

MGMT 641
Forensic Accounting
University of New Mexico
Spring 2008

INSTRUCTOR:	Dr. Richard G. Brody, CPA, CFE, FCPA
OFFICE:	ASM 2008
OFFICE PHONE:	505-277-7258
OFFICE HOURS:	Tuesday and Thursday 10:30 – 11:00, 12:15 – 12:45; Wednesday 10:50 – 11:20 and by appointment
FAX:	505-277-7108
EMAIL:	WebCT (primary) or UNMfraud@yahoo.com
CLASSROOM:	ASM 1016
TIME:	Wednesday 8:00 – 10:45 a.m.

Course Prerequisite:

Financial Accounting I (MGMT 540) or equivalent

Course Description:

Techniques and perspectives in the field of financial investigation: concepts of law; process of evidence, sources of information and differences between criminal and civil fraud investigations focus on accounting, banking and financial record keeping.

Course Objectives:

Forensic accounting is a rapidly developing area of accounting. A forensic accountant may take on fraud auditing engagements and may be a fraud auditor, but he or she will also use other accounting, consulting, and legal skills in broader engagements. In addition to accounting skills, he or she will need a working knowledge of the legal system and excellent communication skills to carry out expert testimony in the courtroom and to aid in other litigation support engagements.

Justin Pope, a writer for the Associated Press, provides this description for a forensic accountant:

They don't wear cowboy hats or boots, but they certainly have a little more swagger than your typical bean counters. Forensic accountants inhabit a cloak-and-dagger corner of the accounting world. Their job: respond at a moment's notice when a client spots trouble-- anything from procurement fraud to a top executive cooking the books to industrial espionage.

This course is designed to achieve several objectives: (1) Give you an appreciation of the scope, extent and importance of forensic accounting techniques, the appropriate mindset necessary to be a forensic accountant and an overall view of a forensic investigation; (2) Help you gain an understanding of the significance of appropriate procedures and protocol in making decisions and solving forensic accounting problems; (3) Increase your appreciation of the Internet and other

databases for getting relevant and important information; (4) Assist in developing your ability to recognize the potential problems which may arise in a complicated situation and highlight the necessity of working with other experts; (5) Further develop your research abilities and your analytical reasoning skills; (6) Increase your appreciation for the increasing global significance of the work performed by a forensic accountant.

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.

Forensic/fraud topics taught will help you become better professionals in whatever career you choose. 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:

Forensic and Investigative Accounting, 3rd edition (2007) by Larry Crumbley, Les Heitger and G. Stevenson Smith. Published by CCH.

Determination of Final Grade:

Midterm exam	150
Final exam	150
Fraud awareness/prevention project	150
Current events summaries	60
Fraud specialty assignment	60
Class participation	<u>30</u>
Total points available	600

Final Grade (based on total points)

582-600	A+	522-539	B+	463-479	C+
558-581	A	498-521	B	420-462	C
540-557	A-	480-497	B-	360-419	D
				< 360	F

• *MIDTERM AND FINAL EXAMINATION*

The format for the exams could include multiple choice, true/false, short answer/essay questions, problems and case analyses. The exams will have inside and outside class components (the outside class component will involve an ethics case that will involve both thought and research). The material will reflect the textbook reading, in-class videos, guest speakers, and class discussion.

- *FRAUD AWARENESS/PREVENTION PROJECT*

It is unfortunate, but true, that fraud occurs in many organizations, including charitable and other nonprofit types. We will attempt to make a difference in the Albuquerque area by using our skills and knowledge to help out local nonprofit organizations. The main goal will be to focus on the risks that the organization faces and provide an analysis of the existing internal control system along with any suggestions that may result from our work. This will be both a written and oral assignment. A status report is due on February 27th and your final project is due on April 16th. You will be expected to update me on your progress on a regular basis.

You will work with 2 - 3 other class members and you will make up the fraud prevention team for this engagement. Each team member will evaluate the other person via a “peer evaluation form” and this evaluation will be incorporated into the determination of your individual final grade; that is, each member of the team may not receive the same grade for the project.

- *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: January, February, March and April. 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.

- *FRAUD SPECIALTY*

You will be required to master one of the most common fraud schemes and make a 15-20 minute presentation PowerPoint presentation to the class demonstrating your knowledge of the specific scheme assigned to you. You are to assume that you are the expert witness hired to explain to a jury how this specific fraud scheme works. You will be expected to cover methods for detecting, investigating and preventing the scheme. Fraud schemes available for this assignment will be provided by me and assigned to you on a random basis. In addition to submitting your PowerPoint presentation to me, you will also be required to submit two multiple choice questions (with the correct answer) in Word format via email. Presentations will be made during the last three weeks of the semester. More specific guidelines, including the date of your presentation and the grading criteria, will be provided after the semester begins.

- *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 me with a self-evaluation of your 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**.

Attendance/Missed class policy/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. 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**. This assignment will be due at the beginning of the next class meeting and 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.

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).

Written Assignments:

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>
January	23 Course overview/syllabus review Project team assignments
	30 Chapter 1 – Introduction to Forensic and Investigative Accounting Chapter 2 – Forensic Accounting Education, Institutions, and Specialties Chapter 3 – Fraudulent Financial Reporting
February	6 Chapter 4 – Detecting Fraud in Financial Reporting Chapter 5 – Employee Fraud: The Misappropriation of Assets
	13 Chapter 6 – Indirect Methods of Reconstructing Income <i>Alvan Romero/James Maes, Tax Fraud Investigation Division</i>
	20 Chapter 7 – Money Laundering and Transnational Financial Flows
	27 Chapter 8 – Litigation Services Provided by Accountants <i>Janet McHard, Litigation Specialist - Meyners & Company</i> Take-home portion of midterm distributed
March	5 Chapter 11 – Litigation Support in Special Situations <i>George Tselentis, Technology and Security Consultant</i>
	12 Midterm (in class portion and take-home due) Chapter 9 – Proper Evidence Management
	19 SPRING BREAK
	26 Chapter 10 – Commercial Damages <i>Allen Parkman, Economist - UNM</i>
April	2 Chapter 12 – Computing Economic Damages
	9 Chapter 13 – Computer Forensics: A Brief Introduction Chapter 14 – Internet Forensic Analysis: Profiling the Cybercriminal <i>Alex Seazzu, Director of UNM CIARE</i>
	16 Final Project Due Chapter 15 – Cybercrime Management: Legal Issues Chapter 16 – Cybercrime Loss Valuations
	23 Chapter 17 – Business Valuations <i>Stephen Comeau, Business Valuation Specialist - Meyners & Company</i> <i>Fraud Specialty Presentations</i> Take-home portion of final exam distributed
	30 Special topics <i>Fraud Specialty Presentations</i>
May	7 Special topics <i>Fraud Specialty Presentations</i> Take-home portion of final exam due
	14 Final Exam (in class portion), 7:30 – 9:30 a.m.

Note: We will be having several guest speakers, but due to their busy schedules/changing availability, the names and dates should be considered tentative.

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 forensic accountant is being able to understand and communicate with various parties, including line employees, all levels of management and audit committees. 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 forensic accountant 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 forensic accountant 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 forensic accounting 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 an internal auditor.

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: Forensic accounting issues are not limited to the United States, and in fact, are often global in nature. We will, via class discussion, cases and journal articles, address global issues, including the impact of culture on decision making and the roles and responsibilities of a forensic accountant within a global environment.

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.