

## **Internal control weaknesses and asset misappropriation: A governmental accounting teaching case**

Delvin D. Seawright  
Lamar University

### **ABSTRACT**

Occupational fraud within the public sector costs local, state, and federal levels of government millions of dollars each year. Such fraud takes the form of corruption, financial statement fraud, or asset misappropriation and often results from weak internal controls. Asset misappropriation is the most common form. Effectively safeguarding assets, financial and non-financial, as well as preventing and deterring occupational fraud, are important to stakeholders given those assets are usually acquired primarily using financial resources acquired from stakeholders in nonexchange transactions. When assets are lost due to fraud, that loss is likely to have an adverse impact on the subsequent resource allocations. This teaching case has been crafted to provide students with an experiential learning tool to help develop critical thinking skills while identifying and addressing issues involving weak internal controls and asset misappropriation. Charles Massey, an accounting manager with a state agency, suspects a co-worker is stealing supplies. It is the end of the fiscal year, and Charles is working late to complete financial status reports for federal grants. As Charles works on the reports, he hears a certain co-worker from the Budget Office enter the room where his cubicle and the supplies cabinet for the Accounting & Finance Department are located. She is talking out loud and begins to engage in activity that Charles suspects to be asset misappropriation. The situation presents Charles with a dilemma regarding what to do about the matter.

Keywords: asset misappropriation, governmental accounting, internal control

Note: This is a fictitious case. All information contained herein was fabricated by the author. Any similarity contained herein to actual persons, businesses, events, etc. is purely coincidental and is the responsibility of the author. Please contact the case author directly with any concerns and for the teaching notes at [dseawright@lamar.edu](mailto:dseawright@lamar.edu).