COSO also outlined strategies that business managers could utilize to cultivate an anti-fraud environment (Lehmann & Hao, 2020). Meanwhile, managers should develop a clear company structure, written procedures, and fair employment practices. Each member should be aware of the organization's anti-fraud policies and procedures and their consequences. When owners and staff were on the same side fighting fraud, they were more likely to deter fraud successfully (Henry, 2016).

Omar et al. (2016) recommended that managers and owners take time to know their employees. Observing and listening to employees could assist managers in identifying fraud risk

sooner. For example, an attitude toward work or a drastic life-style change may be risk signals. When employees felt unappreciated by work or supervisors, their emotions could lead them to carry out fraudulent events as retaliation (Omar et al., 2016).

Hess and Cottrell (2016) suggested that management set up an anonymous reporting system so that employees or vendors could report irregular business activities. ACFE reports (2014) found that it took an average of 18 months to discover any fraudulent occurrences. Additionally, the majority of fraud activities were uncovered through anonymous tips. Unidentifiable notification encourages people to report crimes because it promises confidentiality (ACFE, 2014; Hess & Cottrell, 2016).

Henry (2016) suggested that managers and owners have a chance to enhance internal control during the hiring process. Hiring procedures, such as background checks, calling references, and checking certification validity, could help filter questionable job candidates (Henry, 2016; Kuhn, 2020). The inadequate recruiting procedure may inadvertently create a susceptible fraud environment. Small business owners should also outline a clear code of conduct and hold training sessions to disseminate code of conduct information (Denman, 2019).

Denman (2019) advocated that a positive working environment could deter occupational theft and fraud. Small business owners can show their organizational culture and value via training sessions (Denman, 2019). The managers should emphasize that anti-fraud measures could protect not only staff but the company (Butcher, 2020). When staff members were well-informed and educated about anti-fraud measures, they could spot potential fraud signs sooner (Henry, 2016; Yuniarti & Ariandi, 2017).

Henry (2016) also advised that small business owners avoid using the same person to create, implement, and monitor a business function. For instance, a staff who reconciles bank

statements should not have access to balance vendor payments. While segregation of duties is a practical internal control approach, small businesses might not have the resources to implement it (Henry, 2016; Kramer, 2015). Henry pointed out that because segregation of duties required plenty of personnel to perform different business tasks, small businesses often could not afford it due to their business size and limited capital.

Nevertheless, Amato (2017) suggested managers employ risk management strategies like job rotations and mandatory vacations to deter fraudulent activities. Amato noted that a few infamous fraud cases were discovered during fraudsters' absences as repeated fraud activities required fraudsters' presence to maintain fraud continuity. Amato stated that because job rotations and required vacation forced employees to take leave or switch job roles, other employees would take over duties. Since employees who carried out routine fraud needed to consistently cover their fraud evidence, job rotation and mandatory vacation leave made it challenging to hide fraud documents (Amato, 2017; McMahon et al., 2016). Evidently, organizations reduced their fraud rates by 47.6% when they implemented job rotation and mandatory vacation policies (ACFE, 2016; Amato, 2017). ACFE (2016) suggested that small business owners should also establish hotlines for people to report irregular or suspicious business events. Suh et al. (2019) proclaimed that hotlines' effectiveness against fraud had been much higher than internal audit and management review.

The Role of Whistleblowers in Attenuating Occupational Fraud

Whistleblowing refers to disclosing information that the individuals believe are evidence of (a) a violation of a law, rule, or regulation; (b) waste of funds; (c) mismanagement or any action that harms an entity; or (d) any substantial danger to the public interest, safety, or health (Culiberg & Mihelič, 2017; Watts & Buckley, 2017). Andon et al. (2018) stated that

whistleblowers played a significant role in the fight against occupational fraud. Andon et al. also asserted that whistleblowers reported suspicious events like vendor corruption, check tampering, and fake payments.

A whistleblower could be a former or current employee who reveals fraudulent events to an organization (Near & Miceli, 2016). These individuals who called attention to possible wrongful acts in their company were subject to controversy (Culiberg & Mihelič, 2017; Davis, 2019). Barnett (1992) indicated that some praised these brave souls who possessed noble characters. On the other hand, some criticized that they were disgruntled staff who maliciously and recklessly bit the hands that fed them (Barnett, 1992). However, the truth lies between these two spectrums. Therefore, organizations should investigate disclosed fraud information prudently (Near & Miceli, 2016).

Employee fraud was typically discovered and detected internally by anonymous tips, according to ACFE (2016). Tip lines helped uncover 40% of fraud compared to internal audit (15%) and management review (13%). Anonymous tip lines and websites were useful to report irregular activities. ACFE found that companies with hotlines had smaller fraud losses (2016). Peltier-Rivest and Lanoue (2015) concurred that organizations with hotlines mitigated at least 54% fraud loss.

Dhamija (2014) advocated that organizations should provide a disclosure policy. Dhamija asserted that a well-developed policy could protect whistleblowers and encourage employees or third parties to report suspicious activities. The protection policy could safeguard whistleblowers from retaliation and protect their anonymity to the extent possible (Miethe, 2019). The policy could also address the preservation of evidence concerning putative fraud (Dhamija, 2014).

The Problem

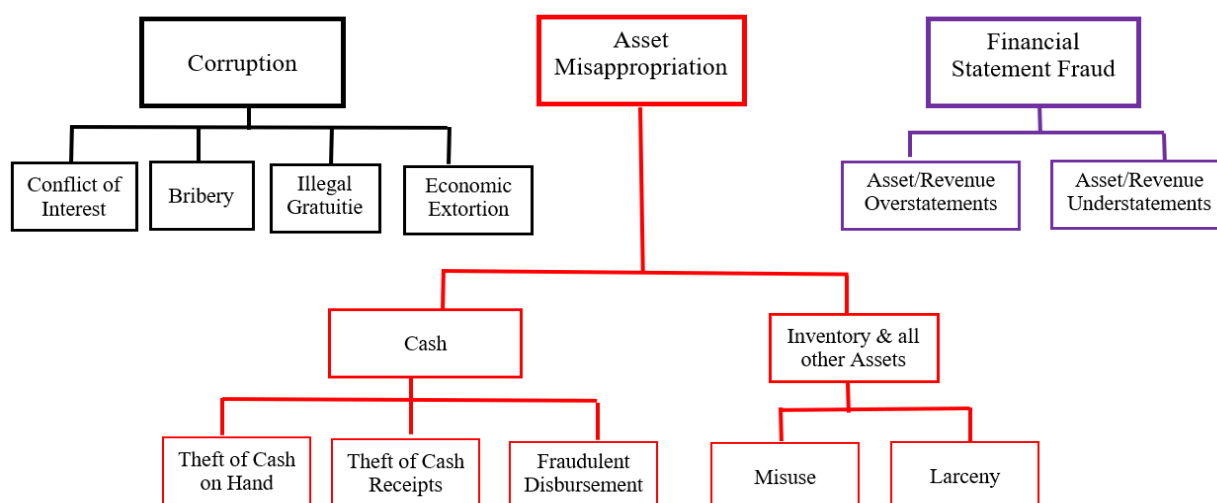
Occupational Fraud in Small Business. ACFE (2016) published a report regarding occupational fraud and abuse surveyed in different industries. ACFE suggested that corporations globally lost roughly \$3.7 trillion to fraud each year. Fraud occurrences could cause enterprises to cease to exist due to their severity (Nawawi & Puteh Salin, 2018). Larcker and Tayan (2016) indicated that conditions—unhealthy organizational culture, employee dissatisfaction, spotty accounting system, inefficient corporate governance, weak internal control, and others—created opportunities for perpetrators to commit unlawful gains (Nawawi & Puteh Salin, 2018). Fraud offenders observed weak points of an internal control system and waited for a ripe opportunity to enact their plans (Shepherd & Button, 2019). Cressey (1953) found that when an individual committed an occupational crime, fraud triangle elements usually existed simultaneously. In other words, occupational fraud was associated with fraud theories, which showed the minds and rationale behind these behaviors (Mukah, 2020; Shepherd & Button, 2019). Inevitably, organizations should implement anti-fraud measures to combat the issue. Amongst anti-fraud measures, Suh et al. (2018) believed that ethical culture could most effectively prevent occupational fraud.

An intentionally dishonest behavior used to achieve personal gain against others by a group or an individual is called fraud (Murphy & Free, 2016). Murphy and Free stated that fraud happened when a person deceived willfully for wrongful gains. Occupational crime has also been called employee fraud, white-collar crime, and insider crime (Bonny et al., 2015; Stockman, 2014; Suh et al., 2018). When employees acted deceitfully for personal profit against their employer it was defined as occupational fraud (Suh et al., 2018). Suh et al. revealed that any member such as staff, managers, executives, owners, and others of an organization could commit

fraud. Occupational fraudulent activities included asset misappropriation, corruption, and fraudulent financial statements (Albrecht et al., 2015). Since the scheme list was extensive, the ACFE developed a fraud tree (Figure 2) to delineate and identify the activities. ACFE created a fraud tree as a fraud risk tool to help business owners recognize fraud activities, thus, protecting their business.

Figure 2

ACFE Fraud Tree



Note. Adapted from Fraud 101: What is Fraud, by the ACFE (<https://www.acfe.com/fraud-resources/fraud-101-what-is-fraud>). In the public domain.

Asset Misappropriation. Asset misappropriation refers to asset theft or asset abuse (Bakri et al., 2017; Kennedy, 2018). Nawawi and Puteh Salin (2018) found that employees usually committed fraud in thieving cash, inventory, and equipment, falsifying requisition, creating phony invoicing, and padding personal expenses on the company's credit card. Nevertheless, cash and inventory were the two main categories under asset misappropriation, according to the fraud tree developed by ACFE (Hunt, 2014; Nia & Said, 2015). Kennedy (2018) indicated that fraudsters frequently targeted cash on hand, cash receipts, and fraudulent

disbursement to embezzle. For example, former Dixon comptroller, Rita Crundwell, stole \$53.7 million by forging the Dixon city bank account for cash receipts and then created fake invoices for reimbursement (Eterno & Roberson, 2015). She financed her quarter horse farming business and lived a luxurious life with the fraud proceeds from 1998 to 2012, when she was caught while on vacation by a coworker who requested a bank reconciliation, which revealed the fraud (Apostolou et al., 2015).

Inventory misappropriation is another widespread asset abuse phenomenon (Glodstein, 2015). Perpetrators typically stole inventory or supplies for personal use or re-sale to third parties for profit (FBI, 2010; Picincu, 2020). The schemers could convert stolen merchandise into cash via private businesses, flea markets, or yard sales (Aniello & Caneppele, 2018). The trading events could also occur through online exchange platforms (Willett, 2007). Kennedy (2018) found that asset misappropriation was a common occurrence within small businesses because the owners could not afford to hire accounting professionals to implement proper internal controls. Additionally, Kennedy pointed out that small corporation owners frequently reported employee larceny, including time, cash, supplies, intellectual property, and production materials (2018).

Corruption. Corruption occurs when employees misuse their official authority in business transactions to obtain benefits against their employer (Graycar, 2017; Heath et al., 2018). Denman (2019) summarized the corruptions: 70% of the fraudsters were in a position of authority, 32% of fraudsters were either owners or executives, and 38% were managers. Perpetrator ratios based on sex were 82% male to 18% female. Male perpetrators were 82%, while female committers were 18%. The corruptions occurred most often in three industries: energy (53%), manufacturing (51%), and government and public administration (50%; ACFE, 2018).

Aside from misuse of power, the corruption category included “bribery, extortion, cronyism, nepotism, patronage, influence peddling, graft, and embezzlement” (Heath et al., 2018, p. 574). The fraud tree summarized corruption into four categories: conflict of interest, bribery and corruption, illegal gratuities, and bid-rigging (ACFE, 2018). Conflict of interest included nepotism and self-dealing to get personal benefits through their organizations (Dragomir, 2017). When vendors gave employees kickbacks or luxurious gifts to maintain business contracts, it was a sign of bribery (Montero, 2018; Osburg, 2018).

Under 18 U.S.C. section 21, illegal gratuity is giving a gift to influence a public official’s decision (Lada, 2015). A bid-rigging scheme refers to collusive bidding by contractors who agree in advance to take turns in winning bids (Reeves-Latour & Morselli, 2017; Signor et al., 2020). Undetected corruption has been a serious offense that would impair small enterprise’s ability to continue in business in the long run (Aven, 2015; Grima et al., 2020). ACFE confirmed that corruption caused an average loss of \$200,000 in small industries (ACFE, 2018; Peltier-Rivest, 2018a, 2018b).

Fraudulent Financial Statements. According to the fraud tree, fraudulent statements revolved around revenue/asset understatement and overstatement (ACFE, 2018). Financial statement misrepresentation happened when business officials manipulated financial records to show business operation effectiveness under supervision (Kanapickienė & Grundienė, 2015). Because owners of companies, investors, creditors, and government agencies used financial statements to make decisions regarding the development of a company, the false presentation of financial information would misguide their business decisions (Roszkowska, 2020). Suh et al. (2018) stated that asset misappropriation occurred more frequently than corruption and fraudulent financial statements within occupational fraud, whereas fraudulent financial

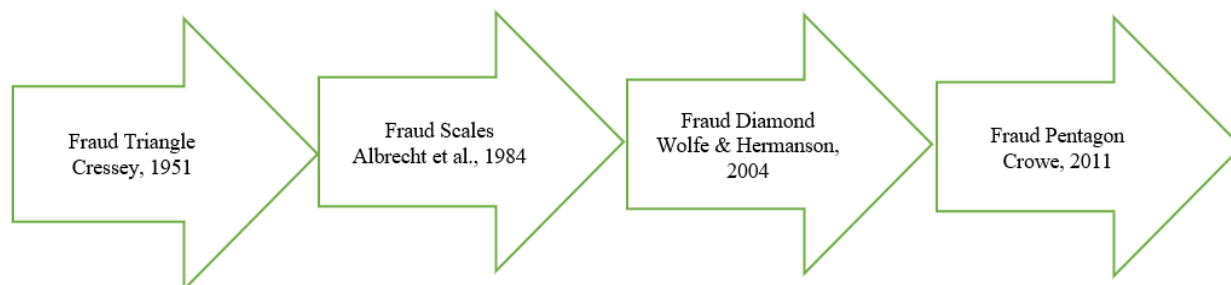
statements cost more financial loss. Denman (2019) affirmed that a median loss due to financial statement fraud was roughly 800,000. He also encapsulated that 10% of fraud cases were related to financial statement manipulation from the 2018 ACFE report. Owners and executives were involved in 27% of fraud, involving false financial statements (Denman, 2019).

Theories

The current section shows the application and limitations of fraud theories. Researchers utilized the fraud theory to examine and explain the behaviors behind fraud crimes (Gottschalk, 2019; Homer, 2019; Mansor & Abdullahi, 2015). To prevent fraud is to acknowledge that fraud prevails in businesses and attenuate its potential damages. All companies have been susceptible to fraud (Mangala & Kumari, 2015; Reporting, 2015). Fraud has existed for centuries in the business world (Faith, 2015). Societies and corporations would always face fraud issues attributed to human greed and nature (Haynes et al., 2015; Varma & Khan, 2016). Kumar et al. (2018) asserted that reducing or removing opportunity from the fraud triangle equation could prevent fraud activities. Internal control paired with an accountability culture could effectively remove the opportunity element (Abd Aziz et al., 2015; Cunningham, 2004). The fraud theories—fraud triangle (Figure 4), fraud scale (Figure 5), fraud diamond (Figure 6), fraud pentagon (Figure 7), and various other theories—have ever since evolved to identify the elements that caused the downfall of trusted employees (Mackevičius & Giriūnas, 2013). Figure 3 displays the fraud theory's evolution timeline.

Figure 3

Timeline of Fraud Theories



Note. Timeline of Fraud Theories is created by Daphne Bishop.

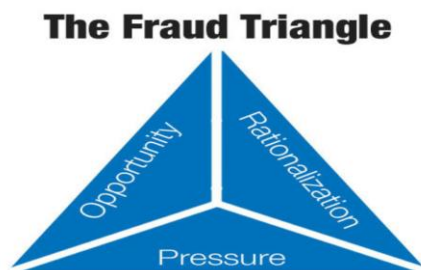
The Fraud Triangle. The fraud triangle became the founding father of fraud theories in November 1951. The fraud triangle encompassed three elements: opportunity, pressure, and rationalization (Cressey, 1953). The fraud triangle theory focused on psychological motives behind individuals' decisions to execute fraudulent activities (Cressey, 1953; Schuchter & Levi, 2019). Cressey theorized that ordinary people could commit fraud under the right conditions (Sutaryo & Muhtar, 2018). The right conditions formed when opportunity, pressure, and rationalization were simultaneously present (Free, 2015). Cressey observed that white-collar inmates shared common backdrop-story conditions. He also concluded that fraudsters needed three elements concurrently present to materialize their fraud plans (Cressey, 1953; Schuchter & Levi, 2019). Nonetheless, managers and owners of organizations could take preemptive measures to address fraud risks when learning fraud elements (Denman, 2019).

Because the fraud triangle was proven effective, governance agencies adopted the fraud theory to their standards. In 2002, the American Institute of Certified Public Accountants (AICPA) incorporated the fraud triangle in Statement on Auditing Standards no. 99 (SAS No. 99) to help auditors detect fraud (Huber, 2017; Lokanan, 2015). In 2013, the Committee of Sponsoring Organizations (COSO) of the Treadway also revised internal control to further address fraud management (Graham, 2015; Martin et al., 2014). Consequently, COSO

established a fraud risk management guide in 2016 to aid small businesses to battle employee fraud (McNeal, 2017). Figure 4 shows the fraud triangle.

Figure 4

The Fraud Triangle



Note. Adapted from Fraud 101: What is Fraud, by the ACFE (<https://www.acfe.com/fraud-resources/fraud-101-what-is-fraud>). In the public domain.

Pressure. Cressey defined pressure as fraudsters' personal motivation rather than work (Cressey, 1953; Huber, 2017; Huber et al., 2015). Individuals' personal pressure was the culprit behind fraud motivations, such as inordinate debt, marriage troubles, family health issues, and addiction (Yusof & Lai, 2014). The pressure forced individuals to look for unorthodox solutions to resolve their financial urges (Huber, 2017; Huber et al., 2015). Dorminey et al. (2012a) and Lokanan (2015) echoed that non-shareable financial problems were perpetrators' primary motive to execute fraudulent activities. Non-shareable financial stress occurred when individuals encountered overwhelming financial obligations and believed they could not discuss their struggles with others (Dorminey et al., 2012a; Lokanan, 2015). Harrison et al. (2016) indicated that pressure implication also came in various forms and combinations. For instance, individuals may perceive financial needs driven by ego and social ramifications. Nevertheless, non-shareable financial pressure was considered the primary reason that an ethical employee capitulated to corruption (Lokanan, 2015). Cressey coincidentally found that white-collar convicts committed

fraud to fix their non-shareable financial needs (Cressey, 1953; Rodgers et al., 2015; Wilcox & Gialopsos, 2015). An honest employee could commit fraud when experiencing substantial financial pressure (Smith et al., 2013).

Opportunity. Opportunity refers to the means that allow individuals to defraud organizations (Cressey, 1953). Individuals who intended to commit fraud discovered internal control gaps and firmly believed no one would notice their misconduct (Huang, Masli, et al., 2017). Fraudsters came across information that allowed them to steal monetary and non-monetary business assets and conceal the evidence (Schuchter & Levi, 2019). In this phase, potential fraudsters saw a clear path where they could abuse their position to relieve perceived-non-shareable financial needs (Lokanan, 2015). The opportunity element provided individuals the ability to secretly address their financial problem through the unique gateway (Schuchter & Levi, 2016). Employees with authorized access to business resources with minimum supervision were more likely to commit fraud (Omar et al., 2016). Omar et al. (2016) further explained that opportunity sprouts when business operations did not have a system for segregation of duties. A typical violation of segregation of responsibilities occurred when the same person performed the task of requesting, receiving, and paying for purchasing (Omar et al., 2016). Therefore, like removing fuel from fire, Kramer (2015) recommended that removal of the opportunity element could successfully deter employee fraud. Rodgers et al. (2015) suggested that internal controls create barricades to the opportunity that repel perpetrators' interest in committing fraud. Lokanan (2015) concurred that individuals were less likely interested in embarking on illegal activities in the absence of an opportunity.

Rationalization. The fraud triangle theory's final leg is a rationalization that coaxes otherwise non-criminal individuals over into fraudulent behaviors. Rationalization refers to self-

persuasion or justification that the fraudulent activities are acceptable under specific circumstances (Cressey, 1953; Rustiarini et al., 2019). Perpetrators convinced themselves that their wrong actions or behaviors were within moral scope (Rustiarini et al., 2019). Huang, Masli, et al. (2017) reiterated that fraudsters altered their mindset and attitude to defend their immoral behavior. Bakri et al. (2017) and Rustiarini et al. (2019) explained that fraudsters bended their ethical standards to fend away internal guilt or remorse. Enron was an example of ethical and moral malfunction (Huang, Masli, et al., 2017).

Furthermore, Schuchter and Levi (2019) stated that a first-time fraudster typically did not identify themselves as criminals, thus, defending their actions. For example, an under compensated employee was more like to steal and justify his or her actions. The rationalization included statements like the following: “I deserve a better pay” (Rationalization – the final side, 2010); “I was just borrowing” (Rationalization the final, 2016); “Everyone was doing it” (Rationalization the final, 2016); “My family needed the assistance” (Lowers & Associates, 2019); and “These self-defenses allowed perpetrators to commit larceny beyond the initial occurrence” (Charlopova et al., 2020).

Limitation of the Fraud Triangle. While the fraud triangle theory received support from professionals and regulators because of its effectiveness in employee fraud detection and prevention, it had its limitation (Free, 2015; Lokanan, 2018). Criminologists using the fraud triangle faced fraud complexity challenges because, over time, fraudsters have increased their skills and creativity (Lokanan, 2018). It was challenging to capture all aspects of fraud (Free, 2015), and the fraud triangle critics argued that each fraud case contained unique factors (Lokanan, 2018). Consequently, criminologists could not sufficiently explain the psychology and

behaviors behind white-collar crimes, using only the fraud triangle elements (Dorminey et al., 2012b).

Moreover, it was challenging to observe rationalization and pressure (Boyle et al., 2015; Mansor & Abdullahi, 2015). Some researchers believed that capability should be included as an additional element to detect fraud activities (Boyle et al., 2015; Christian et al., 2019). On the other hand, Reinstein and Taylor (2017) argued that ethical elements—financial pressure and rationalization—should be included in fraud prevention models. Lastly, Dorminey et al. (2012a) emphasized that managers of organizations could not observe personal struggles. As a result, they could not implement internal controls to influence moral conflicts (Dorminey et al., 2012a). Due to its limitations aforementioned, researchers have transformed the fraud triangle into improved versions (Free, 2015; Lokanan, 2018; Mackevičius & Giriūnas, 2013).

Table 1

Type of Fraud Theories

Theories	Elements
The Fraud Triangle	Pressure, opportunity, and rationalization
The Fraud Scale	Pressure, opportunity, and integrity
The Fraud Diamond	Pressure, opportunity, rationalization, and capability
The Crowe Fraud Pentagon	Pressure, opportunity, rationalization, capability, and arrogance

Fraud Scale Theories. The original fraud scale (see Figure 5) was introduced in 1984 and modified by Mackevičius and Giriūnas in 2013 (Vassiljev & Alver, 2016). Albrecht et al. (2015) developed the fraud scale, derived from the fraud triangle. Albrecht et al. replaced the rationalization element with personal integrity to help predict the possibility of fraud activity. Fraud scale theory was a tool to evaluate a potential fraud occurrence through a lens of pressure,

opportunity, and personal integrity (Free, 2015). Albrecht et al. also argued that personal integrity sways individuals' behaviors and decision making. Individuals with low integrity were more likely to behave unethically and commit fraud (Albrecht et al., 2015; Mansor & Abdullahi, 2015).

On the other hand, individuals with high moral standards were also vulnerable to fraud attempts but were less likely to take action (Sorunke, 2016). Albrecht et al. (2015) theorized that fraud probability increased when pressure and opportunity scaled up and integrity scaled down. On the contrary, when pressure and opportunity scaled down and integrity scaled up, the fraud scale tilted toward the "no fraud" end of the spectrum (see Figure 5).

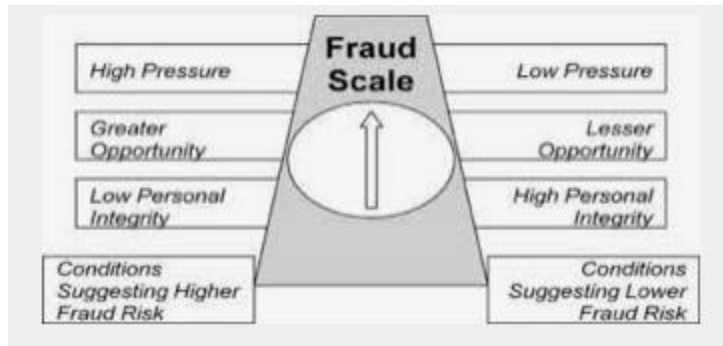
Limitation of Fraud Scale. In 2013, Mackevičius and Giriūnas (2013) further redefined fraud scale elements to include motives, conditions, and possibilities. The authors also claimed that rationalization should be part of the fraud scale.

The first element of the fraud scales is motive. It determines whether an employee tends to behave unfairly and why. The second element of the fraud scales is the study of the conditions that increase their risk. The third element is possibilities, which are treated as options granted to an employee who is hoping to commit fraud. The fourth element is rationalization, which is seen as a means by which employees justify unfair behavior.

(Mackevicius & Giriunas. 2013, pp. 159-160)

Figure 5

The Fraud Scale Theory



Note. From “The Evolution of Fraud Theory,” by J. Dorminey, A. S. Fleming, M. Kranacher, and R. A. Riley, 2012, *Issues in Accounting Education*, 27(2), 555-579, p. 561.

Fraud Diamond Theory. Adding a fourth component—capability—to the fraud triangle results in what is called the fraud diamond as shown in Figure 6. Wolfe and Hermanson (2004) premiered the fraud diamond theory in 2004. Wolfe and Hermanson argued that capability was the main factor to fraud success. Capability refers to an individual who holds an authoritative position, bears intelligence to plan and commit fraud, is robbed with egotistical confidence that a fraud plan is seamless, has the charisma to recruit participants to conceal the crime, and is high in stress tolerance (Yusof & Lai, 2014).

Wolfe and Hermanson indicated that capability empowered individuals to have authoritative positions in business operations. Individuals could take advantage of fraud opportunity due to their personal characteristics and authorities (Yulistyawati et al., 2019). In fact, employees had different access to business assets based on their hierarchical positions (Woods, 2016). McMahon et al. (2016) stated that while managers and executives had signature authority, the subordinate staff had access to day-to-day operations. Managerial personnel tended to tamper with financial statements to exploit opportunity, whereas staff was prone to misappropriate assets (McMahon et al., 2016). Since capability could influence or intensify fraud

magnitude, companies should implement checks and balances to prevent potential fraud (Wolfe & Hermanson, 2004).

Figure 6

The Fraud Diamond



Note. Adopted from AGA (<https://www.agacgfm.org/Intergov/Fraud-Prevention/Fraud-Awareness-Mitigation/Fraud-Triangle.aspx>). In the public domain.

Limitation to the Fraud Diamond. Although the fraud diamond annexed the fourth component that refined fraud detection and investigation effectiveness, Sorunke (2016) indicated the model had its limitations. Critics argued that both the fraud triangle and diamond theories did not account for ethics, which drove people's decisions (Burke & Sanney, 2018; Efiog et al., 2016). Ethics was defined as a set of principles guiding people's decisions and behaviors within a specified circumstance (Bartels, 2018). An absence of personal integrity could easily lead people to fraud (Mansor & Abdullahi, 2015).

Fraud Pentagon. Crowe's pentagon fraud theory—a transformation of triangle theory—was introduced in 2011 with five factors: pressure, opportunity, rationalization, capability, and arrogance (Artati & Noviyanti, 2020). Jonathan Marks developed the Crowe Fraud Pentagon theory to fight novel fraud schemes and ideologies (Marks, 2013; Triyanto, 2019). Corporations have transformed to adapt to the global business structure and linked network technology due to

business territory expansion (Stverkova & Pohludka, 2018). Therefore, Marks argued that 21st-century fraudsters had been equipped with more access and information to the organization's assets than those of Cressey's time (Christian et al., 2019; Marks, 2013). Technology has allowed employees to have multiple accesses to different operational controls in modern business, whereas physical keys provided restricted access in 1950 (Kellogg et al., 2020). Correspondingly, the fraud theories must evolve to catch up with changes (Huber, 2017). Because employees were empowered with capability, they gained confidence and an attitude of superiority (Pamungkas & Utomo, 2018). Aprilia (2017) argued that prideful and authorized employees believed the internal control boundary did not apply to their behavior. With that arrogance, employees fearlessly took advantage of opportunities to carry out their fraudulent activities since they had capability of bypassing the firewall of internal controls (Pamungkas & Utomo, 2018). Figure 7 displays the fraud pentagon.

Figure 7

The Fraud Pentagon



Note. From “Analysis of Behavioral Factors That Cause Student Academic Fraud,” by N. Sasongko, M. N. Hasyim, and D. Fernandez, 2019, *The Journal of Social Sciences Research*, 5(3), 830-837, p. 831. ([https://www.arpweb.com/pdf-files/jssr5\(3\)830-837.pdf](https://www.arpweb.com/pdf-files/jssr5(3)830-837.pdf)). In the public domain.

Additional Fraud Theories

Organizations and owners of small businesses could create effective policies and procedures to prevent fraud when they have knowledge of symptoms and causes of fraud (Kramer, 2015). Martin Biegelman (2013) disclosed a few fraud theories in his book, *The Faces of Fraud*. Biegelman (2013) observed the fraud attributes and characterized them into theories.

Potato Chip Theory. Potato chips are addictive and so is the fraud. Once the perpetrators successfully carried out a fraudulent event, they would probably do it again. Fraudsters became bolder when they did not get caught, and they became greedier over time, craving for a bigger profit.

Tip of Iceberg Theory. Biegelman presumed that when a fraud was discovered, it only revealed a small portion of a larger fraud web (2013). Medical and insurance scam occurrences could present a bigger problem beneath medical and insurance corruption issues (Van Capelleveen et al., 2016).

Rotten Apple Theory. A rotten apple in the same basket can decay other apples gradually. The same metaphor could apply to fraud cases. Charismatic leaders could persuade their teams or inspire their subordinates to collaborate on elaborate fraud events. Similarly, without proper supervision, managers could capitalize upon the opportunity of asset misappropriation, thus, becoming a bad example within an entity (Biegelman, 2013).

Low-hanging Fruit Theory. Low hanging fruit refers to low-risk fraud prospects that are often overlooked by management. The theory showed owners and executives that procumbent fraud was as important as falsification of financial statements. Small potential fraud did not require team effort; thus, fraudsters could independently execute the mission without being detected.

Short Memory Syndrome. People in society have been notoriously prone to forget about past scandals quickly. Biegelman (2013) stressed that fact by using Charles Ponzi as an example. The infamous Ponzi scheme impacted millions of victims and caused immeasurable losses a century ago. Nonetheless, the current generation rarely has had any recollection of the event.

Summary of Fraud Theories

Criminologists, researchers, and practitioners have studied fraud incidents to interpret the events' rationales and come up with best practices to detect and prevent fraudulent incidents. These studies have then become the major theories, chronologically: the fraud triangle theory, the fraud scale theory, the fraud diamond theory, and the fraud pentagon theory. Scholars and researchers have attempted to capsule all aspects of perpetrators' psychological profiles and behaviors behind fraud crimes.

Although most of the theories were based on the fraud triangle theory, they all shared similarities and displayed dissimilarities with one another. The similar traits were pressure, opportunity, and rationalization. The unique traits were integrity, capabilities and arrogance. Pressure, opportunity and rationalization were common elements in the theories of fraud triangle, the fraud scale, fraud diamond, and fraud pentagon. Fraud scale was an exception because it substituted rationalization with integrity. Capability was a mutual element in the fraud diamond and the fraud pentagon theories. On the other hand, integrity only existed in fraud scale theory and arrogance in pentagon theory. Despite these likenesses and differences (Table 2), all identified characteristics helped investigate, detect, and deter fraud incidents.

Table 2

Fraud Theory Element Comparisons

Theories	Pressure	Opportunity	Rationalization	Integrity	Capability	Arrogance
The Fraud Triangle	√	√	√			
The Fraud Scale	√	√		√		
The Fraud Diamond	√	√	√		√	
The Crowe Fraud Pentagon	√	√	√		√	√

Related to Studies

Correlation between Fraud Elements and Occupational Fraud. From the fraud triangle (1951) to the fraud pentagon (2011), fraud theories have evolved because perpetrators have adopted technologies and new methods in committing and concealing employee fraud schemes (Dorminey et al., 2012b). Moore (2018) asserted that occupational fraud, by its nature, occurred at employment locations. Moore also emphasized that employees were selected and hired via a screening process, thus, considered trustworthy assets of organizations. They usually did not harbor fraud plans or premeditate crime when first hired. However, through work experience, they gained knowledge, capability (Table 3), and access to operations which enabled them to commit fraud when pressure, opportunity, rationalization were all present (Moore, 2018).

Table 3

Occupational Fraud & the Fraud Diamond Relationships

Fraud elements	Occupational Fraud Characteristics
Opportunity	Weak internal controls, inadequate accounting policy
Pressure	Financial pressure, monetary gain, achievement, bonus based on financial analysis
Rationalization	The belief of being mistreated, upper management sets a bad example

Capabilities

Ability to manipulate others, technical skills enable fraud

Concepts

Integrated Internal Control Framework. Kimbell (2017) summarized the background of the Integrated Internal Control Framework created by COSO as follows. COSO, a joint initiative of five institutes, was dedicated to developing the framework to provide management leadership guidance on organization risk management, internal control, and fraud prevention. COSO members consisted of the American Accounting Association, the American Institute of Certified Public Accountants, Financial Executives International, the Institute of Internal Auditors, and the Institute of Management Accountants.

In 1992, COSO established the Integrated Internal Control Framework to advocate financial integrity and mitigate fraud risk (Kimbell, 2017). Kimbell pointed out that the 1992 COSO framework aimed to provide reasonable assurance to its users that financial statements were prepared as accurately as possible. Accurate financial statements could provide upper-level leadership with a baseline for their business decision-making (Kimbell, 2017). In 2013, the updated COSO framework took into account global business shifts that have rapidly grown in the past 20 years. The changes were to adapt to the explosion of internet commerce and the Sarbanes-Oxley Act of 2002 (Kimbell, 2017).

The background of the Sarbanes-Oxley Act of 2002 (SOX) and its connection to COSO 2013 are summarized as follows. The Sarbanes-Oxley Act of 2002 was passed and effective in 2006 because of the financial scandals at Arthur Andersen, WorldCom Enron, Global Crossing, and Tyco (Gorshunov et al., 2020; Haswell & Evans, 2018). The accounting scandals caused corporate and investor losses of over \$100 billion (Lawson et al., 2017). The massive monetary

losses negatively influenced the financial market and caused a rift in investors' trust (Haswell & Evans, 2018).

Consequently, SOX mandated all public traded companies in the U.S. to review and strengthen their internal control framework (Fay & Dickins, 2017). The Security Exchange Commission (SEC) further required that publicly traded companies implement internal controls according to the COSO integrated framework (Fay & Dickins, 2017). Ever since, external auditors have been required to audit financial statements and the internal controls of management when performing audit engagement (Defond et al., 2018). The SOX aimed to ensure publicly traded companies accurately report their financial positions so that investors could understand the risk better when making business decisions (Lawson et al., 2017).

Consequently, Sarbanes-Oxley Act has mandated for corporate governance enhancement, internal control documentation, financial disclosure improvement, and greater auditor independence (Fay & Dickins, 2017). Management of organizations could utilize the COSO 2013 framework to evaluate their current internal control structure, implement better control in mitigating risks, and maximize the effectiveness of their control environments, compliance, management, and governance (Lawson et al., 2017).

Prewett and Terry (2018) outlined five internal control framework sections, including the control environment, risk assessment, control activities, information systems, and monitoring. Control environment and control activities provide principles for carrying out internal controls to prevent and deter employee fraud. Based on the principle, business management could design their internal control systems and implement policies to prevent fraudulent employee manifestations (Prewett & Terry, 2018).

In the control environment section, COSO provided five principles, including (1) commitment to integrity and ethical values, (2) establishment of authority and responsibilities, (3) application of oversight responsibility, (4) demonstration of commitment to competence, and (5) enforcement of accountability (Kral, 2018).

The integrated internal control framework section explores the five components of an integrated internal control framework that might help small businesses design and execute effective internal controls. Udeh (2019) expressed that publicly traded companies were required to develop adequate internal controls based on the Committee of Sponsoring Organization of Treadway Commission's (COSO) integrated internal control framework, according to Sarbanes-Oxley Act (SOX) Section 404. SOX 2002 was established to protect investors from accounting fraud activities and enhance organization disclosures' reliability and accuracy (Udeh, 2019). Organizations with a functional internal control system could provide reasonable assurance of reliability of financial statements and external usage reporting (Udeh, 2019). An internal control framework could also help organizations ensure compliance with regulations and prevent fraud from within (Martin et al., 2014).

Provasi and Riva (2015) illustrated that an integrated internal control framework was designed to help organizations develop and implement internal controls. The purpose of the internal control framework was to keep up with rapidly changing business and operating environments. Provasi and Riva explained that COSO updated the COSO framework in 2013 to help managers and executives establish internal control procedures and standards to protect organizational property and accounting information. COSO integrated internal control included five integrated components: control environments, risk management, control activities, information and communication, and monitoring activities.

Five components outlined 17 principles (see Table 4) for which managers could develop effective internal controls (Provasi & Riva, 2015). The following discussion encompasses the detail of the five aspects of the COSO integrated internal control framework. An exhaustive review of the COSO framework is vital to understand the significance of the internal control systems and their role in mitigating employee fraud risk.

Table 4

COSO Components and Principles

Components	Principles
Control Environment	<ol style="list-style-type: none"> 1. Demonstrates commitment to integrity and ethical values 2. Exercises oversight responsibilities 3. Establishes structure, authority and responsibility 4. Demonstrates commitment to competence 5. Enforces accountability
Risk Assessment	<ol style="list-style-type: none"> 6. Specifies clear objectives 7. Identifies and analyses risk 8. Assesses fraud risk 9. Identifies and analyzes significant changes
Control Activities	<ol style="list-style-type: none"> 10. Selects and develops control activities to mitigate risks 11. Selects and develops information technology general controls 12. Deploys control through policies and procedures
Information and Communication	<ol style="list-style-type: none"> 13. Uses relevant information 14. Communicates internally 15. Communicates externally
Monitoring	<ol style="list-style-type: none"> 16. Conducts ongoing and/or separate evaluations 17. Evaluates and communicate deficiencies

Control Environment. Control environment, the first component, addressed managers' overall attitude, awareness, and actions toward the internal control framework and its importance to organizations (Chan et al., 2020). As a foundation of the rest of the four components, control environment is the set of procedures and standards that organizations can apply for their internal control systems (Chan et al., 2020; COSO, 2013; Provasi & Riva, 2015). Chan et al. noted that

the leadership team could leverage the control environment component to set the tone of an organization that shapes work culture and influences employees' behavior. Chan et al. (2020) further asserted that a controlled environment could reveal organizational behaviors such as management style, corporate culture, ethical standards, audit oversight, and human resources policies.

Rae et al. (2017) echoed the similar theory that a controlled environment could be an ethical environment. Rae et al. explained that managers could communicate organizational integrity and moral values through policies and practices. For instance, the human resource team could develop policies and procedures based on the corporate code of conduct to guardrail employees' behaviors at work. They pointed out that the leadership team could utilize an organizational code of conduct to deliver organizational expectations. Their research also found that companies with sound codes of conduct outlined acceptable moral guidelines to ensure financial reporting integrity. Conversely, unethical entities implemented unrealistic performance measures that employees must achieve for evaluation purposes. Rae et al. (2017) argued that employees under pressure were more likely to manipulate financial records to show earnings.

Rubino et al. (2017) reiterated that the control environment represented management's attitude toward internal control. They referred to the phenomena as the “tone at the top.” When top management members believed the importance of internal controls, other organization members would unconsciously respect and follow the guidelines. Rubino et al. further emphasized that ethical value and integrity are a critical element of establishing a sound control environment. They recommended that organizations embed ethical standards to develop their formal corporate structure and provide an explicit description of job responsibilities (Rubino et al., 2017).

A healthy control environment forms a strong frontline defense against employee fraud (Henry, 2016; Omar et al., 2016). Huang, Masli, et al. (2017) reported elements such as anti-fraud corporate culture, a positive work environment, and hotline reporting systems could contribute to a good control environment. They argued that a positive workplace could create a positive culture of integrity and ethics and enhance work performance. They found that employees satisfied with their jobs were more engaged and productive at work while the discontent staff was more likely to commit misconduct. A fraud program, such as a hotline, could provide a channel for employees to report suspicious activities (Huang, Lin, et al., 2017).

Anti-fraud Corporate Culture. The anti-fraud corporate culture could help organizations cultivate a healthy culture to prevent and detect fraud (Suh & Shim, 2020). Suh and Shim suggested that organizations could start with the "tone at the top" to shape their anti-fraud corporate culture. They indicated when leaders led by examples, the employee would likely to imitate the same moral models. Managers and owners could deliver verbal and written messages to influence employees' moral conduct (Suh & Shim, 2020). Albrecht et al. (2015) asserted that managers' ethical models played a significant role in preventing occupational fraud.

Furthermore, Suh and Shim (2020) suggested that ethics training could lay a solid foundation of fraud prevention and detection. They elaborated that the ethics training should include an organizational code of conduct, outlining consequences of fraud damages, and a fraud reporting system. Suh and Shim further stated that a code of conduct training could provide corporate ethic values, emphasizing how employees could protect their companies with their proper conduct. A code of conduct training could also include the organizational expectations from staff and consequences of misconduct (Suh & Shim, 2020). In the training, employees were educated what was acceptable and unacceptable at the workplace. The effective training could

also enhance employees' fraud awareness and help to deter fraud. In their research, Suh and Sim found that organizations that implemented anti-fraud culture strategies—tone at the top, ethical training, and hotline reporting—effectively lowered fraud risk rate.

Ocansey and Ganu (2017) echoed that organizations that promoted ethical behavior were more insusceptible to employee fraud activities. In fact, a resilient ethical culture could repel all sides of the fraud triangle—pressure, opportunity, and rationalization. Ocansey and Ganu believed that in an ethical work culture, management could develop sound risk management strategies and proper incentives that would reduce employees' pressure to commit fraud. They stressed that risk management strategies supporting a well-designed internal control could dramatically lower opportunities for fraudulent incidents. An honest culture would restraint employees' abilities to rationalize fraud behavior (Ocansey & Ganu, 2017).

Positive Work Environment. A positive work environment could promote employees' ethical conduct, work engagement, and job satisfaction (Karanika-Murray et al., 2015). A positive work atmosphere could include a respectful work environment, progress acknowledgment, and acknowledgment of employees' voices (Osborne & Hammoud, 2017). Geue (2018) stated that positive practices included "respectful, supportive inspiring, meaningful and forgiving" behavior. Studies showed that organizations that implemented these practices retained a group of engaged employees who were loyal, productive, and innovative. Their employees showed positive attitudes and fondness toward their organization and were willing to do above and beyond for their company.

Houlihan and Harvey (2015) concurred with Geue (2018) that employees preferred a work environment with respect, care, support, flexibility, appreciation, and a work-life balance. They found a great way to establish a positive work environment was when managers made a

public announcement or acknowledgment regarding employees' positive performances. Showing appreciation to employees publicly could increase employees' morale and sense of value.

Meanwhile, it bolstered shared respect amongst employees within the organization (Houlihan & Harvey, 2015). Huang, Masli, et al. (2017) concurred that employees had higher performance in a positive work environment when they were satisfied with their jobs. According to their research results, companies with happy and engaged employees had competitive business advantages, robust internal controls, and better audit results (Huang, Masli, et al., 2017).

Employee engagement is described as personal dedication, emotional involvement, or enthusiasm with a positive attitude. Martin (2020) suggested that the engagement levels of an organization influenced employees' emotional states while affecting their productivity. A team with a higher engagement attitude were happier and more productive. Studies showed that a positive work environment retained happy and talented employees (Martin, 2020).

AICPA's report, "Management antifraud programs and controls: Guidance to help prevent, detect fraud," showed organizations how to create a positive work environment. Management teams should develop a recognition and reward system, outline equal employment opportunities, encourage team-oriented, collaborative decision-making policies, set up competitive compensation plans and provide training programs. Employees in a positive work environment tended to protect their companies from harmful acts.

Hotline. Fraud hotlines could also refer to tip lines, ethics lines, or whistleblower hotlines (Binns, 2017). Organizations could detect fraud quickly with ethics/whistleblower hotlines, according to the Association of Certified Fraud Examiners' (ACFE) 2018 report (McNeal & Johnson, 2019). To emphasize the efficiency of hotlines, ACFE disclosed that organizations with

a hotline system detected 66% of fraud cases, whereas entities without fraud reporting found 30% of cases (Denman, 2019).

Gray and Ehoff (2015) claimed that an ethics or whistle blower hotline is an influential tool that could help employers with corporate governance. Authors stated that the Sarbanes-Oxley Act 2002 and Dodd-Frank Act 2010 have been the two major regulatory acts reporting fraud in the United States. The two acts have mandated organizations to establish hotline systems and also outlined whistleblower protection provisions. While Sarbanes-Oxley Act 2002 required public corporations to set up a whistleblower system, Dodd-Frank Act 2010 mandated both public and privately held companies establish procedures to report wrongdoings (Gray & Ehoff, 2015). Gray and Ehoff added that employers could not retaliate against employees who disclosed information required under SOX under the Dodd-Frank provision.

Binns (2017) elucidated that organizations have had many options for setting up hotlines due to advanced technology. Hotlines could be managed either internally or externally via a third party vendor. Binns mentioned that organizations could either utilize the traditional approaches—telephone lines, regular mail, faxes—or incorporate new technology—web forms, email, and phone texts. The author found that amongst reporting methods, organizations preferred telephone tips. Evidently, the traditional phone approach provided an open communication channel allowing the tip receiver to get in-depth information (Binns, 2017).

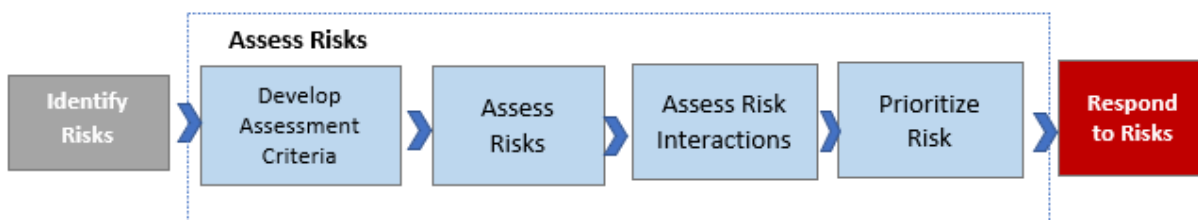
Lehmann et al. (2018) stressed that while hotlines were a vital method to deter fraud, hotline reporting systems should be anonymous to protect whistleblowers. People who desired to report misconduct feared retaliation and retribution from their employers. An anonymous reporting channel could make employees feel safe in reporting wrongdoing. The U.S. Government also recognized the importance of whistleblower provisions in identifying

fraudsters. As a result, legislators passed additional regulations and laws to protect people who assist the U.S. Government in discovering fraudulent activities (Lehmann et al., 2018).

Risk Assessment. Within the COSO Internal Control Framework, risk assessment was about measuring and prioritizing risks so that management could ensure the risk level was under control and within the tolerable threshold (Fox, 2018). Fox interpreted the definition of risk by COSO as the possibility of events and impact upon the achievement of goals. Risk assessment provided management four principles to identify fraud risks that could prevent organizations from achieving their business objectives (Stippich, 2015). Stippich suggested that managers utilize four guidelines to perform an assessment in fraudulent reporting, misconducts and corruptions, and possible loss of assets.

Figure 8

Access Risk Process Flow Diagram



Note. Adopted from “COSO Risk Assessment in Practice,” by Deloitte and Touche LLP, (<https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Governance-Risk-Compliance/dttl-grc-riskassessmentinpractice.pdf>). In the public domain.

Assess risks process (see Figure 8) included identifying risks, developing assessment criteria, evaluating risks, assessing risk interactions, prioritizing risks, and then responding to threats (Price, 2019). Prior to the risk assessment process, leadership should establish a risk assessment team, recruiting managers from different organizations' divisions (Price, 2019).

Jankensgård (2019) asserted the risk assessment procedure should be an evolving process to evaluate changes in risks and to revise the strategy accordingly. Organizations should identify their organizational goals and strategic plans prior to developing risk assessment procedures (Frazer, 2016).

Dorsey (2015) suggested that organizations should conduct a substantive risk assessment. For instance, organizations could evaluate their risk assessment against their control activities related to fraud risk. Dorsey affirmed that companies could identify a gap between fraud risk assessment and the implementation of fraud risk management. Management then could develop robust anti-fraud controls to reduce the fraud risk level. Dorsey stressed that managers from different divisions could learn from each other through fraud assessment practices. The fraud risk assessment process could also increase management's fraud awareness outside of their area of responsibilities (Dorsey, 2015).

Hess and Cottrell (2016) recommended that small businesses evaluate their operation risks and put together a fraud risk management plan. Hess and Cottrell outlined four risk resources: customers, vendors, employees, and the internet where managers could observe the threats. Meanwhile, they prescribed small business leaders seven steps to decrease fraud risks. To create a customized fraud risk plan, leaders should first identify organizational challenges and their operation opportunities. Managers could then utilize the information to contour their fraud risk management plan. Hess and Cottrell emphasized that the first step might take a year or more to tailor a fraud risk management plan appropriate for the specific situation.

Control Activities. Once managers have identified the risks, they would need to establish internal control activities to eliminate or mitigate risks (Office of Financial Management, 2008). Rahman and Al-Dhaimesh (2018) asserted that control activities were most effective in

preventing and detecting fraud in their study. In their research, risk assessment and monitoring components were also effective in fraud prevention. In their assessment, control activities and monitoring were the key elements of the internal control system. They found that control activities helped Jordanian commercial banks significantly reduce fraudulent financial reporting (Rahman & Al-Dhaimesh, 2018).

Furthermore, Moldof (2015) asserted that new managers could understand the concept of control activities much faster than risk assessment. Because control activities were designed to measure activities, managers could clearly identify activities and recognize non-compliant activities (Moldof, 2015). For instance, the same staff was given multiple accesses to the accounting system for accounts receivable, accounts payable, and cash management (Moldof, 2015). Moldof expressed that the example was a typical violation of segregation of duties.

Internal control activities were procedures and policies that management put in place to ensure risks identified were mitigated or decreased to an acceptable level (Ingram, 2019). Ingram suggested that the internal control activities could include segregation of duties, access controls, physical security over assets, approval authority, and regular reconciliations. Managers could also leverage technology to automate these controls to prevent and detect fraudulent activities (Ingram, 2019). AICPA suggested that managers utilize segregation of duties and physical security over the asset to curb the opportunity of occupational fraud (“Managing the business risk,” n.d.).

Segregation of Duties. The control activity required more than one individual to complete a particular, fiscal procedure (Office of Management, 2008). When properly implementing this category, organizations could lower the risk of fraud and error (Office of Management, 2008). Nevertheless, Chiu and Jans (2019) indicated that businesses' management

had difficulties executing segregation of duties that met auditors' internal control testing.

According to Sarbanes-Oxley (SOX) Act Section 404, segregation of duties aimed to prevent individuals from having multiple critical tasks or responsibilities in the business process (Chiu & Jans, 2019). SOX required that external auditors disclose material internal control weaknesses in their report (Kim et al., 2020). Kim et al. (2020) pointed out that 860 of 1234 SOX filers were cited segregation of duties weaknesses in their management report. In their research, Bakarich and Baranek (2020) found that most of the fraudulent activities were related to violation of procedure in the segregation of duties.

Henry (2016) stated that employees should have access to carry out their responsibilities, but no single person should have the authority to create, execute and monitor transactions within an organization. An accountant in payroll processing, for instance, should not have a centralized authority to approve payroll, issue checks, receive bank statements, and reconcile bank statements. In this case, Henry (2016) suggested that an accountant approve payroll, write checks and conduct bank statement reconciliations while a supervisor or payroll director endorse checks, review bank reconciliations.

However, the procedure of following separation of duties could be complex to keep track of who does what (Bain, 2017). Bain (2017) recommended that organizations create checklists to keep track of individual responsibilities and workflow. A checklist would require employees to read the instruction and follow procedures in sequential order. The checklist procedure could ensure that segregation of duties were implemented and carried out as designed. Businesses could enhance their internal control and segregation duties. Bain (2017) argued that small firms with lean personnel budgets could benefit from the checklist the most.

Physical Security Over Assets. Control activities in this category aimed to reasonably safeguard and protect assets from damage or loss in case of natural disaster or act of fraud or abuse (Bradford, 2018). Bradford stated that the purpose of physical security over assets was to protect assets from unauthorized access. For instance, physical controls for cash, securities, inventories, equipment, and other assets were physically safeguarded by locks, safes, or other environmental controls (Bradford, 2018). The approaches included physically securing assets by locks and recording accounting transactions in a password protected computer (Anyim, 2020). Al-Thuneibat et al. (2015) argued that physical control over assets could protect owners' equity, impacting return on assets (ROA).

Information and Communication. Information was essential for organizations to implement internal control responsibilities to achieve their objectives (COSO, 2013). COSO outlined three principles regarding information and communication: generating and using relevant information, communicating internally, and communicating externally (Koutoupis & Pappa, 2018). Based on the three COSO principles, Moeller (2014) illustrated that managers were responsible for gathering quality and relevant information to support internal control operations. Moeller added that information could then come from both internal and external resources. Managers should then disseminate internal information throughout their organizations while communicating external information to interested parties outside the organization. In other words, internal organizational communication should include responsibilities and goals to support the functioning of internal control. Internal communication could consist of email communication, employee handbooks, employee training, business operation manuals, minutes from operation committee meetings, whistleblower hotlines, and other ways.

Meanwhile, external information communication referred to corporate leaders communicating with external stakeholders regarding elements impacting the implemented internal control. External communication could contain competitor product information, market and industry metrics, and other elements (Moeller, 2014). Furthermore, senior managers could show their employees that control activities should be taken seriously through internal communication. Mbilla et al. (2020) also concurred that information and communication were about understanding internal controls, such as accounting and information technology procedures from management's perspective. Therefore, internal control information must be communicated up, down, and across an organization to effectively implement internal control activities (Mbilla et al., 2020).

Rae et al. (2017) mentioned that organizations should establish a communication structure and a feedback channel so that employees could report issues or discuss problems. A formal policy and guidelines would facilitate two-way communication mechanisms (Rae et al., 2017). Evans (2018) asserted that active communication could foster trust within an organization and demonstrate transparency of policies. When managers carried out an open-door policy, employees were more likely to communicate and contribute to their teams (Evans, 2018).

Monitoring Activities. Monitoring activities referred to how management evaluated whether five internal control components were present and functioning within business operations (Koutoupis & Pappa, 2018). Monitoring activities would help managers communicate any deficiencies to related parties to take corrective actions (Koutoupis & Pappa, 2018). Graham mentioned that monitoring was a procedure that an organization used to evaluate internal control performance and ensured quality over time. In fact, managers could assess the internal control design and functions periodically. When they found any potential risks, they would take

necessary corrective actions to adjust the internal control activities. Additionally, managers could determine whether monitoring activities should be evaluated routinely or periodically as part of a separate assessment.

Graham (2015) indicated that predictable monitoring activities would not necessarily produce reliable outcomes over time. Consequently, a periodic evaluation might create a better result to reveal whether internal control activities were operational or present (Graham, 2015). Koutoupis and Pappa pointed out that because technology has been evolving and changing rapidly, monitoring internal control systems had become imperative to assess the potential or existing risks. On behalf of the board, managers were typically tasked to supervise the activities as part of the business routine.

On the other hand, Kokina (2014) recommended that supervisors utilize software to facilitate ongoing and separate monitoring activities. Both separate and ongoing evaluations could be manually or automatically performed with software. In a manual process, supervisors would manually spot check one control activity at a time. Conversely, automated monitoring activities could instantaneously review internal control activities and transactions across several business operations. With a separate automated assessment, managers could schedule software to perform integrity checks periodically. Kokina valued automated control evaluation because the software could also check transactions against matrixes and flag conflicting transactions.

For instance, a continuous monitoring software could mark invalid transactions and stop them from being processed further. The author stressed that most of the accounting software or Enterprise Resource Planning (ERP) solutions allowed managers to setup predefined authority roles in a security setting. The predefined role settings empowered employees to perform their job functions within the permitted parameters. The software and systems could also generate

alerts when any changes were made in the system. For example, the software would alert supervisors when a payroll rate was updated, or a checking account fell under preset amounts (Kokina, 2014).

Potential Themes and Perceptions

The potential themes and perceptions would be that of small businesses' frail internal controls and their inability to implement adequate fraud risk management. Weak internal control systems allow fraudsters to infiltrate small companies' defenses. The infiltration includes organizational culture corruption, asset misappropriation, and financial statement misrepresentation. Incentives, opportunities, rationalization, and capabilities create a perfect formula for fraud attacks. Small businesses, because of their business sizes, hire limited personnel for positions. The restrained personnel resource makes it challenging to implement segregation of duties. Integrated duties empower individuals to hold different levels of authoritative access in business functions. As such, it contributes toward the master key from the fraud ingredients of opportunities and capabilities. The perfect storm is imminent when small enterprises' management hires employees with immoral incentives.

Summary of the Literature Review

The literature review provided a baseline understanding of fraud theories behind employee fraud activities, fraud impacts on small businesses, and prevention mechanisms. Fraud theories revealed common themes of occupational crimes and provided the reasoning behind fraudsters' behaviors. The researcher reviewed the advantages and limitations of four fraud theories: The fraud triangle, the fraud scales, the fraud diamond, and the fraud pentagon. The four theories shared the backbone elements: pressure, opportunity, and rationalization categorized occupational crime behaviors. Since the business environment has evolved with

technologies over time, fraudsters' approaches to committing fraud also progress throughout the years. The authors felt compelled to develop concepts that would appropriately explain newly emerged fraudulent phenomena. The theories have helped govern bodies such as COSO establish guidelines to help businesses prevent and deter fraudulent incidents.

The literature review also showed that the aftermath of employee fraud could negatively influence small businesses' financial sustainability. To address the issue, COSO developed the internal control framework to address fraud risks. COSO outlined five components with seventeen principles to assist small organizations in creating well-rounded internal control systems. Control environment component focused on ethical values, organizational structure, commitment to hiring competent staff, and human resources policies. The risk assessment component was aimed to help managers analyze internal and external risks and determine acceptable risk tolerance for their organization.

The information and communication component was essential to the internal control system. COSO emphasized the importance of relevant information and communication throughout the organization. Organizations with adequate and robust internal controls show clear communication and expectations with internal and external stakeholders. Management could develop procedures to monitor the internal control function activities to detect any deficiencies. Managers could establish policies to ensure internal control risk is reduced to a satisfactory level. Many accounting software has embedded application to allow managers to control and monitor unauthorized access.

The literature review showed that small business owners could benefit from the integrated internal control framework. An internal control system could provide reasonable

assurance that internal control objective would be accomplished. With a reasonable internal control, small business owner could effectively detect and prevent employee fraud occurrence.

Summary of Section 1 and Transition

Section 1 contains the background of the problem, problem statement, purpose statement, nature of the study, research questions and conceptual framework, definition of terms, assumptions, limitations, delimitations, the significance of the study, and a review of the professional and academic literature. The researcher discusses the themes of fraud theories and effective internal controls that small business owners could utilize to discern and preclude employee fraud in the professional and academic literature review.

In the next section, the researcher would define the project through reflection on the purpose statement. The researcher would also explain her role and the role of participants in the research. Section 2 also shows the discussion of the research methodology and design. In Section 2, the researcher would provide the details of the population and sample method, the data collection process, and data analysis. Additionally, the researcher would discuss the reliability and validity concerns of the research findings.

Section 2: The Project

The researcher discusses the methodology applied to explore fraud risk management strategies implemented by small rural businesses to detect and prevent occupational fraud. This section includes the purpose statement, role of the researcher, research method and design, participants, data collection plan, data analysis procedure, and research and validity strategies utilized in the study. The researcher also explains the process of applying analogous criteria: dependability, credibility, transferability, confirmability, and data saturation to ensure reliability and validity of research findings.

Purpose Statement

The purpose of this qualitative study is to add to the body of knowledge by expanding on the understanding of what risk management plans or anti-fraud controls that small businesses in rural areas have in place to prevent employee fraud activities. This problem is explored to better understand the impacts of employee fraud in small businesses in rural Nebraska. Henry (2016) asserted that effective internal control implementation could minimize the risk of employee fraud. Tschakert et al. (2016) concurred that the early-stage recognition of internal control flaws could prevent small businesses from losing profits and assets. This qualitative study, using the multiple-case study approach, explores internal controls applied by rural small businesses to detect and deter fraudulent employee activities. 30 small businesses located in the Great Plains region in Nebraska are the targeted population. This investigation potentially provides small business owners and managers with employee fraud awareness and hopes to obtain insights into the effectiveness of their current internal control practices for future internal control enhancement.

Role of the Researcher

The researcher is the primary instrument for collecting data and analyzing the collected data. The researcher should follow the principles of the Belmont Report to ensure participants' rights are protected. Although researchers can not eliminate biases during a study, the researcher should be aware of challenges and diligently avoid them. During an investigation, a researcher would develop interview protocols to enhance reliability.

In this study, the researcher would perform multiple functions. The researcher was the primary investigator collecting data. The researcher's role was organizing the research, contacting participants, collecting data, and analyzing the investigation results. The researcher would conduct interviews, transcribe the interview scripts, and develop codes and themes for data analysis. The researcher would utilize a semi-structured interview procedure with open-ended questions. The rationale of using the interview protocol is to encourage participants to discuss their internal control strategies to deter occupational fraud openly.

A qualitative researcher is often the primary investigator who gains access to participants' natural environment to collect and analyze the data (Creswell & Poth, 2018; Yin, 2018). Ponelis (2015) illustrated that the researcher would transcribe the interviews for thematic content analysis after a field investigation. Based on the analysis, the researcher would write a report for the research findings (Ponelis, 2015). Although researchers must understand their biases might affect the study's outcomes, qualitative researchers' subjectivities are deemed valuable to studies (Clark & Vealé, 2018; Yates & Leggett, 2016). The researcher would be the primary individual to interview participants. The researcher focused on data collected from participants for analysis to mitigate personal biases during the study.

In qualitative research, the role of researchers involves participatory and action research (Clark & Vealé, 2018; Yates & Leggett, 2016). Yates and Leggett (2016) explained that action research is often used to find solutions for pressing problems. Meanwhile, participatory research requires researchers to utilize their practices to collaborate and reflect critically (Jull et al., 2017; Yates & Leggett, 2016). Researchers use participatory research to preserve participants' practice and voice (Aldridge, 2016; Yates & Leggett, 2016). Interview, focus groups, and open-ended survey questions are frequently used to collect data in participatory action research (Yates & Leggett, 2016; Yin, 2018). The researcher would utilize an interview approach with open-ended questions to collect data.

The researcher would follow the Belmont Report protocol for this study to enhance research ethics. A researcher should have an understanding of ethics and integrity when conducting research (Navalta et al., 2019). Researchers who work with human subjects should follow the ethical principles of the Belmont Report (Miracle, 2016). The three principles of the Belmont Report are as follows: respect for persons, beneficence, and justice, which protect participants' rights (Friesen et al., 2017). In other words, protective actions include informed consent, assessment of risk and benefits, and selection of subjects (Adashi et al., 2018). Obtaining informed consent from willing participants and maintaining participants' confidentiality are examples of Belmont Report protocol (Yip et al., 2016). Informed consent is an integral part of this research. An informed consent form provides a brief description of the study, procedures, privacy, discomforts, and benefits, including the researcher's contact information. Before interviewing participants, the researcher would ensure an appropriate informed consent form includes procedures and policies to protect participants' confidentiality.

The researcher followed an interview protocol and reviewed multiple data sources to avoid research biases. Research bias occurs when researchers attempt to influence the preferable outcome of their study (Wilkins, 2010). Lomangino (2016) argued that researchers' conscious and unconscious biases could contribute to various misconceptions of the research outcome. The research bias could include reporting bias, performance bias, citation bias, and publication bias (Lomangino, 2016). In qualitative research, researchers use their experience and judgment to interpret results. The data collection is subjective and unique to the person or situation (Clark & Vealé, 2018). Therefore, it is challenging for a researcher to avoid bias during a research process. Creswell and Poth (2018) recommended that researchers consult with data resources and ask participants to review the results. The researcher cross-checked various data resources in this research and requested that participants verify the interpretation. These two processes should help the researcher to mitigate personal biases. The researcher did not interview any acquainted business owners or managers to avoid acquaintance bias in this study. The researcher also used an interview protocol (Appendix A) and a set of pre-determined interview questions (Appendix B) to prevent leading questions.

Research Methodology

The purpose of this qualitative research multiple case-study aimed to explore risk management strategies implemented by small rural business owners to detect and prevent employee fraud. While researchers can select quantitative, qualitative, or mixed research methods (Edmonds & Kennedy, 2017), the researcher illustrates why qualitative research and multiple case study method are appropriate for this study. The researcher also explains how the researcher would achieve data triangulation under a case study design.

Discussion of Flexible Design

The methodology for the study is the qualitative research method. The qualitative research method is under flexible research design (Roller & Lavrakas, 2015). Flexible design refers to a research design in which researchers can interact with and intervene in the research process during data collection (Creswell & Creswell, 2018). Flexible research design allows for more freedom during the data gathering process (Roller & Lavrakas, 2015). The flexible research design is appropriate for qualitative research, such as case study design (Tetnowski, 2015). The flexible design method is appropriate for this study because the researcher seeks to comprehend fraud prevention strategies within small businesses. The researcher directly interacted with participants during the data collection process. For instance, the researcher collected data through semi-structured interviews and verified multiple data resources for data analysis and interpretation.

Qualitative researchers interpret and analyze data collected from in-depth observations, semi-structured interviews, and written documents (Sutton & Austin, 2015; Tobi & Kampen, 2018). Using naturalistic inquiry to study real-world cases, qualitative researchers can construct a comprehensive understanding of a phenomenon (McInnes et al., 2017). Inductive analysis across cases can produce patterns and themes to describe the phenomenon (Percy et al., 2015). The researcher used inductive analysis to find themes describing strategies that small businesses utilize to detect and prevent occupational fraud by interviewing multiple cases.

Discussion of Multiple Case Study

A case study design is appropriate for this study because the researcher wants to gain contextual and in-depth knowledge of how internal control can effectively deter and prevent occupational fraud. The case study design allows the researcher to investigate the cases' primary

characteristics, implications, and meanings (Rashid et al., 2019). Case study design can help the researcher address questions that ask the why, what, and how of a phenomenon (Yazan, 2015). The design also allows researchers to theorize, explore, explain, describe, and evaluate complex occurrences in the field of education, health, management, urban planning, and social science (Harrison et al., 2017). The study was to investigate internal control management within small businesses, which is suited for case study design.

This qualitative research uses multiple case study research designs to explore fraud risk management strategies small rural business owners implemented to detect and prevent fraud. Researchers in academia have widely used case study research design and it is accepted by researchers in general (Rashid et al., 2019). According to Yin (2018), a case study is an empirical approach that investigates a real-life phenomenon. Participants' lived experiences and wisdom can provide crucial concepts for reaching a deeper understanding of the phenomenon (Daher et al., 2017). Ebneyamini and Sadeghi Moghadam (2018) stated that case study involved holistic data collection and in-depth inquiries. The technique allows a researcher to analyze evidence resources, thus, achieving data triangulation (Ebneyamini & Sadeghi Moghadam, 2018). The researcher interviewed experienced and knowledgeable owners or managers regarding their perspectives on implementing internal controls.

Discussion of Method for Triangulation

The researcher would utilize themes to achieve triangulation in the study by analyzing interview scripts and documents provided by participants. The researcher would utilize the methodological triangulation technique to ensure credibility and validity of the results. Methodological triangulation is suitable because it helps the researcher holistically analyze and interpret data across interview cases.

Methodological triangulation involves collecting data from multiple data resources (Bekhet & Zauszniewski, 2012; Flick, 2018). The researcher intended to conduct interviews with participants and asked for a copy of organizational procedures. In the absence of policy or records, the researcher would request to observe one of the internal control processes to ensure sufficient evidence for validity purposes. The researcher may write down the observation as part of documentation for triangulation. The observation document may also be sent to participants for verification.

Yin (2018) stressed that triangulation was the fundamental principle for the case study. Renz et al. (2018) reiterated that triangulation has been an approach to strengthen case study design to improve researchers' ability to interpret findings. Triangulation is an approach to help researchers move closer to gaining a true picture as they take multiple measurements (Renz et al., 2018). The term is derived from a geometric approach to validate locations (Farquhar et al., 2020). Nightingale (2019) pointed out that triangulation is a technique to analyze the investigation using different data collection methods. The primary purpose of triangulation is to enhance validity, develop an in-depth picture of—and investigate other ways to understand—a research problem (Nightingale, 2019). The researcher examined multiple data resources to form a more accurate understanding of the phenomena.

Likewise, Yin (2018) expressed that triangulation aimed to reduce bias and enhance convergent validity in case study research. Validity is required to substantiate an empirical phenomenon when researchers use various evidence resources (Ridder, 2017; Yin, 2018). Evidence resources could include direct observation, archival records, interviews, participant observation documentation, and physical artifacts (Yin, 2018). Although there are many ways to triangulate data, Farquhar et al. (2020) recommended that researchers compare primary and

secondary resources to achieve convergence. For example, participant interviews could be the primary resource and organizational policy, and procedures could act as secondary evidence. The researcher compared participants' interviews and organizational documentation to triangulate data for the study.

Summary of Research Methodology

The researcher used the qualitative research method and multiple case study design to conduct the study. The case study design is an appropriate approach because the researcher seeks to access participants' aspects and experiences regarding the effectiveness of risk management strategies implemented by small business owners to detect and prevent occupational fraud. To triangulate research data, the researcher interviewed small business owners and requested company's internal control procedures for data triangulation.

Participants

In this study, participants' eligibility criteria are small rural business owners and managers who have experience implementing internal control procedures to detect and prevent occupational fraud. Before field study, researchers must determine the criteria and prescreen participants' eligibility (Chandler & Paolacci, 2017). Qualified participants who consent to interviews can provide relevant information about central research questions (Yin, 2018). Qualitative researchers are interested in knowledgeable and experienced participants who can provide their perspectives about the phenomenon in question (Daher et al., 2017; Sutton & Austin, 2015). It is crucial to recruit experienced participants who are willing to share their practices and thoughts about the proposed study (Devotta et al., 2016). The recruitment of eligible participants influences the quality of research data (Dempsey et al., 2016). The

researcher selected eligible participants for interviews because they could provide applicable information to the study.

Qualitative researchers must ensure that they can gain access to participants who have experience with the phenomenon under study (Farooq & de Villiers, 2017). Researchers must establish good relationships with gatekeepers within organizations when planning a project (Dempsey et al., 2016). Wassenaar and Singh (2016) suggested that researchers make themselves known to the organizational gatekeepers. The gatekeepers usually have authority over the personnel and data that researchers intend to collect. Researchers should gain an understanding of the operational hierarchy within an organization to seek out gatekeepers. Wassenaar and Singh emphasized that researchers should have strategic plans and professional etiquette when requiring gatekeepers' permissions to gain access to data collection. Researchers should also have the ability to respect boundaries and adopt a formal stance during on-site data collection (Wassenaar & Singh, 2016). The researcher contacted the Chamber of Commerce in Nebraska to obtain their business lists. Once the list was obtained, the researcher then e-mailed introductory letters and the informed consent form to recruit willing participants.

Population and Sampling

The researcher provides discussions regarding selecting population and sampling in this section. A specific region classified as a rural region by the U.S. Small Business Administration has been chosen for the study. The researcher utilizes a purposeful method to determining the sampling pool.

Discussion of Population

The study's target population includes owners and managers running small businesses within the Great Plains region of Nebraska. The researcher obtained a list of small businesses

from the Chamber of Commerce to review for qualification. Companies that employ less than 100 employees are qualified for the study. Additionally, the owners and managers must have experience or knowledge of implementing internal controls.

Discussion of Sampling

The researcher selected 30 participants who have experience or knowledge of implementing internal controls to detect and prevent occupational fraud. The investigator utilized a purposive sampling approach to handpick interview candidates. Purposive sampling is where researchers rely on their judgment to select the population's members as participants (Campbell et al., 2020). Once the list was determined, the researcher e-mailed introductory letters and the informed consent form to recruit willing participants. The interview locations were at participants' business sites. The researcher requested a private room for a non-interruptive interview.

The researcher interviewed at least 30 participants to ensure data saturation using inductive thematic saturation. Thematic saturation can be reached when no new themes emerged from interviews (Vasileiou et al., 2018). Data saturation occurs when data collected does not provide new information, and data collected could replicate the research (Fusch & Ness, 2015). Hennink et al. (2017) reached code saturation by interviewing nine participants for their study. Guest et al. (2020) found that some studies required 29 participants to reach code saturation. After interviewing 30 participants, the researcher conducted the first round of thematic analysis. The indicator of thematic saturation for this study was repeating themes without new patterns. The researcher then stopped interviewing process when data saturation was reached.

Summary of Population and Sampling

In this study, participants' eligibility criteria were small rural business owners and managers who had experience implementing internal control procedures to detect and prevent occupational fraud. The sample size was 30, using a purposive sampling method. The researcher sought to establish patterns and themes after using inductive thematic saturation to investigate different cases. Based on the element patterns, the researcher interpreted the meaning of collected data.

Data Collection & Organization

Data collection and organization are vital parts of research studies. Data collection is a process of collecting and systematically evaluating information to answer stated research questions (Creswell & Poth, 2018; Flick, 2018). Researchers utilize data organization plans to collect, manage, store, retrieve, analyze, and code the information gathered from the field study (McMahon & Winch, 2018). The researcher illustrated the techniques and strategies to collect and organize data for this study.

Data Collection Plan

The data plan for this study is as follows. The researcher selected 30 participants from a list of small businesses provided by the Chamber of Commerce of Nebraska. The researcher purposively selected 30 participants who are owners or managers of small companies for the study. The interviews were conducted at participants' business sites. During the interview, the researcher used a pre-established interview protocol as a guide. Once interview data were transcribed and interpreted, the researcher provided a copy to participants to review. Collected data were stored in a password-secured computer and backup storage device to prevent data loss or damage.

Data collection is a fundamental process where researchers obtain findings for their studies. Creswell and Poth (2018) described data collection as a series of interconnected activities gathering relevant information to answer emerging research questions. Creswell and Poth provided researchers with a data collection cycle illustrating data collection activities in phases. A data collection plan includes a site or individual, access to research, purposeful sampling, collecting data, recording information, resolving field issues, and storing data (Creswell & Poth, 2018). The data collection plan included individuals, purposeful sampling, recording interviews, and storing data in this study.

Creswell and Poth (2018) summarized a data collection plan as follows. Researchers initially locate a site or an individual to start a study. Researchers then gain research access through sites or individuals to establish rapport with participants who can provide good data. Researchers should also develop a strategy for the purposeful sampling of participants or sites. A purposeful sample means that researchers intentionally choose a group of people who can best provide researchers with information about the research phenomenon under investigation (Creswell & Poth, 2018; Ridder, 2017). Once researchers select sites or a group of people, they should develop interview protocols or written guides for recording the information. Researchers should also anticipate field problems during data collection. The issues could include insufficient data or lost data collection after interviews. Consequently, researchers must have plans to store data collected and protect against data damage or loss (Creswell & Poth, 2018). To ensure data accuracy, researchers should perform member checking, which asks participants to review the interview interpretation and findings (Creswell & Poth, 2018). In this study, the researcher implemented a member checking technique by requesting participants to verify interview interpretations.

Instruments

The researcher was the primary instrument for collecting data. Qualitative data analysis types include text, images, and sounds. The standard case study data methods are interviews, observations, focus groups, documentation, and archival information (Bristowe et al., 2015; Creswell & Poth, 2018). Interviews are a primary technique for collecting data in case study research and are popular due to their flexibility (Adhabi & Anozie, 2017; McGrath et al., 2018). The researcher applied the interview technique to collect data for this study.

Researcher as a Primary Instrument. A researcher is a primary instrument for collecting data in qualitative studies (Yin, 2018). A qualitative researcher directly interacts with participants through interviews, study documents, and observations (Busetto et al., 2020). In this qualitative study, the researcher was the primary data collection instrument. The researcher set up and conducted interviews, took notes, reviewed documents, analyzed collected information, and ensured the confidentiality of participants.

Interview Guide. An interview guide (Appendix A) is an outline to remind researchers on topics and key concepts to cover. Creswell and Poth (2018) stressed that researchers should develop proper interview questions to address studied research questions. Creswell and Poth recommended that researchers design five to seven open-ended or semi-structured questions that allow participants to express their experiences about the topics freely. They also emphasized that researchers should use plain language so that participants could understand the questions easily. A researcher should also avoid ambiguous or leading questions (Creswell & Poth, 2018). The researcher used nontechnical language to develop semi-structured interview questions.

The researcher created semi-structured interview questions (Appendix B) to address the research problem and research questions established in Section 1. The open-ended questions are

based on five components of the internal controls established by the Committee of Sponsoring Organization of the Treadway Commission (COSO). Semi-structured interview questions allow the researcher to ask follow-up questions to delve deeper into understanding participants' experiences, feelings, and topics (Vaughn, 2019). The interview questions are composed of three parts. The first section is to address RQ1, which is to reveal participants' current internal control practices. The second section addresses RQ2, which gives participants opportunities to elaborate on their challenges when implementing internal controls. The last section is a standard set of probing interview questions to encourage participants to discuss the topics openly.

Audio Recordings. Creswell and Poth (2018) suggested that researchers use audio recording during interviews. Rutakumwa et al. (2020) asserted that audio recording could help researchers capture detailed interview facts, thus preserving the accuracy of interview contents. The researcher informed participants in the consent form that interviews would be recorded during recruitment. Once participants agreed and signed the consent form, the researcher scheduled the interviews. After the interviews, the researcher transcribed the recordings for data analysis. The audio recording device and laptop for data analysis were password protected. Interview recordings were stored on an encrypted hard drive to prevent data damage or loss.

Member Checking. Member checking is also known as participants' validation (Harvey, 2015). Qualitative researchers utilize member checking techniques to enhance the accuracy of a study. A researcher employs member checking to communicate with participants the results of interviews (Birt et al., 2016). The participants would review and verify the accuracy of the data collected and the resonance of their experiences (Candela, 2019; Creswell & Poth, 2018). Member checking allows the researcher to portray participants' voices accurately by giving participants the opportunity to confirm or deny interpretation of data. This process adds validity

and credibility to the qualitative study. In this study, the researcher sought participant feedback from the participants' perspectives by performing member checking. The process allowed the participants to review the accuracy of interview transcripts and interpretations.

Data Organization Plan

The researcher created a database in NVivo and used Excel to organize data. A researcher should organize data collected into a database, which includes four components: field notes, case study documents, tabular materials, and narratives (Yin, 2018). Yin (2018) pointed out that a researcher could type, handwrite, or audiotape their field notes from interviews, observations, and document analysis. In a case study protocol, a researcher should mention the need for relevant documents. Many documents related to a case study can be collected during the field visit. A researcher should consider storage space for the documents, either physically or electronically (Yin, 2018). The researcher used Excel and NVivo to organize interview scripts and case study documents for data analysis.

Interviews. The researcher conducted one-on-one interviews with participants to collect information that addresses the research questions. The researcher conducted face-to-face interviews with audio recordings at participants' business sites. However, due to participants' preferences and COVID-19 concerns, Zoom interviews can be facilitated and recorded. The researcher visited the business locations later to collect related documents. The researcher generated a unique code and link for each interview upon participant request. The researcher then emailed the participant a Zoom interview invitation with passcodes to protect their information. The researcher used the pre-established interview protocol to administer the interview during the interviews. The protocol ensures consistency of the interview procedures

across all interviewed participants (DeJonckheere & Vaughn, 2019). The researcher requested a secluded room for interviews for both in-person and Zoom interviews to ensure privacy.

Document Review. Reviewing existing documents helps researchers understand the background, business mission statement, and operations of an organization (Rashid et al., 2019). Analyzing organizational documents, such as policies, procedures, and communications are recommended for qualitative case studies (Creswell & Poth, 2018; Farquhar et al., 2020; Yin, 2018). During the site visit, the researcher requested organizational documents related to the study. For Zoom interviewed participants, the researcher later visited business sites to gather documents. The researcher scanned the documents to a computer with BitLocker encryption to ensure security.

Summary of Data Collection & Organization

The researcher was the primary instrument gathering data for this qualitative case study. An interview guide was also be used to direct interviews to ensure an unvarying procedure. The interview guide includes 12 to 15 semi-structured questions to encourage participants to express their experiences openly. The one-on-one interviews were recorded and stored on a password protected laptop with BitLocker encryption. The researcher also backed up the data in a password protected hard drive with BitLocker encryption to avoid data loss. All interviews were be transcribed and returned to participants for member checking to enhance accuracy. The researcher used multiple data collection methods to ensure the validity and reliability of the study.

Data Analysis

Data analysis is a vital but challenging phase for a new researcher (Yin, 2018). Qualitative data analysis includes data organization, data theme development, and data

interpretation (Creswell & Poth, 2018). Qualitative data often entails reading a large number of transcripts (Azevedo et al., 2017). Based on the transcripts and documents collected, researchers then look for similarities and differences to find patterns and themes to reach conclusions (Cleland, 2017). The researcher explains the strategies during the data analysis stage as follows.

Emergent Ideas

Reading emergent ideas refers to reviewing interview transcripts and memos. Memos are brief phrases, concepts, ideas, or themes that a reader records during the initial review of the database. Following the data organization, researchers continue to study the data by understanding the entire database (Creswell & Poth, 2018). Researchers should read the transcripts several times. Reading transcripts helps researchers absorb interview details before sorting frequently surfaced ideas into themes. Likewise, a researcher can explore a database by writing memos and jotting down notes in the margin of field notes and transcriptions. Reviewing the text allows researchers to establish a sense of emergent ideas of the database before coding the themes. The researcher reviewed the most frequently mentioned phrases, concepts and themes after loading transcribed interviews into NVivo. The researcher then coded phrases and themes into groups to find emergent ideas.

When researchers study two or more cases, Yin (2018) recommended case synthesis as an analytical technique for case-study data analysis. He suggested that researchers use a word table to display the data from individual cases according to uniform patterns. Once the patterns emerge, researchers can then examine their similarities and differences among the cases (Yin, 2018). The researcher created a word table in NVivo and displayed emerging patterns to code for similarities and differences.

Coding Themes

The coding process refers to researchers organizing and labeling qualitative data to pinpoint different patterns and clusters and then finding correlations between them (Nguyen et al., 2019). When coding themes, researchers designate labels to short phrases, numbers, or words representing critical themes in each response (Elliott, 2018). The coding phase comes after the reading and memoing procedures (Creswell & Poth, 2018). Coding qualitative research is part of thematic analysis: It groups common themes and concepts (Raskind et al., 2019). Thematic analysis refers to when researchers analyze words or sentence structures by extracting patterns from text. Researchers then establish exhaustive descriptions, implement codes, and create themes to prepare for data interpretations. To effectively organize data, Creswell and Poth (2018) recommended software such as MAXQDA, ATLAS.ti, NVivo, and HyperRESEARCH for coding themes during the data analysis stage. The researcher utilized NVivo qualitative data analysis software during the coding process. The software allowed the researcher to create and organize codes and consequently group them into themes. The researcher also compiled a codebook containing a list of thematic codes and definitions to find their relationships.

Interpretations

The researcher assigned meaning to data for interpretation. Creswell and Poth (2018) recommended that researchers review coded data to identify emergent patterns and themes for data interpretation. Data interpretation is the procedure of reviewing data within predefined parameters, which helps researchers assign meanings to the data and reach relevant conclusions. The data interpretation process requires researchers to utilize both creative and critical capabilities to make sound judgments based on the categories, themes, and patterns generated by data analysis. Consequently, researchers use the data interpretation method to make sense of

textual information that has been collected (Creswell & Poth, 2018). After grouping the emergent ideas, the researcher drew relevant and meaningful conclusions.

Thematic network technique could help the researcher understand data relationships. Akinyode and Khan (2018) employed a thematic network technique to understand the data relationships to prepare for data interpretation. They explained that researchers could use thematic networks to explore the meanings of a subject or understand the denotation of a concept, which generates a thematic analysis. The themes can be categorized as expected, unexpected, major, minor, or hard to define during the thematic analysis (Akinyode & Khan, 2018). Creswell and Poth (2018) suggested that researchers create flow charts and diagrams to draw the relationships among codes or emerging concepts. The visual display helps researchers see possible overlapping patterns and themes (Creswell & Poth, 2018). The researcher utilized thematic network techniques embedded in NVivo to understand the data relationships for interpretation.

Data Representation

The researcher assigned data with codes and then create a codebook accordingly. The researcher organized codes using flow charts, Excel spreadsheets, and thematic analysis techniques to understand patterns. Creswell and Poth (2018) described data representation as a process of breaking data apart and reassembling them in a meaningful way. By doing so, researchers seek to establish themes and discover similarities and differences among multiple cases. Once the themes are developed, researchers create “naturalistic generalizations” from data analysis (Creswell & Poth, 2018, p. 206). The objective is to show that people can learn from these cases and apply the knowledge to a population with a similar context. In this study, the researcher used an inductive approach to look for patterns. Once the data were coded, the

researcher identified emerging themes and patterns. The researcher then grouped themes into the most frequently mentioned, expected, and unexpected categories. The researcher then categorized central themes for data representation.

The researcher chose the matrices approach for data representation from between the commonly recommended approaches. Qualitative research typically utilizes two common techniques, hierarchies and matrices, to organize data together within themes (Castleberry & Nolen, 2018). The authors explained that thematic hierarchies could display hierarchical themes according to the coding schemes. Researchers get a broad thematic view of data from higher-level codes; the lower order codes enable researchers to investigate intricate differences across cases (Castleberry & Nolen, 2018). On the contrary, researchers use the matrices approach to see a broad visual representation by systematizing participant roles, patterns, variables, emerging themes, and data sources into rows and columns (Castleberry & Nolen, 2018). This matrix-based method provides researchers an analytical tool to evaluate participants' feedback, thoughts, and experiences (Castleberry & Nolen, 2018). The authors also recommended flowcharts, concept maps, and diagrams for data visualization. The researcher considers the matrices approach appropriate because it evaluates participants' feedback and experience analytically.

Analysis for Triangulation

Researchers use the methodological triangulation technique to analyze outcomes of the study using various data collection approaches (Creswell & Poth, 2018; Flick, 2018).

Methodological triangulation is a useful tool to cross-check and interpret data from multiple resources (Bekhet & Zauszniewski, 2012; Flick, 2018). The purpose of triangulation is to strengthen validity, establish a more in-depth outlook of a research study, and explore different perspectives of understanding a research problem (Ashour, 2018). The researcher used

methodological triangulation to cross-check and interpret findings from multiple information sources. The researcher conducted interviews and requested documents related to the study to triangulate data.

Summary of Data Analysis

Data analysis is undoubtedly the most intricate and dynamic phase for a study. The researcher utilized reading and memoing techniques to review the collected data. The process enabled the researcher to synthesize interview scripts and documents to develop comprehension for the coding process. The researcher intended to assign labels to brief phrases, numbers, and words representing key themes in each response. With a codebook established, the researcher proceeded with data interpretation and data representation to arrive at conclusions and findings for the study.

Reliability and Validity

Qualitative researchers utilize reliability and validity to establish a quality of findings (Yin, 2018). The objective of reliability is to mitigate biases in a study (Yin, 2018). Connelly (2016) and Yin (2018) recommended researchers apply the following analogous criteria: dependability, credibility, transferability, confirmability, and data saturation to ensure reliability and validity of qualitative research. By addressing these concepts, researchers could enhance the trustworthiness and authenticity of collected data and increase readers' understanding of the study (Amin et al., 2020; Connelly, 2016).

Reliability

During the study, the researcher used an interview protocol to ensure a consistent interview experience. Qualitative researchers ensure reliability by establishing repeatable research protocols and achieving consistent findings (Mohajan, 2017). Researchers could

potentially replicate the existing empirical studies in a reliable research setting and produce consistent results (Mummolo & Peterson, 2019). Reliability also refers to dependability (Nyirenda et al., 2020). Researchers could establish dependability to improve the confidence in qualitative studies (Korstjens & Moser, 2018). The researcher asked each participant the same set of questions and follow the same procedure to collect data, using a standard interview protocol.

Dependability. Dependability encompasses the aspect of consistency. Researchers check whether the analysis is aligned with the acceptable qualitative research design (Nyirenda et al., 2020). Connelly (2016) suggested that researchers maintain audit trails of procedure logs. The procedure logs could include activity logs during the field study and decisions about participants' criteria. Connelly (2016) also promoted member checking techniques to increase the dependability level. The researcher seeks to enhance dependability through a protocol that could duplicate the same steps to gather data. In addition to the interview protocol, the researcher applied the member-checking technique to ensure the accuracy of the interview interpretation. The participants were provided a summary of interview findings and verify the reliability of data interpretation. The researcher also created a procedure log to keep audit trails.

Validity

Researchers should validate their collected data to ensure the credibility of findings (Korstjens & Moser, 2018). Validity refers to data accuracy (Silva et al., 2020). Researchers should develop a validation procedure to support research findings and conclusions (Van den Berg & Struwig, 2017). Yin (2018) stated that researchers could focus on criteria such as credibility, transferability, confirmability, and data saturation to ensure the validity of qualitative studies.

Credibility. Korstjens and Moser (2018) described credibility as finding truth-value in qualitative research. They recommended strategies such as “prolonged engagement, persistent observation, triangulation, and member checking” to ensure credibility (p. 121). Researchers should determine which tactics to use when designing a study because not all strategies apply to all studies (Korstjens & Moser, 2018). Connelly (2016) concurred that member checking and reflective journaling could help researchers establish credibility in research findings. The researcher applied member checking and methodological triangulation techniques to enhance credibility.

Transferability. Transferability refers to the applicability to readers (Korstjens & Moser, 2018). They stated that researchers’ ability to provide a thick description of the participants and the research process enables readers to evaluate whether the findings are applicable to their own situations. Readers perceive sufficient information through thick descriptions to determine the trustworthiness of the results. This is called transferability judgment. Readers make the transferability judgment, not researchers unacquainted with readers’ specific circumstances (Korstjens & Moser, 2018). The thick description refers to the use of language that makes readers feel they are experiencing the phenomenon being researched (Creswell & Creswell, 2018). The thick description also means the way researchers illustrate their observations and interpretation in qualitative research (Kostova, 2017). The researcher presented readers with adequate information about the phenomenon of the study. The thick description is presented from participants’ lenses, expressing their experiences and challenges in implementing internal controls to detect and prevent employee fraud. The researcher described the participants’ experiences and strategies in detail in the final dissertation report.

Conformability. Conformability is also called neutrality (Ternström et al., 2016; Wheater & Erasmus, 2017). Wheater and Erasmus (2017) stated that researchers ensure neutrality by staying objective and remaining free from bias. Wheater and Erasmus explained that researchers should focus on learning from the participants' experiences and not attempting to manipulate or sway them. When applicable and possible, asking an independent coder to analyze the data independently could also ensure neutrality (Wheater & Erasmus, 2017). The researcher used methodological triangulation to ensure conformability. The researcher verified and interpreted findings from multiple data sources, such as in-person interviews and documentary evidence. The researcher focused on participants' voices and experiences when interpreting the findings. The participants took part in the member checking process to verify the consistency of the study outcome.

Data Saturation. The researcher used inductive thematic saturation method to determine the data saturation. Data saturation is the point in the data collection process where researchers do not identify new codes or themes required to replicate the study (Saunders et al., 2018). When new codes or themes arise, researchers should increase the sample size until no new codes or themes emerge (Braun & Clarke, 2021). Otherwise, qualitative researchers should stop interviewing more participants since additional interview information does not produce a unique insight into a phenomenon (Tran et al., 2016). The researcher analyzed the first 30 interviews. The researcher then stopped interviewing more participants because the data created repeating themes with no new themes in the data set.

Bracketing

Bracketing is a valuable methodological technique to enhance validity in qualitative research (Cypress, 2017). Using bracketing can mitigate the potential harmful effects of the

researcher's assumptions that may influence the research process (Baksh, 2018). Wadams and Park (2018) described bracketing as setting aside personal experiences, biases, and preconceived notions about the research topic. During the study, the researcher would set aside assumptions, presupposition, biases, experiences, and beliefs that might affect the research outcome. The researcher would focus on participants' experiences and voices when interpreting findings. The collected and analyzed data were presented to the participants, and they reviewed whether the narrative was accurate and a true representation of their experiences.

Summary of Reliability and Validity

Reliability and validity are to assess the quality of research. Researchers used reliability to measure consistency and used validity to evaluate accuracy. During the study, the researcher used interview protocol to ensure reliability. Meanwhile, the researcher utilized member checking, and thick transcription to enhance validity. To ensure data saturation, the researcher interviewed participants until no new themes or patterns emerged. The sample pool was 30 participants.

Summary of Section 2 and Transition

In Section 2, the researcher discussed the research method and design, role of the researcher, participant selection process, data collection approaches, data analysis procedure, and research and validity strategies utilized in the study. The researcher also described the process of applying analogous criteria: dependability, credibility, transferability, confirmability, and data saturation to ensure reliability and validity of research findings.

For this qualitative multiple-case study, the researcher used purposive sampling to enhance the participant selection in this study. The researcher purposively interviewed small business managers or owners who have experience utilizing fraud risk management strategies to

deter and prevent employee fraudulent activities. The population is small businesses located in the Great Plains region of Nebraska. The sample size was 30 participants. During the study, the researcher used interview protocol to ensure reliability. Additionally, the researcher utilized member checking, and thick transcription to enhance validity. In Section 3, the researcher would present the findings of the study that include a discussion of themes and learnings, application to professional practice, and recommendations for further study.

Section 3 – Application to Professional Practice

Overview of the Study

This qualitative multiple case study aimed to obtain a deeper understanding of the COSO internal control framework implemented by small businesses and to survey the effectiveness of their current internal control systems. Internal control weaknesses could expose small businesses to high fraud risk. The conceptual framework for this study was that fraud shields could help small companies detect and deter occupational fraud activities. Small companies could apply strong fraud shields by appropriately implementing adequate internal controls. The fraud shield refers to the five internal control components established by COSO. These five components were embedded in the interview questions to understand better the effectiveness of implementation by small businesses in rural areas. The researcher addressed two primary and one sub research question through interviews and document reviews.

RQ1: How do small business owners and managers in the Great Plains region, Nebraska, implement internal control and risk management plans to reduce employee fraud activities?

RQ1a: How do these small business owners and managers apply internal control standards established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to safeguard business resources?

RQ2: What challenges do owners or managers encounter when implementing internal controls?

The researcher collected business lists from chambers of commerce to select the participants. The participant selection criteria included small business owners and managers who

had experience implementing internal controls. Another measure was that the business operations must have been in the rural areas of Nebraska with less than 100 employees.

The researcher also used an interview protocol (Appendix A) and a set of pre-determined interview questions (Appendix B) to ensure quality consistency. The final data were collected through 30 interviews. The interviews were transcribed and sent back to the participants for member checking. The data collected for this study were through interviews and company document reviews. The researcher cross-checked various data resources in this research and requested that participants verify the interpretation. The researcher concluded the study findings when code data saturation was achieved. Collected data were stored in a password-secured computer and backup storage device to prevent data loss or damage.

Presentation of the Findings

This section provides discussion and research results of this study. The researcher used qualitative multiple case study to explore how small rural businesses establish Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal controls to deter and prevent employee fraud. A qualitative multiple case study was based on the fraud diamond theory. Thirty small business owners or managers located in rural areas were interviewed to gain a greater understanding of the effectiveness of internal control in small rural businesses. After thematic analysis, the researcher identified seven major themes: (a) management's commitment to integrity and ethical value, (b) identifying high-risk areas, (c) separation in key business functions, (d) ethically informed risk management, (e) leveraging technology, (f) financial and staffing challenges, and (g) low COSO familiarity. The findings showed that the participants implemented internal control procedures to the best of their abilities and knowledge to protect their business assets. Therefore, it appears that the internal control actions could help small

business owners avoid potential profit loss. The research found strengths and weaknesses of internal control implementations. The strengths of their implementation were their awareness of the control environment, risk management, monitoring and information, and communication. The weakness of the implementation came from control activities, predominantly the violation of the separation of duties. Most of the participants knowingly or unknowingly gave the same employee multiple business responsibilities that could compromise the internal control procedure.

The researcher interviewed 30 participants for this study. The participants were managers and owners of rural small businesses with less than 100 employees. The participants' business fields included auto repairs/dealerships, construction, restaurants, and retail. P1-P7 were companies related to car repairs, dealerships, and auto parts. P8-P12 were businesses dealing with plumbing, construction, landscaping, and home repair. P13-P21 were dining services including family restaurants, casual dining, fast-casual dining, cafés, and bars. P22-P30 were retail shops involving clothing, grocery stores, and general merchandising stores. Table 5 shows the counts of participants in each business area.

Table 5

Demographics of Participants

Participants	Business Category	Participant counts
P1 - P7	Auto Repair/ Dealerships	7
P8 - P12	Constructions/landscaping	5
P13 - P21	Restaurants	9
P22 - P30	Retail	9

Themes Discovered

The researcher followed an interview protocol, asking all the participants the same 16 questions during the field study. Once the field study was concluded, the researcher used NVivo software to transcribe the recordings of the interviews. The researcher then read through transcripts to find patterns. The researcher developed codes to categorize patterns as discovered themes. After thematic analysis, the researcher discovered seven major themes: (a) management's commitment to integrity and ethical value, (b) identifying high-risk areas, (c) separation in key business functions, (d) ethically informed risk management, (e) leveraging technology, (f) financial and staffing challenges, and (g) low COSO familiarity.

Interpretation of the Themes

The researcher reviewed the data set and identified repeated patterns as themes discovered. These themes represented participants' perceptions and experiences that the researcher deemed relevant to the research questions. The researcher then selected the themes with high percentages and high relevance to answering the research questions for interpretation. The seven core themes and six subthemes were discussed as follows (Figure 9): Theme 1: Management's commitment to integrity and ethical value, Theme 2: Identifying high-risk areas, Theme 3: Separation in key business functions, Theme 4: Ethically informed risk management, Theme 5: Leveraging technology, Theme 6: Financial and staffing challenges, and Theme 7: Low COSO familiarity.

Theme 1: Management's Commitment to Integrity and Ethical Value. The first emerging theme is management's commitment to integrity and ethical value based on the thematic interview analysis. Managers and owners should acknowledge their influence in shaping organizational culture and ethical values (Isensee et al., 2020). Managers and owners

could see it as an opportunity to create the corporate culture and attitude to set expectations on employee work behavior, which their organizations' success depends on (Narayana, 2017).

Leadership that neglects ethical climate could risk personal and corporate liabilities (Van Rooij & Fine, 2018). The three subthemes discovered under management's commitment to integrity and ethical value are working culture, leadership style, and integrity hotlines practices.

Theme 1-1: Working Culture. Theme 1-1 showed that positive working culture matters to internal control. Organizational culture shapes employees' attitudes towards their companies and their perception of fraud (Kumar et al., 2018). Employees who are happy with their corporate culture are less likely to commit fraud (Zhang et al., 2020). One hundred percent (100%) of participants expressed that their owners and managers have been devoted to creating a positive working culture and committed to leading with an ethical management style. P4 stated:

Our owner is very flexible with our working schedules. Employees can flex time as long as jobs get done. He (the owner) wants us to be happy with our working environment. In a small community, we make things work.

P4 continued to say that team building is a great way to increase positive behavior at work. In fact, P4 believed that the holiday season was an excellent time to create an inclusive workplace climate, enhancing morale, engagement, and productivity. The findings showed that participants facilitated positive working environments, fostering a shared culture of trust, accountability, support, and cooperation to help prevent occupational fraud.

Work satisfaction also plays an important role that influences employee performance and internal control effectiveness. Roszkowska and Melé (2021) also found that employees showed satisfaction at work when managers followed a moral code of conduct that emphasized integrity and encouraged honest behavior. P11 stated:

It is important to encourage employees to act honestly at work and it applies to personal life as well, you know. I have tried to lead by example at work when I can. We do have our working standards when it comes to billing customers and receiving checks. In our operation, our internal policy is that we work together like a family.

The study results indicated that a positive working culture could help discourage fraudulent behavior while improving employee morale.

Using COSO's internal control guidance to create engaged working environments could help organizations enhance employees' engagement and performance. In their research, Liu et al. (2017) found that COSO internal control implemented by small businesses positively influenced employee engagement level towards their companies. P23 expressed that a set of rules at work is necessary. Further, P23 indicated that the company provided a copy of the employee manual at orientation to educate new employees on expected working behavior. P28 implemented a similar approach to communicate standard work conduct. P28 indicated:

We have monthly meetings, and we also have employee training every six months to talk about company goals and expectations. We are trying to keep our staff informed so that they know what is going on with our operation. To encourage positive behavior is to communicate more.

The COSO's internal control implementation includes a company culture that encourages ethical conduct and regulatory compliance. The result shows that participants implemented organizational standards to promote ethical behaviors in the workplace to deter fraud.

Theme 1-2: Leadership Style Matters. One hundred percent (100%) of the participants responded that their owners and managers had been actively engaging in the business operations at different levels. The duties of the owners and managers ranged from organizational policy

development to hands-on business routines. They demonstrated their leadership style through the routine application of their ideals. P3 indicated:

In a town like our size, honest and ethical business behavior is very important. Without a reputation, it is not easy to do business with others. That goes without saying, as an owner, I tried to emphasize that with my staff during meetings.

P11 expressed:

Lead by example is my personal philosophy. If I want my employees to act honestly at work, I will have to show them my expectations. We have policies and standards to follow at work, and we also do our best to be compliant with the regulations—that requires teamwork and trust.

P16 stated:

I think leadership model makes a difference. If I make mistakes, I take responsibility and try to correct them as soon as possible. We empower employees at work and encourage them to report when they see or witness anything suspicious.

P30 indicated:

My father used to tell me that you have to get your hands dirty if you want to run your own businesses. It would be best if you learned how to understand your shop and industry in-depth. You can't lead the team if you do not have knowledge and skills. I am trying to say that leaders should lead by example and lay out expectations at work.

The study results indicated that participants recognized the importance of their management role in internal control to reduce employee fraud motivation.

Effective internal control systems incorporate the qualities of good management styles.

N'Guilla et al. (2018) stated that management played an important role in fraud detection and

prevention. Owners and managers could promote a culture of integrity by setting the tone at the workplace (Da Silveira, 2021). The tone of an organization influences how employees conduct their business activities and carry out their responsibilities (Rae et al., 2017). Integrity and ethical leadership can set an example of an anti-fraud spirit for employees (Ciobu & Iordachi, 2019). Managers could implement these good quality management strategies to improve efficiency of their internal control.

Theme 1-3: Integrity Hotlines Practices. Sixty percent (60%) of the business owners mentioned that they have hotlines available for employees to report any witnessed or suspected fraudulent incidents or misconduct. Participants listed their hotline methods, including a designated email address, phone, open-door policy, and a lockbox. P2 expressed that the company established a specific email system for employees to report suspicious events. Similarly, P12 indicated that they created an environment where employees could voice their concerns through an anonymous lockbox. P20 also stated that they had a system for employees to report inappropriate behaviors or potential law violations. For instance, P23 indicated:

We have a lockbox that staff can drop me a line or two unnamed. Typically, the notes were about suggestions for work improvement. And nothing serious has happened yet. But they see something suspicious that they want to report, they can.

The study results showed that participants utilized various ethical reporting systems to prevent work misconduct and violation of organizational policies.

Integrity hotlines could promote honest working culture by providing employees an anonymous and convenient channel to report potential wrongdoing. Andrade (2021) stated that telephone hotlines have been the most popular and effective reporting fraud worldwide. Organizations with integrity hotlines detect fraud incidents more quickly than those without

hotlines (ACFE, 2016; Andrade, 2021). Integrity hotlines allow employees and external parties to report potential fraud, waste, and abuse related to business operations (West & Bowman, 2020). Pamungkas et al. (2017) found that employees were more likely to obey the company's ethical values when companies had an ethical hotline available. Employees felt that the working environment was more positive because the hotline reporting system created a system of checks and balances (Pamungkas et al., 2017). Integrity hotline practices could help small business owners quickly discover potentially fraudulent activities.

Theme 2: Identifying High-Risk Areas. It is essential to assess risk events that may negatively influence enterprises to meet their business objectives. The interview responses showed that 80% of participants established processes to identify high-risk areas in their businesses to prevent potential profit loss. The participants stressed focusing on cash receipts and disbursements, payroll, customer credit sales, or inventory management. Participants also agreed that strong internal controls implemented in high-risk areas could prevent potential theft and fraud risk. Adamek (2021) recommended managers identify high-risk areas that are the most vulnerable to theft and fraud. To establish a practical solution, management should include current and potential challenges in the risk assessment procedure (Jean-Jules & Vicente, 2021). The findings showed that most participants identified asset misappropriation and payroll payments as high-risk areas for potential theft.

Asset misappropriation is a common occurrence in occupational fraud cases. Glodstein (2015) pointed out that cash and inventory were two main categories of asset misappropriation for small businesses. P7 expressed that cash collections and cash disbursements have been the highest risk area for their auto repair shop for cash embezzlement. P27 focused on purchasing and inventory management for their retail stores for inventory shrinkage. P29 also indicated that

they encountered inventory loss issues. To reduce the risk, P7 implemented a cash procedure to ensure cash deposits for employees to follow, while P29 was investigating potential solutions, such as inventory scanners and QuickBooks. The finding showed that the internal control techniques utilized by the participants could provide reasonable assurances of the protection their assets and prevent fraud.

A well-implemented internal control could minimize opportunities where employees could embezzle cash and commit fraud. Cheng et al. (2018) indicated that weak payroll procedures could lead to unauthorized compensation. Perpetrators could authorize payments to non-existing or terminated employees (Lee & Sawyer, 2019). P10 expressed that they have been re-evaluating their payroll system due to the high seasonal and hourly hiring volume. To establish a solution, P10 illustrated that they implemented a disbursement procedure to ensure the accuracy of payments and reduce payments in error. The study results indicated that risk assessment could help small businesses establish proper internal control procedures to prevent illegal acts and asset misappropriation.

Theme 3: Separation in Key Business Functions. The thematic interview analysis discovered the participants' procedures and policies related to payroll management, inventory system, bank reconciliation, and cash receipts and disbursement. The theme that emerged was the violation of separation in key business functions. Managers should establish a standard procedure for segregation of duties for all employees with their various responsibilities to follow (Karim et al., 2018). In their study, Karim et al. (2018) found that inadequate segregation of duties led to fraudulent activities and human mistakes. Anagnoste (2018) recommended that small businesses utilize Robotic Process Automation (RPA) to enhance the effectiveness of internal control activities. Managers and owners can program RPA to perform routine business

functions like sales invoice audits (Rozario & Vasarhelyi, 2018). Using technology to surrogate roles of internal control responsibilities could be a potential solution to help organizations mitigate the violation of segregation of duties.

The thematic analysis indicated that managers recognized that segregation of duties was an important internal control element to mitigate potential employee fraud. When implemented appropriately, separation of responsibilities provides manager oversight to catch errors and deter theft (Frazer, 2016). Eighty percent (80%) of the participants had procedures in place for regular bank statement reconciliations. However, most participants described the reconciliation process as involving the same person who handled check receipts, checks disbursements, and checks deposits.

Seventy percent (70%) of participants had systems verifying payroll data. P15 and P7 utilized QuickBooks online payroll to maintain payroll records. On the contrary, P17 and P9 used traditional punch clocks and spreadsheets to manage employee hours. Sixty percent (60%) of participants expressed that they implemented processes to secure inventory. P5 explained that the company used inventory systems to manage inventories. P5 utilized a barcode inventory scanner to keep track of equipment, parts, and supplies. On the other hand, P8 has paper form checklists to keep track of stocks. Table 6 shows the participants who provided evidence of internal control procedures.

Table 6

Business Key Function with Internal Control Procedures

Business Key Function	Yes	No
Bank Reconciliation Procedures	80%	20%
Digital or Traditional Payroll Verification System	70%	30%
Inventory Security System	60%	40%

The interview analysis showed that more than 85% of participants used the same personnel for different accounting functions or business operations. The examples of overlapping responsibilities are as follows. P5, P6, and P18 indicated that their company had limited human resources for various duties. Similarly, P16 stated that two employees shared the same responsibilities, such as bank reconciliations, purchasing supplies, and managing inventory. The study results revealed that inadequate segregation of responsibilities could make fraud detection and prevention difficult.

Job responsibility separation allows organizations to assign duties to more than one person to complete business processes to minimize the risk of fraud and waste. Job duties within an organization should be separated to prevent employees from misusing a critical combination of responsibilities (Saxena et al., 2020). Chiu and Jans (2019) stated that the potential violation of segregation of duties could occur when the same person was engaged in multiple business processes. Their research recommended that two separate employees perform purchase orders and sign/release functions to mitigate violations (Chiu & Jans, 2019). Phairas (2016) suggested that two distinct people deposit cash/checks and reconcile bank statements. Additionally, the same person who ordered supplies from vendors should not record goods into the inventory system to avoid fraud red flags (Baader & Krcmar, 2018). Managers could prepare a duty matrix list with users' job titles to determine the potential risks and then assign job duties or access to mitigate overlapping responsibilities.

Moreover, leveraging technology systems to automate some business functions could be a new resource for small businesses with limited human resources. Vincent et al. (2020) proposed leveraging blockchain technology to manage business processes: sales order initiation, invoice generation, and payment collection. Blockchain applications could provide small

businesses with practical solutions for segregation of duties (SoD) problems (Dutta, 2020; Willhite, 2019). For internal inventory control, Karim et al. (2018) indicated that physical inventory count should be conducted regularly to enhance the effectiveness of internal control. Gross et al. (2020) pointed out that some companies had utilized automated systems: drones, bar code scanning, and blockchain technology to count inventory effectively. Therefore, automated technologies could potentially provide small businesses solutions to reduce compliance costs and the risk of fraud.

Theme 4: Ethically Informed Risk Management. Theme 4 is ethically informed risk management. According to Card (2020), ethically informed risk management includes ethical risks management and a professional ethics guide. The participants expressed their practices in ethics education and anti-fraud program promotion. Communicating anti-fraud measures with employees could help lower the risk of fraudulent activities (Denman, 2019). There are three subthemes under Theme 4: code of ethics, ethics training, and pre-employment background check practices.

Theme 4.1: Code of Ethics. Seventy-seven percent (77%) of participants showed evidence of a code of ethics established for their companies. The policies and procedures provided vary from participant to participant and they appeared to be brief but practical. P7 provided a well-documented code of conduct for the company, while P25 showed two pages of work conduct expectation. According to the ACEF 2020 report, organizations with a code of conduct could effectively deter fraudulent activities (ACFE, 2020). A code of ethics is crucial to business operation because it outlines the rules for work behavior and organizational expectations from employees (Metcalf et al., 2019). A code of ethics shapes employees' and managers' conduct and attitude toward their company, stakeholders, and each other (Furlotti &

Mazza, 2020). When leaders and managers lead by example by exercising best practices and business honesty, their companies show lower fraud risk (ACFE, 2020; Halbouni, 2015). The findings showed that participants utilized a code of ethics which outlined expected work conduct to foster an honest work culture.

Theme 4. 2. Ethics Training. Thematic analysis showed that 50% of participants had ethics training annually. Ethics training is essential for a successful business because it could help promote ethical practices in the organization (Brooks & Dunn, 2020). Ethical awareness helps corporations maintain a positive working culture and uphold a healthy public image (Ngai et al., 2018). Participants provided ethics training to educate their employees in various settings. For example, P8 expressed that their company utilized anti-fraud training videos to educate newly hired employees. Likewise, P18 and P22 indicated that their human resource department was responsible for providing ethics training and communicating company policies. Similarly, P7 added:

We are small, but we do have a code of behavior booklet to give our employees. It includes dress code, the expectation of quality work behavior, and service. It also includes our business mission to do honest business with our clients.

The study results showed that preparing employees to behave appropriately works in tandem with protecting organizational reputations for stakeholders. Therefore, ethically informed risk management approaches play essential roles in business success.

Code of conduct and ethics training typically provides work behavior rules thus preemptively mitigates non-compliance. Strategically, organizations should communicate their expectations about ethical business behavior at hiring orientations and within employee handbooks (Caldwell & Peters, 2018). In their research, Shonhadji and Maulidi (2021) found that

ethical awareness helped increase employee morale and the ability to recognize fraud symptoms. Thus, they suggested that fraud awareness could effectively discourage participation in occupational fraud (Shonhadji & Maulidi, 2021). Employee training is considered the most effective approach to minimizing corrupt behavior at work (Hauser, 2019). Therefore, Hauser (2019) recommended organizations regularly facilitate anti-corruption training to deliver organizational ethics policies. The study findings showed participants promoted ethical awareness by delivering code of ethics and ethics training.

Theme 4.3 Pre-Employment Background Checks. One hundred percent (100%) of participants expressed that background screening was vital when hiring their employees. Businesses used some combination of a modern background check system and/or personal referrals to select potential candidates. Most organizations have their own set of requirements for hiring employees. P1 and P20 indicated that they utilized background screening for the hiring process. The P2 owner believed that personal referral had been more reliable than background check systems for their company. P7 explained:

For recruiting new employees, we worked with community college and university for candidates. Our company has an internship program with the [nearby] college. This gets us good candidates. Yeah, a background check is critical for hiring qualified employees.

Our company prefers recommendations from school or someone we know.

P26 stated:

Our HR person would run background checks to see if candidates have suspicious backgrounds or working histories. Well, the background check is not bulletproof for hiring employees with integrity. We all know that. It does provide some information we want to know about the person before we hire them.

The results showed that participants utilized pre-employment background and reference checks to avoid hiring potential fraudsters and getting involved in potential legal liabilities. Although the ideal candidate might not be present in the hiring process, a thorough background check could help businesses screen for potentials. The screening process is to find qualified employees (Sarode & Deore, 2017) and protect the organization's stakeholders (Ahsan, 2020). Ahsan (2020) further stated that hiring the right employees could protect the organization's staff, businesses, and customers. Therefore, having background and reference check systems could help companies deter occupational fraud.

Theme 5: Leveraging Technology for Internal Control Monitoring. Interview analysis showed that more than 67% of participants leveraged technology software to monitor their internal control procedures. Meanwhile, managers were still regularly reviewing and tracking the progress and effectiveness of the controls. Leveraging technology to monitor internal control could be cost-effective and increase management efficiency in the long run. P3 explained that they used cost-effective technology to monitor internal controls. Likewise, P12 indicated that they used QuickBooks to process payroll because they could use the system to permit or restrict access. P28 also used software to monitor payable accounts to screen questionable payments. P19 also elaborated:

IT has made my job a bit easier. I can easily review duplications of checks or requisitions. I run reports daily to see any problems. The system flags bad transactions and stops processing until I review them. Most often, it is an error that needs to be cleared.

The study results indicated that using technology to monitor internal control processes has been a trend in businesses. Software and technology assistance allows managers to review internal control procedures efficiently.

Modern technologies have become inseparable from daily business operations and internal control implementation. Marushchak et al. (2021) stated IT and accounting software had become an integral part of businesses. Kokina and Blanchette (2019) predicted that by 2021 Robotic Process Automation (RPA) would be a trending accounting application to companies. RPA is described as digital employees that could mimic human interactions (Kokina & Blanchette, 2019). Davis et al. (2017) suggested that ever-changing technology could potentially increase monitoring effectiveness to reduce the fraud risk level. Undoubtedly, technologies have shaped how business owners implement their internal control systems. Technology provides faster communication of risks, therefore, increasing the efficiencies of internal control. The findings showed that small business owners would implement an automated system to monitor internal control when long-term advantages outweighed disadvantages.

Theme 6: Financial and Staffing Challenges when Implementing Internal Controls.

Seventy percent (70%) of the participants expressed challenges in employing qualified staff in the region. Matt et al. (2020) confirmed that Small and Medium Enterprises (SMEs) in urban areas had difficulty finding qualified staff with requisite credentials or skills. Participants also indicated that COVID 19 had affected their business operations and revenue since 2020. The pandemic has impacted small businesses' income and job opportunities. With reduced income, most participants had encountered hiring freezes or a reduced workforce. Financial challenges influenced by pandemics inadvertently led to a shortage of personnel. P20 indicated that COVID-19 severely impacted their income streams. P9 further explained:

We had to inform hourly employees about reduced hours last year. As we did not know when the pandemic would stop, we just ran the business as best as we could. After a while, without consistent contracts, we could only afford employees for crucial tasks

P11 echoed:

We encountered staff shortage seasonally often because we used student employees who were going to college nearby. During the pandemic, some students wanted to save rent; they went home while taking online courses. We did not have enough work anyways; it worked out.

P24 stated:

A company our size [under 10], we only hired essential staff to operate. I [owner] do most of the planning, purchasing, finance, and other necessary jobs. On top of that, training employees is not easy when they do not stay long.

The results revealed that the COVID-19 pandemic interrupted business operations, thus, impacting their revenue performance.

Fraudulent activities increase when internal control systems weaken. Ma and McKinnon (2021) argued that fraud risk increased during the pandemic in 2020 when staff shortages occurred. Arman (2021) echoed that small companies experienced weak internal control from losing employees due to cost-cutting or turnover during the pandemic. Although owners of small businesses encounter cost and qualified personnel constraints when implementing internal control systems, Frazer (2016) asserted that achieving adequate internal control could still be possible. The findings showed that participants experienced weakened internal control systems due to shortages of staff during COVID-19 interruptions. Participants could explore cost-effective systems to facilitate adequate internal control.

Theme 7: Low COSO Familiarity Level. The thematic analysis revealed that 40% of participants were aware of the Committee of Sponsoring Organization of the Treadway Commission. These participants learned about the COSO organization through their education or news. Meanwhile, 76% of participants were familiar with the terminology of internal controls because of some business compliance requirements. P1 learned about COSO through his college education. P25 knew the COSO organization via financial news, while P14 did not recognize the terminology of COSO. Managers in small businesses are responsible for developing risk management frameworks for employees to follow (Frazer, 2016). They should possess some internal control knowledge to create risk management procedures to prevent fraud (Hess & Cottrell, 2016). Knowing COSO is not required for running businesses, but getting to know the organization might help small business owners obtain updated guidelines to protect their business assets.

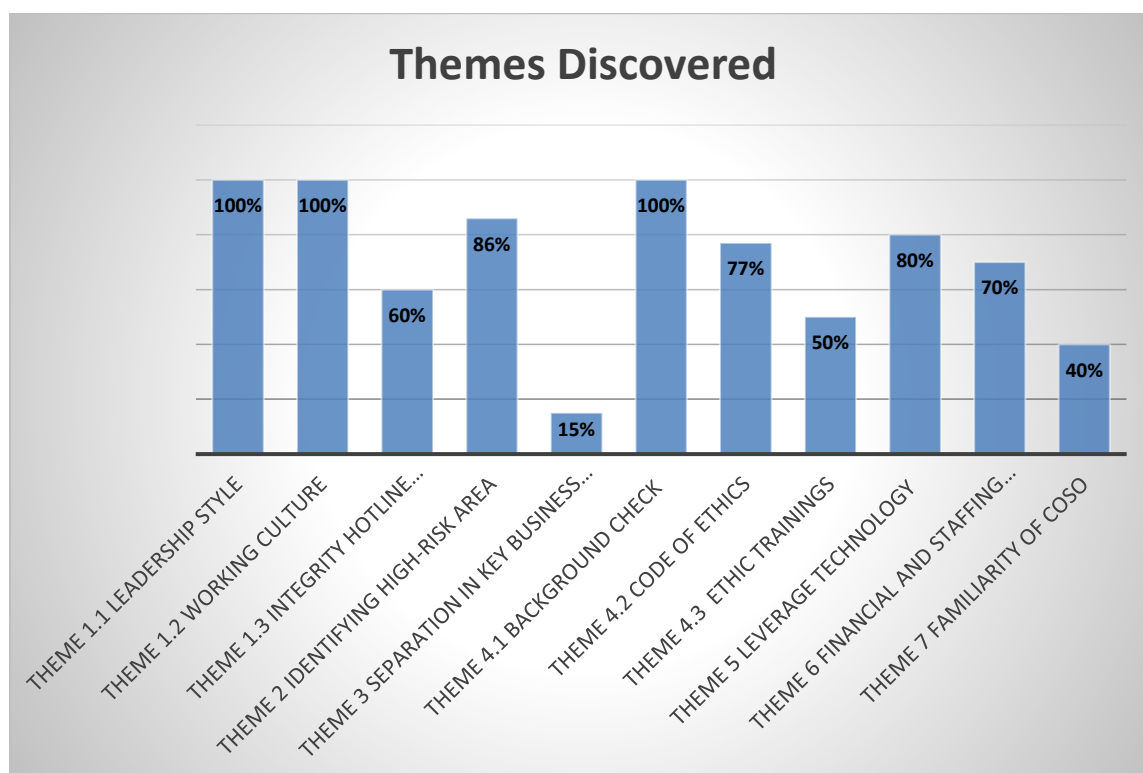
Representation and Visualization of the Data

Visualized data representations allow readers to obtain insights and better understand the results. The researcher presented the data representation and visualization for the study. The data representation shows figures to interpret findings. The seven figures include the topics as follows: Themes discovered, COSO Elements vs. % of Participant Responses, Fraud Shield in terms of COSO Elements, Fraud Shield Components, The Relationship between Research Question 1a (RQ1a) and Themes, The Relationship between Research Questions 2 (RQ2), and Themes and Research finds in relation to Conceptual Framework. The representation provides bar charts, pie charts, and quantitative data to add visual contexts of findings.

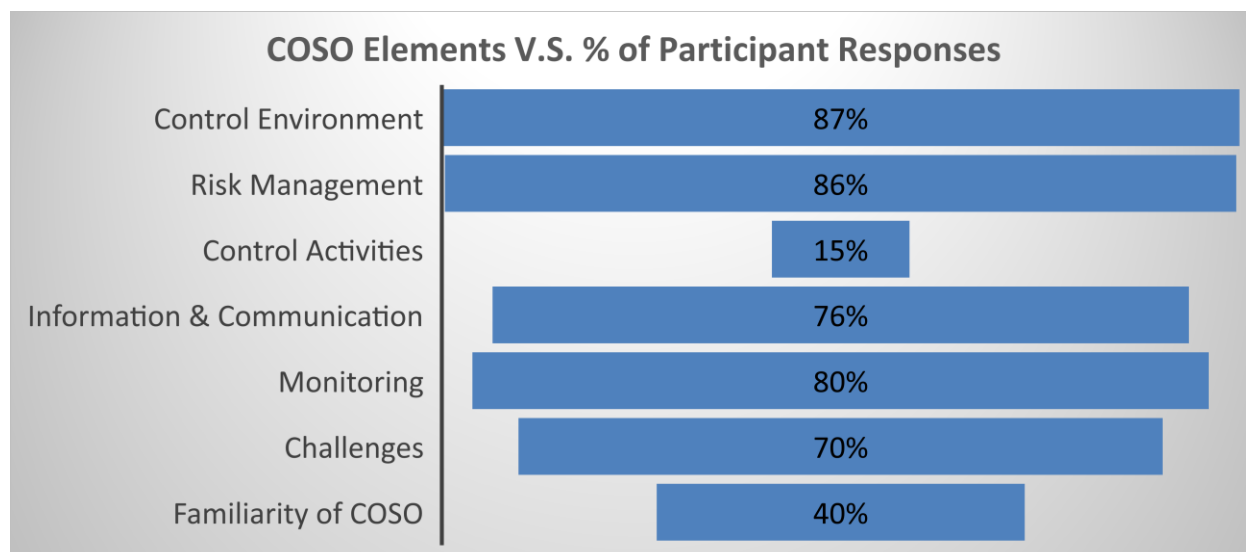
Figure 9 displays the themes discovered with percentages. The chart shows seven primary themes and six subthemes based on 30 interviews and document evaluation. Figure 10

shows participants' responses under COSO's five components and other relevant elements. The percentage of responses represents answer patterns that met the five components, respectively. Figure 11 displays the calculation of fraud shield components according to Figure 10. Figure 12 shows participants' internal control efforts that addressed RQ1 and RQ2. A practical implementation of internal control should be 25% for each component. According to the Figure 12 pie chart, control activities only occupied 5%, which appears below.

Figure 13 shows the relationship between Research Question 1a (RQ1a) and emergent themes. The thematic analysis produced five themes to address RQ1a. Figure 14 shows the relationship between Research Question 2 (RQ2) and emergent themes. The analysis generated two themes to address RQ2. Figure 15 represents the weakness of the internal control system that the participants implemented. The fraud shield showed a fracture at the control activities component.

Figure 9*Themes Discovered*

Note. Themes Discovered is created by Daphne Bishop.

Figure 10*COSO Elements vs. % of Participant Responses*

Note. COSO Elements vs. % of Participant Responses is created by Daphne Bishop.

Figure 11

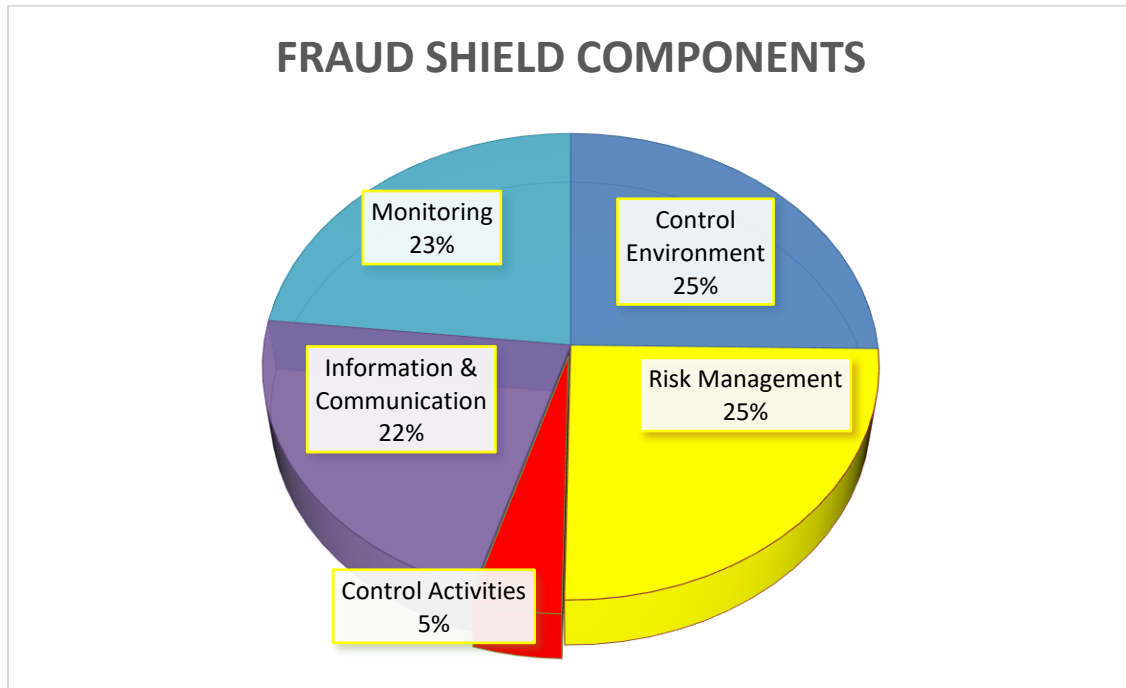
Fraud Shield Component in Terms of Pie

COSO Elements & Others	% of Participant Responses	Fraud Shield Components % in term of Pie
Control Environment	87%	25.0%
Risk Management	86%	25.0%
Control Activities	15%	5.0%
Information & Communication	76%	22.0%
Monitoring	80%	23.0%

Note. Fraud Shield Component in Terms of Pie is created by Daphne Bishop

Figure 12

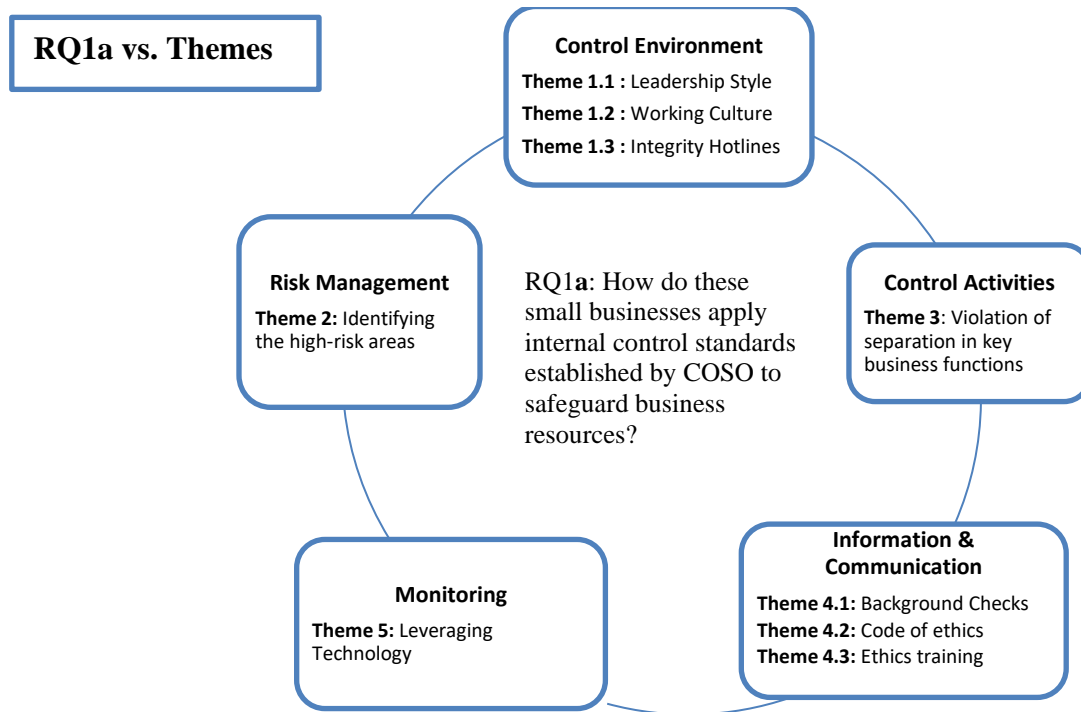
Fraud Shield Components % Analysis



Note. Fraud Shield Components % Analysis is created by Daphne Bishop.

Figure 13

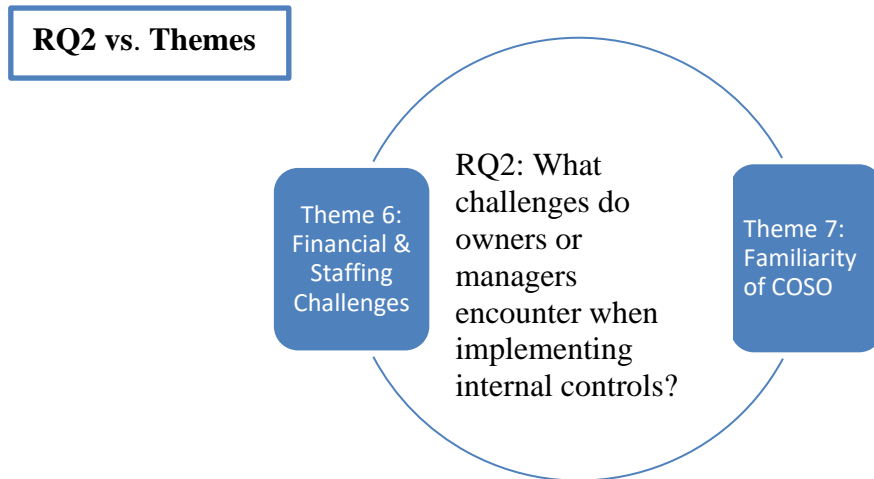
The Relationship between Research Question 1a (RQ1a) and Themes



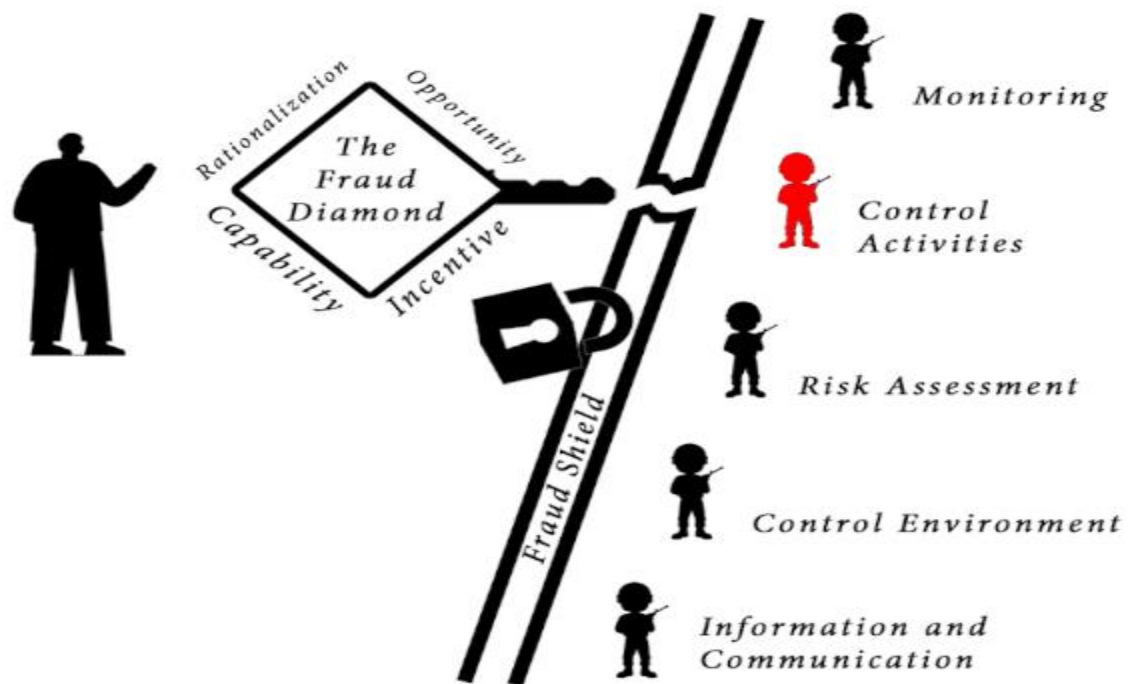
Note. The Relationship between Research Question 1a (RQ1a) and Themes is created by Daphne Bishop.

Figure 14

The Relationship between Research Questions 2 (RQ2) and Themes



Note. The Relationship between Research Questions 2 (RQ2) and Themes is created by Daphne Bishop.

Figure 15*Research Findings to Conceptual Framework*

Note. The Control Activities component is the weakest link of the five. Research Findings to Conceptual Framework is created by Daphne Bishop.

Relationship of Findings

The researcher provides a detailed discussion of how the findings related to critical areas from the research proposal. The following five discussions include how the data results related to the research questions, how the conclusions are associated with the conceptual framework, how the findings relate to anticipated themes, and how the findings pertain to literature and the research problem. The researcher interprets how participants implemented COSO's five components to deter and prevent occupational fraud that addresses research questions. The researcher also evaluates participants' internal control effectiveness to the conceptual framework, fraud shield. The researcher compares the findings with the anticipated themes to show the

similarities and differences. The researcher then analyzes the results, literature review, and research problems to determine the relationships.

Findings vs. Research Questions. The researcher designed research questions to explore how small businesses implement internal control and fraud risk management to detect and prevent employee fraud. The research question RQ1 investigated how small business owners in the Great Plains region, Nebraska, implemented internal control and risk management plans to reduce employee fraud activities. The research question RQ1a surveyed whether internal controls implemented met COSO standards (Figure 13). The research question RQ2 discovered whether small business owners or managers encountered challenges when implementing internal controls (Figure 14). The findings showed that small business managers utilized internal controls at various levels that met most of the standards established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Internal control guidelines developed by COSO include five components: control environment, risk assessment, control activities, information and communication, and monitoring. COSO internal guidelines outline seventeen principles. According to the analysis (Table 7), the participants only incorporated some core principles into their internal control procedures. While the internal control implementation was not inclusive, it might be adequate due to the size of the business operation. The researcher elaborated on how small business owners and managers implemented internal controls that met the COSO internal control framework to protect business assets.

Control Environment. The control environment component includes five principles: demonstrates a commitment to integrity and ethical values; exercises oversight responsibility; establishes the structure, authority, and responsibility; demonstrates a commitment to

competence; enforces accountability. The themes discovered that met control environment principles were working culture, leadership style, and integrity hotline practices. Three themes fell under principle one, commitment to integrity and ethical values. Properly implementing these techniques could effectively deter fraudulent activities (Mintchik & Riley, 2019).

On average, 86.7% of the participants were committed to integrity and ethical values, according to the findings (Figure 10). One hundred percent (100%) of participants believed that honest and positive working environments could raise morale and honesty. Participants thought that leaders should demonstrate moral strength and honesty through their actions to create such an environment. When employees are satisfied with their working culture, they are less likely to conduct wrongdoings against their companies. Additionally, 60% of the participants exercised integrity hotline practices. They encouraged their employees to report suspicious events or behaviors at work.

Risk Assessment. The risk assessment component encompasses four principles: specifies suitable objects; identifies and analyzes risk; assess fraud risk; identifies and analyzes significant changes. Theme 2 (Table 7) was identifying high-risk business operations, which met the criteria of identifying and analyzing risk. Eighty-six percent (86%) of participants claimed they reviewed and identified business risks that could negatively influence their regular operations (Figure 10). The risk areas included cash receipts and disbursements, payroll, customer credit sales, and inventory management. The participants were aware of financial risks of inefficient internal controls.

Control Activities. The control activities component covers three principles: selects and develops control activities; selects and develops general controls over technology; deploys through policies and procedures. Control activities are internal control actions taken by

management to reduce business risk (Bruwer et al., 2018). Theme 3 was a violation of the separation of business functions. While approximately 70% of participants asserted that they had policies and procedures for bank reconciliation, payroll, and inventory management, only 15% of participants (Figure 10) implemented internal control procedures through policies and procedures. It appears that 85% of participants breached the separation of business functions (Figure 10).

Information and Communication. The information and Communication component contains three principles: uses relevant information; communicates internally; communicates externally. Information is essential for organizations to implement internal control responsibilities to support their business objectives (Shabri et al., 2016). Theme 4, ethically informed risk management, emerged under the information and communication component (Table 7). Approximately 76% of participants (Figure 10) utilized combinations of pre-employed background checks, code of ethics, and ethics training for communicating the expected organizational behavior. Frequent anti-fraud communication could reduce employees' motivation to commit fraud (Kagias et al., 2021).

Monitoring. Eighty percent (80%) of participants stated that they had deployed technology (Theme 5) to help monitor internal control procedures (Table 7). When monitoring is developed and deployed appropriately, small business participants can benefit from it. They are more like to identify internal control issues promptly. Effective monitoring can help organizations increase their internal control efficiencies and reduce costs over time. The monitoring component contains two principles: conducts ongoing and/or separate evaluations; evaluates and communicates deficiencies. The monitoring component could help organizations enhance the quality of their internal control systems (COSO, 2020). Rae et al. (2017) asserted

that a well-implemented monitoring procedure could promote healthy corporate governance. On the contrary, Paredes and Wheatley (2018) pointed out that unmonitored internal control procedures tend to deteriorate over time. Managers should periodically assess existing internal control procedures and communicate the deficiencies (Paredes & Wheatley, 2018). Therefore, managers should set up regular or scheduled internal control monitoring to minimize gaps for potential occupational fraud opportunities.

Challenges. Theme 6, financial and staffing challenges, was discovered to answer RQ2. Seventy percent (70%) of participants revealed limited resources when implementing internal controls (Figure 10). The challenges were related to costs and personnel (Table 7). By addressing internal deficiencies, business owners could minimize financial risks and losses. Meanwhile, participants expressed that the prolonged COVID-19 pandemic aggravated their financial and staffing situations. While finance and personnel challenges existed prior to the pandemic, temporary business shut-downs during COVID-19 seemed aggravate small rural business' sustainability.

Familiarity with COSO. Theme 7, the low familiarity of COSO, emerged during the thematic analysis for RQ2 (Figure 14). Only 40% of the participants indicated that they knew about the COSO organization. The mission of COSO was to help organizations enhance internal control performance to promote corporate governance and fraud deterrence. Therefore, the research argued that small business owners could benefit from knowing COSO to develop a proper internal control system to improve their business profit and deter occupational fraud in tandem. However, the findings show a low percentage of familiarity with COSO. To improve the knowledge gap, chambers of commerce could play a vital role in bridging the knowledge gap by holding annual conferences regarding the changes and updates of the COSO framework.

Knowing the COSO organization should be as important as understanding the internal control knowledge. Business owners could consult COSO when they need clarification or guidance regarding risk management.

Summary of Findings to Research Questions. The findings addressed three core research questions. Themes 1, 2, 3, 4, and 5 answered the RQ1 and RQ1a research questions, while Theme 6 and Theme 7 addressed RQ2. The results disclosed that participants reasonably implemented internal controls that met COSO criteria. The findings also showed that small business participants in rural areas of Nebraska implemented adequate internal controls to protect business assets. The themes (Table 7) also revealed that small business participants in the region encountered a shortage in finance or qualified staff when implementing internal controls to mitigate occupational fraud.

Table 7

Summary of Themes and Subthemes in Relation to COSO Elements & Research Questions

COSO Elements & Others	Themes	Theme Descriptions	Subtheme Descriptions	% of Participant Responses	Research Questions
Control Environment	Theme 1.1	Management's commitment to integrity and ethical value	Leadership style	100%	RQ1 & RQ1a
Control Environment	Theme 1.2	Management's commitment to integrity and ethical value	Working culture	100%	RQ1 & RQ1a
Control Environment	Theme 1.3	Management's commitment to integrity and ethical value	Integrity hotline practices	60%	RQ1 & RQ1a
Risk Management	Theme 2	Identifying high-risk area	N/A	86%	RQ1 & RQ1a

Control Activities	Theme 3	Separation in Key Business Functions	N/A	85%	RQ1 & RQ1a
Information & Communication	Theme 4.1	Ethically Informed Risk Management	Background check	100%	RQ1 & RQ1a
	Theme 4.2	Ethically Informed Risk Management	Code of ethics	77%	
	Theme 4.3	Ethically Informed Risk Management	Ethic trainings	50%	
Monitoring	Theme 5	Leveraging Technology for Internal Control Monitoring	N/A	80%	RQ1 & RQ1a
N/A	Theme 6	Financial and Staffing Challenges	N/A	70%	RQ2
N/A	Theme 7	Familiarity of COSO	N/A	40%	RQ2

Findings vs. Conceptual Framework. The conceptual framework for this study was that fraud shields could help small business owners detect and deter occupational fraud activities. The conceptual framework also suggested that small business owners could incorporate fraud theory study, fraud risk awareness, and internal control to protect their business assets. Small enterprises could form strong fraud shields by appropriately implementing effective internal controls. The fraud shield refers to the five components established by COSO. The findings showed that participants utilized internal controls to reduce fraud opportunities and access, both part of the fraud diamond theory. The findings also showed how participants educated employees about fraud risk awareness. The results further indicated that participants implemented adequate COSO internal controls for their business, except segregation of duties.

Fraud Theory Studies. The findings showed that participants utilized integrity hotlines practice (Theme 1-3), pre-employment background checks (Theme 4-3), and monitoring technology (Theme 5) to minimize occupational fraud opportunities, which is part of the fraud diamond. Findings showed that 60% of participants had integrity hotlines available for their employees to report irregular activities. Integrity hotlines empower employees to report potential wrongdoings confidentially. Fraud hotlines could reduce fraud opportunities because potential fraudsters would fear getting caught by co-workers. The findings also revealed that 100% of participants employed pre-employment background checks. The background screening process allows employers to filter potential fraudsters with existing records.

Additionally, the findings indicated that 67% of participants leveraged technology to monitor their internal control. Technology enables business owners to monitor and control business activities. Technology also allows managers to limit access for authorized personnel. For example, accounting software could detect duplicate payments, stop unauthorized requisitions, and flag questionable payable activities. Theme 1-3, Theme 4-3, and Theme 5 showed that participants utilized these internal control approaches to reduce fraud opportunities and access. Removing fraud opportunities from business operations could effectively prevent occupational fraud. However, the findings did not prove how participants could control staff's personal pressure and rationalization when facing an opportunity to commit fraud.

Fraud Risk Awareness. The findings showed that participants utilize a code of ethics (Theme 4-1) and ethics training (Theme 4-2) to improve fraud risk awareness. The results revealed that 77% of participants gave their employees a copy of the code of ethics. Most participants informed their employees about expected work behaviors when hired. In comparison, 50% of participants conducted regular or scheduled ethical training to educate their

employees about fraud awareness. The ethics training covered topics of anti-corruption materials and consequences. Code of ethics and ethics training could improve employees' understanding of organizational expectations and potential fraud signs.

Internal Controls. Participants implemented adequate COSO internal controls for their business operations. According to the findings (Figure 11), 87% of participants employed the control environment component. Eighty-six percent (86%) applied the risk management component. Seventy-six percent (76%) utilized the information and communication component. Eighty percent (80%) used the monitoring component. However, only 15% employed acceptable control activities. Overall, the findings showed that participants utilized most of the COSO elements to develop their internal controls and create satisfactory fraud shields.

Findings showed that the control activities component (Figure 15) was the weakest link of the fraud shields amongst the five elements. The control activities that participants revealed were related to operational and administrative internal controls. The key finding in control activity was a violation of the separation of key business functions. The participants could not appropriately implement segregation of duties, which is a critical internal control to reduce employee fraud activities. The failure of the separation of duties was caused primarily by inadequate financial and personnel support. Consequently, the findings indicated that control activities lead to a compromised fraud shield.

Business strategies influence operational and administrative controls (Lin et al., 2017). Bentley-Goode et al. (2017) found a direct relationship between business strategy and the quality of internal control systems. They suggested that a business strategy plan could reveal insights into a firm's master plan of internal control. Their findings also showed that auditors used firms' business strategies to evaluate and report the quality of internal control (Bentley-Goode et al.,

2017). Managers should tailor internal control systems to their business strategies to increase internal control efficiencies.

The study results supported most of the conceptual framework. The findings indicated that participants applied internal controls to decrease fraud opportunities and limit authorized access as part of the fraud diamond theory application. The practice of integrity hotlines, pre-employment background checks, and internal control monitoring could effectively deter fraudulent attempts. The findings also showed that participants provided codes of conduct and ethics training to enhance employee awareness of fraud. The results further revealed that participants adequately implemented the COSO internal controls to form a good fraud shield.

Findings vs. Anticipated Themes. The potential themes and perceptions of the study were that of small businesses' frail internal controls and their inability to implement adequate fraud risk management. Before the field study, the researcher expected to find a weak internal control system implemented by small business owners in rural areas. Specifically, the researcher anticipated that insufficient personnel resources would impact segregation of duties implementation. Anticipated Themes 1 and 2 illustrated the participants' inability to implement adequate fraud risk management due to financial and human resources limitations.

Anticipated Theme 1: Inadequate Fraud Risk Management. Anticipated Theme 1 was that the participants could not apply adequate segregation of duties as part of fraud risk management, specifically, violation of the separation in key business functions. Overlapping job responsibilities was a common phenomenon according to the thematic analysis. The findings indicated that 85% of participants did not have sufficient employees to employ segregation of duties properly (Table 7). The common violations occurred in activities such as bank reconciliations, supply requisitions, and inventory management. Fraudsters are more likely to

take action when opportunities present themselves. The fraudsters could cover up audit trails when they handle the same business operations for a period. A typical example would be a person responsible for receiving, recording, and depositing checks and then reconciling bank statements. When implementing inadequate segregation of duties, organizations put themselves at risk. Assigning a person with multiple access and responsibilities could increase the risk of fraud. Companies could utilize technology to automate part of the business process or regularly rotate job duties to prevent fraud cover-ups.

Anticipated Theme 2: Financial and Personnel Constrains. Anticipated Theme 2 was limited finances and personnel attributed to participants' inability to implement sufficient fraud risk management. The findings suggested that 70% of participants experienced financial and personnel hurdles when implementing full-scale internal control functions. The findings showed that participants had personnel constraints due to the unexpected COVID-19 pandemic and rural business locations. The pandemic since 2019 severely impacted participants' income resources to hire enough employees for business operations. Additionally, it is difficult to find qualified personnel to conduct various business functions in rural regions. As a result, participants utilized the same person for different key business operations. However, the participants also implemented internal controls that met the criteria of four components. This internal control system might counterbalance the limited resources hurdles.

Findings vs. Literature Review. The literature review covers topics to mitigate fraudulent employee activities. The literature review topics encompass the role of management, the role of whistleblower, understanding fraud theories, and COSO integrated internal control framework. Suh et al. (2019) indicated that the role of management could make a significant difference in deterring and preventing occupational fraud. Henry (2016) suggested that small

business owners develop and implement internal controls to foster anti-fraud culture. Andon et al. (2018) asserted that ethics hotlines could effectively discourage fraudsters from committing wrongful acts at work. Managers could develop well-rounded internal controls by understanding fraud theories (Abd Aziz et al., 2015). Vu and Nga (2021) found positive relations between small business profitability and sustainability when implementing internal controls based on the COSO framework. Additionally, COSO modeled internal control could help small business owners minimize fraud risk and maximize the business potential profit (Adegboyegun et al., 2020). Prewett and Terry (2018) recommended that managers model their internal control system based on the COSO integrated internal control framework to deter fraud and reduce potential business loss. In this study, the findings echoed similar issues and reflected the differences compared to literature review topics. The researcher presented the comparisons as follows.

Findings and the Literature Similarities. The literature review stated the importance of the role of management when implementing internal controls. Similar to the literature review, the thematic data analysis showed that small business owners devoted their commitment to integrity and ethical values. According to the findings (Table 8), 100% of participants exercised management's commitment to integrity and ethical values, which corresponded to the respective assertion. The literature also illustrated how ethical hotlines could help small business owners quickly identify fraud signs. The findings showed that 60% of participants utilized various channels to facilitate integrity hotlines at work. Both the results and literature promoted integrity hotline practices. The literature further illustrated that incorporating the COSO component into fraud risk management plans could help small organizations establish robust internal control systems. The average finding response is 68.8%. Therefore, the findings indicated that the

participants implemented five components to internal control systems aligned with the COSO framework. However, the level of the alignments varies from participant to participant.

Findings and the Literature Differences. There are three differences between the findings and the literature review. The literature review covered fraud theory studies to help small business managers develop effective internal control systems. However, the findings did not indicate that participants were familiar with fraud theories or implemented internal control based on the understanding of fraud behavior. In addition, while the literature did not cover the topic of implementation hurdles, the results revealed that 70% of participants encountered challenges in human resources and finance when employing internal controls. The final difference is that the data analysis showed that 60% of the participants were unfamiliar with the COCO organization while the literature review did not include the topic. Table 8 shows the similarities and differences between the findings and the literature review.

Table 8

Findings and Literature Review Comparison

Literature Review Topics	Research Findings	% of Participant Responses- Research Findings
The Role of Management	Management's Commitment to Integrity and Ethical Value	100%
The Role of Whistleblower	Integrity Hotline Practices	60%
Understanding Fraud Theories	N/A	0%
COSO Integrated Internal Control Framework	COSO Internal Control - Five Components	68.8%
N/A	Challenges When implementing COSO	70%
N/A	COSO Familiarity	40%

Findings vs. Research Problem. The research problem for the study was to address employee fraud and misconduct in small businesses resulting in potential profit reduction. Small business owners experienced fraudulent activities such as billing fraud, check and payment tampering, and expenses reimbursement fraud (Bunn et al., 2019; Hess & Cottrell, 2016). Bressler and Bressler (2017) argued that restrained financial and personnel resources were the culprit of the insufficient internal control. In correspondence to the research problem, the findings showed that 70% of participants faced the same economic and staffing hurdles when implementing adequate internal controls. The results also indicated that 85% of participants violated the separation of critical business functions. In effect, the same employee was responsible for multiple business functions due to a lack of staff: this was a common phenomenon for small businesses in rural areas. In the typical cases, due to the company size, the participants had no choice but to ask the same employee to wear different hats at work.

Summary of the Findings

The findings provided insights into the problem of the study. The participants implemented the internal control procedure to the best of their abilities and knowledge to protect their business assets. Consequently, the internal control actions could help small business managers avoid potential profit loss. The strengths of their implementation were their awareness of the control environment, risk management, monitoring and information, and communication. They incorporated leadership styles, positive corporate culture, and a whistleblower hotline system to increase employee engagement. Participants diligently reviewed and evaluated high-risk areas in their business functions, such as cash receipts and payables. Participants exercised ethics training to communicate the company's expectations, established a code of ethics, and practiced background checks for potential employees. They also took advantage of modern

technology to facilitate internal control monitoring. The weakness of the implementation came from control activities, predominantly the violation of the separation of duties. Most of the participants knowingly or unknowingly gave the same employee multiple business responsibilities that could compromise the internal control procedure.

Furthermore, the findings revealed how participants implemented internal control systems that met the COSO risk management framework. The data also indicated financial and personnel complications for small businesses when deploying internal control systems. The discovery satisfactorily addressed RQ1, RQ1a, and RQ2.

RQ1: How do small business owners and managers in the Great Plains region, Nebraska, implement internal control and risk management plans to reduce employee fraud activities?

RQ1a: How do these small business owners and managers apply internal control standards established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) to safeguard business resources?

RQ2: What challenges do owners or managers encounter when implementing internal controls?

The findings showed that the participants were comfortable utilizing tone from the top technique in the control environment section. The data showed that participants were willing to identify high-risk areas of their business functions. They understood the importance of risk assessment and took action to minimize the gaps. The background check, code of ethics, and ethics training were present in most of the participants' business operations to reduce the potential fraud activities. Most of the participants employed technology to monitor existing internal control systems. However, it appeared that participants violated the separation of duties

in practice. They expressed that practicing internal control by segregating duties was not feasible due to the size of their companies and limited financial and personnel resources. The findings also disclosed that participants were more familiar with internal control procedures than the COSO institution itself, which established the risk management framework.

Implementing a complete internal control to deter and prevent occupational fraud requires sufficient funding and staffing in normal circumstances. The findings showed that participants typically had difficulty recruiting qualified staff in rural areas. The situation worsened when COVID-19 hit the United States. Participants underwent financial and staffing hardship during the pandemic. Their income stream was cut short due to a lack of customers. While the revenue shortage occurred to all participants, the retail and dining industries seemed to sustain more loss.

The researcher concluded that small business participants in rural areas of Nebraska practiced adequate internal controls to deter and prevent occupational fraud. Their internal control systems met most of the five components of the COSO risk management framework. The Security and Exchange Commission (SEC) also indicated that managers of small businesses could appropriately tailor internal control procedures to reduce the burden of the cost (SEC, 2020). However, the findings revealed that the control activities component required immediate attention. While the financial and personnel challenges could not be remediated quickly, the participants should consider utilizing cost-effective technology or software to bridge the gap of segregation of duties.

Application to Professional Practice

Companies' internal control systems could help diminish fraud risk and prevent occupational fraud. All businesses are recommended to incorporate the COSO integrity Controls-

Integrated Framework to establish their internal control systems (Frazer, 2016). Managers and business owners can achieve their financial and operational goals by implementing adequate internal controls (Koutoupis & Pappa, 2018). An effective internal control system can help organizations protect their business assets and potential fraud (Frazer, 2016). Internal control systems also help increase operational performance, thus enhancing profitability. The researcher recommends five general business practices and four possible application strategies based on the study findings. These recommendations could help business owners implement internal controls to combat potential employee fraud and improve financial sustainability.

Improving General Business Practice

Small businesses in the United States play a vital role in creating job opportunities and promoting economic growth in communities. An effective internal control system could help small companies to sustain and grow financially with confidence. The study findings support that the application of internal control techniques help organizations improve general business practices and sustainability. This study indicates that participants applied various strategies from COSO's five components to protect business assets and reduce potential profit loss. The general business suggestion is to utilize COSO integrated risk management according to organizational strategies and the size of organizations. Managers could develop specific internal control systems based on the five components to fit their business needs.

Additionally, COSO guidance on internal control could help organizations reduce the extent of the risk of fraud. Prewett and Terry (2018) indicated that management should first identify their business strategies and select appropriate methods to implement their internal control plan based on the five components. Small business managers and owners could utilize the COSO framework to enhance their organization's performance and oversight. The COSO

integrated risk management framework aims to provide management with a strong foundation for adequate internal controls as they tailor the five components to their business practices. The researcher suggested five general business practices based on the study's findings.

Recommendation 1. The first general business practice recommended is that business owners create an environment where employees understand their responsibilities. A copy of organizational policies and procedures outlining ethical standards and behavioral expectations should be provided. The control environment element emphasizes the ethical posture of management. The findings suggest that 87% of participants establish management's commitment to integrity and ethical value. This business practice would shape the organizational structure for successful operations. Supervisors' positive attitudes toward ethics and integrity could influence employees' performance and compliance. Written policies and procedures outlining corporate expectations also help strengthen the control environment.

Recommendation 2. The second recommendation is that business owners establish internal control to identify high-risk areas in their business to mitigate potential profit loss. The risk management element focuses on a thorough risk assessment of existing internal control to uncover potential risks and threats. According to the findings, 80% of participants developed processes to detect high-risk business operations to reduce occupational fraud risk. Therefore, it is recommended that business managers implement procedures to test current internal controls. The risk assessment could apply to a specific business at a time, such as cash receipts, payroll, and credit card sales. Managers could observe the processes to identify potential weaknesses and apply solutions. The internal control assessment process could help business owners mitigate fraud risk by identifying potential gaps wherein fraud may occur.

Recommendation 3. The third recommendation is that business managers consider leveraging technology to enhance control activity functions. The control activities component outlines specific internal control procedures that employees are expected to carry out in business operations. The focal point of the findings was the violation of the separation of critical business operations. The findings showed that 85% of participants failed to properly implement separate key business functions. For small businesses, the primary hurdle is limited ability to support staff positions in areas such as legal accounting and internal audit. Because of few personnel, many employees have a broad range of responsibilities. Some researchers and experts recommend using technology, such as blockchain, to surrogate some vital accounting functions to mitigate the paradox issue. Moffitt et al. (2018) argued that emerging technologies, such as Robotic Process Automated (RPA), would have a more significant presence in implementing segregation of duties to enhance control activities. Therefore, automated technology will play an important role when implementing internal control to mitigate the violation of the separation of responsibilities.

Recommendation 4. The fourth recommendation is that business owners keep employees informed with updated business operations. The communication and information element is essential to enhance accountability in the workplace daily (Bucata & Rizescu, 2017). The findings show that 76% of participants used background checking, code of ethics, and ethics training to encourage and enforce organizational information communication. These techniques could help organizations ensure that all new employees receive a copy of policies and procedural manuals. Additionally, companies could provide training whenever there are updates in business processes or organizational procedures. Effective communication could enhance the productivity of the business operations and regulatory compliance.

Recommendation 5. The final recommendation is that business owners conduct regular or scheduled monitoring activities to ensure their existing internal controls operate effectively. The Monitoring component helps companies learn how to strengthen internal control and ensure that current internal control works as designed. The results indicate that 80% of participants relied on technologies and accounting applications to monitor their internal procedures. It is advantageous to utilize Enterprise Resource Management (ERM) or software applications to screen irregularities of business transactions and prevent transactions from further processing without supervisors' review (Lacity & Willcocks, 2016). Organizations could use this monitoring technique to evaluate and communicate internal control deficiencies and take appropriate corrective action in time.

Potential Application Strategies

In this qualitative study, the researcher explored fraud risk management to detect and prevent employee fraud in small rural businesses. The findings from this study are relevant to enhancing internal control practices of small businesses in rural regions. The findings suggested that small business managers and owners utilize COSO internal control strategies to reduce fraud incentives. The researcher recommended business owners utilize internal control strategies including tone at the top, identifying high-risk areas, ethically informed risk management, and leveraging technologies to deter and prevent employee fraud.

Potential Application Strategy 1: Tone at the Top. Business owners and managers should exercise positive leadership and demonstrate honest behavior at work. The findings showed that 100% of participants incorporated leadership style, positive working culture, and integrity hotline practices as their internal control strategies. These strategies are part of the tone at the top technique from COSO integrated risk management. Giving compliments and rewards

could enhance positive working culture. Managers should keep it simple and easy to follow when establishing integrity hotlines. Alizadeh et al. (2021) stated that the organizational ethical climate could influence culture and conducts. Leaders and executives set an ethical example of how their employees should perform at work (Tu et al., 2018). In essence, leadership is crucial to a company's success (Sari et al., 2018). Ye et al. (2018) found that leadership styles could strongly influence employees' emotions and moods in the workplace. Therefore, leadership is crucial to a company's success (Sari et al., 2018). On the other hand, Rose et al. (2021) argued that when managers or executives commit fraud, they set the wrong and unethical tone for their employees. Employees are more likely to follow their leadership's dishonest footsteps (Rose et al., 2021). Therefore, internal control strategies such as leadership style, positive working culture, and integrity hotline practices could effectively minimize fraud temptations.

Potential Application Strategy 2: Identifying High-Risk Areas. The strategy of identifying high-risk business areas could help businesses discover potential risks and apply internal control solutions in a timely manner. The findings showed that 86% of participants actively evaluated high-risk areas in their business operations. In general, tight and robust controls are needed in high-risk areas. Managers should recognize the places where their businesses are vulnerable to employee fraud. Undoubtedly, cash collection and cash disbursement are the typical high-risk areas for most companies. The owners of small enterprises should ensure that all checks received and cash collected at the point of sales is recorded in its cash register.

In many cases, small business owners could open their mail each day and count cash receipts in their cash register at the end of each day. Likewise, the person receiving cash collection should not be the accountant who records the entries to the cash account. Owners

could assign the duties of opening the mail and counting cash in the sales register to someone other than the accountant. A procedure of separation of responsibilities could help small businesses prevent potential profit loss in the long run. Business owners could quickly identify potential risk areas and apply solutions with a consistent evaluation of their business operations.

Potential Application Strategy 3: Ethically Informed Risk Management. A strategic combination of pre-employment background checks, code of ethics, and ethics training could help small businesses build a robust anti-fraud frontline to deter fraudsters. The findings showed that at least 50% of participants utilized pre-employment background investigation, code of conduct, and ethics training to preclude hiring fraudsters with existing records. Pre-employment screening with background checks provides organizations with preventive solutions to filter potential fraudsters. Background checks could flag fraudsters applying for posts within the business. The tools used in pre-hiring background checks empower employers with some control to prevent employee fraud.

Organizations could also develop a simple and easy-to-understand code of conduct for training purposes. Once the code of business conduct is established, companies could deliver the expectations through scheduled ethical training. The code of business conduct and ethics training could be a guide to help employees to develop working expectations and learn how to apply the knowledge to their jobs (Joseph et al., 2021). Therefore, code of conduct and ethical training could be effective anti-fraud strategies.

Potential Application Strategy 4: Leveraging Technologies for Internal Control Monitoring. Companies should consider leveraging technology to increase the effectiveness of fraud risk management. The findings showed that 80% of participants leveraged technology to monitor internal control performance to safeguard assets. Digital technologies have transformed

traditional businesses into virtual models (Loonam et al., 2018). Technologies have influenced standard internal control procedures, the overall control environment, and risk management (Abiodun, 2020). Some companies utilize sensors to monitor the quality of the manufacturing operations, while others have installed distributed ledgers to track the raw materials of their supply chain. Financial institutions have utilized Robotic Process Automation (RPA) to automate internal controls and improve accuracy. Artificial Intelligence (AI) allows companies to monitor enterprise risk and suggest actions in real-time. Incorporating technologies into fraud risk management plans would equip companies to respond to agile fraud techniques and improve internal control efficiency.

Summary Application to Professional Practice

Effective internal control procedures could help business owners improve profitability and reduce potential fraud activities. The study findings provide practical applications to professional practice. According to the study findings, the researcher recommends five general business practices to help small businesses improve their internal control development. The five recommendations are related to COSO internal control components and the participants' responses. The results also suggest four potential application strategies to help small companies enhance financial sustainability and fraud occurrences. The four possible application strategies include tone at the top, procedures to identify high-risk areas, ethically informed risk management to reduce fraud opportunities, and digital internal control monitoring. Business owners could utilize these internal control measures to sustain their businesses better and prevent potential occupational fraud.

Recommendations for Further Study

The researcher has three recommendations for further study according to the findings. Further research could include the following questions: frequencies of fraud encountered, the legal treatment of the fraudster, and the fraud events related to their respective internal control functions. These questions could help connect the dots to see if the fraudulent activities are related to the control activities, specifically separation of duties. Future researchers could send out the inquiry as a set of follow-up survey questions to participants. The survey format could promote the response rate and allow participants to reflect on existing fraudulent cases without pressure.

Additionally, the number of participants interviewed should be equal for each industry. Researchers could compare the effectiveness of internal control implementation by industry sectors with identical participants. Future researchers could find emergent patterns of the commonality and dissimilarity of the internal control practices within the industry and across industries. Small business owners in the same industry could identify their internal control practices with the findings and find potential solutions. Accounting practitioners could incorporate the information for training purposes.

Future research could also include a brief survey of participants' educational backgrounds. The findings of this study showed that participants had low recognition levels of the COSO institution. Researchers could draw co-relations between low recognition of the COSO and education level. This information could help COSO disseminate its information through proper channels to promote its visibility and missions to help small businesses. For example, the COSO could utilize chambers of commerce to promote the integrated risk management framework.

Reflections

The section provides the researcher's personal and professional thoughts and considerations upon completion of this study. The researcher also discusses the bias avoidance during the research process and the business functions explored in this study related to a Christian worldview integration. The researcher integrated five Christian perspectives through this study: knowledge, ethics, dishonesty, fraud, and integrity.

Personal and Professional Growth. The researcher has had experience in the accounting field for over ten years. Having witnessed the importance of internal controls in accounting practices within an organization, the researcher took an interest in finding out how small businesses implement internal controls to prevent potential financial loss. The researcher thought that an acute surveillance system could effectively deter fraudulent activities as a preconceived notion. However, the researcher set aside personal biases and let the study findings reveal how small business owners implement strategies to reduce and prevent occupational fraud. Additionally, the researcher used interview protocols to stay on track and ensure consistent interviewing procedures.

The researcher was astonished to observe how diligently the participants improved their businesses and stayed profitable. The participants were passionate about their business operations and methods to keep their business finance healthy. After being briefed about the nature of the study, they were willing to participate in the study and share their experiences on implementing internal control strategies to curb fraudulent employee activities. The researcher obtained insights into participants' perspectives on implementing management strategies to prevent occupational fraud. The findings from this study could offer small business managers

and owners supplementary information on how to establish and administer risk management strategies to reduce fraud risk and minimize financial loss.

Biblical Perspective. The researcher incorporated a Christian worldview related to the study. The study explored internal control strategies that small business owners implemented for their businesses. This section provides a detailed discussion of how the researcher integrated a Christian worldview with business functions surveyed in this study. The researcher included specific scripture references that illustrate the relations to knowledge, ethics, dishonesty, fraud, and integrity.

Knowledge. This study required the researcher to seek out knowledge and wisdom from the experienced participants. "The heart of the discerning acquires knowledge, for the ears of the wise seek it out" shows that a prudent person sets knowledge as his highest pursuit (*New International Version, 1973/2011, Proverbs 18:15*). According to the Bible, the heart is the core of the being and the center of passions and desires. A discerning person has substantial knowledge that is outside of himself as a student. The person set his ear to focus on receiving knowledge. The researcher considered the options and chose the acquisition of knowledge to conduct this study.

Ethics. Ethics is a set of internal guidelines that people use daily to make the right decisions that could have positive impacts. Most corporations establish a code of ethics for employees to govern their behaviors at work (Babri et al., 2021). It is prudent to do the right thing, especially when it involves financial interests (Hegarty & Moccia, 2018). Employees are expected to do the right thing for their organizations. This study discovered how small business owners develop a code of ethics as an integral part of their internal control.

There are quite a few Bible verses to guide Christians on how to behave in the world. Galatians 6:9 encourages Christians to do the right thing always, "And let us not grow weary of doing so, for in due season we will reap, if we do not give up" (*New International Version, 1973/2011*). Colossians 3:17 echoes the same Christian-like behavior, "And whatever you do, in word or deed, do everything in the Lord Jesus, giving thanks to God the Father through him" (*New International Version, 1973/2011*). Jesus Christ inspires Christians to be salt and light to the world (*New International Version, 1973/2011*, Matthew 5:13-16). In other words, Christians' behaviors are to set up examples. James 4:17 also illustrates the importance of doing the right thing. Leviticus 19:11 advised us, "Do not steal, do not lie, and do not deceive one another" (*New International Version, 1973/2011*). The Psalmist told us how God prefers us to behave, "The Lord detests lying lips, but he delights in people who are trustworthy" (*New International Version, 1973/2011*, Proverbs 12:22). As a result, a personal or organizational code of conduct could guide people behavior in general.

Dishonesty. This study was designed to survey strategies implemented by management to discourage dishonest occupational activities. Dishonesty motivated by the desire for personal gain could lead employees to forget the principles that are intended to guide their behavior (Guillén et al., 2015). In the Bible, a parable begins with the story that a shrewd manager mismanaged his master's resources and was about to be relieved of his managerial duties (*New International Version, 1973/2011*, Luke 15:1-4). A dishonest manager was about to lose his job because he had misappropriated his employer's assets. To avoid doing manual labor or receiving charity, he approached those who owed his employer money. He then reduced their debts by forgiving a significant percentage of each debtor's amount owed to his master. He hoped to

receive courtesy and hospitality after he'd lost his job. In small businesses, this type of behavior is commonly observed.

Fraud. In the study, the researcher explored the literature regarding theories of fraudulent activities. "Food gained by fraud tastes sweet, but one ends up with a mouth full of gravel" (*New International Version, 1973/2011, Proverb 20:17*). The Bible verse emphasizes the choices and possible consequences followed by deceitful behavior. "People may be pure in their own eyes, but the Lord examines their motives" (*New International Version, 1973/2011, Proverbs 16:2*). The Proverb's author further stated, "Every way of a man is right in his own eyes, but the Lord pondered the hearts" and "Excuses might be found for a thief who steals because he is starving" (*New International Version, 1973/2011, Proverbs 6:30*). According to the fraud triangle theory, a normal person could commit fraud when facing financial pressure, opportunity, and rationalization (Lokanan, 2018). However, the researcher argued that a set of moral conduct could counter fraud attempts.

Integrity. People's commitment and integrity shape culture, impacting productivity in the working environment. Christians tend to work diligently and seek to engage and influence culture to glorify God (Keller, 2014). Christians with gospel-changed hearts seek to serve God at work with a grateful and joyful attitude. Keller believed that the faith element distinguished work virtue between Christians and non-Christians (2014). Christians are encouraged by Scripture: "whatever you do, work at it with all your heart, as working for the Lord" (*New International Version, 1973/2011, Colossian 3:23*). Those who act according to Scripture seek to demonstrate the quality and integrity of their work. The commitment to serve the Lord is the same as a dedication to work. That means that people do what they mean and what they say with transparency and fairness.

Summary of Reflections. The reflections section showed insight into the researcher's thoughts upon completing the study. The unit includes personal and professional growth revealing the original reason for embarking on this study and overcoming preconceived research biases. The researcher learned how small business owners and managers enhance their internal controls to keep their business profitable during the study. The researcher's original assumption was that companies relied heavily on surveillance systems to prevent fraud. However, the study findings showed that participants utilized internal control elements to reduce opportunities for fraud attacks.

The researcher also discussed perspective on the Biblical worldview concerning this study. The Biblical perspective unit included five subjects related to the study: knowledge, ethics, dishonesty, fraud, and integrity. The researcher sought knowledge from small business owners who had experiences and knowledge in implementing internal controls. The purpose of internal controls was to help business owners to establish an ethical working environment with integrity, thus reducing fraud occurrence and deterring dishonesty behaviors. While internal control systems are necessary, the researchers found that ethical standards would be the fundamental solution for preventing occupational fraud.

Summary of Section 3

The researcher presented the study findings, application to professional practice, recommendations for further research, and reflections in section 3. The researcher illustrated seven themes in this qualitative multiple case-study research to address two primary research questions. These discovered themes are then provided guidance for general applications in professional practice because of their practical utilization. After going through the field study,

the researcher found a few recommendations for future research betterment. The researcher also provided and incorporated Biblical perspectives of the research in this section.

Summary and Study Conclusions

The purpose of this qualitative multiple case study is to gain understanding of how small business owners in rural regions of Nebraska implement internal controls to prevent and deter occupational fraud. The research findings show that the participants implemented adequate internal control procedures to meet the criteria of COSO risk management. The seven discovered themes show evidence of satisfactory internal control application. Theme 1 demonstrates participants' commitment to integrity and ethical value by establishing an honest leadership style, positive working environment, and integrity reporting hotlines. Theme 2 indicates that managers and owners developed internal controls to identify high-risk areas to reduce potential revenue loss. Theme 3 reveals participants' internal control weaknesses, including separation in crucial business functions. Theme 4 shows that participants kept their employees informed by scheduling training or providing updated policies or manuals about their business operations. Theme 5 indicates participants were inclined to incorporate modern technology to facilitate internal control monitoring. Theme 6 shows that participants faced financial and staffing hurdles when implementing internal controls. Theme 7 indicates that participants' familiarity with the COSO organization was low. The seven themes showed how small business owners and managers implemented internal controls in rural Nebraska to prevent and deter occupation fraud. Therefore, the findings fill the gap in the literature as to how rural business owners implement fraud risk management to deter employee fraud, while protecting their business assets and profits.

The study also provides suggestions for general business practice and recommendations for future research. Based on the study results, the researcher recommends five general business practices and four potential application strategies for businesses to establish adequate internal controls. The goal is to effectively design a well-rounded internal control system to prevent and deter employee fraud activities. These recommendations provide business owners with helpful tips that worked for participants. The researcher also recommends that future researchers include information on participants' education level, frequencies of fraud that occurred previously, and the legal treatment of fraudsters in the study to show the direct co-relations of fraud events and internal controls. Resultant of these research recommendation, future researchers could better understand complex occupational fraud occurrences and potential internal control solutions.

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Appendix A: Interview Protocol

Interview Protocol

The researcher will interview owners and managers of small businesses with experience establishing strategies to reduce occupational fraud in the Great Plains region, Nebraska. The researcher will apply the following protocol and use the same set of semi-structured interview questions.

1. The researcher will greet the participant and give a brief introduction.
2. The researcher will then thank the participant for accepting the invitation to participate in the study.
3. The researcher will make sure that participants read and understand the informed consent form before signing.
4. The researcher will inform participants that the interview will last no more than 45 minutes.
5. The researcher will begin the interview with audio recording and with the same set of interview questions.
6. The researcher will explain the member checking procedure to participants, that the researcher will interpret the interview and return the interview interpretation to them for validation.
7. The researcher will then conclude the interview and stop recording.

Appendix B: Interview Questions

Part I

Control Environment

1. Please describe the regular activities where the owner (manager) is involved.
2. How are employees encouraged to report concerns of irregular or fraudulent activities in your company?
3. Please describe your policies of rewarding or incentivizing positive employee behavior.

Risk Assessment

4. How are risk assessments conducted in your company?

Control Activities

5. How are employees' work hours verified?
6. Describe your company's cash receipts process.
7. How is cash disbursement processed and verified?
8. Can you tell me about your bank reconciliation process?

Purchasing and Inventory

9. Please describe your company's purchasing process.
10. How are inventory and supplies secured?

Information and Communication

11. How do you as a company educate employees about the importance of ethics and anti-fraud program?

Monitoring

12. Can you tell me how you evaluate the effectiveness of internal controls that you've implemented?

For example, you have implemented a new requisition software, how do you check the duplicate check request or requisition request?

13. How do you review the implementation progress if you don't have any IT controls?

Part II

Challenges Faced When Implementing Internal Controls

14. Can you tell me about the challenges that you have encountered when implementing internal control?

15. What causes these challenges to rise? Are they related to financial, personnel, or technical limitations?

16. Are you familiar with COSO? Can you tell me where you heard about it?

Concluding Interview Questions

1. Do you have anything else you wish to share with me?
2. Can you summarize the challenges you have faced when implementing internal controls?

Part III

Probing Interview Questions

1. That's interesting; please continue.
2. Could you tell me more about that?
3. Can you provide me some examples?
4. Can you elaborate more on your answer?
5. Has it helped --- Why or why not?