UNIVERSITY OF GEORGIA
TERRY COLLEGE OF BUSINESS
ACCT 7651 – Summer 2007
Forensic Accounting and Fraud Examination

Instructor: Tina D. Carpenter, CPA, PhD
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Lectures: Monday, Tuesday, Wednesday, Thursday and Friday 9:30 - 1:00 PM, 102 Caldwell
Office hours: Tuesday, Thursday 2:30-3:30 PM and by appointment

Required Text:


Course Description:

This course provides a survey of the rapidly developing and increasingly relevant discipline of forensic accounting. Students will develop increased awareness of fraud in businesses, the circumstances in which it arises, techniques for detecting, measuring and preventing fraud, and skills needed to help in the eventual resolution of discovered frauds.

Course Objectives:

1. To introduce students to forensic accounting.
2. To give students hands-on experience with investigating fraud using auditing, accounting information systems and web-based investigative exercises.
3. To give students experience in writing investigation reports and presenting oral reports.

Course Evaluation:

Initial Fraud Examination Project: 20% (graded as a group)
Final Investigative Project: 40% (graded as group)
Class Participation: 10% (graded individually)
Final Exam: 30% (graded individually)

The entire group will get a group score for the Initial Fraud Examination Project and the Final Investigative Project. However, that score will be adjusted for individual participation. At the end of each of these projects each student will be asked to fill out an anonymous form which lists all the members (including themselves) in their group.
and to spread 100% of the total points among the group. For example, if there were 4 members in the group and everyone has participated equally, each should receive a mark of 25% effort from all members of the group. If it is obvious from the peer evaluations that someone has not participated fully, I reserve the right to adjust the percentage of points accordingly.

Additionally, I reserve the right to make subjective adjustments to the class participation score to reflect observations made in class by myself, other students or guest speakers. For example, students who add materially to the class experience through participation, enthusiasm, and thoughtful questions might earn a positive adjustment. Negative adjustments might result from absences, tardiness, and ineffectiveness in in-class group work due to lack of preparation, or disrespect of anyone in the classroom.

Grading Scale:
- A 90.00-100%
- B 80.00-89.99%
- C 70.00-79.99%
- D 60.00-69.99%
- F 59.99% and under

Beginning Summer 2006, The University of Georgia has implemented a +/- grading system. The professor reserves the right to make adjustments based on this grading scale accordingly.

Course Website: Selected course materials are online at http://webct.uga.edu. Each student is responsible for checking this website before class each period. Announcements and assignments will be posted related to the upcoming class meeting. In order to be prepared for class and to participate in class discussions, the student is expected to have read relevant announcements and to have completed all assignments posted for that day.

Disabled Students: Students with disabilities can find assistance at the office of Disabled Student Services. Please notify me during the first week of class if you need assistance and present the appropriate form from DSS. It is important that I know what accommodations you may need, so please see me by the end of the first week of classes.

Academic Honesty: All academic work must meet the standards contained in “A Culture of Honesty.” Students are responsible for informing themselves about those standards before performing any academic work. All academic work submitted in this course must be your own unless you have received my permission to collaborate and have properly acknowledged receiving assistance. It is my responsibility to uphold the University’s academic honesty policy and report my belief of dishonesty to the Office of the Vice President for Instruction. The University’s academic honesty policy can be found at http://www.uga.edu/ovpi/. All students are responsible for knowing the University's policy on academic honesty.
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<thead>
<tr>
<th>Class Meetings</th>
<th>Readings and Due Dates</th>
<th>Topics and Presentations</th>
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<tr>
<td>Tuesday, May 15</td>
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<td>Introduction to course</td>
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<tr>
<td>Wednesday, May 16</td>
<td>Chapter 1- Introduction, SAS No. 99, PCAOB Fraud Report</td>
<td>Elements of Fraud, Fraud Theory, Fraud Symptoms, Red Flags, and Fraud Risk Assessment</td>
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<tr>
<td>Thursday, May 17</td>
<td>Chapter 11 (Accounting Principles and Fraud), Chapter 12 (Fraudulent Financial Statement Schemes)</td>
<td>SAS No. 99, Detecting Fraud in a Financial Statement Audit, PCAOB Fraud Report and Case Study</td>
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<td>Friday, May 18</td>
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<td>Corporate Scandals - Movie Day</td>
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<td>Monday, May 21</td>
<td>Fraud Examination Projects Due</td>
<td>Group Project Presentations</td>
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<td>Tuesday, May 22</td>
<td>Chapter 2 (Skimming), Chapter 3 (Cash Larceny), Chapter 4 (Billing Schemes)</td>
<td>“CPA’s as Psychologists” (a lecture and role play) <em>Guest Speaker- David Wolfe</em></td>
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<tr>
<td>Wednesday, May 23</td>
<td>Chapter 5 (Check Tampering), Chapter 6 (Payroll Schemes), Chapter 7 (Expense Reimbursement Schemes)</td>
<td>Investigative interviewing and interrogation, fraud categories, definitions, schemes and profiling the white collar criminal-<em>Guest Speaker- Greg Esslinger</em></td>
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1 This is a TENTATIVE schedule. Dates of topics and exams may change as deemed necessary by the professor. This syllabus and other class materials are available in alternative format upon request.
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<tr>
<th>Date</th>
<th>Topic</th>
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<tr>
<td>Thursday, May 24</td>
<td>Chapter 8 (Register Disbursement Schemes)</td>
<td>Controlling Fraud: The Role of Effective Corporate Governance, Forensic Accountants, Internal Controls and Oversight and Expert Witnesses - Guest Speakers - Dayne Grey and Chris Rossie</td>
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<tr>
<td>Friday, May 25</td>
<td>Chapter 10 (Corruption)</td>
<td>Practical application of COSO and Sarbanes-Oxley and Regulatory and Legislative Reports - Guest Speaker - David Sawyer</td>
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<tr>
<td>Monday, May 28</td>
<td>No Class</td>
<td>Memorial Day Holiday</td>
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<tr>
<td>Tuesday, May 29</td>
<td>Chapter 14 (Occupational Fraud and Abuse: The Big Picture)</td>
<td>Legal Issues in Fraud Examination: A Case Study - Guest Speaker - Scott Hilsen</td>
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<td>Wednesday, May 30</td>
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<td>Big 4 perspective - what are the firms doing in response to SAS No. 99, Corporate Scandals and Sarbanes-Oxley? Guest Speakers - KPMG Forensic Unit - Sarah Jacobs and Justin Snell</td>
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<tr>
<td>Thursday, May 31</td>
<td>Investigative project questioning closes at 5:00 pm</td>
<td>Planning and Conducting a Fraud Investigation - Guest Speaker - Stu Silver &amp; Interviewing and Polygraph Issues - Guest Speaker - Marc Foster</td>
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<td>Friday, June 1</td>
<td>Final Exam</td>
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<td>Monday, June 4</td>
<td>Final Investigative Projects Due</td>
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Syllabus Part II

Description of assignments upon which grades are based:

1. Class Participation:

   Class participation points will be assigned based on attendance, participation in regular class discussion, participation in the in-class practice interrogations, and participating in the discussion with guest lecturers. Students are expected to prepare for guest speakers by learning something about them as well as having questions prepared to ask during the discussion periods.

2. Initial Fraud Examination Project (Due Monday, May 21, 2007)

   **Part I: Analysis of Industry and firm background. (25%)**
   Each team will be given an Accounting and Auditing Enforcement Release (AAER) for a company indicted by the SEC for fraud. The goal of this analysis is to compare your fraud firm with its industry.

   Required:
   - Big Picture analysis: Look at your fraud firm’s competitive environment and summarize their position prior to the fraud being committed. For example, look at:
     1. Degree of Actual and Potential Competition
        a. Rivalry Among Existing Firms
        b. Threat of new Entrants
        c. Threat of Substitute Products
        d. Bargaining Power of Buyers
        e. Bargaining Power of Suppliers
     2. Sources of competitive advantage:
        a. Cost Leadership
        b. Differentiation

   *Summarize your findings*

   **Part II: Internet investigation of perpetrators (25%)**

   The AAER gives names and dates of the perpetrators. Use the internet resources available to you to investigate anything you can find on the perpetrator’s background. Your investigation should focus on the fraud triangle: The pressure the perpetrator was under, the opportunity and his or her rationalization for the deed. As a starting point, go to Lexis/Nexis (Galileo) and look for newspaper clippings as well as information from the AAER itself.

   *Summarize your findings*
Part III: Financial Statement Analysis of the Fraud Firm (25%)

1. Do a financial analysis of the firm and compare with others in the industry. Also compare the fraudulent financial statements with the “restated” financial statements (if these are available).

2. Using information provided on webct and the ratios discussed in class, study the financial statements in the years of the frauds (including footnotes and any other information you can glean) to determine whether there were signs available within the financial statements which should have signaled that a fraud was being committed. Speculate on how you believe the fraud was brought to the SEC’s attention as they looked at the financial statements?

Summarize your findings

Part IV: Class presentation: (25%)

Prepare a 15 minute presentation for the class to discuss your findings on all three of the prior parts of this exercise. Be prepared to explain exactly how the fraud was perpetrated, who did the crime, what their motivation was, the evidence within the financial statements which should have pointed to the fraud as well as any other interesting information you have uncovered during your investigations.

4. Final Trial Evidence Report (due Monday, June 4, 5:00 p.m.)

The investigative project will span the length of the course. It is an extensive project during which you will investigate the books of a minor league baseball team and attempt to find frauds. The specifics of how the project works are attached. Below is a description of this project that you are expected to complete. (Specific information on the Case will be given to you separately).

The report should be organized to provide:

A summary of the working of the company and evidence or theories of where fraud might exist. There is no set length, be concise and convincing.

1) The report should contain evidence gleaned from:
   1. Your audit/investigation of the company books.
   2. Analysis of the financial statements
   3. Evidence from other sources that you have gathered

2) Identification of the firms’ income and outflow
   1. What are the major sources of income?
   2. What are the primary areas of expense?
   3. Who is responsible for handling the money in each case?
3) An outline of suspected fraud(s)
   1. How the problem was identified by you or communicated to you.
   2. A description of the fraud as you perceive it.
   3. Where you believe the fraud took place.
   4. When you believe the fraud took place.
   5. Who were the perpetrators (position on organizational chart, authority assigned to them, who reports to them, and specific job skills required)?
   6. An outline of the errors identified and what controls could be put in place to circumvent these errors from being caused again.

This is the culmination of all your work on the Investigative case. I will not be questioning you as expert witnesses, but will look at your written record as if it was to be presented in court. Organize your facts and evidence in such a way as to provide sufficient, high-quality, legally obtained evidence to prove:

1. That a crime was committed.
2. Specifically what the crime was.
3. How the crime was committed.
4. Intent.
5. Who did it (i.e., who benefited from it, where the money went).

In other words, to completely solve a fraud, you must not just cast suspicion upon some particular individual, but must PROVE in a legal way that a law was broken, that someone intended to commit the crime, that the perpetrator had the ability and means to commit the crime, and that the perpetrator you name benefited from the crime.
I have read and thoroughly understand the expectations described in the syllabus for ACCT 7651.

Name (print)___________________________________

Signature______________________________________   Date__________________

PERMISSION TO POST GRADES

By signing below, I give the instructor of ACCT 7651 permission to post my course grades, including the final course grade, by last four digits of my social security number without names. (Grades will be posted by e-mail.)

Signature_________________________________________