

RESEARCH ARTICLE

# NON-ETHICAL BEHAVIOR MEDIATES RELATIONSHIP OF RULES OBEDIENCE, MANAGEMENT MORALITY, AND EFFECTIVENESS OF INTERNAL MONITORING SYSTEM TOWARDS ACCOUNTING FRAUD TENDENCY

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**ABSTRACT:** This research was conducted to examine impact of rules obedience, management morality, and effectiveness of internal controls, towards Accounting Fraud Tendency, which mediated by unethical behavior in Regional Devices Organization (RDO) at *Keerom* regency, *Papua*. Data was obtained through questionnaire. The questionnaire data itself was obtained from all staffs and accounting chiefs in RDO of *Keerom* regency. From 104 distributed questionnaires, there were only 98 questionnaires that could be received back. Next, from the 98 questionnaires, there were only 85 could be processed as data. Data was analyzed using path analysis through the assistance of *SPPS* computer program version 23.0. The results showed that obedience towards accounting rules and management morality has got positive and significant impact towards accounting fraud tendency. The effectiveness of internal management system has got positive impact, but not significant, towards accounting fraud tendency. The impact of non-ethical behavior as intervening between management morality and accounting fraud tendency was not dominant. In other side, non-ethical behavior, as intervening between accounting obedience and effectiveness of internal management system, towards accounting fraud tendency, has not got dominant impact.

**Keywords:** Rules Obedience; Management Morality; Internal Monitoring System (IMS); IMS Effectiveness; Non ethical Behavior, Accounting Fraud Tendency; Fraud

**JEL Classifications:** K2, M4, P3

## Background

In its development that has increased rapidly, accounting has provided benefits to society. However, it can also be a source of fatal fraud problems, namely corruption incidence, assets misuse, or financial statement manipulation.

Transparency International (TI) has released corruption perception index for year 2017. Indonesia is a country with a corrupt ranked 96 in the world. In Southeast Asia level, Indonesia is under Singapore, Brunei Darussalam, Malaysia, even Timor Leste [1]. Fact shows that organizations with the greatest chance in experienced fraud is the organization which engaged in finance field.

Indonesia Corruption Watch (ICW) in year 2017 noted 9 (nine) provinces with highest corruption cases. They were East Java, West Java, North Sumatra, Aceh, Central Java, Riau, South Sulawesi, West Nusa Tenggara, and Riau Islands. There were 295 corruption cases in those 9 provinces. Meanwhile, West Java was one of the provinces with the highest losses value *i.e.* 647 billion rupiah. From the rank, there was a corruption with the highest loss. It was about corruption in fictitious credit disbursement in *Jabar Syariah* Bank (JSB), which has caused country loss at around 628 billion rupiah [2].

In other side, by the year of 2016, Indonesia Corruption Watch has also detected the fraud potential in the area of services and goods procurement. At the provincial level, Bengkulu was on the first rank with 15.4 point at quite risk province. The second position was South Sumatra province. It was followed by middle Borneo, North Kalimantan, and Lampung. For most potential fraud regency, Keerom regency in Papua was the first risk regency with an average score 15.7. It was known that there were 56 procurement projects with given budget Rp 161, 75 billion. The high numbers of cheating was a reminder to the government that Keerom regency has got potential corruption cases [3].

Fraud was a deliberate lie, untruth in reporting company assets or the manipulation of financial data. The manipulation of financial data was acted by a particular party for its own or private benefits [4].

Generally, tendency of accounting fraud is related to corruption [5]. In corruption, there were unusual actions performed, such as manipulating the recording, the disappearance of documents, and mark-up that causes losses of state economy. Therefore, internal control is very important. It provides protection for the entity towards human foibles as well as to reduce the possibility of errors and actions that do not comply rules [6]. Based on above consideration, the authors conducted this research under the topics of **Non-ethical Behavior Mediates Rules Obedience Relationship, Management Morality, and Effectiveness of Internal Monitoring System towards Accounting Fraud Tendency.**

## Attribution Theory

Attribution is a process for interpreting events, reasons, or background of person's behavior [7]. This theory explains about a person's behavior towards events around it and how to find out its reasons. The theory

stated that person's behavior and the reasons of why someone does something, is caused by internal factors or external factors. Based on the statement above, it can be concluded that the attribution theory describes the effort to understand causes behind behavior of others [8].

Behavior that caused by internal factors is behaviors that believed to be under the control of, or comes from the individual itself [9], such as personality traits, motivation or ability. Behavior that caused by external factors is behavior that believed to be the result of outside causes, or comes from outside of individual, such as equipment, or social influence from others [10].

## Accounting Fraud

Accounting fraud is one of the actions that intentionally made by an actor, in order to gain personal profit. The aim of the fraud action is to create a facade of a company's financial health. It involves an employee, account or the organization itself and is misleading to investors and shareholders. A company can falsify its financial statements by overstating its revenue or assets, not recording expenses and under recording liabilities[11]. Factors that drive someone to commit fraud are: 1) Pressure, 2) Opportunity, and 3) Rationalization [12]

## Rules Obedience, Non-ethical Behavior, and Accounting Fraud Tendency

An agency or institution will behave non-ethically and take actions of cheating since it does not commit or not obey to an accounting rules. Agency theory states that committing accounting rules will minimize fraudulent behavior [14], while failure in processing financial statements is cause by management disobedience to the accounting rules. This will also cause fraud that cannot be detected by the auditor [5]. In other words, an institution or organization obedience towards accounting rules is expected to minimalize and to prevent non-ethical behavior management, which refers to the fraud accounting tendency actions.

## Management Morality, Non-ethical Behavior, and Fraud Accounting

A study conducted by Pradyani showed that morality has no impact towards fraud accounting. The higher stages of management morality, the more management notices a wider and more universal interest. It will not only focus on its corporate interests, nor do its personal interests [9]. Therefore, the management will put more effort in avoiding accounting fraud tendency if its morality standard is higher. Management morality has got a significant impact towards accounting fraud tendency. If the morality of management is low, then the possibility of cheating can still occur [15]. A low morality of staff can easily cause non-ethical behavior that always want to maximize his/ her personal advantage without considering the consequences towards organizations. Non-ethical behavior could eventually increase the occurrence of accounting fraud tendency, which will inflict financial loss of organization [16].

**The effectiveness of Internal Monitoring System (IMS), Non-ethical Behavior, and Accounting Fraud**

Quality of an IMS effectiveness will affect transactions tests, balance sheets detail test, fraud detection activity, and incidence of fraud. The more effective of IMS, the lower fraud incidence happens [17]. Non-ethical behavior and other deviant behaviors can be decreased by the existence of effective IMS in a management. Management tends to be deviant in order to maximize its personal gain. An example of deviant action is fraud accounting [18].

Thus, the existence of an effective IMS is expected to minimize non-ethical behavior. The non-ethical behavior refers to the action of accounting fraud tendency in institutions or organizations. This will harm the institutions or the organizations.

**Methods**

This was a quantitative research. Population in this research was 52 Regional Devices Organization (RDO) in Keerom regency, by year 2018. Location was chosen based on the consideration that the area is a potentially committing fraud accounting. It was known that there were 56 procurement projects with given budget Rp 161, 75 billion [3].

Data collection in this research applied questionnaires technique. It was conducted by distributing questionnaires to 2 (two) respondents in Keerom Regency RDO. The questionnaires were related to rules obedience, management morality, and the effectiveness of IMS towards accounting fraud tendency that was mediated by non-ethical behavior. Total samples were 104 respondents.

**Results**

From 104 distributed questionnaires, there were only 98 questionnaires that could be received back. After examining the 98 questionnaires that have been received back, it was found that 13 questionnaires could not be used. The questionnaires were not used since the response that answered in the questionnaire respondents did not complete. Therefore, total questionnaires that could be processed were 85 questionnaires. In analyzing research data to draw conclusions, the authors applied path analysis technique. It was applied using SPSS program 23.

**Testing of Path Analysis Assumptions**

Test path analysis has got some assumption basic principles of to be met, namely linearity and the normality of research data, the data additivity is exist (no interaction effect), the data is in interval scale, multicollinerity is low, recursion and sample are adequate, and to obtain adequate results, it is better to apply more than 100 samples [19]. Based on that assumption, the researchers firstly conducted examination towards the fulfillment of assumption basic

principles to meet path analysis conditions. On the following section, it is described the results of linearity test and normality test.

**Linearity Test**

Linearity test applied Langrage Multiplier test that conducted by regressing independent variable in residual value of the equation to obtain  $c^2$ count ( $n \times R^2$ ) which will be compared by the  $c^2$  table [20]. Linearity assumption will be fulfilled if  $c^2$ count is smaller than  $c^2$  table. Following is the table of linearity test result.

**Table 1. Linearity Test Result**

Equation	$c^2$ count	$c^2$ table	Note
First	67,17	107.52	Linear
Second	50.74	107.52	Linear
Third	69.23	107.52	Linear

The results of data analysis on the first equation showed  $R_{square}$  of 0.781 with total sample 86, then the  $c^2$ count =  $(86 \times 0.781 = 67.17)$ . Compared by  $c^2$ table with a significant level of 0.05, it was obtained  $c^2$ table of 107.52. Then, it can be stated that the first equation models have met the linearity condition since  $c^2$ count <  $c^2$ table ( $67.17 < 107.52$ ). The same calculation was also continued for the second and third equation. Based on the results of above test, it can be clearly examined that model created in this research was linear functions. Then, it can be justified that the models created can be applied for examining the next path analysis.

**Test for Normality**

Test of normality aims to examine whether the variable regression model in the residual has got a normal distribution or not. In this research, test of normality was conducted with a normal probability plot graph analysis (test of normal probability plot graph was conducted by the assistance of SPSS program 23). Normality data was examined using normal probability plot graph, by watching the tension of data spread towards regression line. The graph results of normal probability plot showed that cluster data was around the test line from lower left to upper right (indicated that points of data spread around the diagonal line, and its spread followed the diagonal line). There was no cluster plot data located far of normality test line. Test graph result of normal probability plot has justified that data in this study have got a normal distribution.

**Path Analysis**

The hypothesis proposed in this study was examined by applying path analysis. Path diagram would prove if there was any impact between exogenous variables towards endogenous variables. Statistical analysis of path analysis was conducted through the assistance of SPSS software version 23 for windows. It

was conducted to prove whether there was causal relationship between exogenous variables and endogenous variables. The equation that was analyzed is as follows.

The first equation :  $X_3 = \beta_1 X_1 + \beta_2 X_2 + \epsilon_1$

Second equation :  $Z = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon_2$

Third equation :  $Y = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon_3$

**Equation 1**

The path analysis results of the impact of rules obedience ( $X_1$ ) and management morality ( $X_2$ ) towards the effectiveness of IMS ( $X_3$ ) can be examined in the following table.

**Table 2. The Impact of Rules Obedience ( $X_1$ ) and Management Morality ( $X_2$ ) towards the Effectiveness of IMS ( $X_3$ )**

Bound Variables	Free Variables	Coefficients Component Beta	The value of t	Sig
$X_3$	$X_1$	0.407	3.158	0.002
	$X_2$	0.495	3.841	0.000
R		0.884		
$R_{Square}$		0.781		
Adjusted R Square		0.775		
$t_{table}$		1.662		

Coefficient  $\beta_1 X_1 = 0.407$  indicated that each rules obedience value has increased or has been better, therefore the value of the effectiveness of IMS would be increased by the value of the regression coefficient  $\beta_1 X_1$  or, in other words, each increasing of IMS effectiveness required rules obedience value of 0.407. Coefficient  $\beta_2 X_2 = 0.495$  indicated that each management morality value has increased or has been better, therefore the value of the effectiveness of IMS would be increased by the value of the regression coefficient  $\beta_2 X_2$  or, in other words, each increasing of IMS effectiveness required management morality value of 0.495 by the assumption of IMS effectiveness was stable. While determinants model or the appropriateness of the rules obedience model and management morality towards Effectiveness of IMS indicated by value *adjusted R<sub>square</sub>* of 0.781 or 78.1% and the impact of other variables beyond the model of 21.9% which was the *error* ( $\epsilon$ ).

**Equation 2**

The path analysis results on the impact of rules obedience ( $X_1$ ), management morality ( $X_2$ ), and the effectiveness of IMS ( $X_3$ ) towards non-ethical behavior could be examined in the following table.

**Table 3. Direct impact of Rules Obedience ( $X_1$ ), Management Morality ( $X_2$ ), and The Effectiveness of IMS ( $X_3$ ) towards Non-ethical Behavior ( $Z$ ).**

Bound Variables	Free Variables	Coefficients Component Beta	The value of t	Sig
Z	$X_1$	0.334	1.778	0.079
	$X_2$	0.029	0.148	0.882
	$X_3$	0.434	2.854	0.005
R		0.768		
$R_{Square}$		0.590		
Adjusted R Square		0.574		
$t_{table}$		1.662		

Coefficient  $\beta_1 X_1 = 0.407$  indicated that each rules obedience value has been increased or has been better, the value of non-ethical behavior would be increased by the value of the regression coefficient  $\beta_1 X_1$  or, in other words, each increasing of non-ethical behavior required rules obedience value of 0.334. Coefficient  $\beta_2 X_2 = 0.029$  indicated that each management morality value has been increased or has been better, the value of non-ethical behavior would be increased by the value of the regression coefficient  $\beta_2 X_2$  or, in other words, each increasing of non-ethical behavior required management morality value of 0.029. Coefficient  $\beta_3 X_3 = 0.434$  indicated that each value of IMS effectiveness has increased or has been better, the value of the non-ethical behavior would be increased by the value of the regression coefficient  $\beta_3 X_3$  or, in other words, each increasing of non-ethical behavior required IMS effectiveness value of 0.434 by the assumption of non-ethical behavior was stable. Furthermore, determinants model or appropriateness model of rules obedience impact, management morality, and Effectiveness of IMS towards non-ethical behavior indicated by *adjusted R<sub>square</sub>* value of 0.590 or 59%, and the impact of other variables beyond the model was 41% which was the *error* ( $\epsilon$ ).

**Equation 3**

Analysis results of rules obedience direct path impact ( $X_1$ ), Effectiveness of IMS ( $X_3$ ), and non-ethical behavior ( $Z$ ) towards Accounting Fraud could be examined in the following table.

**Table 4. Rules Obedience direct path impact ( $X_1$ ), Effectiveness of IMS ( $X_3$ ), and Non-ethical Behavior ( $Z$ ) towards Accounting Fraud ( $Y$ ) could be examined in the following table.**

Bound Variables	Free Variables	Coefficients Component Beta	The value of t	Sig
Y	$X_1$	0.448	4.451	0.001
	$X_2$	0.306	3.459	0.024
	$X_3$	0.175	1.671	0.099
R		0.897		
$R_{Square}$		0.805		
Adjusted R		0.798		

Square	
t <sub>table</sub>	1.662

Coefficient  $\beta_1X_1 = 0.448$  indicated that each rules obedience value has increased or has been better, the value of accounting fraud tendency would be increased by the value of the regression coefficient  $\beta_1X_1$  or, in other words, each increasing of accounting fraud tendency required rules obedience value of 0.448. Coefficient  $\beta_2X_2 = 0.306$  indicated that each Effectiveness of IMS value has increased or has been better, the value of accounting fraud tendency would be increased by the value of the regression coefficient  $\beta_2X_2$  or, in other words, each increasing of accounting fraud tendency required IMS value of 0.306. Coefficient  $\beta_3X_3 = 0.175$  indicated that each value of non-ethical behavior has increased or has been better, the value of accounting

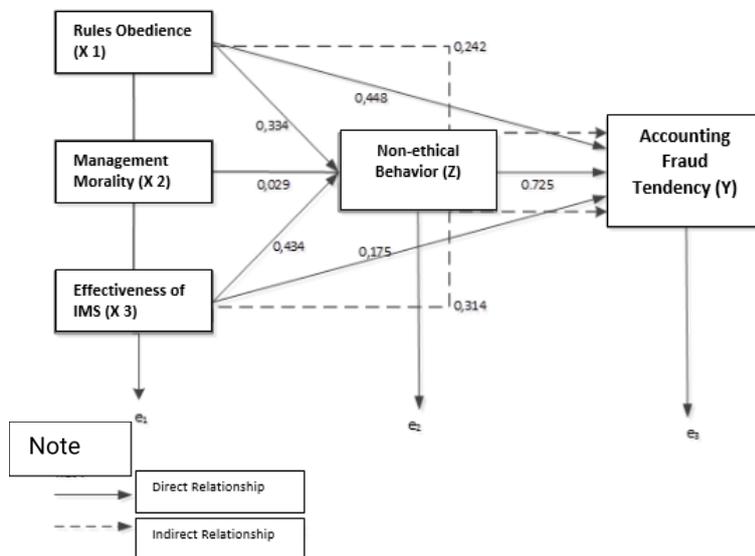
fraud tendency would be increased by the value of the regression coefficient  $\beta_3X_3$  or, in other words, each increasing of accounting fraud tendency required non-ethical behavior value of 0.175 by the assumption of non-ethical behavior was stable. Furthermore, determinants model or appropriateness model of rules obedience impact, management morality, and Effectiveness of IMS towards Non-ethical Behavior indicated by *adjusted R<sub>square</sub>* value of 0.805 or 80.5%, and the impact of other variables beyond the model was 19.5% which was the *error* ( $\epsilon$ ).

Next, prediction towards the entire line coefficients that modeled on this research could be examined in the following summary of path coefficients results and the conceptual model of research as well as the results of path analysis.

**Table 5. Summary of the Path Coefficients Results**

Exogenous Variable	Endogenous Variable	Standardized Coefficient	SIG	Note
Rules Obedience (X <sub>1</sub> )	Effectiveness of Internal Control System (X <sub>3</sub> )	0.407	0.002	Significant
Rules Obedience (X <sub>1</sub> )	Non-ethical Behavior (Z)	0.334	0.079	Significant
Rules Obedience (X <sub>1</sub> )	Accounting Fraud Tendency(Y)	0.448	0.001	Significant
Management Morality (X <sub>2</sub> )	Effectiveness of Internal Control System (X <sub>3</sub> )	0.495	0.000	Significant
Management Morality (X <sub>2</sub> )	Non-ethical Behavior (Z)	0.029	0.882	Significant
Management Morality (X <sub>2</sub> )	Accounting Fraud Tendency(Y)	0.306	0.024	Significant
Effectiveness of Internal Control System (X <sub>3</sub> )	Non-ethical Behavior (Z)	0.434	0.005	Significant
Effectiveness of Internal Control System (X <sub>3</sub> )	Accounting Fraud Tendency(Y)	0.175	0.099	Significant
Non-ethical Behavior (Z)	Accounting Fraud Tendency(Y)	0.725	0.000	Significant

**Fig. 1. Graph of Path Analysis Results**



The accuracy of hypotheses model from data  $\epsilon$  was measured by relationship of three determination coefficients ( $R^2$ ) on three equations. In the first equation, value obtained was 0.225, while in the second equation, the value obtained was 0.426, and in the third equation, value obtained was 0.210. Therefore, the value of the model accuracy is;

$$\begin{aligned} R^2 \text{ model} &= 1 - (1 - R^2_1)(1 - R^2_2)(1 - R^2_3) \\ &= 1 - (1 - 0.775)(1 - 0.574)(1 - 0.798) \\ &= 1 - (0.225)(0.426)(0.202) \\ &= 1 - 0.0193617 \\ &= 0.9806383 \text{ or } 98\% \end{aligned}$$

The results of accuracy calculation at the amount of 98% explained that model contribution in explaining the causal relationships of all variables examined was good.

### Direct Impact of Rules Obedience

The results of hypothesis testing revealed that the rules obedience ( $X_1$ ) has got  $t_{\text{count}}$  value of 5.943 which was greater than  $t_{\text{table}}$  value *i.e.* 1.662 ( $4.451 > 1.662$ ) with coefficient 0.448. It means,  $H_a$  was received and  $H_0$  was rejected. In other words, it can be stated that the hypothesis was accepted. The result suggested that rules obedience has got positive and significantly impact towards the accounting fraud tendency on Regional Devices Organization (RDO) in Keerom regency. This means, if the rules obedience increases, then the tendency of Accounting Fraud will decrease. In contrary, if the rules obedience decreases, then accounting fraud tendency will increase. The result of this study is similar to result of study that conducted by Tarigan (2016). Tarigan stated that rules obedience impacted accounting fraud tendency positively [21]. However, the result of this study is different to result of study that conducted by Yajna (2017). Yajna stated that rules obedience impacted accounting fraud tendency negatively. But it was quite significant [22].

Next, the analysis related to the direct impact of other rules obedience is analysis of non-ethical behavior. The results of hypothesis testing revealed that the rules obedience has got  $t_{\text{count}}$  value of 1.778 which was greater than  $t_{\text{table}}$  value *i.e.* 1.662 ( $1.778 > 1.662$ ) with coefficient 0.334. It means,  $H_a$  was received and  $H_0$  was rejected. In other words, it can be stated that the hypothesis was accepted. The result suggested that rules obedience has got positive impact, but not significant, towards non-ethical behavior on Regional Devices Organization (RDO) in Keerom regency. This means, if the rules obedience

increases, then the non-ethical behavior will decrease. However, the impact is not significant. In contrary, if the rules obedience decreases, then non-ethical behavior will increase. This result is not similar to result of study conducted by Shintadevi (2015). Shintadevi stated that rules obedience has got negative impact, but significant, towards non-ethical behavior [23].

### Direct Impact of Management Morality

The results of hypothesis testing revealed that management morality ( $X_2$ ) has got  $t_{\text{count}}$  value of 3.459 which was greater than  $t_{\text{table}}$  value *i.e.* 1.662 ( $3.459 > 1.662$ ) with coefficient 0.175. It means,  $H_a$  was received and  $H_0$  was rejected. In other words, it can be stated that the hypothesis was accepted. The result suggested that management morality has got positive impact, and significant, towards the accounting fraud tendency on Regional Devices Organization (RDO) in Keerom regency. This means, if management morality has increased, the accounting fraud tendency will be decreased.

The next examination was related to the impact of management morality towards non-ethical Behavior. It revealed that management morality ( $X_2$ ) has got  $t_{\text{count}}$  value 0.148, which was smaller than  $t_{\text{table}}$  value *i.e.* 1.662 ( $0.148 < 1.662$ ) with coefficient 0.029. It means,  $H_0$  was received and  $H_a$  was rejected. In other words, it can be stated that the hypothesis was rejected. The result suggested that management morality has got negative impact, and not significant, towards non-ethical behavior on Regional Devices Organization (RDO) in Keerom regency.

### Direct Impact of IMS Effectiveness

The results of hypothesis testing revealed that Effectiveness of IMS ( $X_3$ ) has got  $t_{\text{count}}$  value of 1.671 which was greater than  $t_{\text{table}}$  value *i.e.* 1.662 ( $1.671 > 1.662$ ) with coefficient 0.175. It means,  $H_a$  was received and  $H_0$  was rejected. In other words, it can be stated that the hypothesis was accepted. The result suggested that Effectiveness of IMS has got positive impact, and significant, towards the accounting fraud tendency on Regional Devices Organization (RDO) in Keerom regency. This means, if IMS effectiveness has increased, the accounting fraud tendency will be decreased. The result of this study is similar to result of study that conducted by Tarigan (2016). Tarigan stated that IMS effectiveness impacted accounting fraud tendency. However, the result of this study is

different to result of study that conducted by Yajna (2017). Yajna stated that IMS effectiveness has negative impact, but significant, towards accounting fraud tendency.

Next, the analysis related to the direct impact of other IMS effectiveness is analysis of non-ethical behavior. The results of hypothesis testing revealed that Effectiveness of IMS has got  $t_{\text{count}}$  value of 2.854 which was greater than  $t_{\text{table}}$  value *i.e.* 1.662 ( $2.854 > 1.662$ ) with coefficient 0.434. It means,  $H_a$  was received and  $H_0$  was rejected. In other words, it can be stated that the hypothesis was accepted. The result suggested that Effectiveness of IMS has got positive impact, and significant, towards the accounting fraud tendency on Regional Devices Organization (RDO) in Keerom regency. This means, if effectiveness of IMS has increased, the non-ethical behavior will be decreased. The result of this study is similar to result of study that conducted by Tarigan (2015). Tarigan stated that effectiveness of IMS impacted non-ethical behavior.

#### Direct Impact of Non-ethical Behavior

The results of hypothesis testing revealed that non-ethical behavior ( $Z$ ) has got  $t_{\text{count}}$  value of 9.580 which was greater than  $t_{\text{table}}$  value *i.e.* 1.662 ( $9.580 > 1.662$ ) with coefficient 0.725. It means,  $H_a$  was received and  $H_0$  was rejected. In other words, it can be stated that the hypothesis was accepted. The result suggested that non-ethical behavior has got positive and significantly impact towards the accounting fraud tendency on Regional Devices Organization (RDO) in Keerom regency. The result of this study is similar to result of study that conducted by Shintadevi (2015). Shintadevi stated that non-ethical behavior has positive impact, and significant, towards accounting fraud tendency [23].

#### Discussion

Based on the results of the analysis and discussion about the impact of rules obedience, management morality, and the effectiveness of IMS, towards accounting fraud tendency with non-ethical behavior as an intervening variable in Regional Devices Organization (RDO) Keerom regency, then a conclusion can be drawn as follows:

1. There was positive impact, but not significant, between rules obedience and non-ethical behavior in Regional Keerom regency RDO. The rules obedience has also got positive and

significant impact towards accounting fraud tendency. This could be implied that the organization should pay more attention to the rules, in order to meet specified objectives of the organization. This will also minimize the possibility of non-ethical behavior that can also refers to accounting fraud tendency.

2. There was negative impact, but not significant, between management morality and non-ethical behavior in Kerom regency RDO. Management morality has also got positive impact, and significant, towards the accounting fraud tendency on the RDO. This contains an implication that the organization should pay more attention to management morality that can also refers to the tendency of Accounting Fraud.
3. There was also positive impact, and significant, between Effectiveness of IMS towards non-ethical behavior and accounting fraud tendency in Keerom regency RDO. This could be implied that the organization should pay more attention to IMS, in order to minimize possibility of non-ethical behavior that can also refers to accounting fraud tendency.
4. There was negative impact and not significant, between non-ethical behavior and accounting fraud tendency in Kerom regency RDO.
5. The impact of non-ethical behavior as intervening between rules obedience and accounting fraud tendency was not dominant. This statement is based on multiplication results of Rules Obedience Coefficient to Non-ethical Behavior, and multiplication results of Non-ethical Behavior Path Coefficients to Accounting Fraud Tendency (0.725). It was found that Indirect Coefficients Path of Rules Obedience towards Accounting Fraud Tendency through Non-ethical Behavior was 0.242. Compared to direct path coefficient, indirect path coefficient was smaller ( $0.242 < 0.448$ ). Therefore, it is stated that impact of rules obedience towards accounting fraud tendency through non-ethical behavior, was not dominant.
6. The impact of non-ethical behavior as intervening between management morality and accounting fraud tendency was dominant. The results of the analysis showed that direct path coefficient of management morality towards accounting fraud tendency (0.306) was greater, compared to indirect path coefficient (0.021) through Non-ethical Behavior ( $0.306 > 0.021$ , *see* Fig. 1 and table 4).
7. The impact of non-ethical behavior as intervening between effectiveness of IMS and accounting fraud tendency was not dominant.

The results of the analysis showed that direct path coefficient of effectiveness IMS towards accounting fraud tendency (0.175) was smaller, compared to indirect path coefficient (0.314) through non-ethical behavior ( $0.175 < 0.314$ , see Fig. 1).

### Suggestions

Suggestions given to further research namely:

1. This research applied only 3 independent variables, they were rules obedience, management morality, and effectiveness of internal monitoring system. Therefore, for further research, it is expected that there will be another research with the same topic, by adding more variables that may affect accounting fraud tendency, such as suitable compensation or loyalty.
2. For the next researcher, it is suggested to make sure whether respondents have clearly understood the meaning of questionnaires contents that have been distributed. It is important in order to obtain more accurate results.
3. More varieties and experienced respondents must be used in order to maintain the next research quality.

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