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Strengthening Internal Controls and Fraud Prevention in Property Management Finance (ERP-Driven)

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Abstract

This article examines the ways in which internal control, that is the management of risk, can be reinforced in the finance function of a property manager by implementing an ERP system or a property management system that functions on the same idea. It does not make a new estimate of a regression, and it doesn't manufacture survey results. Owners' money, reserves, security deposits and rents are held by the property manager. The fragmentation of custody, the small teams and many owners present the opportunity for rent skimming, deposit diversion, fictitious vendors, and payment tampering, commingling and unsupported charges on owner statements. The evidence of occupational fraud reveals that a failure to establish controls and an override of controls represent over 50 % of schemes investigated and that the average scheme is detected within approximately 12 months of its occurrence. Results from the public company evidence indicate that companies using enterprise systems are less likely to have internal control deficiencies as compared to comparable companies that don't use enterprise systems, and companies that remediate control deficiencies are more likely to have a better quality of accruals. There is no single voice of the literature on earnings discretion. The implementation of the changes is linked to lower discretionary accruals in one study, and larger absolute discretionary accruals particularly if more modules are used in another study. So the article gives the system a second-class citizen status when role design, role matching, trust cash separation and the three way reconciliation are not implemented in reality, and the software license gives management override and careless implementation a second bite at the cherry.

Keywords: Property Management Finance, Internal Control, Occupational Fraud, Enterprise Resource Planning, Trust Accounting, Segregation of Duties

Introduction

Property management financing is the administration of cash that is not the ones of the asset owner. Security deposit and owner proceeds as well as rent go through the manager before they are applied, held, or disbursed. That custody gives a constant chance for theft and misstatement as that same office that accepts the money also holds a ledger to which owners and tenants are asked to entrust their money. Embezzlement is said to be the product of a pressure that the offender cannot share, an opportunity that the office leaves open and a justification that the offender can live with, and opportunity is the part of the control system which is closed by a control agent (Cressey, 1953). That's not what the later fraud theory has rejected. It has proposed that the triangle is not complete – that prevention also requires the anti-fraud measures that surround the person and by which the act is hidden (Dorminey et al., 2012). Research indicates that the open is a missing control, or a control that has been ignored by someone in position of trust, and this occurrence can be common, as demonstrated by occupational fraud studies. According to the latest worldwide investigation of schemes, internal controls and override of internal controls combined made up

over half of all schemes and the typical scheme lasted approximately twelve months before it was detected (Association of Certified Fraud Examiners [ACFE], 2024).

The schemes that are important here are primarily theft and corruption as opposed to the rare instances which attract public attention involving manipulation of financial statements. In that global study, asset misappropriation was seen in approximately eighty nine percent of the cases, with the median loss much lower than the median loss on financial statement fraud, which occurred in about five percent of cases but caused the highest loss per case (ACFE, 2024). One of the highest risk asset theft methods is billing schemes and check and payment tampering. Those categories have all been seen in a property portfolio before. A leasing agent takes cash rent, but does not post it. A bookkeeper deposits a security deposit into the operating account that he utilizes to cover a deficiency. A maintenance supervisor makes one of his own vendors, approves the invoice and pays it. An owner statement is a statement with a management fee or capital charge which is not backed by an invoice. None of these types of acts involve a high-tech attack on a public company close. Both must have access and a weak division of duties, and each must have a ledger, with no single person willing to agree with the bank and with the sum of the balances of the individual owner and tenant. As much as motive, position and personal skill is important. A scheme can be implemented by a person who is familiar with the system, has conflicting roles and is able to mask the entry by a policy manual (Wolfe & Hermanson, 2004).

Of course, an enterprise system, be it an enterprise resource planning or enterprise system of properties built upon a similar principle, does not kill human motivation. It modifies what a person can receive rent, modify a tenant ledger, create a vendor and release a payment without needing to have other people or system rules to block them. The control framework adopted globally does not rely on risk of fraud being just a slogan, and the components of control must be in place and working together (Committee of Sponsoring Organizations of the Treadway Commission [COSO] 2013). Studies of public company reports reveal that companies that adopted enterprise systems were less likely to report internal control weaknesses compared to similar companies that did not adopt enterprise systems both on the entity level and at individual account level (Morris, 2011). A synthesis of fraud related auditing research has the same spot in the auditor's risk assessment. In addition to the client's anti-fraud measures, the assessment requires the imagination of schemes and concealment methods (Trompeter et al., 2013). The real-world issues with property management are whether those measures are around trust cash, vendor master data and owner disbursements or whether the system is simply used as a quicker method to do the same unchecked work.

This article attempts to answer that question in structure of an evidence review. It doesn't guess at new samples of companies and it doesn't concoct survey percentages. It collates the internal control framework, the key fraud models and evidence that an integrated system is linked to fewer control weaknesses or that the internal control framework has shifted in terms of the discretion managers have over reported numbers. It then uses that evidence to a property manager's cash, vendor and owner reporting cycles. The application is marked as application. The real estate sector of the fraud study has a negligible number of cases and is not dressed up as a sector loss rate (ACFE, 2024). The claim it's prepared to defend is narrower. A system is a reinforcement of prevention as it makes a few sets of incompatible acts impossible or visible. It doesn't bunker prevention when the management can go around the workflow, it doesn't make a difference if trust cash and operating cash are separated on a policy page, and it doesn't make sense to say that the import of an unreconciled ledger is a control improvement.

Literature Review

Studies of internal control weaknesses find that there are not random distribution of weak internal control across firms. The reasons for companies disclosing material weaknesses were varied, with smaller, younger, financially weaker, more complex, and/or rapidly growing companies, and restructuring or restructuring companies, more likely to disclose a material weakness in financial or in entity-wide case respectively (Doyle et al., 2007). A similar study, which looked at deficiency disclosures before the introduction of mandatory IC audits, reveals the same trend, though from the other perspective. Firms that reported deficiencies were larger, more recent an organizational change, had more accounting risk, more auditor resignations, and fewer resources to devote to control than firms that did not report deficiencies (Ashbaugh-Skaife et al., 2007). A property management company typically faces a tight struggle with a number of those conditions at the same time. It may be lightly staffed and privately owned, but it is a complicated ledger, since each building, each owner, and each tenant is a different pool of money, and should not be borrowed to pay for another. The kind of shock the studies link to control failure is the growth through acquisition of new buildings, or a change of system. The weakness literature offers a prior, then, for the weakness. The office that needs enforced separation the most, is the office that's least likely to have extra people to do it.

The quality of the numbers moves with the quality of the control, and it moves again when the weakness is repaired. Firms that reported internal control deficiencies had noisier accruals, measured both as accrual noise and as absolute abnormal accruals, than firms that did not report such problems, and the abnormal accruals were larger in both directions, which is more consistent with error than with a one sided bias (Ashbaugh-Skaife et al., 2008). Firms whose auditors later confirmed that the deficiency had been remediated showed an improvement in accrual quality relative to firms that did not remediate. The integrated framework asks management to design five components, namely the control environment, risk assessment, control activities, information and communication, and monitoring, and it treats the consideration of fraud risk as a principle within risk assessment rather than as an optional project (COSO, 2013). Read against the remediation evidence, a principle that is only written down does not change the numbers. A principle that is put into operation, and then checked by someone who can say whether it is working, is associated with a cleaner accrual. For a property manager the parallel is direct. A trust procedure that is repaired and then tested should leave a cleaner owner ledger than a procedure that is laminated and ignored.

The research on enterprise systems asks whether placing control activities inside a single application improves that result. A matched comparison of firms that implemented such systems and firms that did not found that the implementing firms were less likely to report internal control weaknesses under the reporting rules that followed the Sarbanes–Oxley Act, and that the difference appeared both for entity wide controls and for controls over particular accounts (Morris, 2011). A broad review of the same stream of work describes these systems as a departure from separate departmental software. It places information quality, embedded management controls, and the changed work of the accountant among the consequences that still require careful study, and it is frank that implementation is among the largest and most failure prone projects a firm undertakes (Grabski et al., 2011). The fair reading of the weakness result is therefore conditional. Approvals that the system will not skip, an audit trail that the user cannot edit, and a single chart of accounts can reduce the chance of a reported weakness. They do so only when access rights match the real duties of the office and when management does not keep a standing path around the workflow. A project that is abandoned halfway, or a chart of accounts that is copied from the

old mess, will not inherit the result that Morris reports for firms that implemented and then lived under the system.

Evidence on earnings discretion after implementation does not line up in a single direction, and the disagreement belongs in the review rather than in a footnote. One study of firms that implemented enterprise systems between 1994 and 2003 finds a significant decline in the absolute value of discretionary accruals around implementation, a decline the matched control group does not show, with short term accruals driving the result and long term accruals largely unchanged (Morris & Laksmana, 2010). Another study of adopters finds the opposite movement in the same family of measures. Implementations were associated with an increase in the absolute value of discretionary accruals, and the increase was larger where the firm adopted more modules, even while some firms with a reason to report faster were able to shorten the lag between period end and the earnings release (Brazel & Dang, 2008). The two designs are not identical, and this article will not pretend that one cancels the other. Together they warn against a slogan. An integrated ledger can reduce the room for after the fact adjustment, and it can also hand a capable manager a faster and more complete tool for making the adjustment. In a property firm the relevant translation is not a debate about public company accruals. It is the warning that a powerful system in the hands of one trusted accountant can conceal a reclass between owners as easily as it can prevent one.

Fraud research provides the magnitude of the loss and the amount that any one control can prevent. In the 1,921 cases reported from 138 countries and territories, losses totaled over 3.1 billion U.S. dollars, and the median loss came out to be 145,000 dollars, while certified examiners still estimate that organizations lose approximately five percent of their revenues to fraud in a typical year (ACFE, 2024). The majority of cases reported were for asset misappropriation. Nearly half of them had signs of corruption. The median financial statement fraud was significantly more costly, and was rare in occurrence. Forty-three percent of tips were received from tips detected, over three times as many as the next most common tip, and over half of the tips were received by employees. The same evidence channels the relationship between the existence of anti-fraud controls (reporting mechanisms, surprise review, and active management oversight) and shallow losses and short schemes, and distinguishes between a named control in a manual and an active control. This joint fraud risk guide is designed to be used alongside the internal control framework, and it views data analysis as an integral part of the program of governance, assessment, preventive and detective activity, investigation, and monitoring, and not merely a product demonstration (COSO & Association of Certified Fraud Examiners, 2023).

This literature doesn't yet do what it doesn't yet connect these dots inside the finance function of a property manager. Research on enterprise systems focuses on public companies and regulations of reporting to capital markets. Real estate is not the only industry in which fraud occurs; it is not a single control problem, it is a study of occupational fraud. The real estate industry sector was discussed in this global study, and the number of cases was limited, so caution should be used in interpreting these schemes, rather than ignoring them, as described in the detail in the wider evidence (ACFE, 2024). There is a move in guidance of internal audit from three lines of defence to a concept where governing body, management and independent assurance are working together and where management is responsible for the operation and monitoring of risk (Institute of Internal Auditors, 2020). That's a good fit for a property company. The first line is made up of site staff and accounting clerks. The second line is the controller/compliance manager monitoring trust rules and limits. The third line (if there is one) is an internal auditor or an outside accountant who will test reconciliations, not just a system generated report. The missing link that is discussed here is

from those roles to the system settings that are in the way of rent skimming, vendor fraud and mixing of client cash with firm cash.

Theoretical Framework

This approach is based on three concepts to solve three aspects of the same problem. The fraud triangle places the fraud in terms of pressure, opportunity and rationalization, and suggests that the simplest remedy that a control designer has to offer is to reduce opportunity. (Cressey, 1953). The fraud diamond is used to describe the characteristics of the person who exploits a hole, as well as the authority they have within the system, their confidence, their ability to conceal their activity, and their ability to coerce or mislead their colleagues (Wolfe & Hermanson, 2004). This latter synthesis considers the triangle as a beginning rather than an end to the theory of prevention. But the event also relies on the controls set up to break the act - and the subsequent concealment - and a model that is limited to the intentions of the offender will underestimate the design problem (Dorminey et al., 2012). The internal control framework then sets forth the "machinery" that decreases opportunity and limits capability. It has five components that are expected to be there and that are expected to work together and its principles of risk assessment are the means fraud can threaten the objectives of reporting, operations, and compliance (COSO, 2013).

In a property office these elements are tangible. It can be a debt burden, an expense benchmark or a building generating more expenses than rent. The opportunity is an unreconciled trust account, or a vendor record which the same clerk can create and pay. The rationalization is that the funds are not immediately spent on repairs, or they will simply be spent in its place when the time comes. The power is in the hands of the senior accountant who has the inside scoop on which journal can be posted once the approver is gone for the day. Auditing research arranges the answer in the same order. First the incentive, opportunity, and attitude, then the antifraud measure that is actually employed, then the scheme and the means of concealing it, and only at the end is the procedure that has a chance of catching the act (Trompeter et al., 2013). A Property Manager who stops at a code of conduct has completed the attitude paragraph, and forfeited the rest. A manager who purchases a system but doesn't choose the schemes that the system must make impossible has avoided the concealment paragraph, where rent skimming and commingling reside.

The journey from ideas to outcomes is not around but through the system. This article considers access restrictions based on roles, approval workflows that cannot be bypassed, the matching of a purchase order to an invoice and even to evidence that the work was performed, as well as having different bank accounts allocated to trust cash and to operating cash, and an agreement of bank balance to the trust liability, and to the sum of the individual ledgers, as the practical expression of control. They are supposed to diminish opportunity and to restrict capability through performance of incompatible acts which are either made impossible or visible. The results are reduced misappropriation, owner statements that match the ledgers, and fewer cash movements that can be traced to the owner's statements. The three lines model places the responsibility upon those lines to maintain those conditions. They are constructed and operated by management. A second line tracks compliance with the trust rules and limits. Independent assurance is the testing of the configuration to make sure it continues to conform to the policy even after the roles of staff members have changed (Institute of Internal Auditors, 2020). The way is not laid out. A fact about organizations which implemented a system and lived under it is evidence that firms which adopt enterprise systems report fewer control weaknesses. That a software license alone provides protection from fraud is not a fact (Morris, 2011). Shared passwords, giving an owner/manager the ability to override, and a chart of accounts where a single journal entry can move cash from one owner to another without review are not protected. The literature on earnings also cautions,

as there is a negative correlation to less discretion, and a positive correlation to more discretion, depending on the design (Morris & Laksmana, 2010; Brazel & Dang, 2008).

Problem Statement

The thin staff, fiduciary cash, and a ledger that is more complicated than the number of staff indicates all reveal the finance function of a property manager. The Rents, Deposit, Reserve and Owners Proceeds are not the money of the Firm but are in the control of the Firm. A small team might place all of this on one person, who may be responsible for receiving the money, post the tenant ledger, maintain the vendor file, approve an invoice and prepare the owner statement. That concentration is opportunity. The schemes below are not unusual but rather typical. No cash ever comes into the ledger. A security deposit is charged for an operating deficit. An employee with another name is a maintenance vendor. Two payments are made, or approval is obtained and changed in the payee. A fee or a capital item is displayed on an owner statement, but there is no invoice attached. Many owners' cash may be in a single trust account, so if that account lacks balance, it can be covered with cash from a neighbor's account. Only if both parties agree to a single control total will the borrowing be shown in a reconciliation. Until the ledger stands alone (because of a move out, a sale or a change of manager), the owner's money is still visible. It is difficult to detect in this pattern. The delay in a scheme being known to someone, due to a tip, a surprise review or an angry owner, is already part of the loss, if all the harm has already been done, which can take many months.

The latter part of the problem is the difference between the things integrated systems claim to be doing and the things that are being enforced by implementations. Vendors touting built-in approvals, audit trails and a single database as internal control. Under the system, a firm may purchase a system and simultaneously share trust passwords with other firms, allow the same owner to create a vendor and pay a vendor, import a year of unreconciled owner balances and maintain trust reconciliation on a spreadsheet separate from the workflow. Public company evidence for enterprise systems and for remediation of control weaknesses does not necessarily indicate that a private manager has control over client funds through dozens of legal entities. Owners, license regulators, lenders, and auditors therefore have no way of knowing which settings will thwart fraud in this cycle, which settings will accelerate an ineffective process, and which risks will exist when a principal is able to circumvent the process. Until this account is particular, "strengthened prevention" is not a conclusion of control, but merely a slogan. The earnings literature is divided on the costliness of the slogan; a more robust ledger might make a process tighter, whereas other evidence would make it looser. The question that remains for the problem this article brings is how you will distinguish between those two possibilities before all your client's funds are used up.

Objectives

- To place property management finance inside established internal control theory and fraud theory, so that system settings are judged as controls rather than as software features.
- To identify the fraud schemes that arise in rent collection, vendor payment, trust cash, and owner reporting, and to keep those schemes tied to the evidence rather than to anecdote.
- To specify the system enforced controls that reduce opportunity and constrain capability for each of those schemes, including the component of internal control each control belongs to.

- To state what published evidence supports, and what it does not support, when a firm claims that its system has strengthened fraud prevention, including evidence that points in more than one direction.

Research Questions

- Which internal control weaknesses most often create the opportunity for fraud in property management finance?
- How can an enterprise or property management system be configured so that segregation of duties, approval, and trust accounting are enforced rather than merely described?
- What fraud risk remains when management can override the workflow, and which monitoring and assurance steps address that residual risk?
- Which claims about prevention through the system are supported by published evidence, and which claims still require testing inside the firm?

Methodology

This article is a structured evidence review joined to a control map. It does not draw a new sample of property firms, estimate a regression, or report survey percentages. Studies and professional frameworks were retained when they spoke to one of four questions. The first is where internal control weaknesses come from and what happens to accounting quality when a weakness is remediated. The second is how occupational fraud is committed, how long it lasts, and how it is detected. The third is whether enterprise systems are associated with stronger reporting controls or with a change in earnings discretion, including results that do not agree with each other. The fourth is how governing bodies, management, and assurance providers divide the work of risk. The internal control framework and the fraud risk guide supply the design language for activities, components, and monitoring (COSO, 2013; COSO & Association of Certified Fraud Examiners, 2023). The fraud triangle, the fraud diamond, and later syntheses of fraud research supply the explanation of why a permitted user can still commit the act (Cressey, 1953; Wolfe & Hermanson, 2004; Dorminey et al., 2012). Findings are reported in the direction the underlying studies report them. Where two studies of enterprise systems point in different directions, both directions are kept. Silence in a study is left as silence rather than filled with a plausible story about property managers.

The application to property management is interpretive and is labeled as such. Rent skimming, deposit diversion, fictitious vendors, payment tampering, commingling, and unsupported owner charges are read as instances of asset misappropriation and corruption categories that the fraud literature already names (ACFE, 2024). They are not frequencies for the real estate industry. Real estate contributed only a small number of cases to the global fraud study, so a median loss for that industry is not treated as a result of this article and is not estimated here. The control map sets each scheme beside the activity that would prevent it, the activity that would detect it, and the system feature that can carry those activities, including role design, matching, bank feeds, and reconciliation. A second map sets the five components of internal control beside the same cycle, so that a software feature is not mistaken for a component. A third map places the main archival results side by side, including the result in which implementation is associated with less earnings

discretion and the result in which it is associated with more, so that a later reader cannot cite this article for only one of them (Morris & Laksmana, 2010; Brazel & Dang, 2008).

The rules of interpretation follow from that design. A result about listed firms and controls over financial reporting is not rewritten as a result about trust accounting in a four person management office. A result about discretionary accruals is not rewritten as a result about stolen rent. An association between system adoption and fewer reported weaknesses is not promoted into a claim that every licensee who installs software has prevented fraud (Morris, 2011). More weight is given to designs that compare adopters with non-adopters, or remediated weaknesses with unremediated ones, than to descriptions of software features (Ashbaugh-Skaife et al., 2008). The tables are comparative devices. They are not outputs of a model fitted for this paper. A narrowing of reported weaknesses in a public company sample is not reported as a fall in client fund losses. An improvement in accrual quality after remediation is not reported as proof that a particular property system is well configured.

The limits are defined in the method. The review doesn't allow it to view a specific firm's role matrix, it doesn't have the power to test if a workflow was overridden last month, and it doesn't quantify a decline in client fund losses for property managers on the whole. The professional frameworks outline characteristics of effective control. They do not demonstrate that a named vendor product is compliant. There is no evidence in a software demonstration. The article may identify settings that are consistent with the evidence and the frameworks, and it may identify claims that are beyond evidence and the frameworks. It does not replace the test of the live configuration, a three way trust reconciliation done by a person not posting the cash or an independent review of the manual journals. Those tests are the businesses, the outside accountant's, and, if needed, the auditor's job and the auditor's job is to think about fraud, not assume they've thought about it (Trompeter et al., 2013).

Findings and Results

The pattern of weaknesses is not the answer to the first research question, nor is a single percentage from the property industry. The material weaknesses tend to be concentrated in small, complex organizations with limited resources, and deficiencies were found in the prior control periods before the audit that is required by the Act show the same pattern of complexity, changes in the organization, and limited resources (Doyle et al., 2007; Ashbaugh-Skaife et al., 2007). This is a good summary of numerous private management companies that carry dozens of owner ledgers. The opportunity is then identified in a straightforward way in the fraud evidence. The most common reasons investigators provide for their findings are lack of internal controls and override of internal controls. The schemes are mostly based on the asset misappropriation principle. Together with payment tampering, billing is one of the most high-risk forms of misappropriation (ACFE, 2024). The weaknesses in the property finance are not enigmatic in this context. They are the receipt that doesn't match the bank feed, the vendor record that the payer can edit, the trust cash that can pay a firm expense and the owner charge that can be posted without supporting invoice. Due to limited case numbers in the global study, these applications should not be adorned with the term 'loss rates'. They are the same schemes, a fiduciary cash cycle. Table 1 lists the various schemes next to the control that a system can impose on the other system if the firm allows the system to refuse the act.

Table 1. Property Finance Schemes and the System Controls That Address Them

<u>Scheme</u>	<u>How it appears in property finance</u>	<u>Control the system can enforce</u>

Rent skimming	Cash or a transfer is received and never posted to the tenant ledger.	Receipts tied to the bank feed, with posting rights separated from collection.
Deposit diversion	A security deposit is placed in operating cash or applied to a firm fee.	A trust bank and trust ledger that refuse operating payments.
Fictitious vendor	A maintenance invoice is raised by an entity the staff member controls.	Vendor changes restricted to a role that cannot approve or release payment.
Payment tampering	The payee is altered, or the same invoice is paid twice.	Match of order, invoice, and completed work, with dual release of funds.
Commingling	One owner's cash pays another owner or pays the firm.	Owner sub-ledgers that block a payment which would make a ledger negative.
Inflated charges	A fee or a capital item appears on the owner statement without support.	Charges drawn only from approved invoices already on the sub-ledger.
Concealment by journal	A manual entry moves cash or a balance after approvals are complete.	Journals above a low threshold routed to a reviewer who did not post them.

The second research question asks how the system has to be configured if those rows are to be more than a policy, and which component of internal control each setting belongs to. The public company evidence indicates that implementation is associated with fewer reported weaknesses when the system is actually in place, including weaknesses in entity wide controls and in account level controls (Morris, 2011). The fraud risk guide adds the design standard those settings should meet. Preventive activity should stop the unauthorized act, detective activity should surface it quickly, and data analysis should test vendor bank accounts, duplicate payments, and receipts that do not match deposits as a routine rather than as a project after a loss (COSO & Association of Certified Fraud Examiners, 2023). In property finance the configuration that meets that standard is specific. The person who creates a vendor cannot approve the invoice. The person who posts cash cannot reconcile the bank. Trust cash and operating cash are different bank accounts inside the system, not two columns on a spreadsheet. A disbursement that would drive an owner ledger below zero is rejected. Owner statements are generated from the sub-ledger and cannot be edited as a document. Where a firm has only a handful of staff, the system must supply the separation that headcount cannot, by routing the second approval to an owner or to an outside accountant. Table 2 places those settings under the five components, so that a single feature is not asked to stand in for the whole framework (COSO, 2013).

Table 2. Internal Control Components and the Property Finance Cycle

Component	Failure that invites fraud	What the system must enforce
Control environment	Leaders treat the workflow as optional and share access to save time.	No standing override role. Access is reviewed when duties change.
Risk assessment	Fraud schemes are not mapped to cash, vendors, and owner ledgers.	A scheme list tied to exception reports that someone opens.
Control activities	One person collects, posts, maintains vendors, and pays.	Role conflicts, matching, dual release, and a hard stop on negative owner ledgers.
Information and communication	Owner statements are edited outside the ledger.	Statements and the owner portal read only from the sub-ledger.

Monitoring	The bank reconciliation is a ritual that nobody challenges.	A stored three way reconciliation, surprise review, and a reporting channel.
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The third research question, on what remains after the system is live, and the fourth, on what a manager may honestly claim, have to be answered together because the evidence will not support a single adjective. Override is not a footnote. Investigators identify it as a major contributor in its own right, which means a workflow that a senior person can bypass is an open door rather than a control (ACFE, 2024). Capability, in the sense of the fraud diamond, is often exactly this combination of seniority and system knowledge (Wolfe & Hermanson, 2004). Monitoring has to assume that combination. Useful steps are a review of manual journals above a low threshold, a periodic test that no employee shares a bank account with a vendor, a surprise three way reconciliation of trust cash, and a reporting channel that site staff can use without asking the person they suspect. Auditing research makes the same demand of assurance work. The assessment is unfinished until anti-fraud measures and concealment methods have been considered, not merely the offender's possible motive (Trompeter et al., 2013). Remediation evidence points the same way from the accounting numbers. Firms that repair a reported deficiency later show better accrual quality than firms that leave the deficiency in place, which is a reason to test the repair rather than to announce it (Ashbaugh-Skaife et al., 2008).

The claim that is supported by published evidence is limited and still useful, and it is not one claim. Integrated systems have been associated with fewer reported internal control weaknesses, at both entity level and account level, in a matched comparison of adopters and non-adopters (Morris, 2011). Implementation has also been associated with a decline in absolute discretionary accruals relative to a control group, driven by short term accruals (Morris & Laksmana, 2010). Implementation has, in other evidence, been associated with an increase in absolute discretionary accruals, larger where more modules were adopted, alongside a shorter reporting lag for some firms (Brazel & Dang, 2008). Deficiency firms have noisier accruals, and firms that remediate improve relative to firms that do not (Ashbaugh-Skaife et al., 2008). Table 3 places these results side by side so that none of them is asked to substitute for another. The claim that is not supported is that any firm which has purchased a property system has thereby prevented fraud. Configuration, refusal of override, and independent testing of the trust reconciliation are the parts of the bridge that the evidence does not supply automatically. A firm that wants the helpful branch of this evidence has to choose the configuration that reduces opportunity. A firm that wants the harmful branch can have that too, by handing one capable user a faster ledger and calling the result a control.

Table 3. Archival Results That Bound the Claim for Property Finance Systems

Source	Setting	What the evidence shows
Doyle, Ge, and McVay (2007)	Material weakness disclosures	Weaknesses cluster in firms that are smaller, younger, weaker, more complex, or changing quickly.
Ashbaugh-Skaife, Collins, and Kinney (2007)	Deficiencies disclosed before mandated control audits	Disclosing firms are more complex, recently changed, and thinner in resources for control.
Ashbaugh-Skaife, Collins, Kinney, and LaFond (2008)	Deficiencies, remediation, and accruals	Deficiency firms have noisier accruals. Remediation is associated with better accrual quality.

Morris (2011)	Enterprise system adopters and reporting on control	Adopters are less likely to report entity wide and account level weaknesses than matched non-adopters.
Morris and Laksmana (2010)	Adopters and discretionary accruals	Implementers show a decline in absolute discretionary accruals, driven by short term accruals.
Brazel and Dang (2008)	Adopters, modules, and earnings	Implementations are associated with larger absolute discretionary accruals, more so as more modules are adopted.
ACFE (2024)	1,921 occupational fraud cases	Missing or overridden controls dominate. Tips detect the most cases. A typical scheme lasts about a year.

Discussion

The results ought to alter the way owners and auditors communicate about software in this industry. A system is NOT a control environment. The control environment is the belief of the firm's people in charge about whether or not client money is off-limits or whether or not an approval is a failed close but a favor to the colleague (COSO, 2013). This is the same for enterprise research. The perks reviewers mention (such as more information, gaining the opportunity to install management controls) come with implementation risk, data conversion risk, and the risk that the firm automates something it never knew how to do (Grabski et al., 2011). If a property company brings in a year of unbalanced owner accounts to a new system, they are not doing anything to make prevention better. It has lent more credibility to a weak ligature. The first few months after a system change are therefore a time of heightened risk and should be reconciled thoroughly until staff have become comfortable with the new system. The earnings evidence is not only more dangerous, it's more dangerous than it is the same months. If one study discovers more discretion after implementation and another discovers less, the wise office acts as if they've discovered more discretion and is happy with it, until it is shown that the other configuration results in less discretion (Brazel & Dang, 2008; Morris & Laksmana, 2010).

There is no excuse for not taking a second look at a small business but, there is a reason why so many of these companies will flunk a second look test that was designed for a large listed company. Weaknesses are likely to be found in firms that are small, complex, changed recently, and lack staff to perform the control (Doyle et al., 2007; Ashbaugh-Skaife et al., 2007). The bottom line is to purchase separation from the system and from outsiders, not to try to duplicate the four man accounting department. Reconciliation and the vendor master review can be done by an outside accountant. Receipts and disbursements from the subledger may be displayed on an owner portal, meaning the hiding must pass through the noses of those whose money is hidden. Payments can be released in dual circumstances by a principal who is not involved in the ledger. These steps are not as showy as a dashboard, and are more akin to the opportunity element that the fraud models view as pivotal (Cressey, 1953). They, too, value ability. In a small organisation, the controller is likely to be the most trusted individual in the company and the control needs to be able to operate against the controller as well as a junior clerk (Wolfe & Hermanson, 2004). A synthesis that only gets to the offender's pressure will not capture it, because the design problem is the actually missing interruption in the activity and that was not captured (Dorminey et al., 2012).

The regulators of brokerage and management licenses have a further implication because of the financing of portfolios by lenders and the report signing by accountants. Trust rules already mandate that the firm hold separate accounts for trust funds, that the funds be deposited promptly,

and that the firm be able to tell which funds are for which client. A system helps only when these rules are settings. A paragraph in a staff handbook is not enough. Deposit codes that can only be deposited into one bank account, a refusal to accept operating payees to the trust account, a stored three way reconciliation are all much more powerful. After about 1 year, fraud programs that only detect fraud once it has occurred will continue to discover schemes (ACFE, 2024). With this cycle, the hotline is treated as a component of a program that governs, assesses, prevents, and monitors, which is a form of prevention that comes before a hotline (Prevention is before a hotline, a hotline is useful, but a hotline is a part of a program that governs, assesses, prevents, and monitors (COSO & Association of Certified Fraud Examiners, 2023). The receipt which may not be missed, the vendor which may not be paid by its creator and the owner balance which can't be secretly borrowed are the preventive core. Where those three settings do not exist, further narrative on ethics commitment will not be given the same weight as might be given by governance committees. Assurance work which does not raise the question of what concealment would look like in the trust account is not completed the fraud assessment that is described in the auditing literature (Trompeter et al, 2013).

The final discipline to be announced is remediation research. When a control is declared improved, the evidence of an improvement does not occur at the time of the declaration but with the confirmation of the improvement by an independent party (Ashbaugh-Skaife et al., 2008). A property company does not have to become public in order to emulate that practice. The three way reconciliation, confirmation, occurs when the trust bank, the trust liability and the sum of the owner and tenant ledgers are reconciled by a person who is not able to post the cash. It's a fresh look at recent vendors and employee bank accounts. It is a copy of handwritten journals read by another person. The three lines model provides these tests a home even in a small company; the second look is able to be provided by an independent accountant, and the governing owner remains accountable for the provision of the second look (Institute of Internal Auditors, 2020). It's not that look of a dashboard made by the suspected accountant. A clean dashboard generated from a sub-ledger which the accountant had no ability to change, and then challenged by another party is closer to the evidence that this article is willing to respect.

Conclusion

There can only be a real connection between an enterprise or property management system and the prevention of fraud in property finance if the system is configured to implement a few hard separations. The money that clients have must not be able to pay the firm. The vendor added must not be able to be paid by the person who added the vendor. A receipt should never be created without reference to the bank and an owner statement should never have a charge on it that does not already exist on the sub-ledger. These separations must not be reversible in a manual journal, without making a sound. There is published evidence of a more limited number of claims than that found in software marketing. There have been fewer reported control weaknesses associated with integrated systems. Deficiencies were related to accounting quality during repair. The absence of controls and override of controls and fraud activity is most prevalent where control activity is missing or overridden and is discovered through a tip after many months. The same evidence provides a caution. In one area of the literature, implementation has been linked to a lack of discretion in earnings, and in another, to an increase in discretion. It does not provide evidence of the purchase of software being a control. Pressure and self-justification will always be there, for they reside in the person. This design's closure is the responsibility of opportunity and unchecked capability, who reside in the office.

Yet the owners, principals, regulators and auditors of a finance system should be evaluated on what it does not do, rather than what it does do. The questions are: is there a separation of trust

and operating cash within the application, will there be a three way reconciliation generated and challenged each month, will there be manual journals that will be reviewed by somebody other than the person who posted them and will there be a separation between approval and vendor maintenance. A firm that is able to answer these questions with the system log has a different position than a firm that is only able to answer these questions from a policy. The open work is to see how these controls perform in practice within property firms, including small firms where one accountant has traditionally been responsible for everything, and to gauge how the configured controls affect the lifespan of schemes and loss of funds. Until such a test becomes available, the prudent course is to erect the separations now, get someone other than the accountant to verify that they are working and consider all smoother claims as stating that the evidence is not yet there.

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