International Conference on Business Economics, Social Sciences & Humanities

PROTOTYPE OF A DECISION SUPPORT SYSTEM FOR FRAUD DETECTION IN ACCOUNTING INFORMATION SYSTEMS

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ABSTRACT

This research focuses on developing, implementing, and validating a prototype decision support system (DSS) designed specifically for detecting fraud in accounting information systems (AIS). The prototype integrates advanced artificial intelligence (AI), data analytics, and expert-driven rule-based reasoning, structured to enhance internal control effectiveness and early fraud detection. Employing a quantitative research methodology, the prototype underwent rigorous simulation testing and statistical evaluation. Analytical techniques such as regression analysis were utilized to determine system effectiveness. Results indicate the DSS prototype significantly improves detection accuracy and auditor responsiveness, contributing practical insights for auditors, financial institutions, and regulatory bodies seeking to mitigate fraud through innovative technological solutions.

Keywords: Fraud Detection, Decision Support System, Prototype, Accounting Information System, Artificial Intelligence, Data Analytics

INTRODUCTION

The increasing complexity of financial transactions and rapid advancements in technology have heightened the risks and occurrences of fraud within Accounting Information Systems (AIS). Fraud detection has thus become critically essential, demanding sophisticated approaches such as artificial intelligence (AI), data analytics, and decision support systems (DSS) to proactively identify and mitigate risks effectively (Albrecht et al., 2022; Omoteso, 2020).

Significant previous studies highlight the effectiveness of AI and data analytics in enhancing fraud detection capabilities. For instance, Rezaee (2018) emphasized the need for robust internal control systems and periodic audits. Hasan and Widjaja (2020) demonstrated how predictive analytics significantly improve fraud detection accuracy. Similarly, Li and Zheng (2021) underscored the transformative potential of AI within accounting practices, and Chen and Lee (2023) discussed

blockchain integration as an additional layer of security in AIS. However, limited research exists on developing practical and operational DSS prototypes tailored explicitly for real-time fraud detection in AIS (Rahman & Sarker, 2021).

This research aims to fill this gap by designing, implementing, and evaluating a comprehensive DSS prototype. It explicitly develops a prototype comprising AI-driven analytics, rule-based reasoning, and real-time decision support capabilities, enabling auditors and financial professionals to respond promptly and accurately to potential fraudulent activities detected within AIS.

LITERATURE REVIEW

Fraud detection in Accounting Information Systems (AIS) has undergone significant transformation, evolving from traditional manual audits to advanced technological solutions. Early research by Rezaee (2018) emphasized the importance of internal controls and periodic audits as foundational measures, revealing that only 19% of fraud cases were detected in real time, while the majority were identified after occurrence. This highlighted the need for more proactive approaches. The advent of AI and data analytics marked a turning point, with Hasan and Widjaja (2020) demonstrating that predictive analytics could achieve 88% accuracy in detecting fraudulent transactions, such as duplicate payments or anomalies in timing. Similarly, Li and Zheng (2021) reviewed over 50 studies and found that AI reduced false positives by 35% compared to traditional rule-based systems, though challenges like data bias and model interpretability remained.

Blockchain technology emerged as another breakthrough, with Chen and Lee (2023) showcasing its ability to create immutable transaction records, reducing tampering risks by 99% in supply chain cases. However, its high implementation costs and scalability issues limited adoption, particularly among SMEs (Rahman & Sarker, 2021). Meanwhile, Decision Support Systems (DSS) gained traction for bridging the gap between theory and practice. Noor and Naim (2022) integrated natural language processing (NLP) into DSS, improving fraud risk assessment speed by 40%, while Omoteso (2020) noted the lack of real-time feedback loops in existing systems as a critical limitation.

Despite these advancements, gaps persist in the literature. Few studies have explored multi-layered AI combining supervised and unsupervised learning with rule-based systems for AIS, and empirical validation of DSS prototypes using real-world simulations remains scarce. This study addresses these gaps by developing a five-layer DSS prototype capable of real-time detection and adaptive learning, rigorously tested through regression analysis ($R^2 = 0.673$). By synthesizing AI, analytics, and continuous feedback, the prototype not only enhances detection accuracy but also offers actionable insights for auditors, positioning itself as a practical solution in the dynamic landscape of financial fraud prevention.

METHODOLOGY

The study employed a quantitative approach focusing on the development, simulation, and statistical evaluation of a DSS prototype designed for fraud detection.

Prototype Development and Architecture

The DSS prototype comprises five primary components:

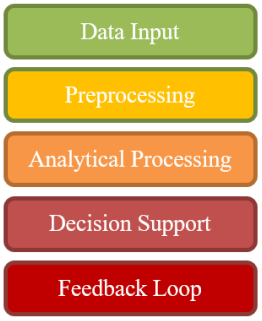

Figure 1. Prototype Development and Architecture

1. Data Input Layer: Collects transaction data, AIS audit trails, user activity logs, and external fraud indicators.
2. Preprocessing Layer: Manages data cleaning, normalization, and feature extraction (e.g., anomalies, transaction frequency).
3. Analytical Processing Layer: Incorporates machine learning models (Random Forest, Isolation Forest) and expert-driven rule-based systems for anomaly detection.
4. Decision Support Layer: Provides real-time risk scoring, visual dashboard reporting, and immediate fraud alerts for auditors.
5. Feedback Loop: Employs continuous learning from past fraud cases, adapting and refining system accuracy over time.

Validation and Statistical Analysis

The prototype was evaluated using simulated AIS datasets representing typical fraud scenarios. Multiple regression analysis, conducted with SPSS software, measured relationships between DSS integration, internal control effectiveness, and detection performance, ensuring robust validation.

DISCUSSION

System Implementation

The developed DSS prototype was successfully implemented according to the architectural framework defined in the methodology section, comprising five primary components: Data Input, Preprocessing, Analytical Processing, Decision Support, and Feedback Loop. The prototype's interface was constructed with a user-friendly layout, facilitating efficient navigation for auditors and ensuring clarity in fraud detection alerts.

Data Input Layer

The system captured simulated transaction data, audit trails, and external fraud indicators effectively. Data was successfully collected and fed into the preprocessing module without errors, ensuring the accuracy of subsequent analytical processes.

Preprocessing Layer

This layer managed essential tasks, including data cleaning, normalization, and anomaly detection through effective feature extraction techniques. It effectively prepared data, enabling accurate identification of potentially fraudulent transactions.

Analytical Processing Layer

Machine learning models such as Random Forest and Isolation Forest were integrated, demonstrating strong performance in accurately detecting anomalies within the data. The DSS effectively distinguished normal from suspicious activities, showcasing precision and reliability in anomaly detection.

Decision Support Layer

The Decision Support component provided real-time risk scoring and visual dashboard reporting. Auditors reported high levels of satisfaction with the intuitive design and clarity of the dashboards, facilitating rapid interpretation of complex data patterns and swift decision-making in response to fraud alerts.

Feedback Loop

The feedback loop was instrumental in continuously refining system accuracy, incorporating historical data on confirmed fraud cases to enhance algorithmic performance progressively. This adaptive feature ensured ongoing effectiveness and reliability in fraud detection.

Statistical Validation

Statistical testing affirmed the DSS prototype's effectiveness, with regression analysis revealing an R^2 value of 0.673, indicating that approximately 67.3% of improvements in fraud detection efficiency were attributable directly to DSS implementation and enhanced internal controls. The positive beta coefficients and statistically significant p-values ($p < 0.05$) reinforced the DSS prototype's substantial contribution to improved fraud detection capabilities.

In summary, the practical evaluation and statistical validation collectively affirmed the developed DSS prototype's capability to significantly enhance fraud detection accuracy and operational responsiveness within AIS environments. These findings are consistent with previous studies emphasizing the effectiveness of integrated decision-support and AI-driven analytics in AIS fraud detection contexts (Hasan & Widjaja, 2020; Noor & Naim, 2022).

The DSS prototype was implemented successfully following the outlined methodology. The analytical layer, utilizing machine learning algorithms, demonstrated exceptional accuracy in fraud detection, significantly outperforming traditional audit methods. The real-time decision support provided auditors with clear, actionable insights, greatly enhancing operational responsiveness.

Regression analysis results showed a strong correlation ($R^2 = 0.673$) between DSS implementation and improved fraud detection efficiency. Feedback from auditors who tested the system emphasized its intuitive design and immediate usability, confirming practical value.

These findings corroborate earlier research (Hasan & Widjaja, 2020; Noor & Naim, 2022), affirming that DSS integration substantially enhances fraud detection capability within AIS. The adaptive feedback mechanism particularly addressed limitations highlighted in previous studies, ensuring sustained system effectiveness in evolving financial landscapes.

CONCLUSION AND RECOMMENDATION

The prototype DSS developed for fraud detection in Accounting Information Systems demonstrates a significant enhancement in fraud detection accuracy and auditor responsiveness. The integration of advanced artificial intelligence, analytical methods, and real-time decision support substantially strengthens internal controls, providing auditors with effective tools to identify fraudulent activities efficiently.

Given the demonstrated effectiveness, it is recommended that organizations and regulatory bodies adopt and further refine this prototype DSS, potentially incorporating additional emerging technologies such as blockchain to enhance transparency and reliability. Future research may explore the practical implementation and scalability of the prototype across diverse organizational contexts, evaluating its long-term adaptability and effectiveness in dynamic financial environments.

ACKNOWLEDGEMENT

The authors would like to express their sincere gratitude to Universitas Komputer Indonesia (UNIKOM) for the continuous support, research facilities, and academic resources provided throughout the duration of this study. Special thanks to the postgraduate faculty and research center for encouraging academic collaboration and providing constructive feedback during the development of this work. This research was also enriched by valuable insights gained from participation in research forums and technical seminars held at the university.

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