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Internal Controls Possessed by Small Business Owners

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This is to certify that the doctoral study by

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Walden University
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Abstract

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MS, Strayer University, 2009

BS, Mountain State University, 2007

Doctoral Study Submitted in Partial Fulfillment

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Abstract

On average, a small business could lose $150,000 a year due to employee fraud schemes. For most of the small businesses affected by employee fraud schemes, the average $150,000 loss could be detrimental to the small business, causing the business to close. The purpose of this multiple case study was to explore the internal controls small business owners apply to detect and prevent fraud from occurring in the business. The population for the study consisted of 3 small business owners located in Hartsville, South Carolina who implemented effective internal fraud controls in their business. The conceptual framework guiding the study was the fraud triangle theory. Data were collected and triangulated through semistructured interviews, company internal control policy and procedure documents, the Committee of Sponsoring Organizations of the Treadway Commission internal control framework, and the Small Business Administration internal control good practices. Data were analyzed through coding. There were 3 themes which emerged in relation to addressing the central research question: cash collection, separation of duties, and attentiveness and awareness. The findings could contribute to positive social change by providing best practices for small business owners to mitigate the components of the fraud triangle and subsequently decrease, if not eliminate, fraud from occurring in small businesses.

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Dedication

I dedicate this doctoral study to my husband, Marc, for his continued love, sacrifice, and support during this journey and to my son, Marc, Jr., who makes it all worth it.

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I would like to thank Dr. Faint, Dr. Davis, Dr. Dwyer, and Dr. Mayer for your continued mentoring, support, and invaluable feedback. I would further like to thank Dr. Faint for her continued support during this long journey.

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Section 1: Foundation of the Study

Owning a small business is the American dream for some individuals. Unfortunately, a single employee committing fraud in a small business can take the dream away from people who have built, managed, and maintained a prestigious reputation in the community. Although the perpetrator's actions may stem from personal pressures or greed, people who commit fraud rationalize and may even justify their actions. Without the proper means and knowledge to detect and uncover various frauds occurring in business, a small business owner could become the statistic as one of the owners whom employees defraud by the average fraud loss of $150,000 (Hess & Cottrell, 2016).

Background of the Problem

Fraud is a continuing problem in U.S.-based businesses (Simha & Satyanarayan, 2016). According to the Association of Certified Fraud Examiners (ACFE), annual fraud losses are approximately 5% of revenues for any given year, which translates to an excess of $6.3 billion (ACFE, 2016). Although research has continued to focus on large organizations and fraud losses, the ACFE's report included small business fraud losses. The ACFE (2016) reported, in the fraud cases studied, organizations—large, medium, and small sized—suffered a median loss of $150,000. Although the loss may not be detrimental to a large or even a medium sized business, a loss of $150,000 in a year could cause a small business owner to close his or her business (Agbemava et al., 2016).

While a small business owner is not able to offer much money towards fraud prevention measures, there is one prevention measure the owners of small businesses can implement to detect and prevent fraud from occurring in the business—internal controls.

Internal controls are a process businesses large and small use to achieve certain objectives revolving around the (a) operations of the business, (b) reliability of the financial statements of the business, (c) compliance with the laws and regulations the business falls under, and (d) safeguarding of the assets of the business (Daniels, Ellis, & Gupta, 2013). The internal controls in a small business just need to fit the business. The controls do not need to be elaborate controls, just enough controls to prevent the occurrences of fraud from happening in the business.

Problem Statement

Small businesses are not exempt from the effects of fraud, much like their larger counterparts. According to a 2016 report by the ACFE (as cited in Stone, 2016), the small business owners studied incurred a median loss of $150,000 because of fraud. The median loss described by the ACFE may account for why some of the 68% of small businesses close within 5 years (Small Business Administration [SBA], 2016). The most common type of fraud small business owners encounter is occupational fraud (ACFE, 2016). Occupational fraud pertains to stealing of assets, with the asset being cash in most cases (Stone, 2016). The general business problem is fraud affects small businesses, and many proprietors do not possess the same resources for uncovering fraud as larger businesses possess. The specific business problem is that some small business owners lack proper internal controls to detect and prevent fraud from occurring in the business.

Purpose Statement

The purpose of the qualitative multiple case study was to explore the internal controls small business owners applied to detect and prevent fraud from occurring in the business. The population for the research consisted of owners of three small businesses located in Hartsville, South Carolina, who implemented effective internal controls over fraud. The results of the study may provide small business owners with the ability to understand the importance of internal controls not just used for fraud detection and prevention, but for continued success beyond the 5-year mark. Determining ways for small businesses to continue with the success first seen by the business and succeeding beyond 5 years would not only benefit the small business owner, but also the employees and the business's community.

Nature of the Study

I considered three possible methods for the study, including quantitative, qualitative, and mixed methods. The focus of a quantitative researcher is to answer questions of examining theories and the relationships and differences among variables (Devotta et al., 2016). Qualitative researchers explore the meanings ascribed to problems by asking how, why, and what (Seitz, 2016). Mixed methods researchers focus on blending qualitative and quantitative aspects of gathering data to identify key variables and testing variables (Kipo, 2013). The qualitative method suited the current study because my intent was to explore the internal control procedures implemented by the owners and how the owners used internal controls to detect and prevent fraud from occurring in the business.

I reviewed three possible qualitative designs for the study, including a case study design, a phenomenological design, and an ethnographic design. A case study researcher explores a program, event, activity, or process to gain perspective on the topic when the boundary between a phenomenon and context are not clearly visible (Yin, 2014). DeFelice and Janesick (2015) explained phenomenological researchers' emphasis on the lived experiences of the participants about the studied phenomenon. An ethnographic researcher focuses on an entire cultural group to describe and interpret the shared and intellectual patterns of values, behaviors, beliefs, and language of the observed group (Coughlin, 2013). My intent was to learn more about the internal control procedures implemented by the owners and how the owners used internal controls to detect and prevent fraud from occurring in the business, so I employed a qualitative multiple case study design for the study.

Research Question

The central research question was as follows: What internal controls do small business owners use to detect and prevent fraud from occurring in the business?

Interview Questions

I used the following interview questions to gain an understanding of the depth of internal controls by small business owners and how the owners used the controls in uncovering any fraud within the business:

1. What strategies do you currently have in place to detect and prevent fraud from occurring in the business?
2. What specific internal controls do you have in place to detect and prevent fraud from occurring in your business?
3. How did the implementation of the internal controls change your employees' behavior?
4. How often do you test your internal controls in your business?
5. How have you adjusted or tweaked your internal controls since you implemented them in your business?

6. If you did not have internal controls in place to detect and prevent occurrences of fraud, how detrimental to your business would a loss of $150,000 be?
7. Do you have anything else you want to add regarding internal controls?

Conceptual Framework

The theory supporting the study was the fraud triangle theory. When small business owners lack the necessary internal controls and the necessary understanding of the fraud triangle theory, employees see the opportunity to commit fraud in the business. When Cressey (1950) first introduced the fraud triangle theory, only three points existed: pressure, rationalization, and opportunity. The components of the fraud triangle have changed to include (a) motivation, (b) opportunity, (c) personal integrity, and (d) capability (Cressey, 1950; McMahon, Pence, Bressler, & Bressler, 2016). The fraud triangle theory is a cornerstone of fraud anywhere, especially within organizations (McMahon et al., 2016). Understanding, creating, maintaining, and checking internal controls can help a business when tackling the occurrence of fraud in the business, especially for a small business (Stone, 2016). When small business owners apply internal controls to lessen the (a) opportunities, (b) capabilities, and (c) motivation for committing fraud, the owners take the necessary steps to safeguard the business (Baker, Cohanier, & Leo, 2016).

Operational Definitions

Operational definitions are useful in assisting readers by providing a reliable context for terms in a doctoral study. I deemed the following as unique terms in the study.

Audit committees: Audit committees are a group of trained individuals who are responsible for the internal control framework of a business or company (Pandit, Conway, & Baker, 2017).

External auditors: External auditors are a group of individuals whom owners hire to express an opinion on the fair presentation of the financial statements (Albring, Elder, & Xu, 2016).

Financial statement: A financial statement is an item prepared by an organization to demonstrate the organization's financial position, what items the organization owns, and to whom the organization owes money (Ercan & Önder, 2016).

Internal auditors: Internal auditors are a group of individuals who are employees of the business or company who are responsible for reviewing the internal controls, financial statements, and accounting records for the business or company (Abbott, Daugherty, Parker, & Peters, 2016).

Private companies: Private companies are companies that do not rely on outside investors to fund the business or company and are not bound by the Sarbanes-Oxley Act of 2002 (SOX) (Anastasia, 2015).

Public companies: Public companies are companies listed on the stock exchange and bound by SOX (Brown et al., 2016).

Sarbanes-Oxley Act of 2002 (SOX): The SOX legislation is a legal response to the accounting scandals of the late 1990s and the early 2000s (Liu & Ren, 2017).

Small business: A small business is an independently owned business or company containing a limited number of employees (Baker et al., 2016).

Assumptions, Limitations, and Delimitations

Assumptions

The assumptions of a study focus on items which have an underlying level of truth, but I (as the researcher) am unable to verify (Foss & Hallberg, 2014). The study contains two assumptions. The first assumption is small business owners understand how to prepare a substantial internal control procedure to detect and prevent fraud from occurring in the business. However, if the owner does not possess an understanding of internal controls, the business may not uncover potential fraud in a timely manner (Omar, Nawawi, & Puteh Salin, 2016). The last assumption is one which participants would answer the interview questions honestly (Bell, Fahmy, & Gordon, 2016).

Limitations

The limitations of a study refer to the potential weaknesses of the study which are uncontrollable and unexplainable by the researcher (Kirkwood & Price, 2013). The first limitation of the study was the lack of generalizability. The study focused on a small population of three small businesses located in the town of Hartsville, South Carolina, which has a population of approximately 7,900 people. The results gained from the study may only apply to other small businesses in towns with the same economic makeup as Hartsville, South Carolina. Without further investigations into other small businesses or towns in general, generalizing the results would not be appropriate (Yilmaz, 2013).

A second limitation of the study was potential researcher bias. Hansen, Gerbasi, Todorov, Kruse, and Pronin (2014) addressed the unintentional formation of researcher bias through the interview process, the coding process, and analysis and discussion of the results. Yin (2014) stated researcher bias was an underlying issue with case studies because case studies require a working knowledge of the problem before starting research.

Delimitations

Delimitations display the boundaries and therefore the scope of the study (Svensson & Doumas, 2013). Delimitations for the study pertain to the following: participants, companies, and location. Participation in the study included only small businesses owners located in the town of Hartsville, South Carolina. Of the small businesses located in the town of Hartsville, South Carolina, I needed owners of three small businesses for the study. Participants may have provided localized views, reactions, and feedback to their internal control procedures.

Significance of the Study

Contribution to Business Practice

Internal control procedures are a crucial tool for anyone looking to own and operate their own business. Small business owners need to understand the importance of a solid internal control procedure and what the internal controls can do for their business in preventing the occurrences of fraud (Omar et al., 2016). The focus of the study was to understand the internal control procedures implemented by the owners and how the owners used internal controls to detect and prevent fraud from occurring in the business.

Implications for Social Change

The results of the study may contribute to positive social change by allowing small business owners to recognize the need for an internal control procedure. Owners of small businesses do not need to possess a college education to start a business. If owners of small businesses understand the benefit of creating and implementing an internal control procedure, there may be a decline in fraud occurrences in small businesses and the possibility of small businesses lasting past the 5-year mark (Bulanova, Isaksen, & Kolvereid, 2016; Hodges et al., 2016).

Surviving through milestones as a small business is challenging. According to the SBA (2016), on average, two thirds of small businesses survive their first 2 years in business and on average half of the remaining small businesses will survive their first 5 years. Although the first few years are the hardest for a small business, remaining in business beyond the 5-year mark is a milestone. Passing the milestone does not mean the owners of the surviving small business need to lose focus in their business, especially with regard to potential fraud (Amankwah-Amoah, Boso, & Antwi-Agyei, 2016). The longer a small business thrives in a community, the more the small business becomes a fixture and destination for the community and city or town (Eberhart, Eesley, & Eisenhardt, 2017).

The most positive social change with the longevity of businesses in the community is how small business owners give back to the community. Small business owners (via their business) give back in many ways. First, small business owners provide tax revenue through property values for local homeowners. Said differently, the homeowner’s property taxes may remain constant because the businesses generate tax revenue which governments use for police, fire, medical, and other essential services. The services provide amenities for local residents, to which the residents otherwise may not have access. Second, small business owners give their time to the community. Many small business owners are members of clubs which aim to improve business relations with the community (such as the Rotary Club and Chamber of Commerce). The club partnerships promote positive social change in membership numbers. Some of the clubs lobby legislators and executives for better laws, policies, and practices between private business and government. Lastly, the positive social change lies in employment in the community. As businesses move into an area or grow, businesses need more employees, which lowers the unemployment rate. As the small business stays open, or as the small business grows, the smaller business owners hire employees. As a latent effect, the more applicants small business owners receive, the more small business owners may hire honest, high-quality employees, which may lessen the problem of employee misconduct. Hiring employees possessing the qualities above promote intense positive social change.

A Review of the Professional and Academic Literature

The purpose of this qualitative multiple case study was to explore the internal control procedures implemented by the owners and how the owners used internal controls to detect and prevent fraud from occurring in the business. Fraud within small businesses is an underreported and understudied phenomenon taking place in the business world (Halbouni, Obeid, & Garbou, 2016). Findings from the literature review helped explain why fraud was occurring in organizations and what types of fraud small businesses saw. I investigated six themes and 13 subthemes within the existing literature. The themes addressed in the literature review provide an overview of the conceptual framework, supporting and contrasting fraud theories, theories considered but not used for the conceptual framework, financial statement fraud overview, internal controls, small businesses, and gaps in financial industry best practices regarding fraud prevention. The subthemes include (a) fraud triangle theory, (b) white-collar crime, (c) systems theory, (d) strain theory, (e) rational choice deterrence theory, (f) auditors, (g) the Committee of

Sponsoring Organizations of the Treadway Commission (COSO) internal control framework, (h) small business internal controls, (i) material weakness, (j) small business fraud, (k) educating small business owners, (l) organizations, and (m) education.

The literature review includes scholarly viewpoints on fraud and the effects seen by small businesses affected by fraud. Additional trends I uncovered focused on the effect of fraud on the auditors associated with uncovering fraud in organizations and potential criminal theories to explain how individuals justify committing the crime of occupational fraud emerged. An omission was apparent regarding explanations and plans to prevent and/or deter future occupational fraud. The literature did not provide possible solutions to improve organizations' abilities to address the gaps left by regulations as fraud continues. Scholarly perspectives focused on the detection of occupational fraud, but few scholars discussed additional regulations to prevent and/or deter future occupational fraud.

Most of research materials for the literature review originated from published research, which substantiated the ongoing issues with financial statement fraud for both private businesses and public companies. I searched for literature by employing the business and management databases compiled by Business Source Complete and ABI/INFORM Complete and criminal justice databases compiled by ProQuest. Search topics included *accounting fraud, audit/auditing, Committee of Sponsoring Organizations (COSO), corporate governance, education, financial statement fraud, fraud, fraud triangle, internal controls, Sarbanes-Oxley Act/SOX, small business, small business internal controls, small business owners' education, small business fraud, small business fraud stories/cases,* and *white-collar crime*. I performed a search, which yielded 257 references used within the study. Of the 257 references, I found 93% peer-reviewed articles published between 2013 and 2017. I collected 257 references, and of the references collected, I referenced 134 of the articles specifically within the literature review. As depicted in Table 1, of the articles I used in the literature review, scholars published 134 articles between 2013 and 2017 (91%).

Table 1

Sources Used in Literature Review

Source	**Before 2013**	**2013**	**2014**	**2015**	**2016**	**2017**	**Total**
Peer-reviewed Articles	4	29	17	19	47	6	**122**
Books	8	0	0	0	1	0	**9**
Internet	0	1	0	0	2	0	**3**
Totals	**12**	**32**	**19**	**19**	**50**	**6**	**134**

Conceptual Framework Analysis

Numerous theories exist addressing why individuals commit fraud, and the theories vary depending on the fraud committed. Through reviewing the fraud theories, I identified one major and four supporting theories which have the potential to explain financial statement fraud. The major theory was the fraud triangle. The four supporting theories were white-collar crime theory (Sutherland, 1983), systems theory (von Bertalanffy, 1950), strain theory (Agnew, 1999), and rational choice deterrence theory (Cornish & Clarke, 1987). Based on the supporting theories, I provided an understanding of why an individual would see fraud as a viable means of achieving a certain outcome based on the individual’s needs. Once researchers determine the legitimacy of the five fraud theories as an additional resource for fraud detection, managers and business owners can more easily discover potential employees who might commit fraud.

Fraud triangle theory. Cressey (1950) first described people committing fraud as possessing three characteristics: (a) pressure, (b) rationalization, and (c) opportunity. Pressure refers to the personal or professional pressure encountered by the individual contemplating the fraud scheme (Cressey 1950). The rationalization aspect of the fraud triangle represents the individual's ability to justify committing the fraud (Cressey, 1950). The opportunity of the fraud triangle references the ability for a criminal to commit the fraud and to do so undetected or uncovered (Cressey, 1950). Once the individual contemplating the fraud has encountered the pressures driving the need to commit fraud, justified the fraud through appropriate excuses, and seen a perfect time, the individual can commit fraud.

Lokanan (2015) discussed two shortcomings of the fraud triangle theory presented by Cressey (1950). The first shortcoming Lokanan discussed was the aspect of no observable pressure and rationalization from the person who commits fraud's perspective. When people who commit fraud contemplate fraud, they struggle with rationalizing and fail to describe the pressures to commit the fraud (Boyle, DeZoort, & Hermanson, 2015; Dellaportas, 2013). Further, Lokanan discussed how the original fraud triangle did not take into consideration the actions of individuals who commit fraud persistently. Persistent committers of fraud organize the process, have better concealment schemes, and are better at interacting with auditors and antifraud professionals, which makes determining who the persistent committers of fraud are in the organization difficult (Morales, Gendron, & Guénin-Paracini, 2014). Considering the shortcomings, researchers determined a need to strengthen the fraud triangle to capture the experiences of the fraud committed, in part from the changing dynamics of fraud (Lokanan, 2015).

Abdullahi and Mansor (2015) suggested the fraud triangle reflects a fraud diamond consisting of incentives, opportunities, capability, and rationalization.

The fraud diamond refers to opportunities and rationalization as fundamental aspects but also includes incentives and capability. Abdullahi and Mansor (2015) showed the enhancement of fraud prevention and recognition by changing the pressure in the original fraud triangle into incentives and included the fourth aspect of capability. When discussing incentives for committing fraud, an auditor or manager needs to think about what could lead an individual to commit fraud (Alleyne & Amaria, 2013). The capability aspect of the fraud diamond refers to how an individual can carry out the fraud, which in turn leads managers and business owners to assess the organization's internal controls (Free, 2015).

All aspects of the fraud triangle presented by Cressey (1950), and the fraud diamond presented by Abdullahi and Mansor (2015), are critical to organizations and auditors when detecting fraud within financial statements, leading Free (2015) to merge the two fraud designs into one design termed *the new fraud triangle model*. The aspects covered in the new fraud triangle model are motivation, opportunity, integrity, and the person committing fraud’s capabilities (Free, 2015). Proponents of the new fraud triangle model have continued to include opportunity (Cressey, 1950) and capabilities (Abdullahi & Mansor, 2015) as fundamental aspects in determining why an individual commits fraud. In addition, Free added motivation and integrity to the aspects critical to determining why an individual commits fraud. Raval (2016) described the concept of motivation using the acronym MICE, which includes money, ideology, coercion, and ego. Researchers have stated integrity refers to the moral and ethical parameters of the individual contemplating committing fraud (Aghghaleh, Iskandar, & Mohamed, 2014; Prottas, 2013).

Since the inception of the fraud triangle theory, auditors used the triangle as part of the brainstorming techniques when planning an audit of an organization (McMahon et al., 2016). By incorporating the characteristics of MICE into the current fraud triangle theory, a clear picture begins to emerge of an individual who would commit fraud within an organization. In addition to determining which individual may commit fraud within organizations, managers and business owners can stay on the lookout for how to commit and evaluate the measures to detect and prevent fraud.

Supporting and Contrasting Fraud Theories

In addition to the main theory mentioned above, the fraud triangle, I have reviewed and discussed four supporting and contrasting theories. The supporting and contrasting theories are white-collar crime theory, systems theory, strain theory, and rational choice deterrence theory. Although the supporting and contrasting theories were not the main focus of the conceptual framework for the study, the theories do provide another layer in the fraud theory discussion.

White-collar crime theory. Sutherland introduced the term *white-collar crime* into the mainstream language in 1939 (Eaton & Korach, 2016). Sutherland (1983) defined white-collar crime as a crime committed by a person of respectability and high social status during his or her occupation. Craig and Piquero (2016) stated since the mid-1970s the occurrences of white-collar crime have continued to rise, causing the term to develop a meaning quite different from what Sutherland intended. In society, white-collar crimes include securities fraud and tax fraud (Craig & Piquero, 2016). The people committing white-collar crimes are not just of a high social status but vary regarding other background characteristics, too (Craig & Piquero, 2016). Criminals who commit white-collar crimes are wealthy, highly educated, socially connected, respected, and usually have high social status (Piquero, Piquero, & Weisburd, 2016). White-collar crimes are malevolent, and anyone in the business could potentially perpetrate them (Holtfreter, 2015). Holtfreter (2015) stated the term *white-collar crime* should include virtual and nonviolent crimes committed for financial reward in addition to not considering social status.

White-collar criminals have unique characteristics: (a) deceitfulness, (b) illegal intent, (c) breach of trust, (d) incurring business losses, (e) may conceal activities, and (f) appear outwardly respectable (Engdahl, 2014). Deceitfulness refers to an individual possessing the ability to cheat, lie, conceal, and manipulate the truth (Holtfreter, 2015). Fraud is intentional in nature, and the individual committing fraud knows when fraud is committed (Brody & Perri, 2016). Individuals build trust with management, and when fraud takes place, offenders break the trust (Raval, 2016). According to the ACFE (2016), when fraud is present, losses typically follow. Concealment of fraud is necessary for carrying out the fraud for an indefinite period (Baker et al., 2016). According to Holtfreter (2015), fraudulent individuals may appear to be a respectable and professional member of society while hiding the secret of the daily fraudulent activity.

With advances in technology, white-collar crimes do not only happen from within organizations, but any person can commit white-collar crimes anywhere, at any time (Cleff, Naderer, & Volkert, 2013). The list of violations and schemes considered white-collar crime are ever changing (Eaton & Korach, 2016). In addition, the technological advances make individuals who commit white-collar crimes harder to detect and track (Cleff et al., 2013). The auditors, managers, and business owners within organizations need to be aware and can evaluate the technology protection of the organization, because of the technological advances in society.

Systems theory. Von Bertalanffy introduced systems theory in 1949 to understand the implications of an individual existing as part of a larger system (Pouvreau, 2013; von Bertalanffy, 1950). Schneider, Wickert, and Marti (2016) described systems theory as an understanding of how the system behaves as a whole instead of understanding the behavior of the system as individual components. Businesses cannot operate without employees; thus, the employees of the organization are part of a larger system: the system of the organization. Organizations allow and individual to enter the established community as an employee (Moldogaziev & Resh, 2016). When the individual accepts a position with the organization, the individual agrees to comply with the policies and procedures existing within the organization and enter the system of rules and regulations already in place (Valentinov, Hielscher, & Pies, 2016).

Organizational leaders create a set of rules and regulations required for the organizations to run—known as internal controls (Goh, Krishnan, & Li, 2013). When employees enter the system of an organization, the organization's leaders expect them to abide by the internal controls and ethical standards of the organization (Besio & Pronzini, 2014). When employees make decisions, the decisions do not only affect them and the work, but also the organization (Li, Burch, & Lee, 2016). When an employee commits financial statement fraud, the employee might think of the fraud as harmless. However, in reality, the fraud has ramifications for the organization (Willison & Warkentin, 2013).

Creditors and investors also use financial statements to make decisions on loans and investing opportunities.

Strain theory. Another fraud theory used to obtain insight into the thought process of committing fraud is strain theory. Agnew (1999) defined strain theory by explaining when individuals cannot achieve success goals, the individual experiences strain, stress, or pressure. Under certain conditions, individuals are likely to respond to the inability to achieve success goal stress through crime (Scheuerman, 2013). Goal blockage is not the only strain leading to crime; the introduction of negative incentives and the loss of valued incentives are also strains leading to crime (Pratt, 2016). Crime is a predictable response to stress when the result of the stress is negative (Leasure, 2016).

Negative outcomes deriving from individual or professional goal failure hinder an individual's ability to rationalize and comprehend correctly (Botchkovar, Tittle, & Antonaccio, 2013). Preparata (2013) noted three causes of negative emotions: (a) anger, (b) frustration, and (c) fear. The three causes of negative emotion have a direct connection to criminal intentions in individuals by causing the individuals to engage in corrective action, reduce perceived costs associated with crime, foster a disposition for crime, and reduce the likelihood of legal forms of coping (Scheuerman, 2013). Managers and business owners play a significant role in noticing the signs of stress with employees, and managers and business owners may be able to deter crime by knowing the negative influence of stress.

Rational choice deterrence theory. The final theory used in determining why individuals in organizations commit fraud is the rational choice deterrence theory. Cornish and Clarke (1987) defined rational choice deterrence theory as selecting a crime based on the costs and benefits of committing a crime. The perpetrators weigh the pros and cons of committing a particular crime before committing a crime (Cornish & Clarke, 1987). Conversely, Loughran, Paternoster, Chalfin, and Wilson (2016) stated most criminal acts do not result from well-informed, deliberate choices. Through reviewing the deterrence aspect of the theory, Van Gelder (2013) determined that an individual's perception of risk relates to the decision to engage in or refrain from crime. Hence, the crime has a greater chance of deterrence if the cost of the crime (for instance, jail time) increases, if recognized, and if employers or police take immediate action (Worrall, Els, Piquero, & Teneyck, 2014). The assumptions and interpretations have led to a new take on rational choice deterrence theory, in which individuals perceive the values and costs of an action, but because individuals are imperfect processors of information, the individuals pursue what the individual perceived as most satisfying (Morrison, 2013).

Katz (2014) stated the influence a rational choice imposes on an individual consists of the expected utility of the crime and the norms prohibiting the delinquent action. Charki, Josserand, and Boukef (2016) stated rational choice focuses on the individual's thought process when making the decision to commit fraud. Some researchers believed personal ethics influence the rationalization process an individual encounters when deciding (Hooker, 2013; Opp, 2013). As personal ethics vary with each person’s moral set, so do the needs and implementation of rational choice in the decision process of committing fraud, leading to the second aspect of the theory deterrence.

The deterrence aspect, whether general or specific deterrence, of the rational choice deterrence theory, revolves around the notion of punishment perception. Under the general deterrence notion, law enforcement and courts try to deter a specific crime to be an unpopular crime by imposing a harsh punishment on the law-breakers (Najdowski, Cleary, & Stevenson, 2016). Hence, future law-breaker would not commit the crime for fear of the same punishment (Najdowski et al., 2016). Under the specific deterrence concept, the focus is on the same individual and the punishment preventing the individual from committing the same crime again for fear of an increased punishment (Byrne, Ma, Mann, & Elzohairy, 2016). Pogarsky and Loughran (2016) indicated the punishment of an individual for committing a crime might prevent the individual from committing the crime again or prevent another individual from committing the same crime. For instance, if Employee X is considering committing a crime and sees management punishing Employee C for committing a crime, the deterrence factor may lead Employee X to see the undesirability of committing the crime anymore (Pogarsky & Loughran, 2016). Although the theory of deterrence seems productive for the prevention of crimes, fraud continues within organizations (ACFE, 2016; Chen, Cumming, Hou, & Lee, 2013). Until the punishment outweighs the benefits individuals observe when committing fraud, fraud will continue (Loughran et al., 2016).

Theories Considered but Unused for the Conceptual Framework

In addition to the theories mentioned above, I considered but ultimately did not use the following three theories to validate the study (a) social disorganization theory, (b) differential association theory, and (c) trait theory. Although social disorganization theory and differential association theory are supporting theories for white-collar crime, social disorganization theory and differential association theory do not fit in the study. However, because social disorganization theory, differential association theory, and trait theory intersect, a discussion of the theories is necessary.

The first theory considered but not used for showing why individuals in organizations commit fraud is the social disorganization theory. Shaw and McKay (1929) defined social disorganization theory as committing a crime because of the ecological characteristics defining the individual. In other words, an individual is more inclined to commit a crime because of where the individual lives (Song, Andresen, Brantingham, & Spicer, 2017). Although social disorganization theory has a place in the criminal side of fraud, social disorganization theory does not facilitate the discussion of fraud and best practices on deterring and possibly preventing fraud in business.

The second theory considered but not used for showing why individuals in organizations commit fraud is differential association theory. Sutherland (1947) defined differential association as the role peers have on an individual's decision-making process. Byrd (2016) further described the affect peers have over the individual to commit the crime to remain a member of the group. As seen with social disorganization theory, differential association theory has a place in the criminal side of fraud. Although differential association theory can start to explain why individuals commit fraud, the theory does not facilitate the discussion of fraud and best practices on deterring and possibly preventing fraud in business.

The last theory considered but not used for showing why individuals in organizations commit fraud is a trait or dispositional theory. Allport (1937) defined trait theory to study the personality of individuals paying attention to how dominate traits shape an individual’s behavior. Hogan and Foster (2016) discussed how traits cannot predict behavior in individuals because individuals do what individuals do because of agendas and not traits. The roots of trait theory start in psychology and evolve into criminology. Although understanding the biological or psychological components of trait theory could help to understand why an individual commits fraud, the theory does not facilitate the discussion of fraud and best practices on deterring and possibly preventing fraud in business.

Financial Statement Fraud Overview

Halbouni et al. (2016) defined fraud as a crime of using fraudulent methods to take something valuable from another person. Klein (2015) further focused the topic by defining financial statement fraud as a misrepresentation of items listed in the financial statements of the business. Help for public companies with regards to financial statement fraud exists through SOX. The Sarbanes-Oxley Act of 2002 set out to eliminate misrepresentations found in financial statements and thus require managers and business owners within public organizations to strive for error-free financial statements (Brown et al., 2016). Despite the efforts put in place by SOX and organizations, mistakes occur, leading to errors in the financial statements. The extent of the mistakes determines whether the errors constitute fraud and, ultimately, financial statement fraud (Kramer, 2015; Nicolaescu, 2013).

Small businesses and public companies are not synonymous. Conversely, SOX does not have jurisdiction of small businesses and private companies (Anastasia, 2015). The definitional gap leaves small businesses vulnerable to fraud occurrences (Ding & Wu, 2014). One potential way around the gap is for the small business owner to possess a strong understanding of accounting (Halabi & Carrol, 2015). By possessing a strong understanding of accounting, the small business owners can understand the prepared financial statements. Whether the owners prepare the financial statements themselves or employ an accountant, possessing the ability to understand the prepared financial statements allows the small business owners to have the necessary confidence to uncover potential fraud in the business (Blair & Marcum, 2015; Chinomona, 2013).

Most managers and business owners understand mistakes happen. For example, managers and business owners may read receipts incorrectly and record to an incorrect account; accidentally move a decimal, omit a zero, or transpose numbers. Owners and proprietors typically do not make errors with the intention of dishonesty. Most often managers and business owners find errors to be honest mistakes (DeZoort & Harrison, 2016). However, some mistakes may be malicious (DeZoort & Harrison, 2016). Maliciously intended mistakes provide employees with a chance to test managers and business owners. Maliciously intended employees see if managers and business owners uncover the mistakes during a review of the financial statements (Gray & Debreceny, 2014). When mistakes remain uncovered, the employee can explore more to determine the organization's established threshold for when an investigation of mistakes takes place (Loughran et al., 2016). If the organization has not established a threshold, the employee perceives weakness in the organization and may continue the fraud indefinitely (Zakaria, Nawawi, & Salin, 2016). Managers and business owners can and do fail to detect fraud when certain checks and balances are not in place (Hess & Cottrell, 2016). Managers and business owners implement checks and balances using audits (Abdullatif, 2013).

Auditors. Auditors are the first line of defense for questioning whether or not items found within financial statements are errors (Liu & Ren, 2017). Frimpong (2015) agreed with Liu and Ren. stating auditors are always the first line of defense in uncovering fraud. Frimpong stated auditors could act as first responders to fraud but only if the Securities and Exchange Commission (SEC) or the auditors' professional practice guidelines direct or require them to do so. Othman, Aris, Mardziyah, Zainan, and Amin (2015) identified the ability to determine when a suspicious item exists in the financial statements of a business is not always simple. Organizations can employ auditors in three classifications: (a) internal auditors, (b) external auditors, and (c) audit committees (Lin & Hsu, 2014). Managers expect auditors, no matter which classification, to find items within the financial statements which raise questions in the auditors' minds (Cheng et al., 2013).

Before an auditor can begin to uncover potential fraud within the organization's financial statements, the auditor must prepare. The auditor’s preparation includes a brainstorming phase. The brainstorming phase allows the auditors to review the strategic plan goals for the business and think of ways management can reach the goal for the business (Griffith, Hammersley, Kadous, & Young, 2015). By completing the brainstorming phase, auditors are on alert when completing the auditing of the financial statements (DeZoort & Harrison, 2016; Griffith et al., 2015). Griffith et al. used a quantitative approach to investigate whether focusing on management's goals during the brainstorming process helped auditors identify ways in which management may be committing fraud within the organization. Griffith et al. used a 2 x 2 between-participants design to explore two independent variables: first if participants explicitly formed and documented independent expectations for the client's results, and second if participants focused on the client's goals. Auditors still look for fraud schemes during the brainstorming process; however, Griffith et al. found auditors lose focus during the brainstorming process when not prompted to focus on management's goals and awareness of fraud schemes.

Once the auditors complete the brainstorming and fraud scheme identification phase, auditors examine financial statements from the organization employing the fraud predictors identified to assess the presence or absence of potential fraud situations (Abbott et al., 2016). Auditors use fraud predictors to review transactions in detail and identify issues needing further investigation. Auditors also consider the support documentation of transactions, found in the financial statements, to verify the existence of possible errors or fraud (Abbott et al., 2016; Gullkvist & Jokipii, 2013). Auditors determine if the items are an honest mistake or fraud attempts, since auditors are the catalysts for the necessary discussion of fraud deterrence measures within organizations.

Internal Controls

Internal controls are a process used by businesses large and small to achieve certain objectives revolving around the (a) operations of the business, (b) reliability of the financial statements of the business, (c) compliance with the laws and regulations the business falls under, and (d) safeguarding of the assets of the business (Daniels et al., 2013). When employers do not implement these processes correctly, the ability for an employee to commit fraud against the business increases (Hess & Cottrell, 2016). Most discussions about internal controls revolve around public businesses, however since fraud can happen in any business the discussion of internal controls needs to happen in every business from the largest public business to the smallest mom and pop business.

The concept of internal controls is not new in the business environment. The Foreign Corrupt Practices Act of 1977 was the business world's first introduction to the concept of internal controls (Weismann, Buscaglia, & Peterson, 2014). In 1979, the SEC took the concept of internal controls a step further and proposed a rule to govern the reporting of internal controls (Weismann et al., 2014). The rule required managers to state whether the business's system of internal controls and the internal controls of the business's subsidiaries provided reasonable assurance of attaining the Foreign Corrupt Practices Act's objectives on transactions and safeguarding of assets (Weismann et al., 2014).

In 1985 the government formed the COSO as a response to the accounting scandals of the early 1980s (Frazer, 2016). The government initially created the COSO to investigate why fraud was occurring in these businesses affected by the accounting scandals of the early 1980s (Frazer, 2016). While the COSO uncovered the reasons for the fraud, the COSO also created understandable guidelines to help businesses create and implement internal control processes for the business (Frazer, 2016). The guidelines presented by the COSO are available for any business (large, small, public, private) to use in implementing an internal control process.

Congress discussed and implemented internal controls for the public business sector with the creation and enactment SOX in 2002. When creating SOX, lawmakers paid particular attention to internal controls, resulting in an updated purpose for internal controls (Miller, Proctor, & Fulton, 2013). Bentley-Goode, Newton, and Thompson, (2017) stated the updated purpose of internal controls was for management to issue a report accepting responsibility for establishing and maintaining adequate internal control over financial reporting (ICFR) and assert whether ICFR was effective as of the end of the fiscal year.

Lenard, Yu, and York (2013) stated internal controls might assist business leaders to achieve effectiveness and efficiency of operations, reliability in financial reporting, and compliance with applicable laws and regulations. Given the updated purpose and design of internal controls, public firms and the hired external auditors have a new requirement to express an opinion on the effectiveness of the company's internal controls over financial reporting or to reveal the presence of internal control material weaknesses (Albring et al., 2016). Internal controls are effective when management and auditors are unable to locate any material weaknesses or loopholes in the policies (Svanberg & Öhman, 2016).

COSO framework. In 1992 the Institute of Management Accountants (IMA), the American Accounting Association (AAA), the American Institute of Certified Public Accountants (AICPA), the Institute of Internal Auditors (IIA), and Financial Executives International (FEI) introduced COSO internal control framework to the business world to provide principle based guidelines for businesses to follow when implementing internal controls in the business (Frazer, 2016; Tidrick, 2012). In 2013, the COSO committee updated the COSO internal control framework due to new regulations and laws the government passed since the original COSO internal control framework of 1992 (COSO, 2013.) While the update to the COSO internal control framework still includes the objective categories and the original five components of internal controls, there is a deeper discussion with 17 principles spread between the five components allowing for a more detailed working framework for businesses to use when setting up the internal controls for the business (Shapiro, 2014).

The three categories of objectives as outlined by the COSO are (a) operations, (b) reporting, and (c) compliance (COSO, 2013). The five integrated components of internal control are (a) control environment, (b) risk assessment, (c) control activities, (d) information and communication, and (e) monitoring activities (COSO, 2013). In the 2013 the COSO internal control framework detailed 17 internal control principles. These additional internal control principles provide the structure needed for management/owners of any size business to have successful internal controls implemented (Shapiro, 2014). The principles which align with the control environment internal control component are (a) demonstrates commitment to integrity and ethical values, (b) exercises oversight responsibility, (c) establishes structure, authority, and responsibility, (d) demonstrates commitment to competence, and (e) enforces accountability (McNally, 2013). The following four principles align with the risk assessment internal control component (a) specifies suitable objectives, (b) identifies and analyzes risk, (c) assesses fraud risk, and (d) identifies and analyzes significant change (McNally, 2013). The three control activities internal control component principles are (a) selects and develops control activities, (b) selects and develops general controls over technology, and (c) deploys through policies and procedures (McNally, 2103). Information and communication internal control components consist of the following three principles (a) uses relevant information, (b) communicates internally, and (c) communicates externally (McNally, 2013). I found the final two principles in the monitoring internal control component are: (a) conducts ongoing and or separate evaluations and (b) evaluates and communicates deficiencies (McNally, 2013).

Small business internal controls. The internal controls implemented by a small business are not as elaborate as the controls for a publicly traded company. Having a working knowledge of the COSO can help a small business owner implement an internal control process which works for the business (Hess & Cottrell, 2016). The internal controls are a type of check and balance system for small businesses (Rikhardsson & Dull, 2016). The small business owner should still check the relevant internal controls periodically to verify the controls are still working for the small business (Ge et al., 2017). Correct usage and testing of internal controls can help aid a small business in preventing and/or detecting occurrences of fraud (Rikhardsson & Dull, 2016).

A properly functioning internal control procedure can help limit or even extinguish the opportunity for fraud to take place in the business (DeZoort & Harrison, 2016). Any employee can commit fraud against the business when the combination of the fraud triangle is present (Omar et al., 2016). When the business implements internal controls, such as separation of duties or mandatory vacations; these acts diminish the opportunities for people who commit fraud (Hess & Cottrell, 2016). Understanding the correct type of internal control to implement in a small business comes with time as the fraud needs for a small business differ greatly than the fraud needs to a large public company (DeZoort & Harrison, 2016).

Material weaknesses. A material weakness occurs when one or more of the company's internal controls, put in place to prevent significant financial statement irregularities, is ineffective (Kanagaretnam, Lobo, Ma, & Zhou, 2016). Albring et al. (2016) stated a material weakness in internal control indicates management has been unsuccessful in identifying risks and establishing controls to provide reasonable assurance financial statements are reliable. A requirement of organizations is to correct any material weaknesses found by the auditors. When correcting the material weakness, organizations may need to reissue financial statements (Kanagaretnam et al., 2016; Mitra, Jaggi, & Hossain, 2013).

Li, Yu, Zhang, and Zheng (2016) conducted a quantitative study to reexamine the relationship between material weaknesses in internal controls and cost of equity. Li et al. (2016) believed a firm which reports a SOX Section 404 material weakness sends an explicit signal to market participants the reliability of the organizations' accounting disclosures is less than desirable, resulting in investors demanding a higher expected return or losing confidence in the organization. Li et al. (2016) used univariate and multivariate analyses with a dependent variable of the cost of equity for the organization and an independent variable of material weaknesses in multiple consecutive years. Li et al. (2016) found material weaknesses negatively affect the organization's cost of equity; however, remediation of material weaknesses contains value for a business.

Contrary to Li et al. (2016), Franklin, (2016) posited the next wave of unreliable financial statements coming from material weaknesses found in internal controls and Section 404 of SOX. Franklin (2016) recommended Congress enact an amendment to Section 404 of SOX requiring the basis of the opinions of Chief Executive Officers (CEOs), Chief Financial Officers (CFOs), and auditors be on the effectiveness of the risk management process instead of the current wording of control effectiveness. Franklin (2016) described the slight change in wording as a truly risk-based approach to finding and correcting the root causes of material weaknesses in financial statements.

Small Businesses

The SBA (2016) considers a business a small business when the business has fewer than 500 employees. Small businesses consist of 28.9 million, 99.7%, of business found within the United States (SBA, 2016). With small businesses comprising most of the businesses in the United States, the importance of the small business owner understanding the financial statements and accounting records of the business is of pronounced importance (Halabi & Carroll, 2015). Understanding accounting can be difficult at times for an individual with a business degree (Burke & Gandolfi, 2014). Since small business owners are not required to have a college degree to open a business, posing the ability to understand the financial statements and accounting records of the business could prove more challenging for them (Banham & He, 2014; Husin & Ibrahim, 2014).

Small business fraud. The topic of fraud has been in the business world discussions since the days of Enron and WorldCom in 1999 (Gendron, Brivot, & Guénin-Paracini, 2016). Although researchers and news articles discussed fraud mostly with public companies, private companies, and small businesses on how these entities see fraud (Hess & Cottrell, 2016). Fraud within a small business tends to be more devastating for the small business than a larger private or public company (Stone, 2016). A fraud loss in a small business can be devastating in two ways: (a) the loss of money is hard for the business to overcome at times, and (b) the distrust created in the business is hard to overcome with future employees (Kennedy & Benson, 2016). In small businesses, the community of employees tends to create a family type bond, and when someone in the family commits a crime against the business, the family reacts in varying degrees (Jaakson, Vadi, Baumane-Vitolina, & Sumilo, 2017).

According to studies conducted by the ACFE (2016), fraud committed against small businesses caused the small businesses to lose on average $150,000 a year related to the fraud. Although $150,000 is not a dramatic loss for a large public company, a $150,000 loss for a small business could cause the business to close permanently (Blair & Marcum, 2015). When the ACFE conducted their surveys the types of fraud recorded by the small businesses ranged from billing to payroll to expense reimbursement for small businesses with less than 100 employees (ACFE, 2016). Figure 1 shows the types of fraud with a 10% or greater occurrence in the small businesses surveyed by the ACFE for years 2010, 2012, 2014, and 2016. Although the top three types of fraud remain the same between corruption, billing, and check tampering; the ACFE found more skimming in 2010, 2012, and 2016 and a rise in noncash fraud increased in 2016.

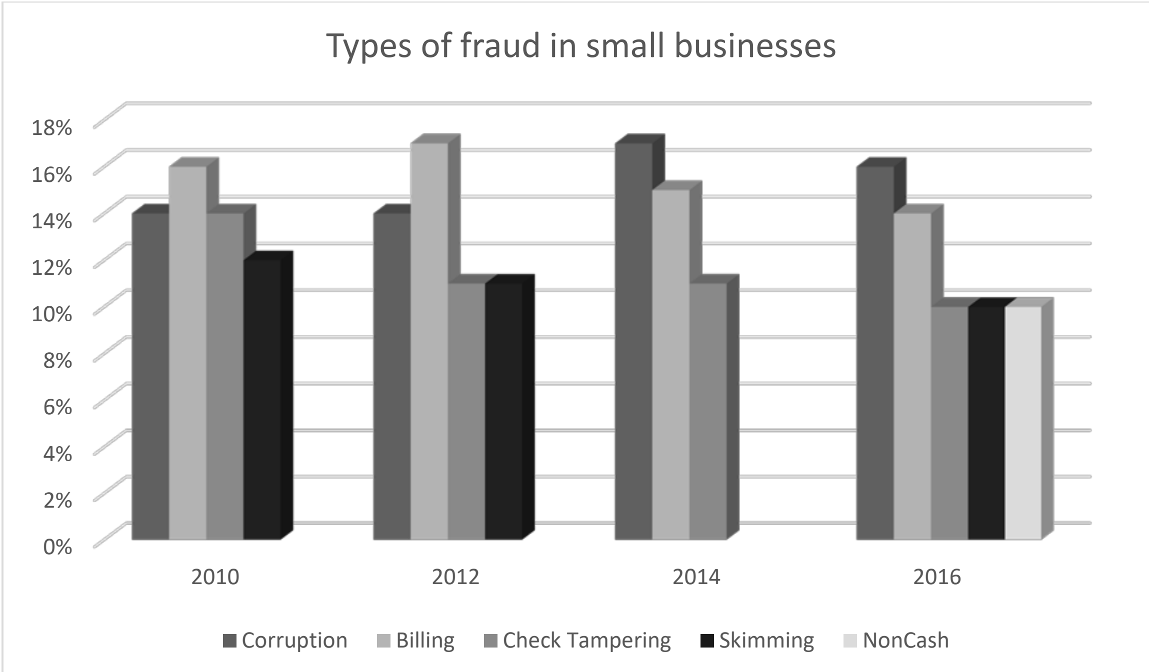

Figure 1. Misappropriation of asset frauds reported by small businesses (with less than 100 employees) in the United States for 2010, 2012, 2014, and 2016 with an occurrence of 10% or greater for the respective year.

For purposes of businesses, Stapenhurst, Karakas, Sarigöllü, Jo, and Draman (2016) defined corruption as the abuse of trust or dishonest behavior for personal gain. Corruption examples are bribes, secret transactions (known as under the table transactions), and money laundering (Dutta & Sobel, 2016). Although corruption hovered around 14% for 2010 and 2012 in survey results, researchers noted a spike in corruption cases in small business in 2014 and 2016 with 17% and 16% respectively (ACFE, 2016). The reasoning behind fraud occurring in small businesses could be a result of pressures the employee(s) are feeling in their personal life leading the employee to believe coming corruption in the name of the business is the only way around the pressures (Dutta & Sobel, 2016).

In business, billing fraud occurs when multiple fraudulent activities come together. For billing fraud to be effective, the fraud initially starts with the creation of a fictitious vendor. The fictitious vendor submits invoices to the company seeking payment, but in reality, the checks made payable to the fictitious vendor are going to the individual committing the fraud (Kramer, 2015). According to the ACFE surveys, billing fraud reached a high of 17% of the small businesses surveyed in 2012 with the number of small businesses reporting billing fraud dropping to 14% in 2016 (ACFE, 2016). Billing fraud is preventable in small businesses when the small business follows up on checking references of the vendor. A small business uncovering a billing fraud scheme may need to address their separation of duties for the application process for vendors and paying the vendors.

Check tampering occurs in two ways: (a) the employee steals blank checks and writes checks to themselves or cash or (b) the employee takes checks made out to a vendor and deposits the checks into the employees' bank account (Stone, 2016). In the surveys conducted by the ACFE (2010, 2012, 2014, 2016), check tampering has been on the decline. The highest report of check tampering cases was in 2010 with 14% of the small businesses responding to the survey saying the small business encountered check tampering in the business (ACFE, 2016). The decline of check tampering cases reported to the ACFE is good, however, proper internal controls eliminate the risk of check tampering (Stone, 2016). By keeping the checks locked in a separate place in the office or separating out the duties of the individuals who can write checks and reconcile the bank statements the occurrences of check tampering could cease.

Although the customary practice of skimming discussed in research is card skimming, which involves criminals installing external card readers to card slots, small businesses experience cash skimming most commonly (Bradbury, 2016). Cash skimming describes employees taking cash from the cash received for the day (Ainsworth, 2016). Skimming was on the decline since 2010, and even dropped below the top 10% of fraud cases reported by small businesses for 2014 (ACFE, 2014). However, in 2016 skimming resurfaced into the mix of fraud occurring within the small businesses surveyed by the ACFE (2016). The wrongdoers may feel financial pressure in their personal lives, which could lead to skimming (and other crimes). When an employee does not feel employee is able to make ends meet with their current pay, the employees resort to taking from the business (Abdullahi & Mansor, 2015). When a business deals with cash the opportunity is available for the employee to ease their financial stress by taking a little off the top and shoring what a customer is paying the business.

A new type of fraud has entered the discussion for small businesses. According to the surveys conducted by the ACFE, noncash transactions are increasing in occurrences in the small businesses surveyed. Sobko (2014) defined noncash transaction fraud as fraud occurring against the business without the effect seen in the cash account. The most common form of noncash transaction fraud pertains to inventory theft or erroneous use of noncash items in the business (Lau & Ooi, 2016). Although noncash transaction fraud hovered around the 10% mark for 2010, 2012, and 2014 (ACFE, 2010, 2012, 2014), in 2016, noncash transactions reached the 10% reporting mark for small businesses with regards to the types of fraud cases seen in the small businesses surveyed (ACFE, 2016).. Small businesses could place controls in place to help ease the effects of noncash transaction fraud. Some examples of controls over noncash items could be electronic article surveillance tags or more physical counts of inventory (Lau & Ooi, 2016).

Educating small business owners. A number of specific training and educational initiatives are available to small business owners, ranging from university programs offering collaborative and interactive strategies for hands-on learning, to smaller local initiatives to support local economies and develop networks of small business learning opportunities. Evidence-based management initiatives, targeting small business owners, proves to increase the potential success of business owners by combining scientific evidence of actions resulting in success, with personal experience in decision-making (Glaub, Frese, Fischer, & Hoppe, 2015). Simple abstract training provides the knowledge, but the authors suggested creating actionable strategies putting theory to practice, helping to integrate the concepts of successful decision-making into everyday management activities. Abstract training may transfer to small business owners with limited business management skills, as a viable, and competitive force within the business marketplace, generating local economies and producing employment for generations to come. In a quantitative study, the authors demonstrated a set of action principles based on scientific evidence, applied by small business owners, led to better success outcomes, and an improvement in critical thinking capacities, leading to sustainable businesses. To fill the gap between knowledge and practice, a sequence of actions aids in the development of action principles which include: (a) goals, (b) informational and environmental factors, (c) planning, (d) monitoring, and (e) feedback. By carefully analyzing the goals of the manager, goals translate into plans, assessment of actions and feedback encourage changing, adapting, or repeating successful strategies in business. Visser, Chodokufa, Amadi-Echendu, and Phillips (2016) identified a further gap in knowledge and practice with small business owners in developing countries stating small business owners have technical knowledge but may lack conceptual knowledge in business decision-making initiatives. Visser et al. (2016) stated an entrepreneurial spirit stimulates a vital local economy, particularly when business owners have the appropriate knowledge and experience to navigate the business toward successful new market creation. Most small business owners in developing countries operate as solo entrepreneurs, offering limited growth potential because a lack of business knowledge and expertise (Visser et al., 2016). A business owner, in any economy, requires both technical and conceptual knowledge about the operation, the potential to grow in the competitive market, crisis management, and business strategies for success. A gap exists between technical and conceptual skills at the management/owner level leading to limited business growth in many economically deprived areas of the world (Visser et al., 2016).

There are 52 universities, colleges, and learning institutes across the U.S. offering 66 noncredit certificate programs in entrepreneurship (Lacho & Brookmann, 2015). To place education into the context of emergency response initiatives for business decision makers, Sarmiento, Hoberman, Jerath, and Ferreira (2016) underscored the importance of preparing small business owners in Florida to face unique business challenges with appropriate instruments to ensure continuity through crisis. The Florida International University established the Small Business Development Center (SBDC), a think tank for business entrepreneurs, along with the Extreme Events Institute (EEI), to provide evidence-based practicums, conferences, and available data to guide small business owners to successful decision-making practices.

Another tremendous resource for small business owners is the local Chamber of Commerce agencies with 2,800 chamber chapters across the country, enlisting 3 million chamber members (Lacho & Brookmann, 2015). Each Chamber of Commerce membership body dedicates the optimization of small business to fuel local economies and strengthen the unity and shared knowledge of small business owners throughout the United States (Lacho & Brookmann, 2015). Each chamber offers a wide range of educational programs to support the local business owner with limited knowledge on navigating toward business success. The initial role of the chamber was to assist local entrepreneurs navigate local, state, and federal regulations to operate a successful business; however, more recently, the chamber assists small business owners in the application of social media, development of boards, disaster preparation, and business collaborating initiatives (Lacho & Brookmann, 2015). Armed with a myriad of education-based knowledge capacity building strategies, equips a small business owner with the tools needed to successfully navigate through the regulatory, competitive, and potentially economically-challenged business environment. Gaining specific skills through educational offerings at local colleges, universities, business programs, and the Chamber of Commerce, ensures small business owners can face issues arising in the contemporary small business environment.

Gaps in Financial Industry Best Practices Regarding Fraud Prevention

Although most research conducted on fraud pertains to publicly traded companies, privately held companies and small businesses also suffer from fraud occurrences (Hess & Cottrell, 2016). By understanding the gaps found in public companies, private companies and small businesses can learn where potential fraud can occur. By reviewing the educational gaps about fraud, small business owners know where additional education is necessary for understanding the effects of fraud and how to detect and prevent fraud (Tiwari & Debnath, 2017).

Organizations. To minimize the extent of fraud in organizations, organizations need to address the gaps found within SOX (Halbouni et al., 2016). Addressing the gaps requires organizations' leaders to view the company negatively. The negative perspective allows managers to see the gaps the way people who commit fraud see them (Chang, Chang, Sun, & Sun, 2016). By knowing where the gaps in the organizations lay, managers can deploy preventative measures to fill the gaps left by SOX (Palmrose, 2013). The intent of the SOX legislation was not to provide an answer for every area where fraud may arise, but to provide a framework for organizations to employ as the first line of defense for stopping or limiting fraud (Chen et al., 2014). Many organizational leaders tend to see trouble with the continuation of fraud in the organizations because the leaders are not expanding on the framework set forth by SOX to fit the needs of the individual organization (Kinney, Martin, & Shepardson, 2013; Udeh & Epps, 2013). Some leaders took SOX at face value, believing the framework presented was encompassing and enough for the organization to avoid the pitfall of continual fraud (Kinney et al., 2013; Miller et al., 2013). Learning to navigate the gaps and employing proven tactics can help organizations limit, deter, and possibly prevent fraud from occurring.

Education. Another practice to address the gaps found in SOX is education. By making students aware of the gaps in SOX, fraud prevention can be in place before an organization employs new employees (Andre, Pennington, & Smith, 2014). Forensic accounting and fraud classes are still emerging into the mainstream curriculum limiting the necessary introduction to the gaps in SOX (Alleyne & Amaria, 2013; Fajardo, 2014). The only way students expose themselves to the forensic and fraud side of accounting is by majoring in the specialization of forensic accounting or auditing, and the option of a specialization is only available if the college or university offers a forensic accounting or auditing specialization (Daniels et al., 2013; Tiwari & Debnath, 2017).

Albrecht, Albrecht, Albrecht, and Zimbelman (2016) illustrated three areas exist where the education system has failed students. The first failure by educators was the lack of sufficient ethics training, leaving many students ill-equipped to deal with ethical dilemmas as the dilemmas appear in audits or the individual's daily accounting duties (Albrecht et al., 2016). The second failure addressed by Albrecht et al. (2016) was the lack of fraud education presented to students, leading to most students not developing the ability to understand the elements of fraud, perceived pressures, and opportunities. The final failure made by educators was only spending time teaching students content and not helping students develop the analytical skills required in the business sector (Albrecht et al., 2016). Incorporating the discussion of fraud exposure in education was not only for accounting specializations or students, but also for every business major (Andre et al., 2014). Lam and Tou (2014) stated fraud was not only an accounting issue, but also an entire business issue. Each curriculum for business degrees needs to include fraud classes (Gates, Prachyl, & Sullivan, 2016; Pan & Seow, 2016). The more academic institutions expose business graduates to the discussion and analytical skills necessary for fraud discovery, the greater the chance of uncovering potential fraud in organizations (Daniels et al., 2013).

In addition to adding fraud or forensic accounting classes, educators must emphasize ethics in classes and curricula. Educators intertwined ethics throughout each business class for students (Cameron & O’Leary, 2015; Lobe, 2015). Educators teach what is right and wrong based on the selected text (Martinov-Bennie, & Mladenovic, 2015). If students lack opportunities to grow and develop a moral compass throughout the students’ education, the student may lack the necessary ability to reason ethically in the workforce (Christensen, Cote, & Latham, 2016; Stewart, Wall, & Marciniec, 2016). Because the accounting profession follows strict and stringent rules and regulations, business students' cognitive moral development cannot always occur without practical experience (Christensen et al., 2016). By providing a business ethics course, graduates entering the workforce have a chance to explore a cognitive moral development (Daniels et al., 2013).

Transition

Section 1 included the background to the problem, the general and specific business problems, the purpose of the study, and literature review based fraud theories and the importance of accounting knowledge. The business case was clear: Fraud does not only affect large publicly traded companies, but also small businesses and without adequate internal controls by the small business owners the potential loss because of fraud could be damaging to the business. In the study, the central research question is: What internal controls do small business owners to detect and prevent fraud from occurring in the business?

Section 2 includes discussions regarding the participants, the role of the researcher, and the purpose of the study, regarding how internal controls helps lessen the opportunities of fraud occurring in the small business. Section 2 also includes (a) a description of the research method and design, (b) data collection techniques, (c) data analysis techniques used, and (d) methods to maintain data reliability and validity. Section 3 provided the results of the study which includes discussions about the findings, application of professional practices, and implications for social change. In addition to reporting the findings of the study, Section 3 included discussions on recommendations for action and further research, reflections of the experience, and conclusions to the study.

Section 2: The Project

In the study, I used semistructured interviews with open-ended questions to gain a better understanding and perspective on the internal controls small business owners apply to detect and prevent fraud from occurring in the business. In the following section, I describe the design and structure of the study. Section 2 includes discussions on (a) the purpose of the study, (b) the role of the researcher, (c) the study participants, (d) the research method and design, (e) the data collection, and (f) the data analysis processes. The section closes with a discussion of the reliability and validity of the study.

Purpose Statement

The purpose of the qualitative multiple case study was to explore the internal controls small business owners apply to detect and prevent fraud from occurring in the business. The population for the research consisted of owners of three small businesses located in Hartsville, South Carolina, who had implemented effective internal controls over fraud. The results of the study provided small business owners with the ability understand the importance of internal controls not just used for fraud detection and prevention, but for continued success beyond the 5-year mark. Determining ways for small businesses to continue with the success first seen by the business and succeeding beyond 5 years would not only benefit the small business owner, but also the employees and the business's community. Demonstrating how general deterrence of white-collar crimes could reduce, which improves the quality of life for business consumers by keeping their prices and services competitive, could be a direction of further research generated from the study. The competitive nature leads to strong community trust and increases social awareness. Combined, the positive social change has the potential to change the community for the better.

Role of the Researcher

My role in the study was one of organizer, data collector, analyst, and reporter. I used semistructured interviews with open-ended questions to collect, analyze, and report data about the interviews from three purposively selected owners of small businesses regarding the internal control procedures used in the business and how the owners used the internal controls to detect and prevent fraud from occurring in the business. I applied my skills as an interviewer while mitigating potential bias throughout the interview process. I had no preexisting relationships with the research topic of small business owners' internal control procedures and how the owners would use the internal controls in the business to detect and prevent fraud from occurring. However, I did have a preexisting relationship with the location selected for the study, Hartsville, South Carolina, as I work for a local company located in the city. The preexisting relationship with the location created the potential to know a few of the selected participants.

Universities expect researchers to maintain a high ethical perception when conducting research and presenting findings by keeping participants' identities confidential and safeguarding the recordings and notes taken during the interview process (Barber, Bailey, & Bagsby, 2015). In addition, I abided by the *Belmont Report* protocol when selecting my participants and conducting my research. My potential participant pool did not target vulnerable participants as described in the *Belmont Report*. According to the *Belmont Report*, the protected classes of individuals are (a) pregnant women, fetuses, and neonates; (b) prisoners; (c) children and minors; and (d) seriously ill, mentally ill, or cognitively compromised individuals (Rogers & Lange, 2013).

The ability for me to mitigate bias and view data through an objective lens was imperative when completing a qualitative multiple case study. Researcher bias can be unintentional or intentional (Hansen et al., 2014). Unintentional bias forms during the research and analysis processes and the researcher may not have control over unintentional bias (Hansen et al., 2014). However, intentional bias is a form of bias in which I controlled through bracketing. Haskins, Phelps, and Crowell (2015) suggested researchers use bracketing to eliminate intentional bias. According to Chan, Fung, and Chien (2013) and Sorsa et al. (2015), bracketing is the ability of a researcher to shelve the interest, experiences, and assumptions when completing and viewing the research by preidentifying perceptions, assumptions, and prior knowledge. I employed bracketing to mitigate my preconceptions during the interview and interpretation processes by identifying my perceptions, assumptions, and prior knowledge of accounting through my background as an accountant and auditor.

To maintain the integrity of the interview process, I employed an interview protocol (Appendix B). An interview protocol was necessary to ensure I asked the same questions to the entire interview pool (Benia, Hauck-Filho, Dillenburg, & Stein, 2015). The interview protocol allowed me to have a set plan to follow and provided any future researchers a direction to know and understand how I conducted the study.

Participants

The purpose of the qualitative multiple case study was to explore the internal control procedures small business owners apply to detect and prevent fraud from occurring in the business. I selected participants based on established criteria to ensure relevant responses to the interview questions and the overall central research question (Coyle & Laws, 2015; DeVincenzo et al., 2015). Using the following five criteria, the selection of the qualified participants took place: (a) the individual was the owner of the small business; (b) the small business was in Hartsville, South Carolina; (c) the small business had been in business for at least 3 years; (d) the small business had 50 or fewer employees; and (e) the owner was successful in using internal controls. I gained approval through Walden's Institutional Review Board (IRB) before proceeding with the study and contacting the participants. Walden University's approval number for this study was 08-28-17-0128372, and it expired on August 27th, 2018.

I obtained access to the participants through a thorough list of small businesses, including when the business opened, from the Greater Hartsville Chamber of Commerce in Hartsville, South Carolina. Once I obtained the list, the first step was to sort the list based on when the business opened, and any business not open for more than 3 years I automatically eliminated. After I narrowed the list, the potential participants received an e-mail introducing myself and the reason for receiving the e-mail (Appendix C). My intent was to have three potential small business owners interested in participating in the study. Once I receive notification of interest, I provided the potential participants with an informed consent form, in which I included (a) a personal introduction, (b) the sponsoring institution, (c) the intent of the study, (d) participation requirements, (e) time commitment required, (f) participants' rights to withdraw, (g) potential risks, (h) confidentiality, and (i) intent to establish working relationships with the organizations throughout the study period.

As a faculty member of the local college in Hartsville, South Carolina, I had access to the small business owners in the community because of the nature of the small town and the relationship the college has with the small businesses. Although potential participants were unknown to me before the selection process, a potential to know a few of the selected participants still existed. Although instances of the casual acquaintance aspect may have existed, I limited the use of the acquaintance participants and I did not have any participants with whom I had a prior business relationship. In addition, during the selection process, a relationship may have formed when necessary to make the participants more comfortable with the interview process. Forming a researcher-participant relationship is important when conducting research (Fleet, Burton, Reves, & DasGupta, 2016; Stahl, 2016). Stahl (2016) stated the researcher and participant trust is necessary in any study, and I built trust by sharing stories or experiences during the interview process. When necessary, I shared stories with the participants about fraud and accounting errors based on personal past experiences.

Research Method and Design

The research method and design for the study was a qualitative multiple case study. By selecting a multiple case study design, I gained perspective from a small but knowledgeable group of three owners of small businesses. The results of the study could show future small business owners the benefit of developing an internal control procedure to apply in their small business to detect and prevent fraud from occurring.

Research Method

The three potential methods are quantitative, qualitative, and mixed methods. Quantitative studies are suitable for determining relationships among variables (Yang, 2013). A researcher applies qualitative methods when exploring the meanings ascribed to problems by asking how, why, and what (Taylor, Bogdan, & DeVault, 2015). When using a qualitative methodology, communication is the key to determining the meaning behind how participants experience or work through the investigated phenomenon. A mixed methods researcher focuses on blending quantitative and qualitative aspects of gathering information and testing variables (Kipo, 2013). A mixed methods study is beneficial when both quantitative and qualitative data together provide a better understanding of the research problem than either type by itself (Kipo, 2013).

For the study, a qualitative method was a correct method to answer the central research question: What internal controls do small business owners use to detect and prevent fraud from occurring in the business? The use of a different method, quantitative or mixed methods, would not yield the same results for the research question. If the purpose of the study focused on how internal controls could detect and prevent fraud from occurring in small businesses, then the quantitative method would suit the study. If I tried to combine the how, why, and how many small businesses suffered from fraud losses because of a lack of internal controls, then the study would involve a mixed methods approach (Peterson et al., 2013). A quantitative or mixed methods study enables the researcher to enhance a study by examining differences or relationships, which may provide a clearer course of action for the reader or future researchers (Kipo, 2013; Peterson et al., 2013).

Qualitative research has been gaining momentum and acceptability as a viable research method for many disciplines because qualitative researchers can explore areas of study which are complex and resistant to quantitative research methods (Bailey, 2014).

D'Onza, Lamboglia, and Verona (2015), Simosi, Rousseau, and Daskalaki (2015), and van Heugten, Heijne-Penninga, Paans, and Wolfensberger (2016) used qualitative methods for their business studies. D'Onza et al. analyzed the relationship and expectations between senior management and the information technology auditors. Equally, Simosi et al. (2015) employed qualitative aspects when studying how young professionals view the prospective career paths in the business world after the 2008 financial crisis. Van Heugten et al. used a qualitative study to examine the desirable characteristics of recent graduates for international business positions.

Research Design

Once I made the decision of which research method to use, the next decision to make regarded which research design best fit the study. Because the study was qualitative, a selection of the following types of designs was necessary: (a) case study, (b) grounded theory, (c) phenomenology, (d) narrative, and (e) ethnography (Devotta et al., 2016). I designed the interview questions for the study by using the central research question and conceptual framework as guides.

Researchers use grounded theory to discover, develop, and provisionally verify theories through systematic data collection and analysis of data about a particular phenomenon (Armitage, Swallow, & Kolehmainen, 2016). For the study, I was looking to obtain a detailed view, and therefore grounded theory was not the correct research design for the study. Narrative researchers focus on the stories of individuals as the individuals live and interact with the world around them (Gergen, Josselson, & Freeman, 2015). Although narrative research might seem to be an adequate selection for the study, I was searching for a deeper understanding of internal controls which might help small business owners prevent fraud occurrences in the businesses. Phenomenological researchers focus on the meaning of lived experiences of the participants using a small sample from one large organization or several independent companies (Gill, 2014). A phenomenological design might seem to align with the study, except I was not looking for the small business owners to have lived the experience of fraud in their business. An ethnographic qualitative researcher focuses on an entire cultural group, and the ethnographic researcher describes and interprets the shared intellectual patterns of values, behaviors, beliefs, and language of the observed group (Marshall & Rossman 2016). An ethnographic design would not benefit the study as I was not focused on an entire cultural group for the participants. A case study researcher explores a phenomenon using a smaller sample, but gains detailed information about historic practices, change, and new concepts and perspectives (Yin, 2014). A case study researcher uses a combination of interviews as well as related documents, policies, and records to establish a synthesis and deeper understanding (Yin, 2014).

I selected a qualitative multiple case study design for the study. A case study design suits the purpose for the envisioned study because my desire was to gain detailed perspectives from a defined population of three small businesses on the owners' internal control procedures and how the owners used internal controls to detect and prevent fraud from occurring in the business. Gilfillan and Bacon (2013) used a case study approach to examine a poor accounting practice case within a small county government agency in the United States, demonstrating poor accounting practices do not only occur in businesses. Likewise, Emsfors and Holmberg (2015) used a case study approach to explore the internal use of accounting information when forecasting for the businesses in the study.

Cassar, Ittner, and Cavalluzzo (2015) and Olsen and Hasle (2015) presented case study designs in which they studied small businesses on the use of accounting when applying, determining, and tracking debt.

When selecting the sample size for the study, I first determined my sample size of three small business owners, based on Yin's (2014) suggestion of a small sample size as adequate for a case-study research design. However, when thinking of the sample size for qualitative research, I did take into consideration the concept of data saturation and pondered if I would have enough respondents to reach saturation. Fusch and Ness (2015) defined data saturation as containing the following characteristics: (a) the moment in the research process where the generation of latest information ceases, (b) the replication of the study can take place, and (c) the continual drill down of coding the responses to the study is no longer feasible. In part because of the characteristics outlined by Fusch and Ness, determining the particular number of participants necessary to reach data saturation has the potential to be confusing and troublesome. Rowlands, Waddell, and McKenna (2016) and Tran, Porcher, Tran, and Ravaud (2017) discussed the determination of when data saturation occurs, and the researcher decides when to stop collecting results based on the researcher's the judgment and experience. To ensure data saturation in the study, I followed the characteristics described by Fusch and Ness. I continued to find and interview participants until the information gained from the interviews ceased to change, a replication of the study could take place, and continued coding was not feasible.

Population and Sampling

The population for the study consisted of small businesses located in Hartsville, South Carolina. The SBA (2016) defined a small business as a business with 500 or fewer employees. For the study, I define a small business as a business with 50 or fewer employees. The parameter of 50 or fewer employees defining a small business results in a total population of 117 small businesses in Hartsville, South Carolina. The participant sample I selected from the determined population based on the sampling method and the five criteria previously outlined.

Before gathering a sample of participants, one must decide on the sampling method. Most qualitative research focuses on either using purposive or snowball sampling (Ritchie, Lewis, Nicholls, & Ormston, 2013). Lucas (2014) noted purposive sampling was selecting participants who can assist in addressing the research question. Barratt, Ferris, and Lenton (2015) and Palinkas et al. (2015) both described purposive sampling as selecting participants who can provide the right information for a study. I used the purposive sampling method for selecting the participants. Snowball sampling is a sampling method where the researcher asks initial participants to provide contact information for additional participants who fit the study criteria. (Stivala, Koskinen, Rolls, Wang, & Robins, 2016; Waters, 2015). Snowball sampling is a method used after the initial sample of participants gathers other participants for a study (Fusch & Ness, 2015; Tran, Porcher, Falissard, & Ravaud, 2016). Because of the timing of snowball sampling, I did not use snowball sampling to determine the initial sample of participants.

Yin (2014) suggested a case study should have a participant pool between three and 10 individuals who share expertise on a topic. For the study, I invited three small business owners for the qualitative multiple case study and provided an in-depth exploration of the internal control procedures implemented by the owners. I also received information from the small business owners on how the owners use internal controls to detect and prevent fraud from occurring in the business. I continued conducting interviews until verifying data saturation, at which point the interview process ceased. Achieving data saturation may require the need to recruit additional small business owners. Recruiting additional participants required the use of snowball sampling (Fusch & Ness, 2015; Waters, 2015). Snowball sampling may require identifying additional candidates through established networks within the field (Stivala et al., 2016; Tran et al., 2016). To reach the necessary level of saturation for the study, I employed snowball sampling.

I planned to select the participants using five criteria: (a) the individual was the owner of the small business; (b) the small business was located in Hartsville, South Carolina; (c) the small business has been in business for at least 3 years; (d) the small business has 50 or less employees; and (e) the owner was successful in using internal controls. After assuring the participants meet the criteria, I can form the participant pool. After selecting the participant pool, the participant pool received an e-mail inviting them to participate in the study (Appendix C). I sent 20 initial e-mails inviting the small business owners to participate in the study. My hope was to receive three responses with owners wanting to participate in the study. The e-mail contained a brief description of the study. Upon receiving a reply from potential participants on their interest, I sent an e-mail containing the informed consent form describing the study in more detail. In a letter describing the study, I asked the potential participant to review the specifications of the interview process. The interview process described to the participants was a 1-hour interview conducted in person potentially followed by a follow-up e-mail if clarification was necessary on any points discussed during the initial interview. I used semistructured interviews with open-ended questions as the method of gaining perspectives on how the internal control procedures implemented by the owners of small businesses prevents fraud from occurring in the business.

Ethical Research

Researchers are responsible for assuring the ethical treatment of participants and ethical treatment of the confidential information during and beyond the period of the investigation. Researchers must prevent harm to participants because of the investigation (Busher & James, 2015). Researchers must not practice any form of deception in the delivery of information to participants or in the collection of data (Bailey, 2014; Zeng et al., 2016).

Once I gain interest from the owner of the small business, each owner received an e-mail informing the owners of the purpose of the study, my contact information, and contact information of the university. I intend the informed consent form to engage in a transparent study informing participants of any potential risks (Knepp, 2014; Kumar, 2013). The participants who return an e-mail stating ‘I Consent’ to the informed consent forms verified participation in the study was voluntary. At no time did anyone withdraw from the interview process. However, I had policies in place had any person withdrew. If a participant decided to join the study, the participant could still change his or her mind during or after the study. He or she could request to withdrawal from the study at any time (Hadidi, Lindquist, Treat-Jacobson, & Swanson, 2013). As I outlined in the informed consent form, participants may request to withdraw from the study in person, by phone, or by e-mail. Upon receiving the participant’s request to withdraw from the study, destruction of every associated record, handwritten or recorded would take place.

The destruction of every record associated with the withdrawal participant helped to maintain the relationship formed during the interview process (Morse & Coulehan, 2015).

I abided by the university and IRB policies in conducting the research. I have included the IRB approval number and the expiration date in the informed consent form. Participants can ask questions at any point. The participant received no incentives for participating in the study. Asch et al. (2015) and Finkelstein et al. (2015) discussed the pros and cons of providing incentives to participants for participating in studies. Both agreed not providing incentives shows the voluntary side of the participants and the participants truly invested in the study. Morse and Coulehan (2015) discussed confidentiality in research. I am emphasizing confidentiality as Morse and Coulehan discovered participants are less hesitant to participate when the participant trusts the privacy of the survey. I held actual names in confidence and created a coding system for the participants (for example H1, H2, etc.). Only I know the coding between actual names and code names. I secured the coding notes and each set of personal information in a locked cabinet and on a password protected flash drive inaccessible to others for 5 years, at which time fire will destroy existing records of the study.

Data Collection Instruments

The data collection process requires attention to reliability and validity. Yin (2014) suggested case studies require close attention to the preparation phase of data collection. The preparation phase ensures the interviewer has the appropriate skills, appropriate candidate screening, strategic interview questions, and process development to build a credible case study research process (Yin, 2014). I have focused particular attention on the selection of interview questions, processes, and techniques for my multiple case study.

The selection of instruments supports the reliability and validity of the study and focuses on primary data collection (Mangioni & McKerchar, 2013). As the primary data collection instrument for the study, I conducted semistructured interviews with open-ended questions with 3 owners of small businesses. A critical aspect of the case study exploration process was for a qualified researcher to possess appropriate interview skills to carry out a detailed discussion which may lead to new understandings, opening new directions of discussion (Denda, 2015). Semistructured interviews with open-ended questions support case study investigations by enhancing the flexibility characteristic of case study investigations (Yin, 2014). The investigation process for a case study also needs to follow a case study protocol (Appendix A) to ensure the reliability of the study and findings (Yin, 2014).

To mitigate the threats to the study's reliability and validity the study included systematic procedures aligning with the protocols of conducting case studies (Yin, 2014). Fox, Zougkou, Ashwin, and Cahill (2015) and Terhanian, Bremer, Olmsted, and Jiqiang (2016) discussed researcher bias and the implications researcher bias has on a study. Researcher bias is when the researcher conducts a study possessing a preconceived outcome for the study already in mind (Fox, Zougkou, Ashwin, & Cahill, 2015; Terhanian, Bremer, Olmsted, & Jiqiang, 2016). I reduced the threat of researcher bias by being consciously aware of any preconceptions and ensuring the preconceptions do not influence my interpretations of the interview conducted. Preconceptions have a negative effect on the interview process by infusing bias which may affect how researchers collect and later interpret data (Hansen et al., 2014). To mitigate personal preconceptions during the interview and interpretation processes, I used a technique termed bracketing. Bracketing is pre-identifying my perceptions, assumptions, and prior knowledge and placing the qualities outside of the bracket of the research and shelving the qualities during the interview and interpretation process (Chan et al., 2013; Haskins et al., 2015; Sorsa et al., 2015).

The interview protocol for the study includes seven open-ended interview questions. The interview questions asked of the owners of the three small businesses relate to the internal control procedures implemented by the owners and how the owners use internal controls to detect and prevent fraud from occurring in the business. Open-ended interview questions allowed the participants' answers to guide further discussions during the interview process (McIntosh & Morse, 2015).

When a researcher conducts an interview, acquiring the ability to record the interview session is beneficial (Fog-Petersen, May, & Arnfred, 2016). Possessing the consent of the participants of a study to video and audio record the interview sessions is beneficial to the researcher as recording the interviews allows the researcher to focus on the interview instead of taking notes (Cridland, Jones, Caputi, & Magee, 2015; Lindon-Morris, & Laidlaw, 2014). My intent, as discussed in the informed consent form is to video and audio record each interview session to ensure accurate capturing of the words said during the interview. When a participant does not consent to a recording of the interview session, the researcher does not need to eliminate the participant, but rather the researcher needs to adjust how the interview process takes place (Lucas, 2014). If the participants wish to participate in an interview, but does not provide consent to record, I only took handwritten notes during the interview and asked the participant to speaker slower. To ensure the accuracy of the interview transcripts, I conducted member checking by contacting each participant and asking them to verify the accuracy and my interpretation of the interview transcripts. Member checking allows for the participants to review the interview transcripts for any error or misinterpretations of the discussion (Birt, Scott, Cavers, Campbell, & Walter, 2016; Harvey, 2015). Each participant had 3 days to review the transcript data and my interpretation of the interview data, and provided any required changes in the event my interpretation was incorrect. Marshall and Rossman (2016) stated providing the participants with a deadline in reviewing the transcribed interviews allows for a smaller chance the participant would overthink the questions and answers provided. Ideally, the interview process should not inconvenience participants (Wallace & Sheldon, 2015). I worked with the participants to schedule, and reschedule if needed, the interviews during times which fit the participant’s schedules. The final study is available through ProQuest Publications for individuals with access to an academic library. I provided a 1-page summary of findings, to participants, as a courtesy.

To provide thick rich descriptions, I followed the data triangulation method. Yin (2014) described data triangulation as a method used to validate the findings of a study using a variety of data sources. In addition to a semistructured interview technique, I provided triangulation in the study by obtaining the internal controls policy and procedure document the owners of the small businesses developed. I compared the internal controls policy and procedure document to the COSO internal control framework five integrated components of internal control and the 17 internal control principles. I also obtained a small business internal control good practices provided to small businesses by the SBA to aid the small business in developing an internal control procedure.

Data Collection Technique

I employed semistructured interviews with open-ended questions through face-to-face interviews using a template of interview questions (Appendix B) to collect the data. Porter, Graham, Bodily, and Sandberg (2016) discussed the importance of an interview protocol to provide constant structure during the interview process. Cridland et al. (2015) discussed the need of the researcher to determine the best way to gather the interview material. When a researcher is an audible leaner, the researcher possesses an ability to remember every detail of an interview (Giroud, Lemke, Reich, Matthes, & Meyer, 2017). However, Cridland et al. (2015) recommended researchers use audio and/or video for the correct interpretation and transcription of the interviews. I recorded the interviews and later use the recordings to transcribe the text. The agreed upon informed consent form provides consent for recording the interviews, and before each interview begins, I gave a reminder of recording to the participant. Reminding the participants of recording the interviews allows the participant to withdrawal from the study or opt out of the recording process and continue to participate in the study (Kumar, 2013). Other devices used during the interview process are a notebook to record important changes or additional questions, a pen for taking the notes, a tablet to video and audio record the interviews, and a flash drive to contain the recordings and files about the interview and study.

Kumar (2013) and Knepp (2014) both discussed the importance of setting up the interview as soon as possible after the participants sign the informed consent forms. After the participants provide a returned e-mail stating ‘I Consent’ to the informed consent forms, I reached out to the participants to schedule days and times for the one-hour face-to-face interviews to take place. The intent was to schedule an interview during a time which would not impede on the participant’s normal daily duties. The day before the scheduled interview, I either called or e-mailed to confirm the scheduled interview for the following day. If a need arose and we needed to reschedule the interview, we found a convenient day and time to conduct the interview. The intent was to have the interviews scheduled and conducted within 7 calendar days of obtaining the ‘I Consent’ e-mail from the participant. By conducting the interviews in a brief time frame after receiving, reviewing, and signing the informed consent form the participants were less likely to forget the criteria outlined in the informed consent form (Cridland et al., 2015). On the day of the interview, I reminded the participant of the confidentiality of the interview, the purpose of the study, the length of the interview (1-hour long), the recording of the interview, and the participant's ability to stop and discontinue the interview at any point. Reviewing the criteria outlined in the informed consent form again prior to the interview allows the participants to obtain a better understand of the parameters of the interview (Morse & Coulehan, 2015). If the participants wish to participate in the interview for the study, but not have the interview recorded, I took notes during the interview. Lucas (2014) discussed the importance of reminding the participants of the recording, both visual and audio, to provide the participants with another opportunity to opt out of the recording portion of the interview process.

The primary data collection technique of face-to-face interviews has advantages and disadvantages. According to Opdenakker (2006), an advantage of face-to-face interviews is the researcher could view and notice social cues. Because of seeing the social cues right away, the researcher could adjust the interview questions to address the cues. Another advantage, per Opdenakker, is a time lag does not exist between when I ask the interview question and when the participant provides an answer. The limited time delay allows for more candid answers from the participants. Although the advantages described by Opdenakker are outstanding to have during an interview, disadvantages exist with face-to-face interviews as well. One disadvantage is the inability to tape or video record the interview. Because the participant controls the terms of the interview, he or she may ask not to record the interview, even if he or she granted prior permission (Kumar, 2013). If the participant denies permission to record the interview, the interview may continue, but I must maintain focus on taking notes. I could have missed important social cues from the participant, which would have been a disadvantage (Opdenakker, 2006). Another disadvantage of fact-to-fact interview was the time and cost of traveling to the interview location (Opdenakker, 2006). Although I did not anticipate encountering the cost of traveling to the interview location, I could vision how travel time and cost was a disadvantage especially if either party canceled the interview at the last moment. I used member checking to verify the accuracy of the transcribed interviews. According to Birt et al. (2016) and Morse (2015), member checking allows the interviewer the opportunity to correct any misunderstandings from the interview or transcription process. By allowing the interviewer the opportunity to review the transcripts an increase in the trust level between the participant and myself materializes (Stahl, 2016). For triangulation purposes, the collection of artifacts and other data was necessary (Fusch & Ness, 2015). The artifacts and other data used to provide triangulation in the study are the internal controls policy and procedure document the owners of the small businesses developed, the COSO internal control framework five integrated components of internal control and the 17 internal control principles, and a small business I also obtained a small business internal control good practices provided to small businesses by the SBA to aid the small business in developing an internal control procedure.

Data Organization Technique

Organizing the protection and storage of confidential data is the priority of qualified researchers (Moeyaert, Ugille, Ferron, Beretvas, & van den Noortgate, 2014). My intent was to record each interview through iPad recording software, and then retrieve and store the recorded data on a password-protected flash drive. I stored secondary data collected, including copies of records, statements, reports, or any other written documentation, in a locked safe accessible only to myself.

I protected the confidentiality of participants by assigning generic names and codes and are only be identifiable by me as described in the informed consent form. Providing participant codes, such as H1, H2, H3, etc.; provides the participants with a sense of participant confidentiality and helps to foster a stronger researcher/participant relationship (Churchward-Venne et al., 2014; Dodd et al., 2017). I coded any notes, written and/or electronic, so the notes are only identifiable by the generic names assigned to the participants and the businesses used in the study. I secured notes, outside of the recorded interviews, in a hardbound journal in a locked safe in my house. I scanned and protected the notes (in PDF), stored on a password protected flash drive, which only I only have access. I stored the flash drive in a safe and is specifically for the study. The flash drive houses the interview recordings and the flash drive will stay in the locked safe, when not in use, for no less than 5 years, as required by Walden University. After 5 years, I will destroy every piece of information collected for the study.

Data Analysis

The following central research question guides the research: What internal controls do small business owners use to detect and prevent fraud from occurring in the business? To answer the research question, I conducted interviews, gained responses to a series of related semistructured interviews with open-ended questions (Appendices A and B). After the conclusion of the initial interviews, I transcribed the recordings and use the transcriptions for member checking and analysis.

A researcher must demonstrate accuracy in data collection and interpretation to each participant by reviewing information collected, correcting any misinterpretations, and incorporating member checking (Houghton et al., 2013; Mangioni & McKerchar, 2013). I used a software program called HyperTRANSCRIBE to transcribe the recorded interviews. HyperTRANSCRIBE is a downloadable program into which I load audio files for transcription of the interview recordings and format them for analysis (Rolstad, 2015). By using the HyperTRANSCRIBE program, I reviewed and verified the final transcripts easily, for the correctness of the transcription along with assuring the confidentiality of the participants as I did not have to hire a third party to transcribe. Many researchers use the HyperTRANSCRIBE program for qualitative research to transcript interviews (Couch, Mead, & Walsh, 2013; Liang et al., 2017).

After transcription, the next step was to analyze the collected data. I identified themes or patterns in the language of the data collected by inputting the data into Excel. Woods, Paulus, Atkins, and Macklin (2016) discussed the use of Excel for coding purposes in qualitative research. Using Excel allows for ease in labeling emerging patterns and themes with codes (Woods et al., 2016). Developing emerging patterns was the next important step in analyzing the data gathered by the researcher (Gläser & Laudel, 2013). My intent was then to cluster and code information into patterns of common ideas while not discounting any information gathered in the interviews to begin the process of categorizing and interpreting the meanings of the data. In qualitative studies, the dissimilar brings as much value to the study as the similar (Gläser & Laudel, 2013). My final task was to draw ideas together to emerge with a new, deeper understanding of the phenomenon. Table 2 contains two examples on the coding format:

Table 2

Coding Examples

Code	Description	Total Count
knowledge	Statement or content describing possessing some accounting knowledge.	
application	Statement or content describing the ability to apply accounting practices in business.	

Denzin (1978) discussed four classifications of triangulation (a) data triangulation, (b) investigator triangulation, (c) theory triangulation, and (d) methodological triangulation. Yin (2014) described data triangulation as when researchers use a variety of data sources to validate the findings of a study. Investigator triangulation uses several additional researchers and evaluators during the analysis process of a study to authenticate the results (Joslin & Müller, 2016). Theory triangulation involves using factors from different theoretical perspectives concurrently to examine the same dimension of a research problem (Wijnhoven & Brinkhuis, 2015). Methodological triangulation uses a mixed method to corroborate a study by looking at qualitative and quantitative aspects of data (Patton, 2015). For the purposes of the study, and in the context of Yin's classification, I selected data triangulation. In addition to a semistructured interview technique, I provided triangulation in the study by obtaining the internal controls the owners of the small businesses developed. I compared the internal controls to the COSO internal control framework five integrated components of internal control and the 17 internal control principles. I also obtained a small business I also obtained a small business internal control good practices provided to small businesses by the SBA to aid small business owners in developing an internal control procedure.

One major theory comprises the study's conceptual framework, fraud triangle theory. Fraud triangle theory conceptualize fraud in businesses and when small business owners lack the necessary internal controls employees may see the opportunity to commit fraud in the business. I used the data from the interviews to compare to the theory to see how the small businesses owners internal control procedure may help to prevent occurrences of fraud within the small business.

Reliability and Validity

Moeyaert et al. (2014) concluded researchers assure credibility of studies by assuring the reliability and validity of the findings and conclusions. Once I transcribe, organize, properly cluster data, and establish themes, I checked for reliability and validity via member checking and data triangulation. An identification of both common trends and gaps took place, which may lead to future inquiry.

Reliability

Reliability in a study refers to the ability of researchers to conduct a study repeatedly and obtain similar results (Maxfield & Babbie, 2015; Noble & Smith, 2015). To replicate a study and provide dependability for the initial study, a second researcher follows the audit trail or a case study protocol (Appendix A) of the initial study, which includes describing the (a) introduction of case study protocol, (b) data collection, (c) outline of case study report, (d) case study interview questions, (e) evaluation, and (f) reliability and validity techniques used (Gioia, Corley, & Hamilton, 2013; Yin, 2014). I further ensured the studies reliability and dependability by maintaining alignment between the purpose of the study, the central research question, interview questions, collecting and securing data, to protect participants. I assured compliance with the ethical standards set forth by the IRB and Walden University throughout the study, ensuring the safe storage and destruction of data for a period no less than 5 years.

Validity

Credibility, transferability, and confirmability are three standards a qualitative researcher applies to ensure study validity (Kihn & Ihantola, 2015; Morse, 2015). Participants provide information in response to interview questions. Member checking provides the credibility for the validity of the study by gaining the professional perspective of the participants (Marshall & Rossman, 2016). A researcher must demonstrate accuracy in data collection to the participant by reviewing information collected, correcting any misinterpretations, and incorporating team member checking (Mangioni & McKerchar, 2013; Morse, 2015).

In qualitative research, transferability supersedes generalizability (Betzner, Lawrenz, & Thao, 2016). Betzner et al. described transferability as the ability to have the knowledge gained from interviews and evaluations in one context and/or setting transfer to another context and/or setting. A researcher strives to conduct a study whose findings, conclusions, and recommendations may benefit similar population experiencing a similar phenomenon in equivalent settings and circumstances without claiming the study's results are applicable results to every population (Kihn & Ihantola, 2015). The results of the study may aid other small businesses owners in understanding the importance of an internal control procedure to prevent and deter fraud from occurring in the business.

Confirmability occurs when others can confirm results of a study (Kihn & Ihantola, 2015). Other researchers using the case study protocol to conduct the same study in their town, may replicate the study for confirmability. Researchers ensure the validity of a case study by following a well-developed conceptual framework, applying triangulation, and using thick rich descriptions (Marshall & Rossman, 2016). A conceptual framework grounds the study in established theory. Triangulation entails viewing the study through various lenses, including interviews, documentation, and physical artifacts (Anney, 2014). I employed data triangulation by obtaining the internal controls policy and procedure document the owners of the small businesses developed. I compared the internal controls to the COSO internal control framework five integrated components of internal control and the 17 internal control principles. I also obtained a small business I also obtained a small business internal control good practices provided to small businesses by the SBA to aid the small business in developing an internal control procedure.

For the purpose of the study, I employed member checking, data saturation, and data triangulation. Member checking helps to provide credibility in a study by allowing the participants to review the individual transcribed interview for both accuracy and correctness of the interpretation of meaning (Houghton e al., 2013; Morse, 2015). To ensure the accuracy of the interview transcription, member checking took place by contacting each participant and providing my interpretation of the recorded interview. Marshall and Rossman (2016) suggested providing the participants with a time frame for completing the review of their interview transcription. Each participant had 3 days to review the collected data and provide any required changes in the event my interpretation was incorrect. I used data triangulation to validate the data collected. Carter, Bryant-Lukosius, DiCenso, Blythe, and Neville (2014) described data triangulation as a method used to gain multiple perspectives on data by collecting data from different individuals or groups. In addition to the original participant's responses to the semistructured interview technique, I collected the internal control procedures from the owners of the small businesses interviewed, compared to the COSO, and sample internal controls for small businesses.

Transition and Summary

Section 2 provided specific details about the qualitative multiple case study, which explores the internal control procedures small business owners apply to detect and prevent fraud from occurring in the business. The topics in Section 2 included (a) the role of the researcher, (b) the participants, (c) the research method and design, (d) the population and sampling, and (e) ethical research. In addition, I discussed the data methods about (a) the data collection of instruments and techniques, (b) the data organization techniques, (c) the expected data analysis, and (d) reliability and validity in Section 2.

Section 3 contained the actual findings of the study along with the application of professional practice and implications for social change. Section 3 closed with a discussion of recommendations for action, recommendations for further study, and a reflection on the study. The reflection on the study included my experience with the research process, including possible personal biases or preconceived ideas and values which emerged throughout the study, the possible effects I had on the participants during the study, and how the study changed my thinking on the accounting strategies small business owners apply to detect and prevent fraud from occurring in the business.

Section 3: Application to Professional Practice and Implications for Change

Introduction

The purpose of the qualitative multiple case study was to explore the internal controls small business owners apply to detect and prevent fraud from occurring in the business. The specific population consisted of three individuals of small businesses who (a) were the owner of the small business; (b) had the small business located in Hartsville, South Carolina; (c) were in business for at least 3 years; (d) employed 50 or fewer employees; and (e) were successful in using internal controls in the small business. My analysis of the research study findings indicated the effective internal controls successful small business owners used to detect and prevent fraud from occurring in the business. Three major themes emerged while analyzing the interviews: (a) cash, (b) separation of duties, and (c) attentive and awareness.

The conceptual framework for this study was the fraud triangle theory (Cressey, 1950). In addition to the participant interview responses, I used the internal controls policy and procedure document the owners of the small businesses developed, the COSO internal control framework five integrated components of internal control and the 17 internal control principles, and the small business internal control best practices from the SBA to address the research question. Having a working knowledge of the COSO can help a small business owner implement an internal control process which works for the business (Hess & Cottrell, 2016). When assessed and designed correctly, a small businesses internal control policy and procedure manual can help detect and prevent fraud in the small business (Bentley-Goode et al., 2017; DeZoort & Harrison, 2016). Understanding the correct type of internal control to implement in a small business comes with time as the fraud needs for a small business differ greatly than the fraud needs to a large public company (DeZoort & Harrison, 2016).

In this section, I present my findings. Section 3 also contains information appropriate to the application of the findings to professional practice and social change. Section 3 concludes with my recommendations for future research, reflections, and conclusions.

Presentation of the Findings

The central research question for the study was as follows: What internal controls do small business owners use to detect and prevent fraud from occurring in the business? I used seven semistructured open-ended interview questions (Appendix B) as the primary collection method for the study. I reviewed the internal control policies and procedures from the small businesses, COSO, and SBA as my secondary collection method. The triangulation of semistructured interview questions with small business owners, reviewing the internal control policies and procedures from the small businesses, the COSO internal control framework, and internal control best practices from the SBA allowed for the identification of three themes. The identified themes are relevant to the conceptual framework of Cressey's (1950) fraud triangle. Cressey explained the fraud triangle as containing three points necessary for an individual to commit fraud. These three points have changed as business and technology have changed (Sledgianowski, Gomaa, & Tan, 2017). When small business owners apply internal controls to lessen the (a) opportunities, (b) capabilities, and (c) motivation for committing fraud, the owners take the necessary steps to safeguard the business (Baker et al., 2016). Therefore, the following discussion expands on the identified themes of (a) cash, (b) separation of duties, and (c) attentiveness and awareness.

Theme 1: Cash

The theme of cash incorporates any discussion by the small business owners focusing on physical cash or checks coming into or going out of the small business. Cash is one of the most troubling aspects for a small business as cash is the primary method of transactions for small businesses. When cash goes missing, the impact to the small business can be large and troublesome (Panwar, Nybakk, Hansen, & Pinkse, 2017). Provided in Table 3 are excerpts from the interviews with three small business owners on how their business handled receiving cash or checks from customers.

Table 3

Cash Received

Participant	Excerpt
Owner J	We are more of a check based business and rely heavily on correct recording of receipt of the checks when the customers mail or drop them off.
Owner R	Since we are a cash heavy business we rely heavily on having a set procedure in place where the customers/clients have to check out through the register and only specific employees are trained to run the registers.
Owner Q	We have a mix of receiving cash and checks for payment of the products we sell to the public and we have a set of employees who have the ability to accept the payments we receive.

All three of the three participants (100%) agreed cash was the most important account for a small business. All participants also agreed their end-of -the-day procedures involved reviewing the cash collected for the day in the business and making sure the numbers balanced for the day. One area of the discussion focused on if the small businesses had specific employees handling the cash received by the business. Of the participants interviewed, two of three (66.6%) stated they had specific employees trained to collect the cash received by the business.

The aspect of receiving cash or checks from customers and issuing checks to vendors is a widespread practice in businesses, whether a small or large business, and specific controls need to be in place to prevent fraud from occurring (Kim, Schmidgall, & Damitio, 2017). Whether the small business owners interviewed were well-versed in the concept of internal control and or COSO, the owners were following some guidelines outlined by the COSO for their collection of cash and checks. The following are the COSO guidelines followed by the owners: (a) operations, (b) control activities, (c) monitoring activities, (d) establishing structure, authority, and responsibility, and (e) conducting ongoing and or separate evaluations (Rae, Sands, & Subramaniam, 2017). In addition to integrating internal controls and the COSO into the small business policy and procedures, the owners of the business got to know their employees. By the owner of a small business taking the time to know the employees, the owners observed the employees and noticed when a change happened with the employees, such as being stressed out or having a change in attitude. This change could be a potential pressure and motivation for the employee to commit fraud in the small business (Said, Alam, Ramli, & Rafidi, 2017). The pressure and motivation the employees feel are pillars to the fraud triangle (Cressey, 1950; McMahon et al., 2016). Small business owners can protect their most valued asset in the business—the cash in the business—by neutralizing a pillar of the fraud triangle (Stahl, 2016).

The internal control policies and procedures received from the participants corroborated the participants’ attention to the cash and check procedures to mitigate fraud from occurring the business. All participants had certain employees who handled receiving the cash or checks in the business. According to Owner R, Small Business R hired employees with the explicit understanding of their job pertaining to running the cash register. Employers trained those employees hired to run the register specifically according to the policies and procedures in place for collecting and distributing cash and checks. These employees also went through professional development to maintain the knowledge necessary to keep the cash safe in Small Business R.

Theme 2: Separation of Duties

The theme of separation of duties incorporates any discussion by the small business owners focusing on the distribution of steps involved in certain areas of the small business. Avanesov, Chevalier, Rusinowitch, and Turuani (2017) described the separation of duties as separating the steps of a business function between two or more employees. Bakri, Mohamed, and Said (2017) indicated separation of duties is the most important internal control a business can implement. The implementation of separation of duties helps the business mitigate the opportunities present for employees to commit fraud (Ultra & Pancho-Festin, 2017). Provided in Table 4 are the excerpts from the interviewees regarding the separation of duties within their small business.

Table 4

Separation of Duties

Participant	Excerpt
Owner J	Separation of duties was not something I thought about in the business until we started Remote Deposit Online with our bank.
Owner R	Separation of duties is a large part of our internal control policy and procedures between the cash register and product inventory.
Owner Q	Since we implemented separating out the accounting duties we have seen an attitude change with our employees and we have seen one quit.

All three of the three (100%) participants understood the importance of separating the duties involved in the business. Of the participants interviewed, two of the three (66.6%) did not start out with separating out the duties in the business. These two participants did observe the beginning of fraudulent activity by a few employees. Once one participant implemented separating the accounting duties, there was a change in the employees attuites. Of the participants, one of the three (33.3%) understood the importance of separating out the accounting duties and implemented this feature since her business started.

While separation of duties might be a tedious task to undertake in a small business, and some small business owners might not see the need for this practice, separation of duties is the most widespread internal control practice in businesses (Schöniga, Cabanillasb, Jablonski, & Mendling, 2016). When the owners of a small business start the process of separating out the duties of their business, the owners need to think *who do I want included in this process?* (Coppolino, D'Antonio, Mazzeo, &

Romano, 2017). The selection process of how to include employees in certain areas of the businesses accounting process helps eliminate a requirement of the fraud triangle—opportunities (Cressey, 1950; McMahon et al., 2016). When small business owners mitigate opportunities to commit fraud by implementing the separation of duties and/or structure in the small business, the employee will either resign or go along with the new policies and procedures (Coppolino et al., 2017).

Small business owners should investigate the separation of duty controls included in any accounting system in use in the business as many systems have controls, as Owner J uncovered. An employer has a set number of employees allowed to complete the duties of an accounting process. However, each employee can only access certain areas within the accounting process in the system creating separation of duties (Coppolino et al., 2017).

The division of duties within the participants’ small businesses showed the owners’ commitment to detecting and preventing fraud. All owners had implemented, to an extent, the concept of separation of duties. According to the interviews conducted with the owners, the thought behind the separation of duties by Owner Q exceeded those of Owner J and Owner R. Owner J stated the process for separating the accounting office duties was a difficult journey and arose because of a mistake uncovered in Small Business Q. Once Owner Q implemented the new policies and procedures, Owner Q noticed a change in the employees’ attitudes for the better and had one employee quit. While Owner Q could not say for sure that the employee who quit was behind the mistake which led to the change, Owner Q could say there had not been an issue since.

Theme 3: Attentiveness and Awareness

The theme of attentiveness and awareness incorporates any discussion by the small business owners focusing on being aware of what is happening in the small business. This theme took me by surprise. All three out of three (100%) owners discussed the need to pay attention to what is going on in the business outside of the numbers of the business. When an owner of a business is present in the business, the owner should watch for changes in the employees, inventory, and the numbers (Guthrie & Taylor, 2017). Provided in Table 5 are excerpts from the small business owners regarding the necessary attentiveness and awareness within their small business.

Table 5

Attentiveness and Awareness

Participant	Excerpt
Owner J	I have found by being present in the business daily, the employees are used to seeing me and probably think a little more with the decision and moves they make in the business.
Owner R	By staying involved in the daily duties of the business I am more aware of the dynamics between the employees and attentive to issues arising in the business.
Owner Q	Being visible in your business is imperative. The visibility helps me stay aware and attentive to issues between the employees, vendors, and customers.

All three of the three (100%) participants understood the importance of being visible in the small business to the employees. All three of the participants recognized being attentive and aware of the employees in the small business did not mean to stand behind the employees from start to finish of the workday. All three participants agreed on being attentive and aware of the business simply means being visible and aware of the daily items taking place in the small business.

The owner of a small business makes the decision to be present or absent from their business. When a small business owner is absent from the small business owner's business, the employees notice, and the employees have an opportunity to commit crime (Said et al., 2017). When an owner is present, attentive, and aware in their business, employees take notice and are less like to attempt to commit fraud (Chen, Chan, Dong, & Zhang, 2017). When owners of small businesses eliminate the opportunity to commit fraud by being attentive and aware, the owners are ultimately safeguarding their assets in the small business and eliminating a component of the fraud triangle (Cressey, 1950; McMahon et al., 2016).

According to the small business owners interviewed, they all found when they were present in the business the employees were less likely to attempt to test the internal controls of the business. Owner J admitted he used to only pay attention to the cash accounts in his small business. Owner J said he did not see the necessity to review the other aspects of the business, until the day Owner J uncovered an issue. An employee knew he did not check any of the other aspects of the small business or accounting records outside of the cash account. Due to this lack of a control on Owner J's part, the employee was creating false vendor accounts, false purchase orders, and cutting checks to the false vendor to pocket the money. While Owner J reviewed the cash account, everything looked legitimate as the employee wrote a check to the false vendor, which Owner J tracked.

Applications to Professional Practice

I conducted this study to discover what strengths lay in the internal controls of small businesses to detect and prevent fraud from occurring the in the small business. The interviewees and my interpretation of the documents reviewed, demonstrated the importance small business owners place in understanding the internal control process and the necessity in creating an internal control policy and procedure manual. The study exposed three themes (a) cash controls, (b) separation of duties, and (c) attentiveness and awareness. These three themes are key components to the description and discussion about internal controls as described by the COSO internal control framework.

The connection between the emerged themes, COSO internal control framework, and the internal control policies and procedures developed by the small business owners demonstrated the participants have an exceptional working knowledge of internal controls. By the small business owners demonstrating their working knowledge of internal controls for their respective businesses. small business owners may provide guidance for new business opening in Hartsville, South Carolina. In addition, these findings are important because had the small business owners not known about internal controls or implemented the internal controls properly, the consequences could be disastrous for the small business (Hess & Cottrell, 2016). Outside of the increased ability for employees to commit fraud in the small business, small businesses suffer an average loss of $150,000 when fraud is committed in the small business (ACFE, 2016; Hess & Cottrell, 2016). Had I found the reverse conclusion, the research would show a deficiency in the small businesses internal control practices in Hartsville, South Carolina, leaving the possibilities for employees to commit fraud (Frazer, 2016). Because the interviewed business owners knew the correct way to implement internal controls through policies and procedures, there is a layer of protection in place to prevent fraud from occurring and eliminating pillars of the fraud triangle in the small businesses interviewed (Cressey, 1950; McMahon et al., 2016). Once the small business owners eliminate the opportunity to commit the fraud, the individuals may move their fraudulent conduct to another business or jurisdiction.

In summary, the findings of this study showed how much small business owners knew about internal controls. My literature review showed why this is such an important topic: to reduce fraud and other crimes, as well as to prevent small business owners from losing their life's work. Combined, this study improves business practices by demonstrating how three businesses learned and implemented the correct internal controls to protect themselves.

Implications for Social Change

Fraud is a problem in so many societies for many reasons. Fraud takes on different forms, depending on the available opportunities. The components of the fraud triangle include: (a) motivation, (b) opportunity, (c) personal integrity, and (d) capability (Cressey, 1950; McMahon et al., 2016). Much like the fraud triangle, there is a crime triangle, which is similar: a) whether victim could be a target; b) criminal desire and; c) opportunity (Growette-Bostaph, Brady, & Giacomazzi, 2014; Pires, Guerette, & Stubbert, 2014). The small business owners interviewed for this study understand the importance of addressing was to detect and prevent fraud from occurring in their small business. This understanding was evident based on the owner's understanding of cash controls, separation of duties within the business, and the necessity of attentiveness and awareness of what is happening in their small business.

The impact for social change is to remove opportunity from both triangles. The study examined the knowledge that small business owners possessed regarding removing the opportunity to commit fraud and crime from their business. Based on the interviews and research, fraudulent employees would have a difficult opportunity committing fraud in these businesses due to the cash controls, separation of duties within the business, and the level of attentiveness and awareness the owners have implemented in their small businesses. This would drastically improve lower costs of services and/or products and improve the quality of life via improved economy. If the whole business community of Hartsville would adapt similar measures, the social change would be phenomenal.

In addition to removing opportunity from the triangles, knowledge of internal controls removes the victimization side of the crime triangle (Pires et al., 2014). This would remove two sides of a triangle for white-collar crime in the City of Hartsville. While I would suggest in no way this would solve all crimes, the social change impact is reducing one crime and keeping goods, services, and other costs low for consumers (McMahon et al., 2016). By keeping costs lower the economy of the area increases and the quality of life and services improves. Lastly, the behaviors of the criminals may change as well (McMahon et al., 2016). This could be by relocation or even changing a criminal’s life by giving him or her a second chance at a legitimate job—because employers could create jobs.

Recommendations for Action

The solution to the problem outlined in the study is education, formal or informal. My recommendations to persons reading the study who lack knowledge of internal controls is to enroll in formal education such as credit courses, noncredit courses, meetings, in seat conferences or synchronous online webinars specifically focused on internal controls, cash controls, separation of duties, and attentiveness and awareness in a business. If time or other barrier prohibits this course of action, books, magazines, and self-study materials are available to educate small business owners on proper internal controls.

Informal education is cheap, self-paced, and easy to read. The drawback is there is no networking, no sharing of experiences, and no vetting of the author of the material. The ability of small business owners to network, share experiences, and talk with subject matter experts is invaluable to the owners. The ability to discuss concerns and investigate ways to control the cash in the small business, separate duties in a small business, and incorporate ways to be attentive and aware of what is happening in the small business would allow the owner to make a statement regarding fraud not allowed in the small business.

I did not study the differences between credit or non-credit courses so education via credit or non-credit courses are irrelevant. However, I prefer and recommend formal education, as people who have knowledge (instructors) may pass along information learned to help the small business owner learn how to prevent fraud and/or theft. Therefore, small business owners and even managers need to pay attention to the results. The interviewees in the study had a good knowledge of internal controls and the interviewees shared their experiences freely and without hesitation. The same is true of any small business owner or instructor who wants to eliminate the hurt and devastation that happened to them. I also plan to share the results via literature conferences, training, and in classes. I believe the best method is to enroll in an accounting course that covers internal controls if possible. I believe, as a college instructor, I should educate current and future business owners in the platform my employer has given me. I would do so fairly and equitably. Second, I believe conferences are best to aid in networking of small business owners.

Recommendations for Further Research

In Section 1, I listed two limitations: generalizability and bias. The study focuses on a small population of three small businesses located in the town of Hartsville, South Carolina, which has a population of approximately 7,900 people. This limitation exists in my study because of the location selected. In a different location a researcher may encounter different results with the interviews conducted with small business owners. This is a limitation that is uncontrollable and insurmountable in any study (Kirkwood & Price, 2013 and Yilmaz, 2013). Bias was the second limitation. I believe I was fair and equitable throughout the study, basing my opinion on facts and only reported what the research indicated and interpreted the facts from the interviews. Thus, I do not believe bias became a limitation.

For these reasons, I believe other researchers may benefit from the study. The study examined what internal controls small business owners implemented to detect and prevent fraud from occurring in the small business. The results of the studied showed the importance of cash controls, separation of duties, and attentiveness and awareness in the small businesses interviewed. Future research may seek to confirm, dispute, or circulate these three themes found in the studied population. Future researchers may want to also expand the study to a percentage of businesses in an area. For example, the study population may change to 20% of the small businesses within an area. This change may give researchers a glimpse into the makeup of the small business owner community. The other recommendation for future studies is to ensure the small business communities are willing to talk before proposing the study. In some cases, I found small business owners felt I was trying to sell them something and it made for an awkward encounter.

Reflections

I have not altered my prestudy and poststudy mindset; however, my experience opened my mind to research methods. When I began my studies at Walden University, I believed the dissertation was akin to the master's degree thesis I wrote. I was incorrect in my beliefs. I now believe I have a strong working knowledge in qualitative methods and in doctoral studies.

While conducting the interviews I was surprised to hear the owners of the small businesses not fully know the controls they have in place were part of a larger component called internal controls. One owner had not heard the term internal controls until they were applying for Remote Deposit Online with their bank. For being small business owners, I thought the lack of knowing the policies and procedures they have in place were part of an internal control process a little strange. However, the owner who had not heard of the internal control term is now undergoing a Service Organization Control (SOC) 2 audit of their internal controls.

From the emerging themes, interviewees unexpectedly disclosed perspectives on attentiveness and awareness. I was expecting the discussion to focus on the specifics of internal controls (i.e., cash controls and separation of duties) and not have a large discussion regarding actions or habits I thought would be second nature to the owners of the small businesses. While most business minded people could see this theme as being second nature, I must keep in mind not all small business owners possess educational degrees or specific training. Business minded people and some might not think they need to be attentive and aware to what is happening in the different areas of their business. That is why some owners hire certain employees because of the knowledge the employee possesses.

Conclusion

The detection and prevention of fraud from occurring in small businesses lay directly in the hands of the small business owners (Hess & Cottrell, 2016). Understanding the ways employees can commit fraud against the small business and the internal controls the small business owners can implement are extremely important to the small business owner (DeZoort & Harrison, 2016; Rikhardsson & Dull, 2016). Fraud can be committed against a small business in several ways, however when the small business owners understands the components of the fraud triangle; (a) motivation, (b) opportunity, (c) personal integrity, and (d) capability; the small business owner is able to detect and prevent fraud from occurring by implementing the correct internal control policies and procedures (Cressey, 1950; McMahon et al., 2016; Omar et al., 2016).

The purpose of this qualitative multiple case study was to explore what internal controls small business owners used to detect and prevent fraud from occurring in their business. The findings of this study explain three themes pertaining to the effective internal control strategies used by the small businesses interviewed (a) cash controls, (b) separation of duties, and (c) attentiveness and awareness. These themes fall in line with the content and guidelines set forth by the COSO internal control framework. Using this study, I believe education on internal controls is the primary problem solver to limiting fraud and other criminal acts, which has destroyed small businesses and people's lives in the process.

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Appendix A: Case Study Protocol

A. Introduction to the Case Study Question

   a. What internal controls do small business owners use to detect and prevent fraud from occurring in the business?

   b. Conceptual framework

      i. Fraud triangle theory (Baker et al., 2016; Cressey, 1950; Free, 2015; Mansor (2015a); Mansor (2015b); McMahon et al., 2016)

   c. Role of case study protocol

      i. To guide the current researcher and future researchers to ensure standardization, reliability, validity, and credibility.

B. Data Collection

   a. Business location

      i. Hartsville, South Carolina

   b. Data collection plan

      i. Data collected focuses interviews with the participants and collecting artifacts (internal control procedures) from the participants.

      ii. Participants are sought out based on the business being a small business and the owners’ willingness to participate (letter of consent received).

      iii. Participants will sign and return an informed consent which will release the interview questions to the participants before the scheduled interview.

      iv. Interviews are planned to be conducted in person and recorded. Participants can elect not to be recorded. In the instance, the participant elects not to be recorded, the researcher will take detailed notes using pen and paper to the responses given and the gesture observations.

C. Outline of Case Study Report

   a. Introduction
   b. Presentation of finding
   c. Application to professional practice
   d. Implications for social change
   e. Recommendations for action
   f. Recommendation for further study
   g. Reflections
   h. Summary and concluding statement

D. Case Study Interview Questions

   a. What strategies do you currently have in place to detect and prevent fraud from occurring in your business?
   b. What specific internal controls do you have in place to deter and prevent fraud from occurring in your business?
   c. How did the implementation of the internal controls change your employees' behavior?
   d. How often do you test your internal controls in your business?
   e. How have you adjusted or tweaked your internal controls since you implemented them in your business?
   f. If you did not have internal controls in place to detect and prevent occurrences of fraud, how detrimental to your business would a loss of $150,000 be?

g. Do you have anything else you want to add regarding internal controls?

E. Evaluation

a. Transcription of the interviews will take pace using a program called HyperTRANSCRIBE.

b. Themes are selected based on the repetition of words or phrases obtained during the interview process.

c. Clustering involves looking at every participants’ interviews and combining the responses into the emerging themes while maintaining which interview the comments emerged from.

d. Coding takes the key words, provides a meaning for the key words, and then a count for how many times the key word or meanings are seen in the interviews.

e. Final analysis involves analyzing the results of the interviews and the artifacts to determine the internal controls used by small business owners to detect and prevent fraud from occurring in their business.

F. Reliability and Validity

a. Using the outlined case study protocol allows for a mainstream direction for the study to follow ensuring reliability in the study and future studies of small businesses and fraud in other locations.

b. Bracketing allows for the mitigation of personal preconceptions during the interview and interpretation processes and allows for reliability and validity in the study.

c. Member checking allows for validity in the study because the participant is responsible for ensuring the transcription is what was meant to be said.
d. Using data triangulation for the study includes collecting the internal control procedures from the owners of the small businesses interviewed, compare to the COSO, and sample internal controls for small businesses.

Appendix B: Interview Protocol Form

Time of the Interview: ____

Date of the Interview: ____

Place of the Interview: ____

Interviewer: ____

Interviewee: ____

Position of the Interviewee: ____

Description of the Study: ____

Interview Questions:

1. What strategies do you currently have in place to detect and prevent fraud from occurring in your business?
2. What specific internal controls do you have in place to deter and prevent fraud from occurring in your business?
3. How did the implementation of the internal controls change your employees' behavior?
4. How often do you test your internal controls in your business?
5. How have you adjusted or tweaked your internal controls since you implemented them in your business?
6. If you did not have internal controls in place to detect and prevent occurrences of fraud, how detrimental to your business would a loss of $150,000 be?
7. Do you have anything else you want to add regarding internal controls?

Appendix C: Invite Study Participants E-mail

Hello **(Potential Participant) -**

My name is Stephane Weiss, and I am a doctoral student from Walden University. The reason I am writing you is to invite you to participate in a research study I am conducting. I am seeking owners of three small businesses located in Hartsville, South Carolina. The proposed study is regarding what internal controls do small business owners use to detect and prevent fraud from occurring in the business.

If you are interested in participating in this valuable research, please reply to this e-mail with your interest. The reply is letting me know that you are interested in participating or would like more information on the study. Upon receiving you reply of interest, I will send you a second e-mail containing more information on the study. It will be with the second e-mail where I would seek a final decision of formal participation.

Sincerely,
Stephanie Weiss
Doctoral Candidate
Walden University

Appendix D: NIH Certificate of Ethical Compliance

Certificate of Completion

The National Institutes of Health (NIH) Office of Extramural Research certifies that **Stephanie Weiss** successfully completed the NIH Web-based training course "Protecting Human Research Participants".

Date of completion: 03/12/2017.

Certification Number: 2349931.