

The Failure of Levers of Control in Petty Cash Fraud

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ABSTRACT: This study aims to analyze the behavioral mechanisms behind the failure of internal control systems in a petty cash fraud case at a retail store (Company TR), using the Levers of Control framework (Simons, 1995). This study employs a descriptive-interpretive qualitative case study design using secondary-retrospective data consisting of a documented case narrative and statements from related parties, analyzed through deductive thematic analysis guided by the four levers of control. The findings indicate that the control failure was not caused by the absence of a Levers of Control structure, but by a relational failure among the levers: a non-contextual boundary system created an exploited procedural loophole; the diagnostic control system was undermined by fixation on documentary completeness and the normalization of exceptions deemed legitimate; the absence of an interactive control system further enabled the hierarchical transmission of deviant behavior; and the belief system failed both to deter the perpetrator's rationalization and to protect those subjected to coercive compliance. These findings are explained through the integration of Contingency Theory, Evidence Fixation, Normalization of Deviance, Differential Association, and Cognitive Rationalization and Obedience/Coercive Compliance. This study implies that fraud mitigation in small-scale organizations must directly address behavioral mechanisms, not merely reinforce administrative procedures.

KEYWORDS: Levers of Control, Behavioral Accounting, Petty Cash Fraud, Qualitative Case Study, Internal Control

I. INTRODUCTION

Most fraud research in Indonesia focuses on quantitative approaches that test the determinants of financial statement fraud in public companies (Paramitha et al., 2022). Such approaches may use the Fraud Triangle, Diamond, or Pentagon, employing financial ratios and measures such as the Beneish M-Score through logistic regression (Tamaela et al., 2025). These classical frameworks were developed to understand the behavior of fraud perpetrators and the causes of rising fraud, each with strengths and limitations according to its context (Devi, 2025). Consequently, prior studies tend to stop at statistical trigger factors and detection efforts and have not extensively examined the behavioral mechanisms of the perpetrators themselves. Understanding such behavior can help explain how these deviations occur from a different angle, and a behavioral approach therefore becomes a compelling avenue for further research.

The small and medium enterprise (SME) retail sector comprises small- to medium-scale organizations that tend to place their trust in employees and rely on informal strategies in managing fraud risk, which can create blind spots toward signs of deviation, so that small but repeated deviations can persist undetected for a long time (Efile & Neethling, 2025). The behavioral disposition of owners or managers within an organization also contributes to this weakness; many SME owners are reactive rather than proactive, strengthening internal control only after experiencing a fraud incident that causes losses (Ololade, 2025).

The effectiveness of accounting control systems in their implementation depends on the judgment and behavior of the people who operate them, not merely on the completeness of procedures on paper. This behavior and judgment in implementing accounting control systems is precisely the domain of behavioral accounting. In management control system studies, performance problems often stem from behavioral factors, so control systems are designed to address them. However, in implementation, management control systems can produce two different directions: they can direct desired behavior or, conversely, trigger deviant work behavior (counterproductive work behavior) (Rosalina & Jusoh, 2024). A control structure that appears procedurally appropriate and complete can still fail because of how people behave within and around the system, as also shown in the application of a similar framework in an Indonesian company context (Saputra & Djakman, 2023).

To examine such behavior, this study uses a behavioral accounting concept, namely Levers of Control, a device that influences behavior and has been shown to relate to deviant work behavior, particularly through the boundary and interactive

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control systems as tools to suppress such deviant tendencies (Rosalina & Jusoh, 2024). This study focuses on analyzing the behavior of the perpetrators of deviation rather than on audit or detection techniques; using Levers of Control, failures in the existing control system can be explained through behavioral theories, including the social learning of the deviation that occurred, compliance pressure within the organization, and the normalization of deviance.

The object of this study is a case of deviation in petty cash disbursement transactions at one retail store of Company TR (a disguised name), concerning payments to a local handyman for repair services at the store. The company already had standard procedures and tight controls over every payment to vendors, namely direct payment through bank transfer to the accounts of partnered vendors, the obligation to attach several supporting documents for each transaction, and tiered authorization levels to mitigate deviation risk, with a transaction limit for the Supervisor (SPV) of a maximum of one million rupiah and, above that, up to a maximum of five million rupiah by the Area Manager (AM). The local handyman had no bank account and requested cash payment upon completion of the work; this transaction was accommodated through a cash-advance (kasbon) mechanism. This gap was exploited through markup and fictitious transactions on the supervisor's instruction, who in fact colluded vertically with the Area Manager, the very party who should have served as an independent control function. The store crew initially refused but faced continuous pressure and intimidation to help prepare complete supporting evidence and documents in accordance with procedures, so that the scheme passed the central team's standard verification for several months. This deviation was driven by the Area Manager's personal financial pressure and was ultimately exposed through a report by a former employee who was unwilling to let the superior enjoy the proceeds of the deviation undetected while colleagues continually experienced pressure and guilt from being forced to participate.

Although the financial loss from this deviation was relatively small, its planned, systemic nature lasting for months raised the potential for replication to other stores, given that the Area Manager oversees several stores at once. The company imposed dishonorable dismissal on the parties involved and conducted a thorough review of procedures across all its stores. However, these actions were reactive and tended to focus on strengthening formal-procedural aspects, without explicitly examining the behavioral mechanisms that caused controls, which had actually been reasonably well designed, to still fail. This study provides an additional contribution in the form of understanding the behavioral mechanisms behind such control failure, so that the resulting mitigation recommendations can target the root behavioral problem rather than merely procedures, and can potentially be applied as a preventive measure at other stores under the same Area Manager's supervision. This analytical framework can also serve as a starting point for further research to test its relevance in a broader SME retail context.

This study offers three contributions. Theoretically, it extends the application of the Levers of Control framework by positioning the failure in the case as a relational failure among control levers rather than the failure of a single lever, thereby complementing the discussion and knowledge concerning inter-lever dynamics in small-scale organizations. Methodologically, through deductive thematic analysis, this study demonstrates how a behavioral framework can be used as a tool to read a fraud case in a small-scale retail business. Practically, this study produces a mitigation tool based on behavioral mechanisms as a fraud-prevention measure for retail or small-scale companies with characteristics similar to this case.

Based on this description, this study aims to contribute to academics regarding how the Levers of Control framework can explain the behavioral mechanisms behind control failure in a petty cash fraud case, while also contributing to the company through a deeper understanding of the root behavioral problem, so that it can formulate more targeted preventive measures, not only strengthening procedures but also intervening in the organizational behavioral aspects that have thus far escaped formal review. This study analyzes the behavioral mechanisms behind the control failure in the Company TR case and explains how this deviation was uncovered, using the Levers of Control framework, thereby producing recommendations to mitigate behavioral dysfunction rather than merely strengthening procedures. Based on this description, the research questions posed are:

1. How does the misalignment of the boundary system with operational conditions in the field create a gap that perpetrators exploit to commit deviation?
2. How do cognitive fixation on document completeness and the presence of normalized exceptions in the checking SOP weaken the diagnostic control function?
3. How does the absence of an interactive control system enable the hierarchical transmission of deviant behavior from superiors to subordinates?
4. How does the organization's belief system fail to function both as a preventer of the perpetrator's rationalization (Area Manager) and as a protector for those experiencing coercive compliance (store crew) at the operational level?

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THEORETICAL FRAMEWORK

Behavioral accounting is a branch of accounting studies that places human behavior as the central variable in understanding how accounting information and control systems actually function in practice, not merely how such systems are normatively designed on paper (Dayana & Budiasih, 2024). This field seeks to explain and predict human behavior across various accounting contexts, encompassing the contingency approach in accounting system design and the phenomenon of cognitive fixation on accounting information (Riahi-Belkaoui, 2002). It also covers how accountants' judgment and decisions are influenced by cognitive biases and heuristics, which in turn affect the quality of financial reporting and the effectiveness of accounting practice more broadly (Singh et al., 2025). This perspective departs from the assumption that the effectiveness of a control system is not determined solely by procedural completeness, but by its interaction with the judgment, motivation, and behavior of the individuals who operate it. In the context of management control systems specifically, organizational performance problems often stem from behavioral factors, so control systems are essentially designed to respond to these problems; however, their implementation can produce two opposing directions, namely directing behavior in line with organizational goals, or conversely, triggering deviant work behavior.

A. Levers of Control

The Levers of Control framework was developed by Robert Simons (1995) based on in-depth study of managerial practices across various organizations, rather than derived from purely normative theory. Simons (1995) emphasized that the effectiveness of the Levers of Control lies not in each lever separately, but in the dynamic tension between the levers that are developed, used, and empowered within the organization (belief and interactive) and the boundaries created to constrain (boundary and diagnostic). Mundy (2010) showed that a balanced use of control systems across levers can keep an organization under control while retaining the ability to adapt quickly. Meanwhile, Tessier and Otley (2012) developed a conceptual framework that separates the technical and social purposes as well as the enabling and constraining nature of control. This study views the failure in the Company TR case not as the failure of a single lever, but as a failure created by the breakdown of the balanced dynamic relationship among levers. The absence of interactive control can eliminate the dialogue mechanism in management that ultimately paralyzes the ability to balance and correct the other levers, and this is what distinguishes this study from others that assess each lever separately. Simons (1995) identified four complementary control systems used by managers to balance encouraging innovation/flexibility on one side and maintaining compliance/risk control on the other, dividing the management control system into four levers:

- a. Boundary system: the constraints and rules that define the domain of permissible action.
- b. Diagnostic control system: the mechanism for measuring and providing feedback on performance against established standards.
- c. Interactive control system: the mechanism for dialogue and direct management involvement with the operational level regarding strategic or high-risk issues.
- d. Belief system: the values, norms, and ethical principles that form the basis of organizational behavior.

From a behavioral accounting perspective, these four levers are important and mutually complementary; the failure of one lever often occurs not because that lever is absent, but because it is not balanced by the function of the other levers.

This study uses Levers of Control as the main framework because Levers of Control views the control system within an organization as a device for directing organizational behavior (Rosalina & Jusoh, 2024). Levers of Control serves to explain the function of each lever in this framework. Therefore, to deepen the explanation of specific behavioral mechanisms in this study, this study is complemented by several prior behavioral theories as supporting lenses. These supporting theories are not positioned on par with Levers of Control but serve only to explain the specific behavioral mechanisms within the failure of a particular lever, so that the results of this study's analysis remain built within the Levers of Control framework and are deepened using the supporting theories in the discussion.

B. Boundary System and Contingency Theory

The boundary system is examined through Contingency Theory because the effectiveness of a control boundary is contingent on its operational context (Otley, 1980). The boundary system and Contingency Theory were chosen to trace why control boundaries designed uniformly for all conditions fail when confronted with the condition of paying a local handyman who has no bank account. The boundary system is designed to define the limits of legitimate action within an organization, but its effectiveness depends on the fit between its design and the characteristics of the operational environment it faces. Contingency Theory in management control systems (Otley, 1980) emphasizes that there is no single universally optimal control design; control effectiveness is contingent on the specific operational context the organization faces. When the boundary system is

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designed uniformly without accommodating variations in field conditions, that rigidity can force the emergence of procedural exception routes that, although administratively legitimate, may become gaps that are exploited.

C. Diagnostic Control System and Evidence/Documentation Fixation

The failure of diagnostic control is interpreted through the concept of fixation because this concept captures the tendency of verifiers to stop at document completeness as a proxy for truth (Becerra Huamán et al., 2025). This failure is a cognitive mechanism not directly explained by Levers of Control. The concept of fixation in classical behavioral accounting (Ashton, 1976) explains the tendency of decision-makers to fixate on one familiar type of information as the basis for judgment, even when other relevant information is available in parallel. This study proposes a conceptual extension of fixation theory: not only fixation on accounting numbers as examined in the classical literature, but also fixation on the completeness of formal documentary evidence as the sole proxy for transaction truth in the audit verification process.

D. Normalization of Deviance

The concept of normalization of deviance is used as a complement to the Levers of Control framework because it can explain detection failure from a social side, namely how certain repeated exceptions are gradually accepted as normal (Vaughan, 1996). Normalization of deviance (Vaughan, 1996) explains the phenomenon in which small deviations can be accepted as normal when they shelter within procedural exceptions that are indeed administratively legitimate. Repeated exceptions that produce no negative consequences gradually form a new tolerance threshold for the variations within them, including variations that actually contain substantive deviation. This phenomenon is often reinforced by diffusion of responsibility, an assumption that other parties in the organizational structure are also monitoring, so that individuals feel no need to conduct in-depth verification independently.

E. Interactive Control System and Differential Association

The interactive control system functions as a mechanism for direct dialogue between management and the operational level over high-risk issues, ensuring that information flows not only vertically and formally but also interactively and in two directions. When this lever is absent, the communication space that should serve as a means of early detection can instead be filled by a mechanism that reinforces deviation.

The absence of interactive control can be deepened through Differential Association theory because this theory can specifically explain how deviant behavior can be learned from a more influential figure through interaction (Sutherland, 1947). A consistent finding states that pressure from a superior can drive fraud by subordinates (Rui & Qi, 2021). Differential Association Theory (Sutherland, 1947) explains that deviant behavior is learned through social interaction, particularly from figures who have authority or credibility in the eyes of the learning individual. Pressure from superiors in an organization can potentially drive fraudulent behavior by subordinates (Kamran et al., 2022). Authoritarian leadership can drive unethical behavior at lower levels (Rui & Qi, 2021).

F. Belief System, Rationalization, and Obedience/Coercive Compliance

A paralyzed belief system can be explained through compliance pressure (obedience) and rationalization because these two concepts capture two different pathways when life values and integrity are overcome by coercion at the operational level (Marundha et al., 2024) and by cognitive justification at the instigator level (Yang & Chen, 2023). The belief system reflects the values and ethical principles that form the basis of organizational behavior, but its effectiveness in preventing deviation depends on the extent to which those values are truly internalized at the individual level and not merely written in the company's formal documents. In a case involving more than one party with different roles, the belief system can fail through two conceptually different mechanisms. On the side of the main perpetrator, the failure of the belief system can be explained through cognitive rationalization, namely the psychological process in which an individual constructs a justifying narrative to relieve moral dissonance when committing an act known to be deviant, particularly under personal financial pressure. On the side of the coerced operator, the failure of the belief system occurs not because of ignorance of values, but because those values are forcibly paralyzed through obedience/coercive compliance, namely compliance driven by structural power imbalance and concrete threats, not by changed beliefs. This is consistent with the study of Marundha et al. (2024) that obedience pressure makes subordinates tend to follow superiors' orders even when those orders conflict with their personal values. Ultimately, the superior who issued such orders, as one of the fraud perpetrators, constructs a mindset or cognition to justify the fraud, because the fraud is committed and coerced on one's own initiative (Yang & Chen, 2023).

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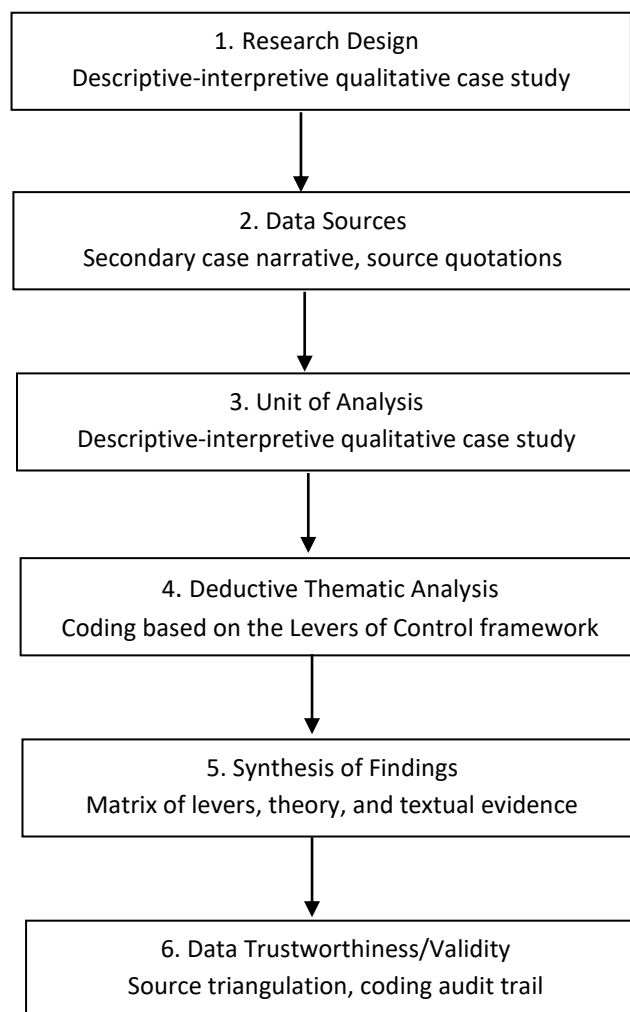


Figure 1. Research Methodology

II. DATA AND RESEARCH METHODOLOGY

This study is a descriptive-interpretive qualitative case study of a retail store of Company TR. The case study approach was chosen for its suitability in examining contemporary phenomena in depth within their original context, particularly when the boundary between the phenomenon and its context is not entirely clear (Yin, 2018). This condition is relevant to this case, where the control failure cannot be understood separately from the operational context of the SME retail that underlies it. The qualitative approach is deemed appropriate given that contemporary qualitative accounting research emphasizes that this method excels at uncovering the 'how' and 'why' mechanisms of a behavioral phenomenon, rather than merely measuring the magnitude of relationships among variables as is common in quantitative approaches (Steccolini, 2023).

The names of the entity and all individuals in this study are disguised to maintain confidentiality and comply with research ethics. The analyzed data derive from documented internal records, including internal investigation reports, summaries of internal interviews with the relevant parties, internal audit reports, and the chronology of events. These data are secondary-retrospective, in which the analysis is conducted on already-documented events rather than through a primary interview process collected by the researcher. Such an investigation-documentation-based approach is consistent with contemporary qualitative fraud research practice that utilizes investigative sources to uncover the practical methods and mechanisms behind the failure or success of fraud detection (Kassem & Omoteso, 2024). Direct quotations from the parties within these documents form the basis for the in-depth behavioral analysis in this case.

The analytical instrument used to discuss this case is a clearly structured manual coding table designed to facilitate answering each research question, comprising the source, quotation, theme, lever, and underlying theory. The analysis is conducted deductively and thematically, namely a process of coding data guided by a predetermined theoretical framework (Braun & Clarke, 2006), using behavioral mechanisms and the Levers of Control as the research framework and as a tool for grouping each quotation and event occurring in the case. The validity of the data used in this study is ensured through inter-perspective triangulation, in which statements by the perpetrator, the coerced parties, and the central team are compared with one another to confirm the truth and reliability of the research data, consistent with the trustworthiness criteria of qualitative

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research that include credibility, dependability, and confirmability (Lincoln & Guba, 1985), and affirming the importance of transparency in the analytical process as a quality standard in qualitative accounting research (Adiningsih, 2025).

Because all data derive from a single internal investigation file, this study acknowledges that its triangulation is inter-perspective triangulation within one source and not independent cross-source triangulation. The researcher developed understanding by re-reading all quotations to seek disconfirming evidence against each theme, rather than merely seeking corroborating evidence. The researcher includes a complete coding table (Table 1) that links each analytical claim to a quotation from the source so that the process of forming conclusions can be retraced, maintaining dependability and confirmability. The researcher did both of these to maintain the credibility of this study. This study is a single case study conducted for analytical generalization to theory by extending and testing the relevance of the theoretical framework to the context within the Company TR case (Yin, 2018).

III. RESULTS AND DISCUSSION

The case at Company TR is grounded in an existing scheme related to the petty cash disbursement system for paying local handyman services. Given that local handymen generally have no bank account, payment was made in cash using the cash-advance (kasbon) mechanism, which differs from payments to other official vendors that are transferred to the vendor's account. This gap in the petty cash disbursement system was exploited through vertical collusion by the Supervisor (SPV) and the Area Manager (AM) to submit fictitious cash advances, while the store crew who knew were coerced into silence through pressure. The scheme lasted for months and passed the central team's checks until it was finally uncovered through a report by a former employee. The following is a summary of the data coding results according to the analytical instrument.

Table I. Summary of Coding Results

No.	Source	Quotation/Narrative	Lever	Explaining Theory
1	Case narrative	Obligation of direct transfer to vendor accounts vs. the reality of a local handyman without an account	Boundary System	Contingency Theory
2	Case narrative	Cash advance accommodated as a legitimate procedural exception route	Boundary System	Contingency Theory
3	Case narrative	All of this passed the mandatory and valid standard procedure	Diagnostic Control	Evidence/Document ation Fixation
4	Finance	"It's all complete and there's proof... the local handyman here always pays that way, sir" (orig. Indonesian)	Diagnostic Control	Normalization of Deviance
5	Supervisor	"I was taught, sir... because the AM backs it up" (orig. Javanese)	Interactive Control	Differential Association
6	Area Manager	"Yes, sir, I was the one who taught the SPV, so it runs smoothly" (orig. Javanese)	Interactive Control	Differential Association
7	Area Manager	"I was forced too, sir, economic demands... the commission is small" (orig. Javanese)	Belief System	Cognitive Rationalization
8	Admin/Sales	Statements of pressure and threats of dismissal if refusing/reporting	Belief System	Obedience/Coercive Compliance

The parts of this case are linked to the behavioral mechanisms and each control lever of the Levers of Control.

A. Boundary System: A Gap from Non-Contextual Control

Research Question 1: How does the misalignment of the boundary system with operational conditions in the field create a gap that perpetrators exploit to commit deviation?

Company TR had designed a formally quite strict boundary system, namely the obligation of direct transfer to official vendors' accounts, completeness of supporting documents, and tiered authorization (SPV maximum IDR 1,000,000; AM maximum IDR 5,000,000). However, this design assumed that all vendor transactions could follow formal banking mechanisms; this assumption did not fit the reality of the local handyman, who had no bank account, did not want bank administrative-fee deductions, and requested cash payment immediately after work completion. In line with Contingency Theory (Otley, 1980) described earlier, the rigidity of a control design that does not accommodate operational-context variation forces the creation of an exception route, in this case the cash-advance mechanism. That exception route is procedurally legitimate but structurally vulnerable because it lies outside the main verification mechanism (bank transfers that are automatically recorded and verifiable by third parties). This gap was then exploited by the SPV on the AM's instruction through markup and fictitious transactions wrapped in a cash-advance pattern that appeared reasonable. Siagian et al. (2025) state that the effectiveness of a control

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depends on its fit with the operational context. Efile & Neethling (2025) state that reliance on informal rules and settlement is also reported as a characteristic of small-scale retail, consistent with the retail store's scale profile in this case.

B. Diagnostic Control: Normalization of Deviance and Detection Failure

Research Question 2: How do cognitive fixation on document completeness and the presence of normalized exceptions in the checking SOP weaken the diagnostic control function?

The case narrative shows that the central team's verification process stopped at checking the completeness of formal documents, including quotation letters, before-and-after work reports, photo documentation, and receipts. All these documents passed the mandatory and valid standard procedure, but that completeness became the very instrument exploited by the perpetrators, who deliberately prepared all supporting documents neatly and in the expected format. This pattern accords with the fixation theory discussed earlier: verification resting on the form of evidence (document completeness) without testing the substance of the transaction (for example, independent confirmation to the vendor/handyman) creates a gap that is paradoxically harder to detect the more neatly the documents are prepared; this contradicts the intuition that excessive neatness should trigger suspicion rather than relieve it. This is also consistent with the study of Becerra Huamán et al. (2025) that the failure to detect fraud that has occurred and recurred can still happen even when documents appear complete, indicating an expectation gap and challenges in detecting deliberately concealed fraud. The finance team viewed the cash-advance request as reasonable given the characteristics of local handymen who commonly request cash payment. This interpretation of reasonableness, in line with the Normalization of Deviance framework (Vaughan, 1996), creates a tolerance zone that makes the variations within it, including markup and transaction fictitiousness, ultimately submerge and fail to trigger additional suspicion. This condition is reinforced by a pattern of diffusion of responsibility, in that the finance team, handling transactions of many stores at once, has no direct knowledge of each store's condition and assumes that the oversight function has been carried out by another level (AM), an assumption that collapses because the AM turned out to be the main actor behind the deviation.

C. Interactive Control: Absence of Dialogue and Transmission of Deviant Behavior

Research Question 3: How does the absence of an interactive control system enable the hierarchical transmission of deviant behavior from superiors to subordinates?

In this case, there is no independent dialogue mechanism between the central team and the store crew that is free from SPV/AM control. This void of interactive control is filled by a far more damaging mechanism, namely the hierarchical transmission of deviant behavior. The SPV's admission explicitly states that this scheme was not his own initiative, that he was taught and felt safe because he had the backing (back up) of the AM. This admission is directly confirmed by the AM, who acknowledged playing the role of the party who taught the scheme to the SPV. Differential Association Theory (Sutherland, 1947) states that deviant behavior is learned through social interaction with figures who have authority and credibility in the eyes of the learning individual, in this case the AM as the direct superior who should have served as an independent control function over the SPV. This explanation accords with the finding that a results-oriented mentality and pressure from superiors drive fraud by subordinates (Kamran et al., 2022). Authoritarian leadership causes unethical behavior to trickle down to lower levels (Rui & Qi, 2021).

D. Belief System: Coercive Compliance and Rationalization

Research Question 4: How does the organization's belief system fail to function both as a preventer of the perpetrator's rationalization (Area Manager) and as a protector for those experiencing coercive compliance (store crew) at the operational level?

Although Company TR has a belief system that explicitly upholds the values of sportsmanship, integrity, cooperation, and honesty, these values failed to function as drivers of ethical behavior at two different levels, through two conceptually different psychological mechanisms. At the AM level (main perpetrator), based on the AM's admission that his actions were driven by 'economic demands' and a commission felt to be small, this shows a pattern of cognitive rationalization, namely a process of self-justification that relieves moral dissonance due to personal financial pressure (Yang & Chen, 2023). At the store crew level (the coerced party), the mechanism differs fundamentally; the store crew initially refused involvement but faced continuous pressure and intimidation until they ultimately helped prepare supporting documents. This pattern is not rationalization because there is no moral justification for the action taken, but rather pure obedience/coercive compliance, in which compliance is driven by structural power imbalance and concrete threats (the risk of dismissal), not by a change in ethical belief. This crew behavior accords with the mechanism of obedience to authority, in which subordinates tend to follow the will of superiors even

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when it conflicts with their personal values (Milgram, 1974). In addition, compliance pressure from superiors drives subordinates' involvement in the superior's fraudulent behavior (Marundha et al., 2024).

E. Synthesis and Implications

Based on the application of Simons's four levers and the behavioral mechanisms above to the Company TR case, it can be concluded that the failure did not stem from the absence of a control structure, because in this case complete and structured SOPs, verification, and audit were already available. This failure occurred in the behavioral dimension that drives the deviation. A non-contextual boundary can open a gap to be exploited by perpetrators of deviation (Siagian et al., 2025). Diagnostic control is also paralyzed by the normalization of deviance that occurs (Vaughan, 1996). The absence of interactive control in the organization can also cause deviation to be learned hierarchically (Sutherland, 1947). This is supported by a belief system rendered powerless by hierarchical coercive compliance (Marundha et al., 2024) and the rationalization of deviant behavior to justify it (Yang & Chen, 2023). As a robustness test, this case can be read through the Fraud Triangle framework, namely pressure (the AM's financial difficulty), opportunity (the cash-advance payment gap), and rationalization (justifying fraud using the circumstance of a small commission). However, that framework stops at explaining why individuals are moved to commit fraud, so it does not explain why the formally existing and complete control system still failed to mitigate it. This study uses the Levers of Control framework and behavioral mechanisms that can explain the failure of a formally existing and complete control system. This study explains the deviation that occurred hierarchically, was normalized, and was coerced, with levers that should function to balance the dynamic relationship among levers but did not. The Fraud Triangle framework can explain the perpetrator, whereas the Levers of Control framework and behavioral mechanisms explain the control failure. In line with the previously explained principle that the four levers are mutually complementary, the following are mitigation recommendations formulated to address the specific failure mechanism at each lever, not merely procedural strengthening:

- **Boundary System:** independent third-party verification (random direct confirmation to the vendor/handyman) for transactions going through the cash-advance exception route, accompanied by a cumulative threshold that triggers additional review when a store's accumulated cash advances exceed a certain limit within a certain period.
- **Diagnostic Control:** reversing the assumption that document completeness and neatness equal transaction validity; documents that are consistently 'too perfect' in a certain pattern should trigger additional inspection rather than relieve suspicion, accompanied by periodic rotation of branch auditors/inspectors to reduce the familiarity effect underlying normalization.
- **Interactive Control:** opening an independent dialogue channel between the central team and store crew that is not filtered through SPV/AM, for example random and confidential interview sessions outside the presence of direct superiors, as a counterbalance that was structurally absent in this case.
- **Belief System:** an explicit protection policy for employees who admit to being coerced into involvement under pressure (to address the failure on the store crew side), accompanied by a longer mentoring period for new leaders before being granted full authorization authority (to address the failure on the AM side, who had joined less than two years before the case occurred).

Table II. Synthesis of Levers of Control Failures and Mitigation Recommendations

Lever	Status	Behavioral Mechanism	Theory	Key Evidence	Recommendation
Boundary System	Failed — non-contextual	Design rigidity forces the emergence of an exploited cash-advance exception route	Contingency Theory (Otley, 1980; Siagian et al., 2025)	The obligation to transfer to vendor accounts does not fit the reality of a local handyman without an account, so cash advances become a gap for markup and fictitious transactions	Independent third-party verification (random confirmation to vendor/handyman) with a cumulative cash-advance threshold
Diagnostic Control	Failed — detection paralyzed	Fixation on document completeness + normalization of exceptions + diffusion of responsibility	Fixation (Ashton, 1976); Normalization of Deviance (Vaughan, 1996); Becerra Huamán et al. (2025)	Verification stops at document completeness; the cash advance is deemed "reasonable"; finance assumes another level (AM) monitors	Test transaction substance, not merely document completeness; periodic rotation of branch auditors/inspectors

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Interactive Control	Absent	Hierarchical transmission of deviant behavior (social learning)	Differential Association (Sutherland, 1947); Kamran et al. (2022); Rui & Qi (2021)	The SPV admits being “taught” and feels safe because backed by the AM; the AM admits playing a role in teaching the SPV	Open an independent central–crew dialogue channel outside SPV/AM (random and confidential interviews)
Belief System	Failed — paralyzed on two sides	Rationalization (main perpetrator/AM) + coercive compliance (store crew)	Cognitive Rationalization (Yang & Chen, 2023); Obedience/Coercive Compliance (Milgram, 1974; Marundha et al., 2024)	The AM justifies the action via “economic demands/small commission”; the crew refuses but submits due to the threat of dismissal	Explicit protection for coerced parties + a longer mentoring period for new leaders before full authority

CONCLUSION

This study analyzed the behavioral mechanisms behind the failure of the control system in the petty cash fraud case at Company TR through the Levers of Control framework. Based on the application of behavioral theories from prior research to the facts in this case, it can be concluded that the failure points to the behavioral dimension. The boundary system failed due to the setting of non-contextual limits, thereby creating a cash-advance gap that could be exploited by perpetrators. The normalization of deviance caused the diagnostic control to fail to detect the deviation that actually occurred. The absence of interactive control in the organization allowed deviant behavior to be learned and transmitted from superiors to subordinates. The belief system was ultimately rendered powerless by coercive compliance from the upper level to the operational level and by the rationalization of deviant behavior at the instigator level. Overall, this study concludes that the control failure in the Company TR case was not caused by the absence of the Levers of Control structure, but by a relational failure among levers, in which the absence of the interactive control system became the critical point that allowed the failure of the other levers to persist uncorrected for a significant period.

Theoretically, this study demonstrates the benefit of combining Levers of Control with behavioral theories to read control failure in a company through the behavioral dimension and to enrich the understanding of how a control-system failure can be explained behaviorally, not merely procedurally. In addition, this study offers practical benefit in the form of a deeper understanding of the root behavioral problem behind the control failure at Company TR, so that the previously produced mitigation recommendations can target behavioral mechanisms directly, not merely strengthen administrative procedures, and are relevant for application as preventive measures at other stores under the same Area Manager's supervision. The main contribution of this study lies in affirming that control failure can be relational and not merely the absence of a particular required lever, so that this study enriches the discussion of dynamic tension within the Levers of Control framework in the context of small-scale retail fraud that has rarely been examined. In line with the principle of analytical generalization, this framework is open to being retested on similar cases to assess its consistency across contexts. This study has several limitations, particularly that the data used derive from a documented case narrative that is secondary-retrospective, not primary interviews conducted directly by the researcher, so that the information-exploration process is limited. Conclusions drawn from these findings are limited, and their relevance to broader contexts requires caution and should ideally be validated further through research using primary data or multi-case studies. This study deliberately does not include an analysis of the whistleblowing process that uncovered this case, so the findings are limited to the failure mechanism and not the disclosure mechanism. This aspect is open as a separate research direction for future researchers interested in exploring the disclosure side of fraud more deeply. Future research should use primary data (direct interviews) to obtain a more comparable depth of evidence across all levers, and should conduct multi-case studies with branches or similar companies to assess the extent to which the pattern found is consistent across contexts.

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