

MGMT 594B - Fraud Examination
University of New Mexico
Fall 2008

INSTRUCTOR:	Richard G. Brody, CPA, CFE, FCPA
OFFICE:	ASM 2008
OFFICE PHONE:	505-277-7258
OFFICE HOURS:	Tuesday and Thursday 10:00 – 11:00, 12:15 – 12:45 Tuesday 4:30 – 5:30 and by appointment
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CLASSROOM:	GSM 318
TIME:	Tuesday 5:30 – 8:15 p.m.

Course Description:

Fraud Examination, sometimes referred to as forensic accounting, is a rapidly growing area of accounting concerned with the detection and prevention of fraud and white-collar crime. Robert G. Roche, a retired chief of the IRS Criminal Investigative Division, provides this description of a forensic accountant:

Someone who can look behind the facade--not accept the records at their value-- someone who has a suspicious mind that the documents he or she is looking at may not be what they purport to be and someone who has the expertise to go out and conduct very detailed interviews of individuals to develop the truth, especially if some are presumed to be lying.

Recently, U.S. News and World Report listed forensic accounting as one of the “20 hot job tracks” for the future. Entry-level salaries for these fraud-detecting accountants range from \$35,000 to \$60,000 annually. Robert Half International, a placement firm for financial professionals, estimates that demand for forensic accountants increases by 100% per year.

Course Objectives:

The objectives of this course are to: (1) educate you about both the pervasiveness of and the causes of fraud and white-collar crime in our society, (2) explore, in detail, methods of fraud detection, investigation and prevention, and (3) increase your ability to detect material financial statement fraud. The emphasis will be on real world cases/applications, as well as current applicable newspaper/journal articles.

One additional objective is to provide you with the opportunity to improve the skills necessary to succeed in today’s business environment. These include both written and verbal communication skills, as well as critical thinking and problem solving skills. You will be expected to participate in the in-class discussions on assigned topics.

Fraud topics taught will help you become better professionals in whatever career you choose. The course will emphasize the importance of corporate social responsibility in an organization as well as the need for reporting systems that focus on integrity and accountability. The technology, interviewing, document examination, public records, and other tools you will study will make you better auditors, tax professionals, consultants and managers/executives.

Required Text:

W. Steve Albrecht, Fraud Examination, 3rd Edition, South-Western, 2009.

Determination of Final Grade:

Midterm exam	125
Final exam	125
Research paper	125
Research paper presentation	25
Current events summaries/presentations	75
Class participation	<u>25</u>
Total points available	500

Final Grade (based on total points)

485-500	A+	435-449	B+	350-399	C
465-484	A	416-434	B	300-349	D
450-464	A-	400-415	B-	< 300	F

- *Midterm and Final Examinations*

The format for the exams could include multiple choice, true/false, short answer/essay questions, problems and case analyses. The exams may have both inside class and outside class components (the outside class material would be assigned one week prior to the in-class part of the exam). The material will reflect the textbook reading, in-class videos, guest speakers, team project presentations and class discussion.

- *Research Paper/Team Project*

A research paper/team project is required as both a written and oral assignment. A list of suggested topics will be provided and while you may also select your own topic, it must be approved by the instructor. This assignment is to be completed on a team basis (teams may be comprised of either 2 or 3 individuals. You may self-select your team based on individuals or the topic. Topics will be assigned on a first-come, first-served basis. Team members will formally evaluate each other and these peer evaluations will factor into each team member's final grade.

A one-page progress report is due on September 23rd. This progress report will be graded (factored into your final grade for the paper) and it is to demonstrate what you have done up to this point and detail your plan for the completion of the project. Your final project is due on November 11th and you will make a presentation to the class on one of the following days: November 18th, 25th; December 2nd, 9th.

You will be graded separately on the written (factoring in the peer evaluation) and oral (on an individual basis) components of your research paper. Papers are to be a maximum of 12 double-spaced typewritten pages and you must have at least ten outside references cited in the paper (exhibits and appendices may be used and such items will not be counted as part of the 12 pages). The presentation time (30 minutes) is to be allocated equally among the team members.

- *Current Events*

Accounting fraud is reported (internet, newspapers) on a regular basis. It is important that you are aware of the frequency and nature of such frauds. Throughout the semester, you are to focus your attention on the companies, individuals, and/or accounting firms involved.

This assignment requires you to provide a written summary (one page maximum) of two frauds that occur and are reported on during the time that our course meets. Brief updates to previously reported frauds are not acceptable for your summaries. You are to submit one summary per month for two months selected from the following four months: August, September, October, and November. It is your choice as to what time of the month you submit your summary but your information must relate to a fraud reported that month. There should be enough detail for you to provide a synopsis of the article (so if the article is only two paragraphs, it is not long enough).

You may use the online resources in the library to complete this task, any newspaper you may read or have access to, or business magazines. In addition to your summary, you are to provide me with a copy of your article and a **complete citation** for the source of your information. We will discuss (via you presenting to the class) many of these frauds. Each fraud may only be covered once. In order to prevent duplication, you must post your fraud choice (the official citation) to the appropriate area in WebCT (there will be one discussion area for each month). It is your responsibility to make sure that your fraud has not already been selected by someone else.

Points will be deducted if you fail to follow any of these instructions and there will be severe penalties for any spelling, grammar or typographical errors in your written summary.

- *Class Participation*

The key advantage of class participation is that it forces each student to be well prepared and thus become an active, rather than passive, learner. Participation also provides you with the opportunity to gain from the experiences and talents of everyone in the class, including our guest speakers. You should feel free to ask questions, provide supportive comments, or challenge **constructively** what has been said. It is important to note that it is not the person who speaks most often that will necessarily get the higher score. At the end of the semester, you will be asked to provide a self-evaluation of your class participation. Please note that attending class and doing the required reading is a requirement of this class and should not be considered part of the participation score.

Course Policies

Homework:

Homework will be assigned on a weekly basis and will consist of problems at the end of the textbook chapter, short cases and/or internet searches. These assignments are to be completed prior to coming to class and while it is not expected that you will achieve perfection on all assignments, it is expected that you will complete them **in writing**. The instructor may randomly select students each class period to individually present the assignments to the class.

Attendance/Promptness:

It is expected that you will attend every class and that you will arrive on time. Recurring lateness or repeated absences will be considered grounds for removal from the course. If a guest speaker is scheduled for class, it is imperative that you arrive promptly.

Missed Exams:

If you miss an exam without the permission of the instructor a score of zero will be assigned. Make-up exams are granted at the discretion of the instructor, only with prior arrangement (unless circumstances involved make this clearly impractical). Make-up exams must be completed prior to the next class meeting.

Missed Class Policy:

Given that this is a graduate level course, in the event that you are unable to attend class, **you will be given an additional out-of-class assignment**. Failure to complete the requirements will result in a 15 point penalty (per occurrence). You should make every effort to notify me in advance if you plan to be absent.

Written Assignments:

All written assignments are to be typed using a word processor. All written assignments are to be double-spaced using a 12-point font with 1-inch margins for all borders. It is expected that **all** written assignments will be free of errors (this includes typos and spelling or grammatical errors). Handwritten corrections are not acceptable. No late assignments will be accepted. It is recommended that you have someone else review your work prior to turning it in as it is often difficult to find mistakes in your own work. There is a Center for Academic Program Support on campus and you are welcome to have them assist you with your writing assignments (<http://www4.unm.edu/caps/old/hours/writing.php>).

Incompletes:

An "I" may be awarded only when a small portion of a student's work is incomplete due to circumstances beyond his or her control and s/he is otherwise earning a passing grade. "I" grades are to be used in emergency situations only and never as a means to avoid a poor grade.

Exam and Case Retention:

After exams/cases are graded, the instructor will review them with the class and then collect them. These materials will be retained for two weeks into the following semester and then they will be destroyed.

WebCT:

This class will make extensive use of WebCT. You should check the web site frequently as you will find class announcements, assignments and other information. To register, please see http://webctinfo.unm.edu/student/how_to_register.html. If you are having problems with WebCT, you can contact free technical support via telephone (505-277-7490) or email (webct@unm.edu). It is your responsibility to learn and effectively use WebCT and questions are not to be directed to your instructor as other resources are available to assist you.

Course Outline (Topical coverage subject to change) *

<u>Date</u>		<u>Topic</u>
August	26	Course overview
September	2	Chapter 1 – The Nature of Fraud Chapter 2 – Why People Commit Fraud
	9	Chapter 3 – Fighting Fraud: An Overview Chapter 4 – Preventing Fraud
	16	Chapter 5 – Recognizing the Symptoms of Fraud
	23	Chapter 6 – Data-driven Fraud Detection
	30	Chapter 7 – Investigating Theft Acts
October	7	Chapter 8 – Investigating Concealment <i>Take-home portion of midterm distributed</i>
	14	Midterm (in class; take-home due) Chapter 9 – Conversion Investigation Methods
	21	Chapter 10 – Inquiry Methods and Fraud Reports
	28	Chapter 11 – Financial Statement Fraud Chapter 12 – Revenue- and Inventory-Related Frauds
	November	4
11		Chapter 15 – Consumer Fraud Chapter 17 – Fraud in E-Commerce
18		Chapter 18 – Legal Follow-Up Presentations – Group 1
25		Special Topics/Presentations – Group 2
December	2	Special Topics/Presentations – Group 3 <i>Take-home portion of final exam distributed</i>
	9	Special Topics/Presentations – Group 4 <i>Take-home portion of final exam due</i>
	16	Final Exam (from 7:45 – 9:45 p.m.)

* We will be having several guest speakers, but due to their busy schedules/changing availability, the names and dates have not been included on this class schedule.

Key Leadership Skill(s) and Perspectives addressed in this course:

Interpersonal and Communication Skills	Analytical and Critical Thinking Skills	Information Technology Skills	Reflective Thinking and Experiential Learning	Ethical and Social Consciousness	Multicultural Competence
X	X	X	X	X	X

INTERPERSONAL AND COMMUNICATION SKILLS: An integral part of being a fraud examiner is being able to understand and communicate with various parties, including attorneys, juries and financial professionals. Written and verbal communication skills will be addressed via weekly assignments, class presentations, cases, and the term project.

ANALYTICAL AND CRITICAL THINKING SKILLS: One of the key attributes of a fraud examiner is having strong problem solving skills. The ability to evaluate problems, analyze data, propose alternative courses of action and make a final decision will be addressed via weekly assignments, cases, and the term project.

INFORMATION TECHNOLOGY SKILLS: As part of any investigation, a fraud examiner must have basic computer proficiency, including the ability to use word processing, presentation and spreadsheet software. In addition, it is important to have the skills needed to conduct basic research via the internet. These areas will be addressed via weekly assignments, monthly current event assignments, class presentations and the term project.

REFLECTIVE THINKING AND EXPERIENTIAL LEARNING: The process of fraud examination involves more than just accounting knowledge. We will focus on a multidisciplinary approach to solving problems and, via our weekly assignments, cases and class discussion, will see the importance of other disciplines such as management, finance, psychology and organizational behavior. We will also discuss, on a regular basis, the importance of personal professional development for a fraud examiner.

ETHICAL AND SOCIAL CONSCIOUSNESS: Ethical dilemmas often lead to fraudulent behavior and we will, via weekly assignments, cases and class discussion, focus on the importance/significance of corporate social responsibility and related ethical and legal responsibilities of both companies and individuals.

MULTICULTURAL COMPETENCE: Fraud and fraud awareness are not limited to the United States and we will, via class discussion, cases and journal articles, address global issues, including the impact of culture on decision making.

University Policies

Academic Dishonesty:

See the UNM Policy on Academic Dishonesty in the UNM Student Handbook
<http://www.unm.edu/%7Eesac/policies.html#academicdishonesty>.

Because of the University's commitment to academic integrity, plagiarism or cheating on course work or on examinations will result in penalties that may include a grade of "F" for the specific exam or course work and a grade of "F" for the course. Any incident of academic dishonesty will be taken seriously and the University reserves the right to take disciplinary action, up to and including dismissal, against any student who is found guilty of academic dishonesty or otherwise fails to meet these standards. Definitions and punishment guidelines for academic dishonesty may be found at the web address listed above.

Students with Disabilities:

Please notify your instructor if you have a learning disability or require special assistance with this course. Contact Accessibility Services if you have any questions about services available or your eligibility. The telephone number is 505-277-3506 or you can get information from the web site <https://as.unm.edu/home/>.

Religious Holidays:

Students who anticipate the necessity of being absent from class due to the observation of a religious holiday must provide notice of the date(s) to the instructor, in writing, by the second class meeting.

Copyrights:

Students must obtain my permission to tape lectures. Under no circumstances may these materials be sold to others.

Cell Phones/Pagers:

Cell phones and pagers are very disruptive to class. As a matter of courtesy, all audible signals of communication devices should be turned off or disabled during classes. Individual discretion should be used in determining when exceptions should be made relative to emergency personnel or situations.