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# Business Advisory Council Scholars Research

By Windy Saucier

The Business Advisory Council (BAC) Faculty Scholars research project on which I work is conducted under Dr. James R. Crockett. Dr. Crockett is a professor of auditing at The University of Southern Mississippi in Hattiesburg. Dr. Crockett supplies court records of embezzlements committed across the state of Mississippi. The goal of the project is to break down and organize the public records for each case in order to identify internal control (i.e., policies and procedures designed to provide

management with reasonable assurance that the company achieves its

objectives and goals) problems. The sources were used to identify warnings signs (red flags), to identify internal control weaknesses, to analyze cases in terms of the fraud triangle (i.e., this includes three components: opportunity, pressure, and rationalization), and if possible to identify how the embezzlement was discovered and what incentives caused the person to commit the act.

Publications from KPMG, an accounting firm that conducts research in various business disciplines, assisted in identifying red flags. Red flags are conditions that make an organization a prime target for embezzlement. Several of these warning signs recur throughout the cases. Some of these warning signs included: absence of segregation of duties, unmonitored access to assets, lack of management oversight, and deficient internal control systems. The

research showed that small organizations are a prime target for embezzlement. These organizations generally have one person who is in charge of all financial aspects of the business, creating conditions that make it easier for employers to embezzle.

The assignment of warning signs to each case led directly to identifying internal control problems and analyzing the fraud triangle. Internal control has five crucial parts. These parts provide reasonable assurance that management's

control objectives will be met. The cases that lacked in some or all of these

**Red flags are conditions that make an organization a prime target for embezzlement.**

five parts had embezzlement within their organizations. The fraud triangle allows for a more personal look into how and why a person committed the embezzlement.

The final and most interesting part of the research was devoted to the discovery of the act and the incentives of the party. This section of the research was often limited to newspaper articles and letters held as public record. The research showed that a majority of the discoveries were made by accident, or because the guilty parties made a mistake when trying to cover their tracks. As far as incentives go, greed was the cause of most, if not all of the cases researched.

This project is a very interesting and unique learning experience. A more in-depth look at the cases researched can be found in a paper submitted to the AAA, "Steal Magnolias: Using Down-

Home Embezzlement Cases to Illustrate Internal Control and Audit Concepts” or in Dr. Crockett’s book, *Steal Magnolias*, that is currently in progress.

The BAC faculty scholars program is an excellent opportunity for students to obtain an in-depth look at their fields of choice. Students go to school for four years to acquire an undergraduate degree, and when they graduate they are expected to know exactly what career path they desire to take. The courses required for the College of Business and Economic Development (CBED) partially prepare students for their future careers, but college courses in general simply give students an overview of their field of study. The faculty scholars program allows students to work and experience the exciting things that are currently happening in their chosen field. This program gives students a chance to infuse the real world into an otherwise academic environment, aided by someone who has the education and experience necessary to guide them through. This program also brings reality to the textbook scenarios that are used in the classroom. Research is imperative to expose students to the most current information. Being a part of this process allows students to further excel in their own studies. The most encouraging aspect of this program is not its immediate benefits but the opportunities it can unfold for the future. The BAC faculty scholars program allows students of the College of Business and Economic Development at Southern Miss to explore the facets of the business world by providing personal contacts and by directing personal interest toward future careers.



*Windy Saucier, a Senior Accounting major from Purvis, Mississippi, transferred to The University of Southern*

*Mississippi in fall 2002 from Pearl River Community College to pursue her bachelor's degree. She has a three-year-old child, Jayce, and plans to graduate in May 2004. Following graduation, Windy plans to continue her education and obtain a master's degree at the University of North Florida. She has participated in Phi Theta Kappa, and has done work study for the Communications Department at PRCC and also for the School of Accountancy and Information Systems at Southern Miss.*