

# STRENGTHENING CORPORATE FINANCIAL RESILIENCE: COMPREHENSIVE FRAUD EXAMINATION REPORT

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## ABSTRACT

*In the context of financial security, forensic accounting and corporate investigations play a key role in detecting and preventing irregularities, improving internal controls, and strengthening investor and stakeholder confidence. The application of forensic accounting involves a detailed analysis of financial statements and business transactions, while corporate investigations encompass broader processes that include legal, operational, and organizational aspects of business operations. This paper aims to present a methodological approach to detecting indicators of fraudulent activities through a case study and to highlight the appropriate internal controls that prevent their recurrence in the future. The paper provides a detailed examination of business transactions in privately owned enterprises that benefit management and owners while simultaneously jeopardizing the operations of their suppliers and creditors.*

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## INTRODUCTION

The performance of corporate security is crucial for building relationships with investors and other stakeholders [1], [2]. In the field of management and modern business, it is widely accepted that the future of any enterprise largely depends on how it is perceived by key stakeholders [3]. Following Cabrica [4], security aligns with the core business to support strategy and share common goals, collaborating closely with partners to achieve optimal results. According to the same author [4], these functions form the second and third levels of control alongside internal audit (focused on internal controls), compliance, and operational risk management—particularly in combating fraud. The first level of control comprises all organizational units responsible for processes or process components.

A three-line corporate governance model typically ensures that business processes are conducted in a way that effectively achieves corporate objectives. According to this model, the first line of defense consists of operational management, which establishes appropriate internal control systems. The second line includes specialized functions focused on specific types of risks. The third line is internal audit. Due to its independence, external auditing provides additional protection within the three-line model [5]. According to professional guidelines, neither internal nor external auditors are responsible for detecting fraud. External auditors are responsible for planning and conducting audits with due professional care to ensure that financial statements, as a whole, do not contain material misstatements due to fraud or error. Internal auditors, on the other hand, are responsible for assessing the potential for fraud and the way fraud risk is managed within the organization. To achieve their objectives, auditors apply appropriate knowledge, skills, and abilities, using various tools, procedures, and techniques to identify fraud risks and detect already committed fraud [6], [7]. The subject of examination may be either business processes themselves or financial statements that reflect business outcomes.

External auditing has traditionally been considered a function of public interest. In recent years, internal auditing has also increasingly come under public scrutiny. Public interest, as a significant component of both types of auditing, has led to new demands on auditors to prevent and detect fraud that threatens public interest, particularly in social and environmental contexts. In this regard, the development of the forensic accounting profession (fraud and abuse investigation) has gained importance, particularly in preventing potential corporate bankruptcy due to financial distress and fraudulent financial reporting [8]. In other words, fraudulent activities by employees at all organizational levels can negatively impact a company's reputation, credibility, and, under certain circumstances, even its survival [9].

Detecting cases of fraud, embezzlement, and theft requires conducting a complete forensic accounting investigation. This process typically begins when a client contacts an accountant, expressing concerns about potential fraud within the business. The accountant thoroughly analyzes the reasons for concern to clearly identify key case elements and appropriately direct the investigation. The steps taken during a forensic accounting investigation may vary. In some cases, the accountant only examines known facts, while in others, a deeper investigation is required to uncover new evidence. A typical case involves the combined use of forensic accounting investigation techniques, where accountants gather key information from the company, its executives, employees, and third parties. The most comprehensive investigations aim to use a wide range of sources and seek a consistent pattern of evidence that identifies the responsible party and clarifies what exactly occurred.

In criminal proceedings, forensic accountants can serve in various roles, including financial forensic experts, expert witnesses, and consultants [10]. When forensic accountants and corporate investigators are engaged, they typically deal with employee fraud or cases that are too complex, extensive, or legally demanding to be resolved internally. One of the first steps in these investigations is defining the terms and scope of the investigation in consultation with the client. For many professionals in these fields, defining the scope of the investigation is often a source of frustration, as the mandate given by the client limits them. It is common for clients to want a more in-depth investigation into certain aspects of a case while their mandate is focused on specific points of interest. From the client's perspective, investigators must adhere to their assigned scope of work, as this is a key aspect of their professional value.

Forensic accountants combine their accounting expertise with investigative skills in various settings, such as litigation support and investigative accounting. They work for public accounting firms, consulting firms specializing in risk consulting and forensic accounting, law firms, law enforcement agencies, insurance companies, government organizations, and financial institutions. The Certified Fraud Examiner

(CFE) credential provides forensic accountants with the specialized knowledge required for thorough investigations. Since fraud is often hidden, this process can be complex and time-consuming. The CFE credential ensures that forensic accountants have advanced knowledge of typical fraud schemes and data analysis techniques, enabling them to conduct investigations efficiently and strategically [11].

The contribution of this paper is multifaceted. It examines the significance of forensic accounting and corporate investigations in ensuring corporate financial security. Additionally, through a case study, the paper highlights the importance of engaging fraud and abuse investigators to improve a company's business and financial performance and ensure its long-term financial sustainability. Lastly, the paper describes specific illegal activities through which management and owners unlawfully appropriate company assets, thereby harming its creditors and lenders [11].

## LITERATURE REVIEW

According to Agić and Jeremić [12], “effective fraud risk management is one of the key factors in achieving organizational goals.” Business organizations suspected of serious misconduct often engage specialized corporate investigators from the legal and financial services sectors to examine suspicions and allegations. In such cases, specialized investigators are required to submit detailed reports with recommendations regarding past deficiencies and future conduct [13]. A significant portion of corporate investigators' work—across various professions, including forensic and financial investigations—is conducted far from the public eye and the broader judicial system [14], necessitating broader academic discussion.

One issue that requires attention is the situation in which regulators approach a company with a problem, and the company seeks to protect its own interests while leaving the employees to fend for themselves. This raises concerns about the fairness and appropriateness of such investigations. These concerns range from (1) the significant authority of investigators over employees, to (2) the use of questionable and, in some cases, illegal investigative strategies, to (3) the ability to maneuver through different legal options and use this flexibility as leverage in securing desired resolutions, and (4) the risk of scapegoating employees [15]. Additionally, real issues exist regarding the limits of transparency in the industry and the prospects for greater oversight, regulation, and accountability.

The fact that forensic investigators operate within the “sphere of private authority” can be viewed from multiple perspectives. A company may initiate an internal investigation for various reasons, including a) the filing of a civil lawsuit or criminal charges against the company; b) allegations made by a “whistleblower”; c) in response to an investigation initiated against the company by regulatory or prosecutorial authorities; d) to self-report suspected irregularities to prosecutorial or regulatory authorities; e) to review and test internal systems and controls before any actual irregularities are discovered [16]; f) to investigate cases of accounting irregularities, employee fraud and/or institutional fraud, procurement fraud, bribery and corruption, violations of intellectual property rights, money laundering, breaches of trade sanctions and export controls, health and safety issues, environmental concerns, violations of competition law, and data protection breaches.

Regardless of the reason, the decision to conduct an internal investigation should be made as soon as possible to minimize potential damage to the company and ensure the best possible position for responding to the specific situation. The scope of the internal investigation will be determined by factors such as the nature of the issue being investigated, the resources the company is willing to dedicate to the investigation, and the level of confidentiality the company wishes to maintain. The investigation's objective will also be a key factor in determining its scope. For instance, if the investigation involves regulatory or law enforcement authorities, they may significantly influence its extent. On the other hand, if the investigation pertains only to a single case of employee misconduct, its scope may be considerably reduced.

Reporting is the second step in the forensic accounting investigation process and occurs throughout the case. Primarily, accountants report to their clients on the case's progress and any evidence uncovered. All conclusions must be well-founded and capable of withstanding cross-examination and critical analysis. Reporting should also be proactive, including recommendations (supported by evidence) to prevent future fraud cases. Additionally, there is a legal obligation to report suspicions of money laundering within the company if any evidence is discovered. Investigators must also exercise caution and avoid disclosing their suspicions to anyone.

If the parties involved in the case do not reach an agreement, the final phase of the forensic accounting investigation process is litigation. At this stage, the forensic accountant may serve as an expert witness, which can be crucial for the client and make the difference between winning and losing the case. All information gathered by the accountant is considered “opinion evidence,” as opposed to “factual evidence.” The accountant must also anticipate cross-examination from the opposing party, making thorough preparation essential.

An attorney is often faced with the challenge of investigating the core aspects of the case while the client remains sensitive to costs. A forensic accountant can quickly grasp the facts of complex financial cases and collaborate with the attorney to develop ways to test assumptions or suspicions. Therefore, it is crucial to engage a forensic accountant during the discovery process—not after all documents have already been identified. The forensic accountant is familiar with key accounting documents that enable effective evaluation. Additionally, they are aware of the strengths and weaknesses inherent in certain accounting records. The forensic accountant ensures that the appropriate documents are obtained during the discovery process, as they are familiar with the case and accounting records and can provide the correct terminology to ensure that the necessary documents are requested.

As the discovery process progresses, attorneys are often overwhelmed by large volumes of unorganized records. A forensic accountant can promptly and efficiently identify relevant documents and determine which documents are missing. An accountant already familiar with the case will use a “top-down” approach to document review. This approach allows the forensic accountant to analyze high-level summary reports, providing feedback that enables the attorney and accountant to decide whether it is justified to proceed to the next level of analysis. Ultimately, if the case facts require it, highly detailed information is examined in a “bottom-up” manner. The advantage of this technique is that the attorney receives periodic feedback and guidance, allowing the client to make timely decisions based on the cost-benefit ratio of the case.

An effective written report, as an essential mechanism for communicating the procedures conducted and their results, can be a key element in a forensic investigation. In addition to providing examples of forensic investigations and reports on out-of-court proceedings, it is necessary to outline the key elements and best practices for successfully writing a forensic investigation report.

“Independence of the investigation is crucial to its credibility” [17], and “there is no bright-line rule stating that you cannot use internal staff to conduct an investigation, but the devil is in the details. We usually prefer to see someone who is independent and not employed by the company or its advisor” [18]. Investigations should be “independent and designed to uncover facts.” There is no internal investigation model that can be applied universally to every situation in every company.

Fraud and misconduct can also be examined from another perspective. Specifically, about a dozen personality disorders have found their place in psychiatric nomenclature. What makes psychopathy unique is that its defining characteristics and traits often lead to behaviors that conflict with widely accepted social norms and laws (“The devil lurks in the suit”). Some individuals with psychopathic traits end up in prison for crimes against people and property. Others are incarcerated for financial or corporate crimes, such as fraud, embezzlement, or stock manipulation. These offenses target business entities and institutions, as well as the employees working within them [19].

## **CASE STUDY: REPORT OF A CERTIFIED FRAUD INVESTIGATOR ON COMPANY OPERATIONS AT THE REQUEST OF COMPANY MANAGEMENT**

Although hiring fraud investigators remains an uncommon practice among private sector management (and owners) in the Republic of Serbia, there has been modest progress in this regard. In light of this, a case study was prepared concerning an investigation into fraud and misconduct within a private Serbian company.

The fraud investigation in this case was initiated due to suspicions regarding the legitimacy of the causes behind years of financial losses incurred by the business.

At the outset, an action plan was developed outlining the activities to be undertaken:

- Investigation Planning: Defining the scope of the investigation and identifying key risk areas.
- Data Collection: Analyzing financial statements, conducting employee interviews, and reviewing accounting and other necessary documentation.

- **Data Analysis:** Examining and analyzing the collected data to identify irregularities or suspicious activities.
- **Reporting:** Preparing a detailed report with investigative findings, conclusions, and recommendations for further action.
- **Presentation to Management:** Presenting the investigation findings and discussing necessary measures to be taken.
- **Report on Conducted Activities in Company X (Simulation of a real case based on investigator experience)**

Based on the prior analysis of financial statements and subsequent verification of certain positions warranting attention, the following factual findings regarding the company's management and operations can be presented. The company began achieving significant business results only from 2021 onwards. From that period, certain financial positions started to rise, indicating increased revenue inflows. For example, there was a sudden surge in the value of assets under construction buildings, though the method and purpose of acquisition could pose potential concerns. Activities with potential criminal law significance were identified by analyzing positions from publicly available financial statements and supporting accounting documentation. The following potential issues should be addressed, or certain practices should no longer be implemented. Below, analyzed items are presented according to AOP (Analytical Overview Positions) codes from publicly disclosed financial statements. These codes help in systematically organizing and analyzing financial data, ensuring consistency and comparability across different reports. Each AOP (Analytical Overview Position) code represents a specific financial item in publicly disclosed financial statements.

**AOP 10, where real estate, plants, and equipment are recorded.** – A review of this position shows a consistent increase in value, representing the purchase of real estate in the cities of Pančevo and Novi Sad, as well as apartments on Fruška Gora. Of all the listed acquisitions, the only legitimate investment and acquisition related to the company's core business is the purchase of a commercial space at the company's headquarters. This investment makes sense as it serves the business activity, and a company branch is registered at that address. However, questions arise regarding the purchase of two apartments—one in Pančevo and one in Novi Sad—regarding their purpose and necessity, particularly the acquisition of an apartment on Fruška Gora. The locations of these apartments and the resort property suggest that they are intended for the owner's or director's personal use rather than for investment purposes. The justification for purchasing the first apartment might be providing accommodation for employees and avoiding lodging expenses. However, the purchase of a second apartment in an exclusive location should be justified by an intent to rent it out and generate income. The same logic should apply to the Fruška Gora property—purchasing such real estate only makes sense if it serves an investment purpose. One possible justification for these acquisitions is a managerial strategy to profit from an increase in property value upon resale. Otherwise, such expenditures and credit liabilities could pose a significant financial risk to the company. If creditors demand repayment, and the company lacks liquid assets to settle its obligations, it may be forced into asset compensation arrangements or even bankruptcy, where asset liquidation would be necessary to satisfy creditors. Alternatively, the company might resort to new bank loans, but if its accounts were blocked, obtaining credit from financial institutions would be highly uncertain.

Each real estate purchase should be accompanied by a formal decision reflecting the intent and approval of the company's founders or directors, in compliance with internal legal regulations. It is also essential to determine whether such investments and liabilities involve the disposal of high-value assets, which legally require owner approval. Otherwise, the responsible parties could face criminal prosecution for causing financial harm to suppliers who, due to the company's misallocation of funds, remain unpaid for delivered goods.

In any case, the recommendation is to cease further apartment purchases, as it is evident that these acquisitions are not for business operations but for personal use by the owner and director. Such practices threaten the company's long-term financial sustainability.

It is also important to note the legal concept of "piercing the corporate veil," which applies when company management's handling of assets leads to insolvency or bankruptcy. In such cases, creditors harmed by unlawful, negligent, and irresponsible management can sue the responsible individuals and claim their assets to recover outstanding debts.

**AOP 51, where receivables from sales are recorded.** – From a criminal law perspective, the key issue here is that unpaid daily cash takings have been recorded under this account. If any cash takings remain unpaid, the question arises as to who retained the funds for personal use. This could constitute the criminal offense of embezzlement if committed by an employee or tax evasion if committed by the owner or another responsible person. Such actions are strictly prohibited, and misappropriating company funds in this manner is considered tax evasion. Additionally, attempting to justify such withdrawals as company expenses would result in further financial costs in the form of tax liabilities.

It is recommended that all cash takings be deposited regularly, except at the end of the fiscal year when it is understandable that December's revenue may be deposited in January of the following year. Furthermore, the practice of withdrawing daily takings for personal use should be discontinued.

**AOP 417, where retained earnings are recorded.** – From a criminal law perspective, an increase in retained earnings has been observed, which results from higher revenue and profit generation. A review of accounting records indicates that a significant portion of these profits was withdrawn—a large monetary sum. According to gathered information, the funds were used to purchase an apartment in Macedonia. There is nothing inherently illegal about this, provided that appropriate decisions were made regarding profit distribution and all applicable taxes were duly paid. Another crucial question is who received the distributed profit. The right to profit distribution belongs to the owner or another person if stipulated by legal documents. If the company's director withdrew profits without proper authorization, they could be held criminally liable for the offense of abuse of position under Article 227, Paragraph 3 of the Criminal Code [20], which carries a potential prison sentence of up to 10 years. Additionally, a financial investigation could be initiated to determine the origin of assets, potentially leading to the confiscation of any assets deemed unjustified based on legally acquired income.

**AOP 432, where long-term loans are recorded.** – As long as the company regularly services its obligations to banks and the loans are used for their intended purpose as outlined in loan agreements, an increase in this account is not problematic. However, any misuse of loan funds contrary to their intended purpose could result in criminal liability for the responsible person, particularly if such misuse negatively impacts the company's operations. For example, if a vehicle is purchased with a loan secured by collateral in favor of the bank, but the responsible person sells the vehicle, keeps the proceeds, conceals this from the bank, and stops making loan payments, the company may go bankrupt, preventing the bank from recovering its claims.

In the case of the subject company, loans were taken out for residential properties, though they were classified as business premises. If the loans had been used to purchase commercial properties for business operations, the company's earning potential would have increased. Such an investment would have been a sound business decision, as the company currently pays rent for the premises in which it operates. Owning business premises would enhance the company's financial stability and serve as a guarantee to suppliers that it can meet its financial obligations.

**AOP 443, where the company's short-term financial liabilities are recorded.** – Short-term financial liabilities are obligations that become due within less than one year. The company does not have significant short-term debt that warrants concern, except for one instance that deviates from *bona fides* business principles—namely, a loan was taken out to assist a friend of the director. The question arises as to what would have happened if a large sum from this loan had been handed over to this individual temporarily, and they failed to repay it. How would the responsible person justify such an action? This kind of, at best, irresponsible management behavior should not be repeated.

**AOP 513, where fuel and energy costs are recorded.** – Upon reviewing this position, several facts have been identified that could pose future problems if the current business practices continue.

The company is paying for an operational lease on two luxury vehicles. While the company has the right to acquire official vehicles, the question arises regarding the economic efficiency and necessity of such high-performance vehicles. This practice results in significant financial outflows from the company's accounts for assets that do not constitute company property, which also impacts the company's overall financial performance.

This issue is further supported by data presented in the financial statements under the category of fuel and energy expenses, where a substantial amount is recorded for fuel consumption. Based on inspections and discussions with the responsible person regarding fuel expenses, it was determined that receipts are

not submitted regularly, meaning the actual fuel expenditure may be even higher. Payments are made using company credit cards, and there is no clear allocation of fuel consumption per vehicle. This practice should be discontinued, and a new approach should be implemented whereby receipts are collected and recorded after every fuel purchase. Additionally, it should be explicitly documented which vehicle was refueled, and a logbook should be maintained for each vehicle to properly account for fuel expenses in the company's financial records. Purchasing fuel only from a designated gas station would be advisable, with each company vehicle having a dedicated fuel card. The current method of fuel expenditure is non-transparent and unstructured.

Upon reviewing the obtained documentation, certain travel orders were found that raise suspicion due to significant formal deficiencies. These orders lack the signatures of the listed travelers, cover only 13 days of the month with no records for the remaining days, and, most importantly, do not specify which vehicle was used. Additionally, all orders bear a facsimile stamp of the director instead of an actual signature. Such a manner of issuing travel orders raises concerns that they may have been falsified, constituting the criminal offense of document forgery. However, since the objective is not merely to create a falsified document but to use it, this could be considered an instance of forgery aimed at extracting money for per diem payments related to these travel orders, which automatically constitutes elements of the criminal offense of abuse of position by a responsible person under Article 227 of the Criminal Code [20]. This practice must be discontinued immediately, as it could lead to criminal liability for those involved. Travel orders should be issued separately for each vehicle, specifying who drove it, when, and where. A travel order may cover multiple days if the vehicle is used locally.

In connection with the above, it can be concluded that the company lacks proper regulation regarding the use of official vehicles and fuel consumption records. The use of vehicles acquired through operational leasing, whose necessity in this form only increases expenses and costs, does not represent a business expense for the company but rather an extraction of assets, thereby causing further unnecessary costs. All of this ultimately affects the company's liquidity. It might be more beneficial for the company to acquire more economical official vehicles.

**AOP 1025, which records expenses related to salary payments, salary compensations, and other personal expenses.** – Tracking this position, a significant increase of 91.11% was observed in the previous year. Such an increase automatically raises concerns for verification from a criminal law perspective. An analysis of the items recorded in this AOP position has revealed factual circumstances that could lead to the criminal prosecution of responsible individuals. It was determined that part of this increase resulted from employees receiving higher salaries through bank transfers, causing this item to rise. However, employee salaries were not increased to an extent that would justify such a significant jump. What was further established could present a serious problem. Investigations into the reasons for such a large increase revealed that substantial amounts of money were paid under the guise of bonuses.

A bonus, an employee's compensation based on their contribution to the employer's business success, is an element of the salary paid for this contribution. A bonus may or may not be defined in the employment contract. The legal act most commonly accompanying bonus payments is a Decision on Bonus Payment, which is drafted in a free form and may cover one or more employees. Bonus amounts do not have to be equal for all employees, as they reflect varying contributions to the employer's business success. The amount, conditions, and method of payment are defined by the employer's general act.

There is no legal impediment to paying bonuses to LLC founders who are employed. Many founders use this option because it is significantly more favorable compared to dividend payments, considering that bonus payments reduce taxable profit (even with the annual personal income tax). Bonuses are included in the average salary to calculate wage compensation during annual leave, absence on public holidays, paid leave, employer-covered sick leave, severance pay due to redundancy, etc. Bonuses are also considered income for annual personal income tax assessment.

In light of the above, the question arises as to what exactly the employees who received bonuses did and how they contributed to the company's improved performance to justify the extraordinarily high bonuses paid to them. How was this success materialized in the operations of a company that reports business losses and survives solely due to substantial cash discounts? The reported bonus amounts are not even earned by employed managers in much larger business entities (banks, insurance companies, multinational corporations).

If the aforementioned payments were not accompanied by decisions clearly stating what the employees did and what specific goals they achieved to warrant the bonuses, such payments could be considered as causing damage to the company. Since fictitious decisions were made or payments were executed without any formal decisions, this could constitute elements of the criminal offense of abuse of position by a responsible person under Article 227, Paragraph 3 of the Criminal Code [20], which prescribes a prison sentence of up to 10 years due to the unlawful acquisition of property benefits exceeding 1,500,000 dinars. Additionally, financial investigations could be initiated against the individuals who received the payments, potentially leading to the confiscation of assets if it is established that they own more property than could have been acquired through their legal income. Due to all the above, further bonus payments in such large amounts should be suspended, and it should be determined whether previously paid bonuses were accompanied by appropriate decisions, which the accountant should have also had on record.

**AOP 1029, which records intangible expenses** – Is an even clearer indicator of everything stated above regarding the previous AOP position, as it only contains recorded bonuses. For this reason, the fact of bonus payments is difficult to conceal, and it is crucial to ensure that these matters are handled strictly following the law, with all necessary decisions and documentation in place.

**AOP 1031, which reflects the business loss** – Is one of the clearest indicators of how all the aforementioned issues impact the company's operations. In other words, to put it mildly, the irresponsible behaviour of management has resulted in the company recording business losses despite the enormous revenue from merchandise sales. Simply put, those who effectively manage the company's operations are generating excessive and unnecessary expenses, preventing the company from successfully operating in its core activity – selling goods and profiting from the difference between the purchase and sale price (gross margin). In other words, business expenses exceed business revenue. How is this situation being mitigated? By relying on cash discounts received from suppliers for timely payment of goods within the agreed payment term. According to the obtained information, the payment term was slightly over 60 days, but it has now been set to 60 days. However, the question arises: what will happen if the supplier shortens the payment term? Would the company be able to meet its obligations given all the previously described irrational and irresponsible actions, the excessive spending of financial resources, and the additional cost burdens on the company's revenue? Therefore, it is essential to emphasize that the company is in a highly delicate position, where its operations do not depend on the success of sales but rather on the responsibility of management and the goodwill of suppliers regarding the payment term and cash discount allowances. The cash discount is so significant that the company ultimately records a profit at the end of the year solely due to it, while in reality, it incurs losses from its core business activities.

**AOP 1053 and 1063, where other expenses and the employer's personal earnings are recorded** – Based on checks in the business accounting system, it was explained that these positions include all shortages, fines, and expenses not recognized in the tax balance, such as costs without corresponding invoices and the use of business credit cards by management. This position saw a significant increase in 2022, further confirming claims of poor business management.

Inventory checks conducted during the audit revealed existing shortages, making it necessary to determine their causes and take corrective actions. If there is suspicion that shortages arise not from under-delivery of goods but from employee embezzlement, management must take measures to prevent and eliminate such occurrences.

The second part of this AOP position again points to irresponsible management practices. In this case, management must familiarize itself with legal regulations governing its responsibilities. Although the individual in question is also the company's owner, they engage in non-business-related purchases with no connection to company operations. In addition to purchasing apartments and vehicles, business credit cards are used to buy various items unrelated to business operations, such as furniture for the locations where apartments were purchased. Furthermore, purchases have been made without providing invoices. It is important to note that every business transaction must be recorded in the company's accounting books under the appropriate position. The person who incurs an expense must provide the accountant with the necessary financial documentation for proper record-keeping. Expenses without proper documentation result in unrecorded actual costs, leading to unintended consequences. The absence of accounting documents categorizes such expenses as asset withdrawals, subjecting them to additional and unnecessary taxation. If the discovered invoices were not recorded, such conduct could constitute a criminal offense of tax evasion.

During the audit, invoices were also found showing excessive purchases of sportswear, footwear, and other items unrelated to business operations. The accountant recorded these purchases as asset withdrawals, though given the nature of the purchased goods, they could be classified as personal income and subjected to higher, less favorable tax rates. Management should only make such purchases using their salary.

Another concerning situation is the company's transactions with a sole proprietorship founded by a close family member. Consulting services were provided through this sole proprietorship. The issue with this business arrangement is that the company paid more funds than were invoiced in the observed year. Transferring money to an account without coverage through an advance or final invoice is strictly prohibited. The questionable amounts and the legal nature of the services provided could indicate money laundering and fund siphoning from the company for tax evasion purposes. Suspicion of such activities is further reinforced by the overall behavior of management, which appears to be actively seeking ways to access cash.

All of the above has been further confirmed by the company's poor financial position and weak business performance. To improve the company's financial standing, we propose that management take the following measures:

- Management should work on strengthening relationships and trust with employees by implementing positive reinforcement strategies. For example, employees could be incentivized if they maintain a period without shortages or achieve a certain level of sales. Evidence suggests that this is one of the most effective ways to reduce employee fraud. Punishing workers for detected irregularities has only a temporary effect; once the punishment stops, employees tend to resume their previous behavior.
- Cease the purchase of apartments and other real estate unrelated to the company's business activities. Any future real estate acquisitions should be accompanied by appropriate decisions justifying the purchase.
- Utilize acquired properties, such as apartments in Pančevo and Novi Sad, and vacation apartments on Fruška Gora, to generate revenue for the company.
- Bonus calculations should strictly adhere to employment contracts, which must specify the maximum allowable bonus payout. Additionally, appropriate decisions must be made for each bonus payment.
- Discontinue the practice of excessive bonus payouts.
- Ensure all cash receipts are regularly submitted to the accountant for recording.
- Implement regular preparation of travel orders for company vehicles.
- Establish contracts with one or two fuel suppliers and purchase fuel exclusively from them. Each company vehicle should have its own fuel card to accurately track fuel consumption and confirm vehicle usage for business purposes.
- Avoid unnecessary debt accumulation, whether through short-term or long-term liabilities.
- Allocate a portion of the company's profit to reserves or fixed-term bank deposits to ensure financial security in case of unexpected expenses.
- Ensure that daily revenue deposits are made regularly.
- Stop using company funds for expenses unrelated to business operations.
- Implement all necessary legal acts governing the company's operations and employment relations.
- Review and, if necessary, amend or annex existing employment contracts.
- Establish proper procedures for accurately recording all transactions arising from fraudulent activities.

These recommendations outline the necessary actions that management should take to ensure compliance with current regulations and to support long-term sustainable business operations. Implicitly, these recommendations focus on recovery, suggesting control mechanisms that can prevent improper conduct in the future. Such recommendations have been analyzed here. Certainly, the rising awareness and growing intolerance of fraud have led to a growing demand for forensic accountants and investigators [21].

## CONCLUSION

The activities of forensic accountants and corporate investigators differ from other forms of security. The “eyes” of corporate culture—experienced and well-trained personnel—are increasingly focused on the private rather than the public sector. A hopeful prospect for future research is that the concept of professional markets may help in understanding this transformation and provide insights into how to reinvest in forensic and investigative accounting in the public interest, as well as to consider what it might mean to promote public accountability over reliance on private security. By employing forensic accountants and corporate investigators, organizations can take proactive steps to manage risks, protect assets, and ensure compliance with legal and regulatory standards.

In recent times, fraud detection has become increasingly important in the accounting profession. The need to protect capital in markets, on the one hand, and to safeguard the reputation of the accounting profession, on the other, highlights the necessity of strengthening forensic accounting capabilities. In this regard, promoting a broader application of forensic accounting services (fraud and abuse investigators) is essential.

The case study under review demonstrates that engaging a certified fraud examiner is a key step in preserving the integrity of a company’s operations. This practice enables management to identify and respond to potential risks promptly, prevent financial losses, and protect the company’s reputation. At the same time, it enhances internal controls and ensures compliance with legal regulations, contributing to the company’s long-term success and sustainability.

An overview of specific fraudulent activities, their consequences, and the measures that can prevent their occurrence in the future is beneficial not only to private entrepreneurs but also to their creditors and relevant regulatory and oversight bodies. A limitation of this study is that the research focuses solely on a single company. A larger number of analyzed cases and the application of comparative analysis would provide an opportunity to systematize fraudulent activities at the societal level, which would be significant for effective fraud risk management and ensuring corporate financial resilience in the long run.

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