



UNITED STATES INTERNATIONAL UNIVERSITY

SCHOOL OF SCIENCE AND TECHNOLOGY

FIC 4020: FORENSIC ACCOUNTING AND FRAUD INVESTIGATION

LECTURER:

DAYS/TIMES:

VENUE:

CREDIT: 3 UNITS

OFFICE HOURS DAY/TIME:

ROOM: SCHOOL OF BUSINESS 112

CONTACT: E-MAIL: TELEPHONE:

1. COURSE DESCRIPTION

This is a course in Forensic Accounting and Fraud Investigation. The course will cover aspect of legal, psychological and social implications of fraud and white collar crime in business organizations. The student will gain an understanding of the various types of fraud as well as how to detect and prevent these frauds. It will explore methods of concealment and discuss various ways of uncovering accounting fraud and detecting creative accounting. It will provide an understanding of how to use trend analysis of financial statements to uncover certain types of fraud and the role of internal audit assessments.

Prerequisites: IST1010 Introduction to Information Technology

2. LINK TO UNIVERSITY MISSION OUTCOMES

This course is expected to help students develop skills in higher order thinking, global understanding, and multicultural perspective in the students. It is expected to develop proficiency in literacy, prepare the student for future careers in Business and Information and Communication Technology (ICT). It will hone the ability in the learners to serve the community and culture students in ethical matters that will set them apart as Professional leaders of integrity.

2.1. LINKS TO SCHOOL OF SCIENCE & TECHNOLOGY MISSION OUTCOMES

This course is designed to:

- Develop competence in critical thinking, create skills, use of technology, creativity and good communication skills
- Provide service to the community: Acquire practical working experience through participation and contribution to positive/good community and societal causes
- Demonstrate preparedness for career and lifelong learning in their chosen disciplines as well as understanding of the interdisciplinary nature of knowledge.
- Demonstrate the use of qualitative and quantitative research skills in Biomedical, Communication and Information Technology
- Apply theories, concepts, and principles found in biological and physical sciences, including a thorough grounding in communication skills in multicultural & global perspectives.
- Demonstrate a thorough understanding of effective, efficient professional and ethical leadership

3. EXPECTED COURSE LEARNING OUTCOMES

At the end of the course students are expected to:

1. Explain the legal elements of fraud, describe white collar crime, and discuss the widespread nature of fraud and its economic impact
2. Discuss public record information, describe the sources of information available to the forensic accountant, and explain the mind set required for a forensic accountant
3. Explain the fraud theory approach
4. Recognize fraudulent financial statements
5. Apply financial statement analysis techniques to demonstrate the existence of fraud and identify potential fraudsters
6. Describe expert testimony and interview theory, conduct fraud interviews, evaluate forensic accountant, evaluate deception and elicit admission and be able to apply fraud prevention and fraud deterrence techniques

4. CONTENT & CLASS SCHEDULE

4.1. Week 1: Welcome and Overview

This first week will be used to give an outline of the course, discuss the course syllabus, and set expectations on learning outcomes with the students. By the end of this week the students should be clear on what the course aims to deliver and they should have access to all the necessary class materials, course texts and lab resources needed to successfully undertake the course. This includes relevant laboratory software and the Blackboard learning system.

4.2. **Week 2: Introduction to Forensic Accounting and Fraud Investigation as a Profession**

Learning Outcomes:

At the end of this week, students will:

- Understand Forensic Accounting and Fraud Investigation Profession and distinguish it from Financial Accounting and Financial Audit
- Examine the role of Forensic Accountants in Fraud Investigations
- Define Fraud and examine different examples of Fraud by walking through different business cycles where fraud takes place
- Discuss the Fraud Cycle and understand the evolution of fraud

Discussion Topics:

Ch 1, 2 - Singleton, Ch1-Silverstone, Ch 1-Cardwell, Ch 1,2-Albrecht

- Background of Fraud Auditing and Forensic Accounting
- The Profession (Forensic Accountant, Fraud Auditor vs Financial Auditor)
- Fraud Principles
 - What is Fraud
 - Criminology – Who commits fraud? Profile of fraudsters
 - Fraud Triangle, Fraud Cycle, Fraud Tree and Taxonomies

Class Activities:

- Case studies: Evolution of a Typical Fraud case in FAI Inc.
- **Term Paper Assignment**

4.3. **Week 3: Fraud Schemes**

Learning Outcomes:

At the end of this week, students will:

- Be able to describe different Fraud Schemes that are prevalent in organizations
- Know how to categorize fraud cases in 3 main areas of: Corruption, Asset Misappropriation and Fraudulent Financial Statements
- Discuss key financial crimes such as Tax Evasion, Bank Fraud and Money Laundering

Discussion Topics:

Ch3, 9 – Singleton, Ch 2 – Silverstone, Ch2, 23(pg 436-440) Ch 29-Manning, Ch 1-Albrecht, Ch 3-Albrecht

- Fraud Schemes
 - ACFE Fraud Tree (Fraudulent Financial Statements, Corruption, Asset Misappropriation,)
- Financial Crimes & Types of Fraud
 - Non-profit Organisation Fraud, Tax Evasion, Bank Fraud, Money Laundering, Identity Theft

Class Activities:

- Case Study: Stanford Research International and Equity Funding Scandal
- Video – The Smartest Guys in the room - Enron Scandal

4.4. **Week 4: Fraud and the Computer - Accounting Systems and Forensic Tools**

Learning Outcomes:

At the end of this week, students will:

- Have a good understanding of computer crime and its various categories.
- Know which appropriate controls to recommend in the deterrence of computer crime
- Have an understanding of key Accounting Concepts
- Know how to use various analysis and documentation tools to process fraud

Discussion Topics:

Ch10 – Singleton, Ch 11, 12 Silverstone, Ch 23 –Manning, Ch 4-Albrecht

- Computer Crime
 - Computer Crime Theory (MOMM)
 - INFOSEC controls and activities
- Fraud and the Accounting System
 - Accounting Concepts (Revenue Cycle, Accounts Payables, General Ledger, Financial Reporting)
 - Accounting Information Systems
 - Audit Trail Concept
- Audit Programs
 - Financial Analysis (Ratio Analysis, Vertical and Horizontal Analysis, Non-financial Data, Cash Flow)
 - Internal Controls and Check List
- Forensic Analysis Tools for Investigators

Class Activities:

- Lab exercises: Using an Audit System and Analysis Tools to process fraud - ACL
- **Quiz 1**

4.5. **Week 5: Fraud Risk Assessment and Symptoms of Fraud**

Learning Outcomes:

At the end of this week, students will:

- Be able to design appropriate internal controls to prevent and detect Financial Fraud
- Recognize red flags that indicate fraud

Discussion Topics:

Ch 4,10 – Singleton, Ch 23 (pg434) –Manning, Ch 5-Albrecht

- Fraud Risk Assessment
 - Risk Assessment Factors and Best Practices
 - Checklists and Documentation
- Symptoms of Fraud
 - Accounting anomalies, Internal Control Weaknesses, Analytical Fraud symptoms, extravagant lifestyles, unusual behaviors, tips and complaints, whistleblowers
- Red Flags
 - Common and Special Red Flags
 - Fraud indicators and Fraud Detection Model

Class Activities:

- Case Study: Likelihood of Fraud

4.6. Week 6: Fraud Detection

Learning Outcomes:

At the end of this week, students will:

- Understand the Fraud Detection Model and its applications
- Know how to apply various Financial Analysis calculations to detect fraud.
- Be able to design appropriate internal controls to detect Financial Fraud

Discussion Topics:

Ch 7 – Singleton, Ch 6-Albrecht

- Fraud Detection
 - Axioms
 - Common and Specific Detection Methods
 - Data-driven detection – data analysis techniques, real-time analysis, analyzing financial statement reports

Class Activities:

- Lab exercises: Using an Audit System and Analysis Tools to detect fraud - ACL

4.7. Week 7: Revisions and Mid-Semester exams

4.8. Week 8: Fraud Prevention

Learning Outcomes:

At the end of this week, students will:

- Know how to follow best practice fraud prevention
- Be able to institute proper fraud prevention controls such as corporate governance, policies and procedures, perception of detection and employ other prudent measures such as background checks and regular audits.

Discussion Topics:

Ch 5, 6 – Singleton, Ch 4-Albrecht

- Fraud Prevention
 - Corporate Governance, Policies and Procedures, Perception of Detection, Classic Approaches
 - Other Measures (Segregation of Duties, Background Checks, Regular Audits)

Class Activities:

- Case Review - Risk Management Checklist pg 121

4.9. Week 9: Fraud Response and Gathering Evidence

Learning Outcomes:

At the end of this week, students will:

- Know how to conduct a good fraud response following established organizational policies with a response team.
- Understand the various recovery techniques that could lower losses to organizations

Discussion Topics:

Ch 8, 11- Singleton, Ch 10 – Silverstone, Ch 15, 23(pg433)-Manning

- Fraud Response
 - Fraud Policy, Response Team, Recovery
- Gathering Evidence
 - Rules of Evidence (Relevant, Material, Competent, Hearsay Rule)
 - Sources of Information, Evidence Gathering Techniques
- Proving Cases Through Documentary Evidence

Class Activities:

- Case Study: ACFE Sample Fraud Policy and ACFE Sample Decision Matrix
- **Group Assignment**

4.10. Week 10: CyberForensics and Non-Financial Evidence

Learning Outcomes:

At the end of this week, students will:

- Appreciate the role of Cyber Forensics in gathering digital data to support Financial Forensic investigations
- Know how to obtain and evaluate Non-financial Evidence

Discussion Topics:

Ch 11, 12,13 – Singleton, Ch 9 Silverstone

- Cyber Forensics
 - Types of Investigations
 - Sources and Types of Digital Data
 - Investigation Process
- Obtaining and Evaluating Non-Financial Evidence
 - Interviews, Body Language, Statement Analysis, SCAN
 - Interviewing Financially Sophisticated Witnesses

Class Activities:

- Lab Exercises: Working with Forensic Tool Kit (FTK) and ProDiscover to document Forensic Cases. Starting a new case, Adding Evidence, Building a Case Background, Documenting Results of Investigation

4.11. Week 11: Forensic Report Writing

Learning Outcomes:

At the end of this week, students will:

- Be able to summarize the evidence and write investigative reports that can be used in legal proceedings for prosecution of fraud
- Know how to provide expert witness for Fraud Investigations

Discussion Topics:

Ch 14 – Nelson, Ch 13- Silverstone, Ch 22 - Manning

- Documenting and Presenting the Case
- Case Files and Reports Writing
- Trial Preparation and Testimony
- Formal Report Writing for High-Tech investigations

Class Activities:

- **Quiz 2**

4.12. Week 12: Expert Witness and Ethical Issues

Learning Outcomes:

At the end of this week, students will:

- Have a good understanding of the ethical issues associated with the Forensic Audit Profession
- Be in a position to work under proper ethical guidance as an investigator or expert witness in an investigation

Discussion Topics:

Ch 14, 15, 16 – Singleton, Ch 13- Silverstone

- Expert Witness Testimony
 - Criteria and Standards for Qualification
 - Legal and Ethical Issues
 - Effective Tactics and Procedure
 - Testifying as a Financial Expert

Class Activities:

- **Lab Assessment**

4.13. Week 13: Review

Learning Outcomes:

At the end of this week, students will:

- Be able to present a unified understanding of the Forensic Accounting and Fraud Investigations Profession
- Demonstrate an applied understanding of how to carry out Forensic Investigations

Discussion Topics:

Ch 2,9 - Course Text, Ch 2,10 - Cardwell

- Initiating a Forensic Investigation
- Undertaking a Systematic Methodology of Investigation
- Collecting and Documenting Evidence
- Analyzing your Evidence to build a case
- Presenting a Report as an Expert Witness

Class Activities:

- Case Studies: Enron Scandal Forensic Investigation walk through to litigation
- Trial Questions

4.14. Week 14: Final Examination

5. TEACHING APPROACHES

A series of lectures and laboratory exercises will be used to study the concepts. Audio-visual aids will be used in the lectures. Group discussion, case studies and exercises will also be used.

6. KEY INSTITUTIONAL ACADEMIC POLICIES

Students are asked to abide by the Academic Code of Conduct and Ethics as stipulated in the USIU Student Handbook. Students are also to follow the governing Policies and Regulations at USIU as detailed in the Student Handbook especially as related to the use of Information Technology resources, Computer Laboratories and all other relevant regulations.

7. COURSE TEXT AND OTHER READINGS

Course Text:

1. *"Fraud Auditing and Forensic Accounting"*, 4th Edition by Tommie W. Singleton and Aaron J. Singleton, 2010, John Wiley & Sons
2. *"Fraud Examination"*, 3rd Edition by W. Steve Albrecht; Conan C. Albrecht; Chad O. Albrecht; Mark F. Zimbelman, 2009, Cengage Learning

Recommended Readings:

1. *"Forensic Accounting and Fraud Investigation for Non-Experts"*, 2nd Edition by Howard Silverstone and Michael Sheetz, 2007, John Wiley & Sons
2. *"Financial Investigation and Forensic Accounting"*, 2nd edition by George A. Manning, 2005, Taylor and Francis Group

8. COURSE EVALUATION

There will be at least two assessed assignments, one mid-term exam and a final exam. In addition, laboratory exercises will be used in the evaluation.

Assignments are due 1 week after being handed out and a late assignment will be marked down 25% for every subsequent lesson. Maximum delay is 1 week after which a 0 mark is awarded

Class attendance will contribute to the awarded marks. Missing >25% of class sessions (whether excused or not) is an F grade regardless of marks in assessments.

No Plagiarism, copying or cheating will be tolerated in quizzes, assignments or examinations. It will attract a 0 mark for assignments and quizzes and an F grade for exams. In addition, students may be sent to the Dean's office for further disciplinary action.

There will be NO make-ups for quizzes, exercises or exams as guided by the University Policy unless granted by DVCAA or Dean School of Science and Technology.

The lecturer under advisement of the Dean School of Science and Technology has the final word on facilitating classes and assignment of grades.

Distribution of marks

<i>Attendance and Participation</i>	5%
Term Paper	15%
Quizzes	10%
Class/Group Assignments	10%
Lab Project Assessment	10%
Mid-semester	20%
Final Exam	30%

Grading

Letter grading for distribution of marks is as follows:

Numeric Average (100% Maximum)	Letter Grade
90% and above	A
87-89	A-
84-86	B+
80-83	B
77-79	B-
74-76	C+
70-73	C
67-69	C-
64-66	D+
62-63	D
60-61	D-
0-59	F