SUFFOLK COUNTY COMMUNITY COLLEGE

PRINCIPLES OF FRAUD EXAMINATION

Dr. Kathie Rogers, CPA


An electronic version of the text (individual chapters or the entire text) in is available for purchase at the publisher's web site: www.cengage.com

PURPOSE OF THE COURSE:
The problem of fraud has grown in size and scope, threatening the very economic underpinnings of business and government. This anti-fraud course will provide students with the educational resources needed to implement current legislative (The Sarbanes-Oxley Act) and professional guidelines (Statement on Auditing Standards No.99- Consideration of Fraud in a Financial Statement Audit) for certified public accountants.

COURSE DESCRIPTION:

Fraud examination will cover the principles and methodology of fraud detection and deterrence. The course includes such topics as skimming, cash larceny, check tampering, register disbursement schemes, billing schemes, payroll and expense reimbursement schemes, non-cash misappropriations, corruption, accounting principles and fraud, fraudulent financial statements, and interviewing witnesses.

COURSE OBJECTIVES:

Upon completion of this course, the student will be able to:

• Understand how skimming is committed and concealed
• Understand what “lapping” is and how it is used by fraudsters to conceal receivables skimming
• Identify cash larceny
• Understand how cash receipts schemes differ from fraudulent disbursements
• Identify weaknesses in internal controls as inducing factors to cash larceny
• Identify the five major categories of fraudulent disbursements
Understand proactive audit tests that can be used to detect billing schemes
Understand how check tampering is hidden in a company’s accounting records

In addition:

- Initiate, understand, assess, and assume responsibility for your own ongoing learning.
- Access and use accounting resources effectively.
- Work alone and collaborate with others.
- Resolve dilemmas emerging from complex situations.
- Think and communicate effectively using appropriate means.
- Clarify personal values, purposes and goals.

**RESOURCES:**

You will benefit in this course by access to written materials and to people. Resources available to you include:

Course outline – This outline provides you with essential information about the course

Academic computing center – Students can use the computing center to complete the assigned general ledger software problems. Phone 548-2612 for hours.

Accounting/Fraud web sites –

http://www.ACFE.org

www.aicpa.org (CPA exam info, links to the NYS Society of CPAs and other great sites)

www.irs.gov (Internal Revenue Service)

www.wsj.com (Wall Street Journal)

www.sec.gov (Securities and Exchange Commission)

www.imanet.org (Institute of Management Accountants)
COURSE REQUIREMENTS:

Like all courses, this class has specific requirements:

• STUDY all assigned text material.

• All homework must be completed and submitted before 6:00 p.m. each Saturday

• Participate in D2L weekly discussions.

• Due to the difficulty of the subject matter of this course students should be prepared to spend at least four hours of study time per week in order to obtain a passing grade.

• Students are strongly encouraged to make an appointment with the instructor at the first sign of difficulty.

GRADING:

There are numerous opportunities to perform well in this class. Your grade will be a function of your performance on the following:

<table>
<thead>
<tr>
<th></th>
<th>Percent of Total</th>
</tr>
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<tbody>
<tr>
<td>Homework</td>
<td>25</td>
</tr>
<tr>
<td>Discussions</td>
<td>50</td>
</tr>
<tr>
<td>Fraud Case</td>
<td>25</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100 %</td>
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WITHDRAWAL FROM CLASS:

The last day to withdraw from class and be guaranteed a “W” grade is Oct. 28. Please do not ask me to sign a “W” slip after this date. There will be ABSOLUTELY NO EXCEPTIONS TO THIS POLICY.

PARTICIPATION:

• Ask questions
• Actively participate in online discussion board = 50 % of your grade
• Assist your peers
• Seek new information
• Challenge yourself

LEARNING TOOLS:

You, the student, are the center of the learning process. While your professor can provide you with the guidance and materials that you need to succeed, it is your
responsibility to set goals, plan your work, make notes from readings, lectures and discussions, and schedule the time you will need to complete assignments.

Developing good study skills can not only save you time and energy, but can also help you learn better, independently and with less guesswork. My suggestions include:

- Set learning goals
- Plan and organize a schedule with ample time for reading, studying, reviewing and studying for tests
- Adjust your schedule as the class progresses
- Break down work into manageable units
- Pace the course workload evenly
- Use a study location free of distractions
- Review periodically
- Set incentives or rewards for yourself

**FRAUD PROJECT = 25 % OF YOUR FINAL GRADE**

**REQUIREMENTS:**

- Research an *Accounting* Fraud – *You must have my approval of your Fraud*
- Prepare an Executive Summary (at least 2 pages – no more than 3 pages)
- Formulate a Power Point presentation for the class – no more than 4 minutes in length
  - Include: The perpetrators
  - A description of the Fraud
  - Describe the consequences

**PLEASE NOTE: ALL HOMEWORK IS DUE**

**AT 6:00 P.M. EVERY THURSDAY**

*All deadlines are absolutely firm and non-negotiable*

**PLEASE DO NOT ASK FOR EXTRA CREDIT ASSIGNMENTS!**

If you are conscientious, hard working, submit your homework on time and actively participate in the weekly discussions… you will not need extra credit opportunities.
<table>
<thead>
<tr>
<th>DATE</th>
<th>AGENDA</th>
<th>HOMEWORK</th>
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</thead>
<tbody>
<tr>
<td>September 7</td>
<td>Introduction. Navigate D2L</td>
<td>We meet in Orient Bldg. Room 227</td>
</tr>
<tr>
<td>Chapter 1</td>
<td>The Nature of Fraud</td>
<td>Study Ch. 1 Answer Multiple Choice 1-10 <strong>DUE 9/23</strong></td>
</tr>
<tr>
<td>Chapter 2</td>
<td>Why people commit Fraud</td>
<td>Study Ch. 2 Answer Pg. 56 Multiple Choice 1-10 <strong>DUE 9/30</strong></td>
</tr>
<tr>
<td>Chapter 3</td>
<td>Fighting Fraud an Overview</td>
<td>Study Ch. 3 Answer Pg. 90 Multiple Choice 1-10 <strong>DUE 10/7</strong></td>
</tr>
<tr>
<td>Chapter 4</td>
<td>Preventing Fraud</td>
<td>Study Ch. 4 Answer Pg. 123 Multiple Choice 1-10 <strong>DUE 10/14</strong></td>
</tr>
<tr>
<td>Chapter 5</td>
<td>Recognizing the Symptoms of Fraud</td>
<td>Study Ch. 5 Answer Pg. 157 Multiple Choice 1-10 <strong>DUE 10/21</strong></td>
</tr>
<tr>
<td>Chapter 6</td>
<td>Data Driven Fraud Investigation</td>
<td>Study Ch. 6 Pg. 188 MC 1-10 <strong>DUE 10/28</strong></td>
</tr>
<tr>
<td>October 26</td>
<td>We meet in Orient 237</td>
<td>We’ll choose our Fraud Cases</td>
</tr>
<tr>
<td>Chapter 7</td>
<td>Investigating Theft Acts</td>
<td>Study Ch. 7 Ans. Pg. 221 Multiple Choice 1-10 <strong>DUE 11/4</strong></td>
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<tr>
<td>Chapter 8</td>
<td>Investigating Concealment</td>
<td>Study Ch. 8 Ans. Pg. 245 MC 1-10 <strong>DUE 11/11</strong></td>
</tr>
<tr>
<td>Chapter 9</td>
<td>Investigation Methods</td>
<td>Study Ch. 9 Pg. 262 MC 1-10 <strong>DUE 11/18</strong></td>
</tr>
<tr>
<td>December 7</td>
<td>Present your Fraud Cases</td>
<td>We meet in Orient 237</td>
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</tbody>
</table>

**ALL HOMEWORK IS DUE @ 6:00 p.m. ON THE DATE SPECIFIED**

**WE WILL MEET ON CAMPUS ON THE FOLLOWING DATES:**

    September 7
    October 26
    December 7
PLEASE NOTE:

• Participation is the lifeblood of a hybrid course.
• You are expected to participate in weekly discussions
• To keep up with deadlines for homework assignments
• To check-in regularly
• Students must log into the course at least once a week
• Failure to do so may result in the student being dropped from the course

Discussion Board

• The student discussions threads are a major activity in this course and account for 60% of your final grade.

• Every student is required to pose one discussion question each week of the course, and then to lead the discussion on that question. The question you ask should require thoughtful responses, and should address important issues or concepts introduced in the chapter.

• No two questions should be on the same issue – so read the other questions before posting your own.

• The sooner you post your question the better – but you must post within the first five days that the section is open or you will not receive full value for your question. The faculty role is as an observer. I will be reading all messages and will participate as appropriate.

• When another student responds to your question, you should respond back to them. Your job is to facilitate the discussion in your discussion thread, so you should probe for additional information and even ask additional questions in order to fully explore the topic you have asked about.

• I will evaluate your participation carefully. You must demonstrate knowledge of the material – not just your opinions. Each contribution you make to any of the discussion threads should add something of value to the discussion.
• After you post your question, you are required to respond to no fewer than three other student discussion questions. You may respond to as many questions as you want to – but three is the minimum. You are expected to be an active participant in at least these three discussion threads, plus your own, each week. You may (and I hope you will) participate in more than three threads beyond your own.

• Merely posting 3 posts – plus your own question is a minimum requirement – equal to a grade of “C”. If you wish to earn a higher grade – please take careful note of the grading rubric below.

1. The questions you ask in the Student-led discussions should be thoughtfully developed and carefully worded. These questions should address issues and/or concepts from the chapter that you find particularly important. I will use the following 4 criteria to evaluate your questions:

1.  
   a. Relevance – your question must be relevant to the material in the unit of study.
   b. Importance - your question must address a significant issue in the module.
   c. Originality – you must not ask a question that is essentially the same as a question posed by another student.
   d. Timely – Your question must be posted early in the module so that the other students have an opportunity to respond and you have time to facilitate a good discussion thread.

2. Your responses to questions posed by yourself and by the other students will be evaluated, and quality points awarded, based in part on the following 4 criteria:
   a. Is your answer correct?
   b. Is your answer thorough?
   c. Is your answer relevant and focused – to the point?
   d. Is your answer well-organized and well written?
• At the conclusion of each module, I will grade your discussion performance based on the number of points you have earned. Please see discussion "rubric" for how your discussion will be graded.

• **You must participate in at least 3 other student-led threads in addition to your own during each week to be eligible for full credit in that unit.**

• Your best strategy is to submit your question early, and post as many high quality responses as you can in each discussion. Then, if you are not earning discussion grades that are as high as you would like, you will know that you must work harder in future weeks. Please note, the number of quality points I award for your discussion questions and responses is **not negotiable.**

• **Merely posting 3 posts – plus your own question is a minimum requirement – equal to a grade of “C”.** If you wish to earn a higher grade – please take careful note of the grading rubric below.

• Remember, each student is responsible for leading a discussion in each module as well as participating in at least two other students’ discussions to be eligible for full credit. The quality of your discussion thread can be influenced by the feedback you give to the students who post to it. Three things determine the quality of a discussion thread:

  1. The quality of the initial discussion question you ask. I have given some specific guidelines above. The better your question is, the more points you will receive. Note: If you do not submit your question on time (that is, within 5 days) no quality points will be awarded.

  2. The quality of the response posts. Some students will make thoughtful and informative posts to your discussion, and some will give minimal responses. I grade the quality of the posts, and that grade influences your grade in the course. However, you should provide feedback to other students too in the form of a well-stated response. If a student posts a high-quality response, let them know. And, if a student posts a low quality response, you should tell them.

  3. The level of participation in and depth of the discussion thread. More high-quality discussion and participation from more students creates a more valuable thread. Keep in mind, however, that I will continually be
evaluating your participation in the threads using the question and response criteria noted above.

DISCUSSION RUBRIC

Discussion Board Rubric

<table>
<thead>
<tr>
<th>Criteria</th>
<th>A (9-10) Outstanding</th>
<th>B (8-8.9) Proficient</th>
<th>C (7-7.9) Basic</th>
<th>D/F (0-6.9) Below Expectations</th>
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</thead>
<tbody>
<tr>
<td>Critical Thinking</td>
<td>• rich in content</td>
<td>• substantial</td>
<td>• generally</td>
<td>• rudimentary and superficial</td>
</tr>
<tr>
<td></td>
<td>• full of thought,</td>
<td>information</td>
<td>competent</td>
<td>no analysis or insight is</td>
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<td></td>
<td>insight, and analysis</td>
<td>thought, insight,</td>
<td>information is</td>
<td>displayed</td>
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<td></td>
<td></td>
<td>and analysis</td>
<td>thin and</td>
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<td>Connections</td>
<td>Clear</td>
<td>connections made</td>
<td>limited, if any</td>
<td></td>
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<td></td>
<td>connections</td>
<td>not really clear</td>
<td>vague</td>
<td></td>
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<td></td>
<td>• to previous or</td>
<td>or too obvious</td>
<td>generalities</td>
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<td></td>
<td>current content</td>
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<td>• to real-life</td>
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<td>situations</td>
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<td>Uniqueness</td>
<td>• new ideas</td>
<td>• new ideas or</td>
<td>• few, if any,</td>
<td>• no new ideas</td>
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<td></td>
<td>• new connections</td>
<td>connections</td>
<td>new ideas or</td>
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<td>• made with</td>
<td>• lack depth and/or</td>
<td>connections</td>
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<td>depth and detail</td>
<td>detail</td>
<td>rehash or</td>
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<td>summarize other</td>
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<td>Timeliness</td>
<td>• all required</td>
<td>• all required</td>
<td>• all required</td>
<td>• some, or all, required</td>
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<td>postings early in</td>
<td>postings</td>
<td>postings</td>
<td>postings missing</td>
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<td></td>
<td>discussion</td>
<td>• some not in time</td>
<td>• most at the</td>
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<td>for others to read</td>
<td>last minute</td>
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<td>&amp; respond</td>
<td>without</td>
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<td>response time</td>
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<td>Stylistics</td>
<td>• few</td>
<td>• several</td>
<td>• obvious</td>
<td>• obvious grammatical or</td>
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<td>• errors interfere</td>
<td>errors</td>
<td>makes understanding</td>
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<td>with content</td>
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<td>impossible</td>
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