ABSTRACT
This study aims to examine fraud in hotels by developing a Fraud Risk Management (FRM) design. FRM is developed through several stages, including preliminary analysis, preparing the initial design of the FRM, testing the implementation, making correction, and preparing the final design of the FRM. The research method used in this study is a qualitative method by combining Research and Development (R&D) methods. Data collection is done through interview, observation, and documentation techniques. Data analysis method is carried out through data reduction, data presentation, and drawing conclusions. The data sources used in this study are primary data and secondary data. The results of this study show that basically both types of hotels have the same potential for fraud but with different business processes. The FRM design implemented can be divided into 2: general design and specific design. There are some corrections which can finally result in FRM design in accordance with the conditions of each hotel.

Keywords: fraud risk management design, fraud, hotel.

1. INTRODUCTION
Bali is one of the most famous tourist destinations in the world. Bali’s scenic beauty and cultural uniqueness have attracted many domestic and foreign tourists to visit and stay longer there. Various developments have been taking place to support the tourism sector which is at the forefront of the economy of Bali. The rapid development of tourism has led to the rapid economic development in Bali. According to Mostafa and Shah Alam Kabir Pramanik (2015), tourism sector is an integrated sector that includes culture, scenic beauty, archeological and historical sites, social politics, and infrastructure development. Of course, the development of tourism will also have an impact on the construction of facilities to support tourism needs. One of them is lodging facilities including hotels, villas, and small-scale lodging such as bungalows, homestays, cottages or guest houses. Based on the Regulation of the Government of the Republic of Indonesia No.65 of 2001 concerning local taxes, hotels are buildings specifically provided for people to be able to stay or rest, obtain services and or other facilities for a fee including other buildings which are integrated and managed by the same party except for shops and offices. Hotel is a building that provides hotel services, food, and drinks needed by guests with payment requirements. Hotel is a business field that is engaged in services whose purpose is to seek profits.

The rapid development of hotels, both large and small scales, provides employment opportunity for the community. Managing a business organization certainly has inherent risks. One of them is the risk of fraud committed by management. Fraud is an act of cheating for personal gain and causing harm to...
others or the company. According to Law No. 20 of 2001 concerning corruption, corruption is one type of fraud. According to Tuannakotta (2010), there are three factors that influence someone to commit fraud, as described in the fraud triangle theory, such as incentives or pressure to commit fraud, opportunities to commit fraud, and attitudes or rationalizations to justify fraud. In addition to the fraud triangle theory, there is also the fraud diamond theory, the development of the fraud triangle theory.

Fraud cases in the tourism industry also occur in Bali. Lestari (2017) found several indications of fraud in the ABC Hotel Denpasar. This is shown from the results of an interview with the Assistant General Manager of the ABC Hotel Denpasar.

“one form of fraud is related to skimming, where a manager or ranks from middle to top management can order food and drinks or even room for their families or relatives, but these are not included in the income, even though they use hotel facilities.”

Judging from the percentage of employee turnover, in 2015 there were two ABC Hotel employees who were fired because they were proven of committing fraud. In addition to the fraud that occurred in ABC Hotel, there were several cases of fraud that occurred in the hotel industry, such as in Grand Quality Hotel (the type of fraud committed was financial statement manipulation), in a Hotel in Sleman (the type of fraud committed was skimming), and in the Meridien Hotel (the type of fraud committed was fictitious report). To be able to minimize and prevent fraud, it can be done by implementing the Fraud Risk Management (FRM) strategy. Through the existence of FRM strategy which includes the stages of prevention, detection, and response, the company can estimate the risk of fraud that is likely to occur and can take early preventive actions so that the activities in the company can run smoothly in accordance with the objectives to be achieved. However, many hotels do not know how to prevent fraud. This research is the development of previous research conducted by Sujana, et al (2018). In the previous research, Sujana, et al (2010) only examined the potential for fraud in the Village Credit Institutions, while the current research focused more on the potential for fraud in the hospitality business, including developing Fraud Risk Management (FRM) in the hospitality business to prevent fraud.

2. LITERATURE REVIEW AND HYPOTHESIS

Fraud Theory

According to Subagio, et al (2013) fraud is any illegal act or improper activity done intentionally with the aim of tricking others which can cause victims to suffer losses and the fraud perpetrators to gain profits. The Association of Certified Fraud Examiners (ACFE), in Tuannakotta (2010), a professional organization engaged in the examination of fraud based in the United States and has the aim to combat fraud based in the United States and has the aim to combat fraud, classifies fraud into several types, or known as “Fraud Tree”. The three main types of fraud are: First, Corruption. According to Karyono (2013), corruption is an act that harms the public interest/public or the wider community for personal or group interests. Corruption is the act of someone who holds an office and authority that violates the law and provisions and procedures wrongly by utilizing the office or position, authority or character inherent in his power to obtain direct benefits for himself, or indirectly through relatives or others, contrary to duties or rights of others (Priantrara, 2013). Corruption includes bribery, conflicts of interest, illegal gratuities, and economic blackmail. Second, assets misappropriation. According to Black’s Law Dictionary, assets misappropriation is: “fraudulent appropriation of property by one lawfully entrusted with its possession. willfully to take, or convert to one’s own use, another money or property, of which the wrong doer acquired possession lawfully, by reason of some office or employment position of trust.”
The types of assets misappropriation are cash theft, fraudulent expenses, ghost employees, excessive costs, and misuse of assets or inventory. Third, fraudulent financial statements. Fraudulent financial statements are usually carried out because there is a pressure in the form of expectations toward management work performance. Therefore, financial reporting is deliberately falsified to fool its users. This is in line with the opinion expressed by Tjahjono et.al (2013) that intentional mistakes, obscurity of material facts, or misleading accounting data can affect or change the reader’s decision and judgment after considering the wrong facts of the presentation. Fraudulent financial statements can be in the form of fictitious income, time differences, hidden liabilities, incorrect disclosures, and improper valuations of assets.

All levels in the organization such as the board of commissioners and management including every level of management, staff, and internal auditors have the responsibility to manage the risk of fraud. COSO (2016) provides guidance on ways in which senior management, staff at all levels, and internal auditors can prevent fraud in an organization. Fraud prevention is the process of eliminating the factors that can cause fraud. Prevention can be achieved when an organization adopts a Fraud Risk Management process including establishing a visible and rigorous fraud regulatory process, creating a transparent anti-fraud culture, including periodic comprehensive fraud risk assessments, designing, implementing, and maintaining preventive control process and fraud detectives and procedures, taking quick action in responding to the issue of fraud, including when there are actions that fall into the offense.

**Fraud Risk Management (FRM) Principles**

According to COSO (2016), there are five principles of Fraud Risk Management (FRM). First, the organization establishes and communicates the FRM program so that the board of commissioners and senior management are committed to maintaining high integrity and ethical values on how to manage fraud risk. Second, the organization conducts a comprehensive fraud assessment and risk assessment to specifically identify fraud and risk schemes, assesses the possibility of significant fraud, evaluates existing fraud control activities, and implements actions to reduce the risk of residual fraud. Third, the organization selects, develops, and disseminates preventive and detective fraud control activities to reduce the risk of fraud occurring or not being detected in

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**Figure 1. Fraud Risk Management (FRM) Model**

![Fraud Risk Management (FRM) Model](source: COSO, 2016)
Nyoman Sunarti et al., Fraud Risk Management

a timely manner. Fourth, the organization establishes communication to obtain information about potential fraud and uses a coordinated approach for investigation and corrective action to deal with fraud in a timely manner. Fifth, the organization selects, develops, and evaluates to ascertain whether each of the principles of fraud risk management exists and functions well and is used as an efficient communication to those responsible for taking corrective actions, including senior management and the board of commissioners at the timely manner.

3. METHODS
Judging from the type of data, the approach used in this study is a qualitative approach, in which the researchers make observations directly to the field and collect data to be analyzed based on the observations and knowledge of the researchers. The R&D research design in this study is divided into four stages. The first stage is preliminary analysis, in which this study focuses on identifying and mapping the potential for fraud through the Fraud Risk Assessment. The second stage is designing or initial fraud risk management. The third stage is testing the implementation of fraud risk management. The fourth stage is making corrections and designing final fraud risk management. This research is conducted at two hotels, Ayu Laba Villa and Manta Cottage, located in Banjar Batumulapan, Batununggul Village, Nusa Penida District, Klungkung Regency. The method used is interviews, observation, and documentation. Researchers choose two different types of hotels in Banjar Batumulapan, Batununggul Village.

Potential for fraud with the type of asset theft can occur in the manager and staff of the villa. This is because manager also holds position of purchases. The manager can buy his personal needs using the villa's money. Likewise with the villa staff, villa supplies can be stolen by villa staff. This is because there is no recording of the number of inventories and no checking is done. In addition, another potential for fraud that might occur at Ayu Laba Villa is fraudulent financial statements. This is because the manager manipulates the financial statements by lowering income or overspending. Moreover, everything related to villa finances is directly handled by the manager himself. And when reporting every month, the manager does not include proof of expenditure to the owner.

"The owner entrusted to me to manage this villa. When there is an income from guests who pay for the room, the first is FO who receives it, but later it will be deposited directly to me on the same day. Sometimes when I am in place, I immediately receive and immediately make a 3-fold receipt, one for guests, one for records, and one for monthly checks and I also take notes in a book."

It is different from the case occurred in Manta Cottage. Potential fraud that occurred in Manta Cottage includes two departments: room department and restaurant department. Potential skimming can occur in both departments. This skimming scheme can be carried out by the Front Office employee when there are guests who come directly to book a room while paying in cash at the time. The Front Office employee does not record the receipt and he easily reports that there are no guests booking the rooms. While in the restaurant department, it is handled by the kitchen staff, accounting and owner. When there is income from guests who eat in the restaurant, the kitchen staff will
make a triple copy of notes: white, red and yellow. White note is given to guests, red tote is given to accounting along with the money, and the yellow one will be archived as a slip order. The kitchen staff makes it possible to not report any sales at the time and not make a bill. These conditions are in accordance with the statement disclosed by Manta Cottage accounting staff named Ni Luh Eka Yuliastini as follows:

“For example, if there are guests who eat in restaurants, the kitchen staff Mrs. Dek Budiasih makes three bills. White is given to guest, red is given to me with the money then I record it in the diary as income, yellow is archived in the kitchen as the order slip.”

In addition to the potential skimming, potential asset theft in the form of inventory can also occur in Manta Cottage, especially in the restaurant department. Employees of the kitchen section commit assets theft of food or beverage supplies. This scheme is carried out by the kitchen employees by taking some food or beverage supplies for personal use. Moreover, there are no employee checks before or after entering the work area. Another potential fraud is time theft in the work place carried out by cottage employees. In addition to financial management, the implementation of human resource management in Manta Cottage is still weak. This can be seen from the incident some time ago where there were complaints from guests about employee services that were less than optimal. These complaints were known through reviews on online travel agents. This certainly has a negative impact on the cottage that can reduce cottage income. The action taken by the owner was only to reprimand without taking any policy. This condition certainly allows the same case to occur. This potential fraud is usually referred to as time theft in the workplace. This scheme is carried out by employees by not doing their duties properly and intentionally taking other work that has nothing to do with duties at the cottage during working hours.

**Initial Fraud Risk Management Design**

At this stage, researchers design general guidelines that can be applied by management to prevent fraud. In addition, researchers design the initial Fraud Risk Management for each type of hotel. From the results of the analysis of the preventive actions taken by each hotel, it is than followed by development with the aim of reducing the potential for fraud.

General guidelines for fraud prevention consist of seven ways. 1) Top-level management as a role model can provide a good example to lower-level management, especially in terms of financial management transparency. This relates to job satisfaction of an employee. Based on the two-factor theory, Badriyah (2015) states that satisfier or motivator is the factor or situation that is proven as a source of job satisfaction consisting of achievement, recognition, authority, responsibility, and promotion. Hygiene factors are factors that have proven to be a source of satisfaction, consisting of salary, incentives, supervision, personal relationships, working conditions, and status. 2) Strengthening belief in God through the *Tirta Yatra* program or joint prayers held during certain holidays. This statement is supported by the research conducted by Rohayati (2014), that a person’s religiosity can affect his performance within the company. The attitude of religiosity possessed by each individual will be a limitation in running competition in the world of work. Religiosity encourages each individual to always be wiser in facing work challenges. With the religious activities provided by a company, it is expected to help shape employee morals and further improve the religiosity of each employee so that he will not do bad things in the workplace, one of which is committing fraud. 3) Applying the habit of praying before working in temples or pelinggih in the workplace. This method also aims to get closer and
strengthen employee faith. 4) Formation of an anti-fraud team. This team is formed to function as prevention, detection and response. The company can assign several employees who are trusted to carry out tasks, such as controlling and supervising the work carried out by each employee, reporting indications of fraud, and following up on employees who commit fraud. 5) Holding an evaluation meeting within a certain period. The Committee of Sponsoring of Organizations (COSO) in Internal Control - Integrated Framework (2013) states that internal control has five interconnected components, one of which is monitoring activities. Monitoring activities are ongoing evaluations, partial evaluations, or a combination of both, used to determine whether the five components of internal control, including controlling the influence of principles in each component run well or not. 6) Making a suggestion box. This method has a goal to evaluate employee performance that is not good according to guests. With this suggestion box, employees will be increasingly reluctant to commit fraud because guests will indirectly participate in supervising employees. 7) Tightening in employee recruitment. According to Kreitner and Kinichi (2000) and Riyanto (2009), there should be one action to develop an ethical climate in organizations by screening potential employees. Developing ethical behavior must be carried out from the beginning, or since employee selection is conducted. The aim is to filter them so as not to make mistakes in the future.

Specifically, in Ayu Laba Villa there are three FRM designs that are tailored to the potential for fraud. The potential for skimming can be prevented through recording in the reservation book. The Front Office in charge of receiving guests must make notes on the reservation book. Potential theft of assets with a personal purchase scheme can be prevented through making inventory cards and physical checks that are routinely carried out within a certain period of time. The potential for abuse of trust with financial statement fraud schemes can be controlled through supervision by other departments and to eliminate multiple positions held by managers.

The special FRM design at Manta Cottage is also tailored to the potential for fraud that may occur. The potential for skimming can be prevented by numbering the room payment receipt. And for the restaurant department, it can be done by separating the part that receives payment from guests. The potential theft of assets can be prevented through making inventory cards and physical checking routinely carried out within a certain period of time. Related to time theft in the workplace, it can be done by tightening employee attendance list and employee breaks. The owner also participates in supervising employees through CCTV installed at certain angles. This will easily monitor the gestures of employees. And sanctions can be set for violations committed by employees.

**Trial of Fraud Risk Management Implementation**

At this stage, a trial was carried out to implement the Fraud Risk Management (FRM) design that researchers had proposed. The trial was carried out for two weeks which was divided into several stages. First, researchers discussed the FRM design with the owner or manager of each hotel. Second, based on the results of the discussion, the management of each hotel implemented it for ten days. Third, the researchers reviewed the development of the implementation of the FRM design and conducted interviews to explore information about the results of the implementation of the FRM. The next was to describe the results of the trials at Ayu Laba Villa and Manta Cottage.

Before implementing the FRM design in Ayu Laba Villa on May 27, 2019, there was a discussion with the villa manager regarding the FRM design to be implemented. There were ten FRM designs consisting of seven general designs and three special designs but not all designs
were accepted. For the design of the formation of fraud prevention team could not be implemented because the employees in Ayu Laba Villa were inadequate. Likewise with the creation of suggestion boxes, it could not be implemented because criticism and suggestions from guests could already be done directly through the reviews in online travel agents. Besides, if there is an indication of fraud, the manager immediately takes action. In addition to not being able to be implemented, there are also several designs that will be applied in the future, such as the implementation of tirta yatra and strict selection during employee recruitment. Both of these designs have been approved by the manager and will be implemented. The following statement was expressed by the manager of Ayu Laba Villa regarding the initial design of FRM as follows:

“There are a lot of designs. And after I read and understand, none of these can be implemented here. Because tirta yatra needs enough money first to cover employees, at least half of all costs must be borne by villa management. In addition, during these months the guests are still crowded, so it is impossible to close the villa even only for one day, because it is peak season or holiday season. But in the future it must be implemented, because it is good. The strict selection will also be implemented in recruiting employees, but now there still is no recruitment.”

The implementation of the FRM design was carried out simultaneously from 28 May 2019 to 6 June 2019. The results achieved can be said to be good. This can be seen from the enthusiastic employees of Ayu Laba Villa in implementing work system changes, especially the design of FRM which is related to strengthening belief in God Almighty through prayers. Of the two ways offered, only praying every day that can be implemented. Related to transparency from managers, it has also been done well. This can be seen from the employees who also know the financial condition of the villa. And some employees admit that the workload and compensation provided are appropriate. In addition, the evaluation meeting has been held by the manager once a week to discuss the obstacles in work.

In addition to the general design which has been described above, the results achieved in the implementation of this specific FRM design are also good. This can be seen from the implementation of the recording in the reservation book by the Front Office section and the making of an inventory card to record all items or supplies at Ayu Laba Villa. However, not all specific designs can be implemented. For the design of direct control by the owner cannot be implemented because the owner has trusted the manager to manage the villa, as stated by the manager of Ayu Laba Villa as follows:

“The designs are quite good and have been implemented, too. The reservation book has been made and has been running until now and so on. And the stock card is already working. With this designs, all records are clear and order. So if there is a difference, it is easy to check. But for the direct control from the owner cannot be applied, because the owner lives in Sumatra. He rarely returns to Nusa (Nusa Penida) because he is busy working there. And all the affairs of the villa have been entrusted to me.”

This is consistent with the statement revealed by the Front Office section named Gede Krisna regarding the design:

“Yes, I have made a reservation book and every time a guest checks-in I make a receipt in advance, for example, when he pays. Then I immediately make or record in the reservation book. I think the existence of this reservation book is very good to control, especially when there is a difference, it can be checked immediately.”

Based on the analysis of the conditions of Manta Cottage, ten FRM designs were established to prevent potential fraud in this cottage. On May 28, 2019 there was a discussion with the owner of Manta Cottage regarding the FRM designs to be implemented. There were seven general
designs and three specific designs that were implemented from May 29, 2019 to June 7, 2019. Of the 10 FRM designs presented, not all designs could be applied. There were five designs that had been implemented well, 3 designs would be implemented sometime in the future and two designs could not be implemented.

The results achieved in the implementation of the design can be said to be good. This is because the owner of Manta Cottage gave a very good response to the proposed FRM designs. Thus, employees must also implement the designs according to the owner’s direction. As with the implementation of habits for prayer before doing work activities, it has been carried out routinely by all employees. However, the implementation of tirta yatra still cannot be done at present due to limited time. Transparency of financial statements has also been carried out by the Front Office employee who acts as an accounting through records that are made in accordance with procedures. Mr. Ketut Manta, the owner of Manta Cottage, really appreciated these FRM designs and continued to apply these designs, as he said in the following interview:

“Yes, this means that during Komang’s observation at Manta Cottage, there were some shortcomings at Manta Cottage. And after the observation, it was found several designs, where these designs were offered by Komang and in a few days we implemented. These designs have created a new atmosphere in terms of fraud in this hotel. It is expected that in a few days, it will be implemented again and good progress can be achieved. It is expected that there will be a significant influence on Manta Cottage.”

A similar statement was also made by Made Murdiana regarding the design that has been applied:

“I feel a better change. Work procedures are more organized and our performance here is also better. So this design can also have a good influence on Manta Cottage in the future.”

The specific FRM design was implemented very well in Manta Cottage. Significant changes were felt by employees and by the owner himself, especially in the regular and transparent financial recording procedures. Applying serial numbers to the invoice provides excellent control to prevent skimming. In addition, the owner is easy to check and control. By applying a system like this, the Manta Cottage employees feel a good change in terms of regular work procedures.

Correction and Final Design of Fraud Risk Management
At this stage, corrections or improvements to the Fraud Risk Management design were made. The improvement made was based on deficiencies or obstacles encountered during the trial. Researchers participated in conducting interviews with informants to explore deeply about the shortcomings of the design so that it was expected that the FRM design would be in accordance with company conditions and could continue to be implemented. From the results of trials that have been carried out, there are some corrections that can be illustrated in Appendix 1.

5. CONCLUSION
Based on the presentation of the results and discussion, it can be concluded that the implementation of the Fraud Risk Management (FRM) designs in the two different types of hotel: Ayu Laba Villa and Manta Cottage, runs well. In general, there are designs that cannot be implemented due to time and cost problems. However, there are also several designs that are corrected and tailored to the circumstances of each hotel. This is certainly done for the improvement so that the purpose of implementing the FRM design can be achieved.

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### Appendix 1. Correction and Final Design of Fraud Risk Management

| No | Initial FRM Designs | Correction | Final FRM Designs |
|----|---------------------|------------|------------------|
| 1. | Top-level management as a role model can provide a good example to lower-level management. | Strict sanctions are imposed when there are violations committed by all employees without the exception of the manager. These sanctions are made in accordance with the agreement with the employee and the type of violation is taken into account. | A rule or code of conduct is set in complete including sanctions given if violations occur. |
| 2. | Strengthen faith in God through the *Tirta Yatra* program or joint prayers held during certain holidays. | There is no correction | Strengthen faith in God through the *Tirta Yatra* program or joint prayers held during certain holidays. |
| 3. | Apply prayer habits in temples or *pelenggih* existing in the workplace before starting to work | There is no correction | Apply prayer habits in temples or *pelenggih* existing in the workplace before starting to work |
| 4. | Formation of an anti-fraud team. This team was formed to function as prevention, detection and response | Top management can provide employees with a good understanding of the importance of preventing or reporting if there are indications of fraud. | Enabling all employees to become an anti-fraud team |
| 5. | Hold evaluation meetings within a certain period. | Implementation schedule is determined | Hold an evaluation meeting once a month ie at the time of payment of employee salaries. |
| 6. | Making a suggestion box | Making a suggestion box can be replaced by customer reviews in an online travel agent | In a certain period of time the top management must check the reviews so that when there are bad reviews, the action that must be taken is to conduct an evaluation meeting of all employees. |
| 7. | Tighten employee recruitment. | There is no correction | Tighten employee recruitment |

Source: processed data, 2019