

# Identifying Weaknesses in Internal Control System: A Case Study of a High School in Tulangan, Indonesia

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**Submission date:** 25-Aug-2023 05:40PM (UTC+0700)

**Submission ID:** 2151088001

**File name:** Identifying Weaknesses in Internal Control System A Case Study of a High School in Tulangan, Indonesia.pdf (170.46K)

**Word count:** 3807

**Character count:** 20738



# Identifying Weaknesses in Internal Control System: A Case Study of a High School in Tulangan, Indonesia

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**Abstract.** This study aimed to investigate the implementation of an accounting information system for cash receipts and expenditures at SMA Muhammadiyah Tulangan, with the goal of improving internal control. The researchers used a descriptive qualitative research method with primary and secondary data sources, including interviews, observations, and documentation. The study found that the school had developed its own accounting information system called SIASMA-MUGA, which facilitated cash distribution and expenditure management. However, weaknesses in the internal control system were identified, including the absence of adequate supervision from the principal and overlapping job positions. The study implies that schools need to develop and implement effective internal control mechanisms to improve financial management and prevent fraud.

**Keywords:** Accounting Information System · Cash receipts · Cash expenditures · Internal Control

## 1 Introduction

Technological developments that occur continuously encourage accounting cycle recording activities that initially used manual systems to shift to computerized systems [1]. Computerization is an activity or effort to do something work that is usually done manually then changed using a tool device in the form of a computer [2]. Computers are one of the technologies that have developed in the economic world, one of which helps in the operation of accounting information systems where this requires humans as the first personnel who must always develop gradually following technological advances [3].

Accounting information system is a system that provides financial information of an institution (organization). The accounting information system, according to Mulyadi, is “forms, records, and reports that are coordinated in such a way as to provide the financial information needed by management to facilitate the management of a company or organization”. The information generated by the accounting information system includes, information regarding sales orders, cash receipts, purchase orders, receipt of goods, payments, and payroll [4]. The application of accounting information systems in various

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T. T. Y. Alabdullah et al. (Eds.): ICIGR 2022, ASSEHR 750, pp. 5–12, 2023.

[https://doi.org/10.2991/978-2-38476-052-7\\_2](https://doi.org/10.2991/978-2-38476-052-7_2)

institutions differs depending on the needs of each department. The application of an accounting information system can facilitate every activity, especially in the preparation of financial statements so that it is ready to record the next transaction, the transaction can be journaled into cash accounts, income, expenses, debts and receivables [5].

Cash receipts are activities that originate from routine or non-routine sales based on the provisions and agreements of the company concerned [6]. Cash receipt activities are things that have a big influence on the success of a company because cash receipts are the initial measure of profit obtained by the company. However, on the contrary, in cash expenditure activities that are often prone to occur, namely the misappropriation of company funds.

Cash expenditure is an activity that occurs continuously related to the purchase and payment of goods or services [7]. In cash expenditure activities, the company also needs to pay close attention to and structure, this avoids the occurrence of fraud in an agency or company [8].

To avoid fraud, theft and abuse, companies must control cash from receipt to deposit into the bank. Such procedures are called preventive control, while procedures designed to detect theft and misuse of cash are called detective control [9].

Internal control is a policy and procedure designed to provide adequate assurance to management that an organization is achieving its goals and objectives. The purpose of internal control is to prevent, detect and correct any errors and irregularities that occur in the accounting information system. The level of accuracy and reliability of accounting data, encourages efficiency to comply with company management policies so that they can be achieved properly [10]. The implementation of an internal control system within a company depends on the situation and type of company such as control on cash receipts and cash expenditures.

The implementation of the internal control system of cash receipts and expenditures can run smoothly supported by several basic elements, namely, honest and capable employees, the separation of duties with a clear line of authority and responsibility, appropriate procedures for granting authority and complete documents and records, one example is in educational institutions [11].

SMA Muhammadiyah 3 Tulangan is one of the educational institutions that cares about the development of accounting information systems. SMA Muhammadiyah 3 Tulangan is also an educational institution that pays attention to every cash receipt and expenditure transaction activity. This is evidenced by the shift in the recording system which used to still use manual processes is considered less effective and efficient, but currently SMA Muhammadiyah 3 Tulangan already has a computerized-based accounting information system to facilitate the recording of transactions that occur, but this change has not run perfectly the processing of accounting data, both manual and computerized, must pay attention to the existence of an internal control structure.

Based on the description above, then I as a researcher am interested in conducting a study entitled “Application of Accounting Information System for Cash Receipts and Expenditures to Improve Internal Control at SMA Muhamadiyah 3 Tulangan”.

## 2 Methodology

The type of research used is qualitative research. According to Sugiyono, qualitative research is a research method based on philosophy that is used to examine the natural condition of objects [12]. This study aims to find out an overview of the accounting information system on cash receipts and expenditure activities to improve internal control. Research suggests that in the implementation of research the data obtained will be collected, compiled, explained, analyzed and then concluded. So that with this study, researchers get a clear picture of the application of the accounting information system for cash receipts and expenditures to improve internal control on SMA Muhamadiyah 3 Tulangan.

In this study, the object studied was the application of an accounting information system for cash receipts and expenditures to improve internal control at SMA Muhamadiyah 3 Tulangan.

Meanwhile, the subjects of this study were the principal, treasurer and all levels of administrative staff at SMA Muhamadiyah 3 Tulangan. The location of this study is at SMA Muhammadiyah 3 Tulangan. The institution has a non-profit institution addressed Raya Kenongo Street No. 14 Tulangan Sidoarjo.

The focus of this research is useful for providing direction in the picture that is in line with the problems and the objectives of the study. This is done to avoid widespread discussion. In addition, there are limitations in both energy and time. So the research focuses on examining the application of the accounting information system for cash receipts and expenditures to improve internal control at SMA Muhammadiyah 3 Tulangan. This control is useful for monitoring every activity carried out, whether all activities have been properly and clearly authorized where all these events are not engineered and actually occur.

The data is in the form of data from interviews and observations by key informants needed to find information related to the application of an accounting information system for cash receipts and expenditures to improve internal control at Muhammadiyah 3 Tulangan High School. The key informants in this study were the principal, treasurer and administrative staff of Muhammadiyah 3 Tulangan High School. Secondary Data is data collected by other parties in the form of publications and journals, in this study secondary data sources are taken from previous research journals that are related to the research to be carried out and school personal documents that support the running of the accounting information system for cash receipts and expenditures at SMA Muhammadiyah 3 Tulangan.

Data collection techniques in this study are interviews, observations and documentation. This interview was conducted with informants related to the application of the accounting information system for cash receipts and expenditures on the part of the principal, treasurer, administrative staff and also the chief financial officer of Muhammadiyah 3 Tulangan High School, using unstructured interview techniques. Observations are carried out to observe the process of running transaction activities and cash transfer which is useful for determining the phenomenon of the application of accounting information systems in an effort to improve internal control of cash receipts and expenditures at SMA Muhammadiyah 3 Tulangan. The documentation is a complement to the use of interview and observation methods in qualitative research.

The Data Validity Test is carried out by triangulating the source, The technique of triangulating with the source means double-checking and comparing the information that has been obtained with different times and tools. Triangulation of sources in this study are the head of finance, treasurer and administrative staff of Muhammadiyah 3 Tulangan High School. Triangulation of this technique aims to check the degree of trust of the discovery of research results by checking the information obtained from the same as observation, interview results and observations with documentation.

The data analysis technique used in this study is data reduction, data reduction in question is collecting data and information to improve the application of accounting information systems in an effort to improve control over cash receipts and expenditures. In qualitative research, data display (data presentation) can be in the form of brief descriptions, charts, relationships between categories, flowcharts and the like. In this case, the presentation of data is useful for understanding what has happened, planning the next work based on what has been understood. The last stage is drawing conclusions or verification, at the verification stage is a correction of the findings that the researcher will use as data conclusions from the study.

### **3 Analysis and Discussion**

#### **3.1 Cash Receipts Accounting Information System**

SMA Muhammadiyah 3 Tulangan is a non-profit institution engaged in education. The application of a cash receipt accounting information system helps facilitate the recording process, especially in financial accounts. In the process of recording treasurers and administrative staff, they are assisted by using software, namely SIA SMAMUGA software that facilitates work, especially in the financial sector. Cash receipts at SMA Muhammadiyah 3 Tulangan come from direct cash receipts, cash receipts by transfer. Cash receipts are sourced from school balances, tuition payments for students and students, for cash receipts by transfer sourced from BOS and BPOPP and PIP funds.

The procedure for receiving cash directly sourced from the tuition payment of students and student's starts from inputting the student's parent number on a computer with the system used by the school for data importation. After that, the data of the bills that students have to pay comes out. Then print the quotations, are printed in duplicate in two parts, one for students and one for administration as archives. After that, receive the money in cash after which proof of receipt is inputted in the system.

The procedure for receiving cash by transfer from tuition payments can be done through bank channels, namely JATIM bank and BSI bank, students or students can pay it by bringing proof of bills printed by the administration department and then taken to the bank, after making payments to the bank, the evidence is taken to the homeroom teacher and then from the homeroom teacher shows proof of transfer to the administration to be checked into the school bank account and prints the original receipt from the school, After that input the data into the system.

The procedure for receiving cash obtained from BOS and BPOPP funds is transferred to an account in the name of the school, for cash receipts from BOS funds are obtained once every 4 months and BPOPP is obtained once every 4 months if the school does not get the BOS fund allocation. Then after that confirm to Mrs. Umi Sa'diyah in the check

in the school account and printed the quintantation as an administrative archive, after which it inputs the data into the system.

### **3.2 Cash Expenditure Accounting Information System**

SMA Muhammadiyah 3 Tulangan is a non-profit institution engaged in education. The application of a cash expenditure accounting information system helps facilitate the recording process, especially in financial accounts. In the process of recording treasurers and administrative staff, they are assisted by using software, namely SIA SMAMUGA software that facilitates work, especially in the financial sector.

Cash expenditures at Muhammadiyah 3 Tulangan High School come from cash expenditures and expenses by transfer or check. All cash disbursement procedures are through submissions from each WK (Vice Curriculum) thereafter to the principal.

Cash expenditures in cash are not all can be done, there are only transactions with a small nominal that can be done in cash. All cash disbursement procedures must be known and approved directly by the principal. The procedure for disbursing cash submissions from each WK (Vice Curriculum) after that to the principal, if approved is signed and submitted to the school treasurer, after that from the treasurer to the administrative staff section of cash expenditures, then new money can be taken. The cash expenditure administration department prints proof of receipt affixed by the recipient's signature, then inputs it into the computer system.

The procedure for issuing cash by transfer can also be done but depends on the nominal amount to be issued. The procedure for issuing cash by transfer is the same as the procedure for issuing cash in cash, we just need to record proof of receipt from the bank related to the transaction, be it a transaction via transfer or an expense transaction using a check. After being inputted in the system from the bank, it is stored as an administrative archive.

The procedure of issuing cash by check can also be done but SMA Muhammadiyah 3 Tulangan is not often done. The procedure for issuing cash with a check is the same as the procedure for issuing cash in cash, we just need to record proof of receipt from the bank related to the transaction, be it a transaction via transfer or an expense transaction using a check. After being inputted in the system from the bank, it is stored as an administrative archive.

### **3.3 Internal Control on Cash Receipts**

#### **The presence of an organizational structure**

At Muhammadiyah High School, there are 3 financial departments authorized by Mrs. Umi Sa'diyah, the treasurer, to administer cash receipts from receiving student payments and receiving by transfer. Mr. Rohmatul as the administration of cash receipts who holds the share of cash receipts by transfer from the receipts of BOS and BPOPP funds and there is Mrs. Rieza who holds the share of cash expenditures both cash and transfers. The treasurer and staff are directly supervised by the principal, Mrs. Hartatik.

It can be seen that the organizational structure at Muhammadiyah 3 Tulangan High School has another part that is in charge of concurrently, namely Mrs. Umi Sa'diyah who serves as treasurer and administration of cash receipts.

#### **The system of authority and the procedure for recording in the organization**

Based on the results of observations made by researchers, the organizational structure is attached to the principal's room and each section has its own main task. The recording procedure on cash is divided into two parts, namely the receipts section and the cash expenditure section.

#### **Healthy cooperation**

In this case, the implementation of healthy work at SMA Muhammadiyah 3 Tulangan can be known from several inappropriate factors such as separation of duties from the interview results concluded that there are still trappings of duties in the treasurer and also as administrative staff for cash receipts, besides that there are some that are already appropriate such as the use of letter stamped with a sequence number that makes it easier to find data both print out data or data that has been stored in the system, Financial statements that are carried out periodically to the principal, in addition, depositing money into the bank also cannot be done every day because it is adjusted to the needs of the school, and in anticipation of input errors, the administration of expenditures also crosses every day and every month and evaluate financial work is carried out through supervision.

#### **Quality employees**

One of the driving elements of the organization is human resources. In the operation of the system, expertise in the field is needed and the competence of human resources in the financial part must also be proficient in this waste because this makes it easier for users themselves.

### **3.4 Internal Control on Cash Expenditures**

#### **The presence of an organizational structure**

At Muhammadiyah High School, there are 3 financial departments that are authorized, namely Mrs. Rieza only holds one person in the operation and process of recording and reporting. The organizational structure of SMA Muhammadiyah 3 Tulangan there are parts that are not filled or empty so that there are functions or other parts that are in charge of concurrently.

#### **The system of authority and the procedure for recording in the organization**

At Muhammadiyah High School, there are 3 financial departments that are authorized, namely Mrs. Rieza only holds one person in the operation and process of recording and reporting. In this case, the authority system in the recording procedure at SMA Muhammadiyah 3 Tulangan is given to one party who has responsibility for documents and transactions that have been input into the system.

### Implement healthy work

In this case, the implementation of healthy work at SMA Muhammadiyah 3 Tulangan can be known from several factors such as separation of duties so that no one else handles transactions at the beginning to end or is carried out by only one person, besides that the use of letter<sup>1</sup> affixed with a sequence number makes it easier to find data, both print out data and data that has been stored in the system, Financial statements are carried out periodically to the principal, in addition, cash distribution from the bank is carried out by transfer making it easier to use the bank system online, for spending by check it needs confirmation on the bank's working day, and in anticipation of input errors, the expenditure administration department also crosses every day and supervision is carried out every six months.

### Quality employees

The driving element of an organization is human resources. Indeed, in operating the system, special expertise is needed according to their fields, because not all can operate this system, to reduce fraud, resources are needed that can operate SIA SMAMUGA properly.

## 4 Conclusion

In conclusion, the study found that the implementation of the accounting information system, namely SIA SMAMUGA, has facilitated the recording of financial data, especially in cash receipts and expenditures, and has improved the efficiency of financial work at SMA Muhammadiyah 3 Tulangan. However, weaknesses in the internal control system were identified, including overlapping job positions and inadequate supervision from the principal. The study suggests that additional manpower should be recruited to fill vacant positions and that daily supervision of employee work should be implemented to prevent fraud. The findings have implications for other schools that are looking to implement accounting information systems and improve their internal control mechanisms to prevent financial mismanagement and fraud.

**Acknowledgements.** The author would like to thank SMA Muhammadiyah 3 Reinforcement for being the object of this research and the Directorate of Research and Community Service, Universitas Muhammadiyah Sidoarjo for supporting funding for this research.

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