



## ACT510: FORENSIC ACCOUNTING AND FRAUD EXAMINATION

**Credit Hours:** 3

**Contact Hours:** This is a 3-credit course, offered in accelerated format. This means that 16 weeks of material is covered in 8 weeks. The exact number of hours per week that you can expect to spend on each course will vary based upon the weekly coursework, as well as your study style and preferences. You should plan to spend 14-20 hours per week in each course reading material, interacting on the discussion boards, writing papers, completing projects, and doing research.

**Faculty Information:** Faculty contact information and office hours can be found on the faculty profile page.

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### COURSE DESCRIPTION AND OUTCOMES

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**Course Description:**

This course explores various types of fraud and covers methods to prevent and deter fraudulent occurrences in a financial environment. The course explores the motivations of fraud perpetrators and the different ways to reduce, prevent, detect and deter fraud. Additionally, the course covers fraud investigation methods, theft act, and concealment investigation methods. The various ways organizations and victims of fraud can follow-up and resolve dishonest acts will be covered.

**Overview:**

In this course, you will explore various types of financial fraud and methods to prevent and deter fraudulent occurrences in a financial environment. We will explore the motivations of fraud perpetrators; methods to reduce fraud; and ways to prevent, detect, and deter financial fraud. Fraud investigation methods will be explained including theft act and cover concealment investigation methods. Finally, you will learn the various ways organizations and victims of fraud can follow-up and resolve dishonest acts.

**Course Learning Outcomes:**

1. Describe types of financial fraud as well as how and why financial fraud is committed.
2. Develop a framework for a fraud deterrence program that can be implemented in an organization.
3. Simulate key elements of a fraud assessment review and a financial audit and evaluate the differences in method and purpose between the two.
4. Explain and analyze the methods used to recognize symptoms of fraud (“red flags”) as well as detect fraud occurrences in an organization.
5. Provide a comprehensive discussion of fraud investigation.
6. Evaluate fraud loss recovery and resolution processes.

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### PARTICIPATION & ATTENDANCE

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Prompt and consistent attendance in your online courses is essential for your success at CSU-Global Campus. Failure to verify your attendance within the first 7 days of this course may result in your withdrawal. If for some reason you would like to drop a course, please contact your advisor.

Online classes have deadlines, assignments, and participation requirements just like on-campus classes. Budget your time carefully and keep an open line of communication with your instructor. If you are having technical problems, problems with your assignments, or other problems that are impeding your progress, let your instructor know as soon as possible.

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## COURSE MATERIALS

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### Required:

Albrecht, W. S., Albrecht, C. O., Albrecht, C. C., & Zimbelman, M. F. (2019). *Fraud examination* (6th ed.). Boston, MA: Cengage Learning. ISBN: 9781337619677

**NOTE:** All non-textbook required readings and materials necessary to complete assignments, discussions, and/or supplemental or required exercises are provided within the course itself. Please read through each course module carefully.

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## COURSE SCHEDULE

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### Due Dates

The Academic Week at CSU-Global begins on Monday and ends the following Sunday.

- **Discussion Boards:** The original post must be completed by Thursday at 11:59 p.m. MT and peer responses posted by Sunday at 11:59 p.m. MT. Late posts may not be awarded points.
- **Critical Thinking:** Assignments are due Sunday at 11:59 p.m. MT.
- **Live Classroom:** Although participation is not required, Live Classroom sessions are held during Week 3 and Weeks 6. There are two total sessions.

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## WEEKLY READING AND ASSIGNMENT DETAILS

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### Module 1

#### Readings

- Chapters 1 & 2 in *Fraud Examination*
- Association of Certified Fraud Examiners. (2017). CFE code of professional standards. Retrieved from <http://www.acfe.com/standards.aspx>
- Association of Certified Fraud Examiners. (2018). *Report to the nations: 2018 global study on occupational fraud and abuse*. Retrieved from <https://www.acfe.com/report-to-the-nations/2018/>
- Carmichael, D. R. (2018). Audit versus fraud examination: What's the real difference? *The CPA Journal*, 88(2), 48-53.

**Discussion (25 points)**

**Critical Thinking (75 points)**

Choose one of the following two assignments to complete this week. Do not do both assignments. Identify your assignment choice in the title of your submission.

### **Option 1: Petty Cash Fraud Analysis**

Read the following case study:

After working for his company for three years, Charles received the promotion for which he had been working so hard, and he had a very promising future at the company. With the new promotion, Charles and his wife, Julie, purchased a new home, two new cars and, shortly thereafter, found out Julie was pregnant with their fifth child. Charles told Julie that since he was doing so well at his company, she did not have to return to work after the birth of their child. So, Julie quit her job to stay home with their children.

After about 18 months of Charles being in his new role, a new competitor developed a product that had a severe negative impact on Charles's company. His pay, which was based on commission, was reduced nearly 50 percent. Charles continued to work for the company as he looked for employment elsewhere so that he could return to the salary to which he and his family had grown accustomed. Unable to find another job, Charles resentfully decided he would stay with the company even with the lower pay.

Not long after he started receiving lower commissions, Charles realized that, although he was in control of his department's \$5,000 petty cash fund, no one ever questioned him about purchases made from the fund, and he was the one who reconciled the fund when it was time to replenish it. Whenever he incurred shortages, he would just submit a journal entry to the accounting department to write off the shortage. Julie's birthday was coming up and Charles realized that he had not bought her a present and, with the significant decrease in his salary, he did not have money to buy the new \$800 smartwatch she wanted. Charles decided that he would take the money out of the petty cash fund and just put it back the next time he was paid. However, by the next paycheck, Charles' car needed new brakes, for which he did not have the money to pay his mechanic. So, once again, Charles "borrowed" from the petty cash fund. Charles continued to "borrow" from the petty cash fund. Every time he would try to put the money back, something happened that kept him from being able to do so.

One day, another employee noticed Charles taking some cash from the fund and putting it in his wallet. When questioned, he simply stated that it was a reimbursement the company owed him for supplies. The employee who saw Charles taking the money still felt uneasy about what she saw and contacted the company's anonymous hotline, and an investigation began that discovered the fraud.

Prepare a detailed analysis of the scenario by incorporating your responses to the following questions in well-developed paragraphs (do not use a question-answer format).

- Identify each of the components of the fraud triangle in the case.
- What are the theories that may provide insight into why people like Charles commit fraud?
- What procedures could the company have implemented to prevent the fraud from occurring?

Requirements:

- Write a paper of 4-6 pages in length (double-spaced), not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings, including professional business language.
- Cite at least 3 sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.

- Format your paper according to *CSU-Global Guide to Writing and APA*.
- Start with the links under the Research Help and Writing Help tabs on the CSU-Global Library's homepage If you need assistance with writing style.

Review the week's CT Assignment grading rubric for more information on expectations and how you will be graded.

### **Option 2: Fraud Identification and Classification**

Please read the following scenario:

Many of the clients assigned to Amy and Bill have operations in other locations that require frequent travel. On every trip, Bill notices that Amy charges non-job-related expenses to her corporate credit card and submits the charges for payment as part of her travel expense report. The expenditures are then included on the client's invoice. The expenditures only represent a tiny fraction of total billable services for the client that Amy and Bill are auditing.

Prepare a detailed analysis of the scenario by incorporating your responses to the following questions in well-developed paragraphs (do not use a question-answer format).

- After reviewing the types of fraud discussed in this week's reading, determine what type of fraud Amy is committing. Does the relative cost of the expenditures to the overall client's invoice matter? Why or why not?
- Develop some assumptions to address why Amy's transactions have not been questioned. Does Bill have the responsibility to report her? Why or why not?
- Bill decides to confront Amy first before notifying the engagement partner. Amy acknowledges wrongdoing and agrees to repay all of the expenses. Should Bill still report her or should he consider the situation resolved based on her words? Discuss the ramifications of both options.
- What theories of fraud did you implement in your analysis of this scenario? Include a discussion of the seriousness of fraud and how fraud affects organizations.

Requirements:

- Write a paper of 4-6 pages in length (double-spaced), not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings, including professional business language.
- Cite at least 3 sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.
- Format your paper according to *CSU-Global Guide to Writing and APA*.
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## **Module 2**

### **Readings**

- Chapter 11 & Appendix A to Chapter 11 in *Fraud Examination*
- Cresswell, R., & McNeal, A. (2018). What's your fraud IQ? *Journal of Accountancy*, 226(5), 28-31.

## Discussion (25 points)

### Critical Thinking (75 points)

Choose one of the following two assignments to complete this week. Do not do both assignments. Identify your assignment choice in the title of your submission.

#### Option 1: Financial Statement Fraud and Other Types of Fraud

Read the following article:

Suh, I., Sweeney, J. T., Linke, K., & Wall, J. M. (2018). Boiling the frog slowly: The immersion of C-suite financial executives into fraud. *Journal of Business Ethics*, 1-29.

Prepare a detailed analysis of the article by incorporating your responses to the following questions in well-developed paragraphs (do not use a question-answer format).

- How is financial statement fraud committed *on behalf of* an organization different from fraud committed *against* an organization (such as embezzlement)? In your write-up, include how the different types of fraud are committed, who usually commits each type, and who benefits from the fraud.
- The interviewees in the article were financial executives who became involved in accounting fraud PRIOR TO the enactment of the Sarbanes–Oxley Act (SOX). Discuss the impact that SOX would have had on the executives interviewed in the article.
- Discuss the positive and negative effects of regulations on combatting fraud.

Requirements:

- Write a paper of 4-6 pages in length (double-spaced), not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings, including professional business language.
- Cite at least 3 sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.
- Format your paper according to *CSU-Global Guide to Writing and APA*.
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#### Option 2: Financial Statement Fraud

Prepare a detailed analysis of financial statement fraud by incorporating your responses to the following questions in well-developed paragraphs (do not use a question-answer format).

- What factors contributed to the “perfect fraud storm” at the turn of the century?
- What efforts have been made since to mitigate these factors?
- In what ways did the organizations involved in the fraud attempt to conceal it in the financial statements? How were these exposed and how could they have been identified sooner?
- According to the literature, which groups of people are more prone to committing financial statement fraud, and what are their motivations?

#### Requirements:

- Write a paper of 4-6 pages in length (double-spaced), not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings, including professional business language.
- Cite at least 3 sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.
- Format your paper according to *CSU-Global Guide to Writing and APA*.
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### **Module 3**

#### **Readings**

- Chapters 3 & 4 and Appendix 3-A: "Red Hat Code of Business Conduct and Ethics" in *Fraud Examination*
- Hyatt, J. (2017). Defending the weak spots: Businesses must find ways to bolster payments security in order to keep pace with resilient scammers. *CFO*, 33(5), 46-47.
- Vollmer, S. (2018). The board's role in promoting an ethical culture. *Journal of Accountancy*, 226(1), 24-27.

#### **Discussion (25 points)**

#### **Live Classroom (0 points)**

#### **Critical Thinking (75 points)**

Choose one of the following two assignments to complete this week. Do not do both assignments. Identify your assignment choice in the title of your submission.

For BOTH Options: Read the following case study for information to include in your paper:  
McPherson, D. (2016). Fighting fraud. Response: Multi-Channel Direct Advertising, 24(9), 36-39.

#### **Option 1: Fraud Deterrence, Detection, and Prevention**

Assume that you are the fraud expert for a large Fortune 500 company. In a recent meeting with the executive committee, one of the officers explains that the fraud prevention program, which teaches managers and employees how to detect and report fraud, costs the company \$150,000 a year. The officer then explains that it is a waste of time and money for the company to educate employees and managers about fraud. "Isn't it the responsibility of the auditors to detect fraud?" he questions. As the fraud expert of the company, you are asked by the president to explain why managers and employees should be educated in the detection of fraud.

Prepare a detailed response to the following questions regarding the scenario above, incorporating information learned from the Fighting Fraud case study. Be sure to prepare in well-developed paragraphs (do not use a question-answer format).

- What would you tell the committee about why it is important to train managers and employees in fraud detection?

- After you have explained to the committee why it is important to train management and employees, the president asks you about effective ways to involve employees and managers in the prevention and detection of fraud. What would you tell the president?
- What could be an effective means of deterrence in the organization?

Requirements:

- Write a paper of 4-6 pages in length (double-spaced), not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings, including professional business language.
- Cite at least 3 sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.
- Format your paper according to *CSU-Global Guide to Writing and APA*.
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**Option 2: Fraud Prevention in a Manufacturing Environment**

You have been assigned to the Fraud Prevention Team of a major retailer. Among your tasks is to perform a monthly review of the financial reports. During your review one month, you identified some red flags at one of the large packaging and distribution centers. The center receives shipments from around the world, packages them into bundles for each store in the area, and ships them by trucks to those locations. For several months, the inventory recorded as "packaged" exceeded the inventory quantities recorded as "shipped." However, the packaged inventory matches the quantities received from the global suppliers.

Prepare detailed responses to the following questions regarding the above scenario, incorporating information learned from the Fighting Fraud case study. Be sure to prepare well-developed paragraphs (do not use a question-answer format).

- What steps would you take to identify the source of the shrinkage?
- What changes would you recommend to prevent this from continuing?
- What are the most cost-effective methods of improving security at the center?
- As a corporate "outsider," how could you effectively engage the entire distribution center's operations team in theft prevention?

Requirements:

- Write a paper of 4-6 pages in length (double-spaced), not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings, including professional business language.
- Cite at least 3 sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.
- Format your paper according to *CSU-Global Guide to Writing and APA*.
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## **Module 4**

### **Readings**

- Chapter 5 in *Fraud Examination*
- Baader, G., & Krcmar, H. (2018). Reducing false positives in fraud detection: Combining the red flag approach with process mining. *International Journal of Accounting Information Systems*, 31, 1-16.
- Scheck, H. (2017). SEC targets internal controls: A decline in accounting fraud has freed up time for SEC staff to take aim at weaknesses in internal controls over financial reporting. *CFO, The Magazine for Senior Financial Executives*, 33(1), 22-23.

### **Discussion (25 points)**

#### **Critical Thinking (75 points)**

Choose one of the following two assignments to complete this week. Do not do both assignments. Identify your assignment choice in the title of your submission.

#### **Option 1: Fraud Triangle and Red Flags**

Read the following scenario:

Webmasters was an Internet start-up company founded in 2016. One of the largest problems for Webmasters was developing the technological systems necessary to support its rapidly expanding user base. Furthermore, due to the rapid expansion in recent years, many of its systems had been added hastily, resulting in poor integration and questionable data integrity. As a result, the CEO of Webmasters announced an initiative to integrate all systems and increase the quality of internal data. In compliance with this initiative, Webmasters purchased an expensive and complex billing system called BillPro, which would automate the billing for thousands of Internet accounts via credit cards.

During the integration, BillPro, in collaboration with Visa, created a phony credit card number that could be used by developers and programmers to test the functionality and integration of the BillPro system. Moreover, this credit card number was fully functional in "live" environments, so testers and developers could ensure functionality without being required to use actual personal or company credit card numbers. The activity on this card was not monitored. The integration went smoothly; however, it created thousands of corrupt accounts that required fixing.

Tyler, the manager of the Operations Department, was responsible for the resolution of all data integrity issues. His team was tasked with fixing all corrupt accounts created by the launch and integration of the BillPro system. As a result, Tyler was given the phony credit card number, which was kept on a Post-it Note in his drawer.

One of the top performers on the Operations team was a 29-year-old male named Ethan. Ethan had worked in Operations for more than a year and was making \$15 per hour, the same salary as when he was hired. He was an introvert working to support a family and put himself through school. Ethan was the most technologically savvy individual on the team, and his overall systems knowledge exceeded that of his manager, Tyler. Ethan was brilliant in creating more efficient tools and methods to repair corrupted accounts. Therefore, Ethan was tasked with conducting training for new employees and updating team members on new processes and tools that he had created. As a result, he quickly became a trusted and valuable team member. Tyler gave him, and the other team members, the phony credit card number to increase the productivity of the team.

However, after six months of working at Webmasters, Ethan received an official reprimand from the company for using the company system to access websites containing pirated software and music. The FBI attended the investigation and determined that Ethan had not been a major player in the piracy. Therefore, Ethan was quietly warned and placed on a short-term probation. Tyler was asked to write a warning letter for the action; however, after a brief conversation with Ethan, Tyler determined that Ethan's intentions were good and Tyler never officially submitted the letter because Ethan was a trusted employee and elevated the overall performance of the team.

A few months after the piracy incident, Tyler noticed some changes in Ethan's behavior:

- Ethan's computer monitor was repositioned so that his screen was not visible to coworkers.
- Ethan had the latest technological innovations including a new smartphone, an MP3 player, a PlayStation, a new laptop, a tablet and a new car stereo system.
- Ethan was going out to lunch more frequently.
- Ethan frequently used multiple fake usernames and passwords for testing purposes.

Prepare a detailed analysis of the scenario by incorporating your responses to the following in well-developed paragraphs (do not use a question-answer format):

- Analyze the case using the three elements of the fraud triangle.
- Discuss some of the red flags that might indicate that fraud exists in the scenario.
- Discuss some things that Tyler could have done to eliminate some, or all, of the opportunities for fraud.

Requirements:

- Write a paper of 4-6 pages in length, not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings, including professional business language.
- Cite at least 3 sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.
- Format your paper according to *CSU-Global Guide to Writing and APA*.
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### **Option 2: UAV Innovations, Inc. Fraud**

Read the following scenario and respond according to the instructions at the end:

UAV Innovations Inc. is a drone manufacturer headquartered in Berkeley, California. Drones have become increasingly popular in the last few years, which has led to significant increases in UAV's sales; as a result, their stock price has tripled. Darryl Jefferson was recently appointed as the CFO of UAV Innovations. At Darryl's first fourth-quarter planning meeting, many members of the leadership team discussed their skepticism regarding being able to meet year-end performance expectations. During the meeting, the division leaders also reported the following information:

The VP of Sales:

- She did not feel comfortable with the year-end target sales numbers.
- One of UAV Innovations' large contracts had been cancelled.

The VP of Operations:

- They were having problems finding reliable sources to provide components needed for production.

The VP of Marketing:

- One of their main competitors has been expanding their sales territory in the Southeast.

As a new member of management, Darryl did not want to express his concern regarding the information he heard until he was sure he understood the intricacies of the business. When the fiscal year finally closed, to Darryl's surprise, UAV Innovations met their year-end targets, despite the challenges that were discussed during the fourth-quarter planning meeting. Darryl suspected that something suspicious may have occurred to help the company meet the year-end targets. Therefore, he decided to investigate.

Prepare a detailed analysis of the scenario by incorporating your responses to the following questions in well-developed paragraphs (do not use a question-answer format).

- What are the six different types of fraud symptoms and which were revealed to Darryl in the meeting?
- What should Darryl do as part of his investigation to determine if there was fraudulent activity occurring at UAV Innovations? What are the appropriate forensic tools and/or analysis methods, and which accounts, trends, figures, reports, etc. should Darryl evaluate?
- What internal controls should he implement to safeguard against this potentially happening next year?

Requirements:

- Write a paper of 4-6 pages in length, not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings, including professional business language.
- Cite at least 3 sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.
- Format your paper according to *CSU-Global Guide to Writing and APA*.
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### **Portfolio Milestone (30 points)**

Choose one of the following two assignments to complete this week. Do not do both assignments. Identify your assignment choice in the title of your submission.

#### **Option 1: Project Outline and Executive Summary**

Submit a one-page outline of your paper, including preliminary references, that demonstrates your initial research of components of a real-world anti-fraud program/model for approval by your instructor.

## Option 2: Project Outline and Scandal Topic

Submit the name of the company that you selected for approval by your instructor and a one-page outline of your paper, including preliminary references.

## Module 5

### Readings

- Chapter 6 in *Fraud Examination*
- Minder, S. W., & Ramamoorti, S. (2017). The coming paradigm shift to big data information analytics. *Internal Auditing*, 32(2), 6-14.
- Saia, R., & Carta, S. (2019). Evaluating the benefits of using proactive transformed-domain-based techniques in fraud detection tasks. *Future Generation Computer Systems*, 93, 18-32.

### Discussion (25 points)

#### Critical Thinking (75 points)

Choose one of the following two assignments to complete this week. Do not do both assignments. Identify your assignment choice in the title of your submission.

### Option 1: Fraud Detection Using Trend Analysis and Financial Statement Analysis

Read the following article:

Chen, J., Tao, Y., Wang, H. & Chen, T. (2015). Big data based fraud risk management at Alibaba. *The Journal of Finance and Data Science*, 1(1), 1-10. Retrieved from <https://www.sciencedirect.com/science/article/pii/S2405918815000021>

Prepare a detailed analysis of the article by incorporating your responses to the following in well-developed paragraphs (do not use a question-answer format):

- Examine the environment in which Alibaba was operating that caused them to develop a fraud risk monitoring and management system.
- Evaluate the importance of implementing a fraud risk monitoring and management system as it relates to big data.
- Propose other ways that Alibaba's big data-based fraud prevention product can be used in fraud monitoring and fraud risk management.

Requirements:

- Write a paper of 4-6 pages in length (double-spaced), not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings, including professional business language.
- Cite at least 3 sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.
- Format your paper according to *CSU-Global Guide to Writing and APA*.
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## **Option 2: Interpretation of Red Flags**

For this option, complete both Part 1 and Part 2.

### **Part 1:**

As a trainer for a forensic accounting firm, you have been asked to establish a matrix to provide the firm's investigation teams with a "symptom" list to aid them in their assessment of potentially fraudulent actions. As part of this matrix, you should include a list of possible red-flag search results, which could be indicators of specific fraudulent activity that is occurring. For example:

- *Red Flag:* Your research has uncovered vendor invoices that have alterations on the purchase order documents (e.g., back dating, white-out) that are supposed to support these invoices.
- *Potential Activity:* Goods are being purchased for personal use.
- *Type of Fraud:* Employee is committing purchasing fraud.

Red flags noted during the investigation and which you will include in the matrix include:

- Duplicate payments to the same vendor with no backup documentation.
- Excessive number of adjusting entries, and repetitive use of adjusting entries for no apparent purpose.
- Price increases by one vendor of 30% year-over-year.
- No original contractor documents available — only photocopied documents.
- An employee who shares the same address, telephone number, or bank account number with an accounts payable vendor.
- Missing inventory and equipment.
- Unexplained items on bank reconciliations and other account reconciliations.

### **Part 2:**

Discuss other types of red flags that you would look for during an investigation and discuss their importance. Keep in mind that different types of investigations would likely lead to the analysis of different source documents and metrics.

Requirements:

- Write a paper of 4-6 pages in length (double-spaced), not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings, including professional business language.
- Cite at least 3 sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.
- Format your paper according to *CSU-Global Guide to Writing and APA*.
- Start with the links under the Research Help and Writing Help tabs on the CSU-Global Library's homepage if you need assistance with writing style.

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## **Module 6**

## Readings

- Chapters 7 & 8 in *Fraud Examination*
- Robbins, J. M., & Sechooler, A. M. (2018). Once more unto the breach: What the Equifax and Uber data breaches reveal about the intersection of information security and the enforcement of securities laws. *Criminal Justice*, 33(1), 4-7.

## Discussion (25 points)

### Live Classroom (0 points)

### Critical Thinking (75 points)

Choose one of the following two assignments to complete this week. Do not do both assignments. Identify your assignment choice in the title of your submission.

#### Option 1: Theft and Concealment Investigation

Examine the following table and respond to the problems according to the instructions at the end:

Assume you are the lead forensic investigator for a potential fraud case at AJB, Inc. After searching public records and other Internet sources, you accumulate the following financial information for the suspected fraud perpetrator, Jaleesa P. Crimin.

	YEAR 1	YEAR 2	YEAR 3
<b>Assets:</b>			
Residence #1	\$243,000	\$243,000	\$243,000
Residence #2			138,000
Stocks and bonds	15,000	30,000	57,000
Automobiles	27,000	52,500	52,500
Boat		34,500	34,500
CD	12,000	42,000	81,000
Cash	5,670	12,150	29,160
<b>Liabilities:</b>			
Mortgage balance #1	136,080	68,040	16,200
Mortgage balance #2			138,000
Auto loans	18,000	57,000	
Boat loan		34,500	9,000
<b>Income:</b>			
Salary		78,750	82,650
Interest/other		8,730	17,790
<b>Expenses:</b>			
Mortgage payments		24,300	42,120
Auto loan payments		9,720	9,720
Boat loan payments		5,670	8,100
Other living expenses		35,640	42,060

#### Problems:

- a. Determine whether there is a likelihood of fraudulent income based on the review of information you were able to obtain from your Internet search. If there is a likelihood of fraudulent income, calculate the amount. (Hint: calculate potential income from unknown sources based on the unexplained increase/decrease in Jaleesa's assets and liabilities.) You must show how you calculated the amount.

- b. As the lead forensic investigator, discuss the process that you would take during your interview with Jaleesa to get her to confess. Include specific questions that you would ask, considering the order they should be asked.

Respond to the above Problems a and b. Your response to **Problem a** must be prepared in an Excel spreadsheet. The Excel spreadsheet for problem a must be submitted along with your response to **Problem b in Word document**.

Requirements:

- Write a paper of 2-3 pages in length for **Problem b** (double spaced), not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings, including professional business language.
- Cite at least 3 sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.
- Format your paper according to *CSU-Global Guide to Writing and APA*.
- Start with the links under the Research Help and Writing Help tabs on the CSU-Global Library's homepage If you need assistance with writing style.

Review the week's CT Assignment grading rubric for more information on expectations and how you will be graded.

### **Option 2: Fraud Investigation Methods and Procedures**

For **both** scenarios below, devise a fraud investigation plan by answering the following questions:

- a. Discuss the appropriate investigative methods/techniques that you would suggest.
- b. Provide a detailed plan on how you would develop and carry out the investigation.
- c. Provide support (including the use of external citations) for why the method/technique would be useful in the situation.
- d. Prepare a plan for collecting evidence.

### **Burger Palace**

Assume you are a **Burger Palace** restaurant franchiser with four restaurants operated by restaurant managers in the Charlotte metropolitan area. After initially planning and launching a location, the managers are generally able to follow franchise processes and procedures and run their locations without your oversight. As a result, you are not involved in the day-to-day activities of each restaurant.

You were initially pleased with the growth and overall performance of the most recent launch in Huntersville. The restaurant generated consistent margins on sales growth of 8% plus month-over-month, which exceeded your initial expectations. However, things appeared to shift slightly over the last quarter. Sales growth has remained strong (only slightly down from the initial growth, which is typical in the restaurant business). However, you have noticed a reduction in your margins. One of the causes appears to be an increased inventory burn in your gourmet coffee line of products, which is out of line with the sales growth figures. You have recently brought this matter to the attention of the restaurant manager, who has assured you that this type of margin decline is normal (and expected) as the increased volume has led to more waste due to drink ordering errors while handling peak-level volumes. Your manager also explained that the increased volume has led to hiring needs, which have been filled by inexperienced assistant managers, which is also leading to further product waste.

Your experience suggests that the explanation provided does not adequately explain the situation. You suspect that fraudulent activity, such as free product or non-register sales, may be occurring at the Huntersville restaurant.

### **The Zippy Mart**

The downtown Arlington Zippy Mart gas station and convenience store operates largely on a cash basis, with more than 2/3 of all transactions occurring with cash. The assistant manager has reported a discrepancy between the daily cash receipts and week-end fuel inventory. She is not sure if there is a theft issue, faulty fuel measurements, tank leakage, or if the fuel delivery trucks are shorting them fuel.

Requirements:

- Write a paper of 4-6 pages in length (double-spaced), not counting the title and reference pages, which you must include.
- Use terms, evidence, and concepts from class readings, including professional business language.
- Cite at least 3 sources for this assignment, outside of the textbook. The CSU-Global Library is a great place to find resources.
- Format your paper according to *CSU-Global Guide to Writing and APA*.
- Start with the links under the Research Help and Writing Help tabs on the CSU-Global Library's homepage If you need assistance with writing style.

Review the week's CT Assignment grading rubric for more information on expectations and how you will be graded.

### **Portfolio Milestone (20 points)**

Choose one of the following two assignments to complete this week. Do not do both assignments. Identify your assignment choice in the title of your submission.

#### **Option 1:**

At this point you should have established the list of references that will be used to support the content of your paper. Submit the proposed references section of your paper to your instructor. Be sure that you have included a minimum of six references based on the source documents you will use when you prepare your final Portfolio Project due in Module 8. Also, include a list of financial and technical tools to be used in the model.

#### **Option 2:**

At this point you should have established your list of references that will be used to support the content of your paper. Submit the proposed references section of your paper to your instructor. Be sure that you have included a minimum of six references based on the source documents you will use when you prepare your final Portfolio Project due in Module 8. Also, include a list of financial and technical tools to be used to resolve issues in the scandal.

## **Module 7**

### **Readings**

- Chapters 9 & 10 in *Fraud Examination*
- O'Bryan, D., & Quirin, J. J. (2018). The obvious fraud revisited: The admission-seeking interview. *Journal of Business Case Studies (Online)*, 14(4), 69-96.

### Discussion (25 points)

## Module 8

### Readings

- Chapter 18 in *Fraud Examination*
- Heitger, L., & Greer, O. L. (2018). Forensic accountants to the rescue. *Strategic Finance*, 99(9), 48-53.

### Discussion (25 points)

### Portfolio Project (300 points)

Choose one of the following two assignments to complete this week. Do not do both assignments. Identify your assignment choice in the title of your submission.

#### **Option 1: Development of an Anti-Fraud Program**

This Portfolio Project option has two parts: a written report and a PowerPoint presentation.

A typical organization loses a certain percentage of annual revenue to fraud. The potential for fraud occurs in all organizations, regardless of the industry in which it operates, financial structure, or size. Every organization is vulnerable to fraud. The risk of fraud should be reduced as much as possible to improve the longevity of the organization. Hence, preventing, deterring, and detecting fraud are crucial to the success of organizations. Detering and preventing fraud can be more economical than detecting, investigating, and recovering from fraud after the fact. These anti-fraud measures must start at the top and must be communicated throughout the organization. They must go beyond internal controls yet consider the cost-benefit.

Develop an anti-fraud program, or model, that can be implemented in any organization. In other words, don't apply the model to a specific organization. The model, if applied correctly, must be efficient in preventing, detecting and deterring fraud. At minimum, your model must address the following factors:

- Fraud risk assessment
- Employees' Code of Conduct
- Policies and procedures to prevent, deter, and detect fraud
- Technical tools to prevent, deter, and detect fraud (i.e. SQL, ODBC, Digital Analysis, etc.)
- Cost-benefit analysis

Resources to consider:

- AICPA. (n.d.). Managing the business risk of fraud: A practical guide. Retrieved from [https://competency.aicpa.org/media\\_resources/209048-managing-the-business-risk-of-fraud-a-practical-gu/detail](https://competency.aicpa.org/media_resources/209048-managing-the-business-risk-of-fraud-a-practical-gu/detail)
- Protiviti. (n.d.) Evaluating your anti-fraud program. Retrieved from <https://www.protiviti.com/US-en/insights/suggestions-evaluating-your-anti-fraud-program>

The Portfolio Project **preliminary deliverables** are as follows:

- **Week 4:** Submit a one-page outline of your paper, including references that demonstrates your initial research of components of a real-world anti-fraud program/model for approval by your instructor.

- **Week 6:** Submit the proposed final references section for your project.

**Part 1:** Requirements for the paper:

- Demonstrate your comprehension of the course material.
- Use professional business language.
- 10-12 pages in length (double-spaced), not including the cover and reference pages. Supporting documents (i.e. charts, graphics, etc.) should be included as addendums to your report and not in the body of the report.
- Formatted according to the *CSU-Global Guide to Writing and APA*.
- Include a minimum of six credible, academic or professional references from the CSU-Global Library, in addition to the textbook.

In addition to your written report, prepare a PowerPoint to present your Anti-Fraud Program to management.

**Part 2:** Requirements for the presentation:

- 6-8 slides, not including the cover and reference slides.
- Demonstrate your comprehension of the course material.
- Use professional business language.
- Include slides that are professional in appearance and not too wordy.
- Include voiceover that is clear and have minimal background noise (If you do not use the Voiceover feature, you must provide detailed notes in the “Notes” area to support the information presented on your slides).
- Citations and references should be formatted according to the *CSU-Global Guide to Writing and APA*.

Requirements for the **final deliverables**:

- o PowerPoint slides
- o Word document

Review the grading rubric to see how you will be graded for this assignment.

**Option 2: Corporate Fraud – Case Analysis**

This Portfolio Project option has two parts: calculations and a written analysis. While the calculation requirements of this assignment are important, equally important are your discussion and analysis of the quantitative results and your application of the forensic accounting and fraud examination tools taught in this course.

Choose a publicly traded company that has incurred a public accounting scandal in the last five years which included the need for financial statements’ restatements, and perform an expanded analysis on the financial statements from that period. Please make use of the 10-K statements available on <http://www.sec.gov> or annual statements in <http://finance.google.com/>.

The Portfolio Project **preliminary deliverables** are as follows:

- **Week 4:** Submit the name of the company that you selected for approval by your instructor and a one-page outline of your paper, including references.

- **Week 6:** Submit the proposed final references section for your project.

**Part 1:** Prepare an Excel workbook with separate tabs for each of the following:

- Horizontal and vertical analysis of the income statements for at least three years surrounding the incident (all yearly balances set as a percentage of total revenues for that year).
- Horizontal and vertical analysis of the balance sheets for at least three years surrounding the incident (all yearly balances set as a percentage of total assets for that year or total liabilities/equity).
- Ratio analysis (eight ratios of your choosing) for the three years surrounding the incident. Note — you should choose ratios that are likely to provide insight into the incident based on which accounts were impacted by the fraudulent activity (hindsight being 20/20, you know the fraud that has occurred).
- Thoroughly analyze specific accounts based on the nature of the fraud that was perpetrated by the corporation. For example, if the corporation was improperly handling revenue, there should be a deep-dive analysis of the revenue accounts throughout the applicable periods that highlights the scandal.
- Incorporate technical tools (i.e. SQL, ODBC, Digital Analysis, etc.) that are applicable to your researched scandal.

**Part 2:** Prepare the written analysis addressing each of the following:

- Provide your reader with an overall understanding of the scandal, along with the results of the financial analysis that you completed, including:
  - a. Discussion of the results of your horizontal and vertical analyses.
  - b. Discussion of the results of your ratio analysis, including rationale for the selected ratios.
  - c. Discussion of the analysis performed on specific accounts and rationale for why those accounts were selected for a more thorough analysis.
- Include a discussion of the fraud examination methods applied. Evaluate whether the methods could have been improved upon in this scandal.
- Write a 10-12 pages (double-spaced) paper, not including the cover and reference pages. Supporting documents (i.e. charts, graphics, etc.) should be included as addendums to your report and not in the body of the report.
- The paper must be formatted according to the CSU-Global Guide to Writing and APA.
- Demonstrate your comprehension of the course material.
- Use professional business language.
- Include a minimum of six credible, academic or professional references from the CSU-Global Library, in addition to the textbook.

Requirements for the **final deliverables**:

- o Excel workbook
- o Word document

Review the grading rubric to see how you will be graded for this assignment.

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## COURSE POLICIES

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Grading Scale	
A	95.0 – 100
A-	90.0 – 94.9
B+	86.7 – 89.9
B	83.3 – 86.6
B-	80.0 – 83.2
C+	75.0 – 79.9
C	70.0 – 74.9
D	60.0 – 69.9
F	59.9 or below

### Course Grading

20% Discussion Participation  
45% Critical Thinking Assignments  
35% Final Portfolio Project  
0% Live Classroom

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## IN-CLASSROOM POLICIES

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For information on late work and incomplete grade policies, please refer to our [In-Classroom Student Policies and Guidelines](#) or the Academic Catalog for comprehensive documentation of CSU-Global institutional policies.

### **Academic Integrity**

Students must assume responsibility for maintaining honesty in all work submitted for credit and in any other work designated by the instructor of the course. Academic dishonesty includes cheating, fabrication, facilitating academic dishonesty, plagiarism, reusing /repurposing your own work (see CSU-Global Guide to Writing & APA for percentage of repurposed work that can be used in an assignment), unauthorized possession of academic materials, and unauthorized collaboration. The CSU-Global Library provides information on how students can avoid plagiarism by understanding what it is and how to use the Library and internet resources.

### **Citing Sources with APA Style**

All students are expected to follow the CSU-Global Guide to Writing & APA when citing in APA (based on the most recent APA style manual) for all assignments. A link to this guide should also be provided within most assignment descriptions in your course.

### **Disability Services Statement**

CSU-Global is committed to providing reasonable accommodations for all persons with disabilities. Any student with a documented disability requesting academic accommodations should contact the Disability Resource Coordinator at 720-279-0650 and/or email [ada@CSUGlobal.edu](mailto:ada@CSUGlobal.edu) for additional information to coordinate reasonable accommodations for students with documented disabilities.

### **Netiquette**

Respect the diversity of opinions among the instructor and classmates and engage with them in a courteous, respectful, and professional manner. All posts and classroom communication must be conducted in accordance with the student code of conduct. Think before you push the Send button. Did you say just what you meant? How will the person on the other end read the words?

Maintain an environment free of harassment, stalking, threats, abuse, insults, or humiliation toward the instructor and classmates. This includes, but is not limited to, demeaning written or oral comments of an ethnic, religious, age, disability, sexist (or sexual orientation), or racist nature; and the unwanted sexual advances or intimidations by email, or on discussion boards and other postings within or connected to the online classroom. If you have concerns about something that has been said, please let your instructor know.