

**CONSORTIUM INSTITUTE OF
MANAGEMENT AND BUSINESS ANALYSIS
AND THE UNIVERSITY OF IOWA
BUSINESS FRAUD – RISKS AND RESPONSES
SYLLABUS AND CLASS OUTLINE
SUMMER 2014**



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Office: Graduate Faculty Office - Pio
Hours: Before and after class by arrangement

OVERVIEW OF THE COURSE

This is a course that is broad in nature in terms of topic coverage and is designed to survey many of the components in the world of fraud in the 21st Century. Our primary concern is to develop an understanding of the principles involved in the detection and prevention of fraud as it pertains to financial matters; commonly referred to as white-collar crime. We will explore various academic approaches to fraud to include factors learned from other disciplines such as sociology and psychology and organizational behavior. We will also review the vast body of knowledge gained by practitioners throughout the world and will attempt to apply these factors to the prevention of financial statement and employee fraud. In addition, we will critically evaluate current audit standards and procedures and examine alternatives from the perspective of the user of financial statements as well as management in its pursuit of reducing employee fraud.

TEXTBOOKS

Required: *Principles of Fraud Examination, 3rd edition*, Joseph T. Wells, John Wiley & Sons, 2011.

Course Packet A course packet will be provided to you for use throughout the course to assist in learning the material and to reduce taking notes during the highly intense sessions.

NATURE OF THE CLASS MEETINGS

This class will be a combination of lecture and discussion with significant emphasis on the theory (when it exists) and practice of fraud detection and prevention. There will also be a number of videos with in-class analysis of the events and concepts covered. Class discussion coupled with the review of case materials is an integral part of the course. The course will also focus on developing tools for life-long learning and to that end we will expect all class members to take an active role in class. This is **not** simply a "lecture" course.

LEARNING OBJECTIVES

- Understand the various factors that motivate fraud and the preventive measures necessary to address fraud risks – what we will refer to as the fraud environment.
- Differentiate between “on the books” and “off-books” frauds and describe the various schemes associated with these activities.
- Identify and apply several of the basic forensic accounting techniques.
- Understand the rules of evidence and the proper procedures necessary to establish the “chain of custody” in investigating fraud schemes.
- Identify and describe the basic elements of cash larceny and embezzlement and be able to suggest the associated preventive measures given a fact situation.
- Use various sampling techniques in fraud investigation.
- Know the various purchase and billing schemes and the associated receivables fraud and be able to demonstrate an understanding of the various preventive measures.
- Understand the various check tampering schemes.
- Know and identify the various payroll schemes and the related counter-measures.
- Know and identify the various register schemes and the related preventive measures.
- Investigate the many inventory schemes and the taxonomy associated with specific industries. Be able to list counter-measures for specific fact situations.
- Explore the various techniques for effective interviewing.
- Gain in-dept knowledge of money laundering and how this activity affects other financial crimes.
- Identify the various schemes involved in financial statement fraud and the implications of SOX from a deterrence viewpoint.

COMPUTATION OF YOUR GRADE

Your grade will be computed based on the following:

Mid-term Examination (Take-Home)	100
Final Examination (In-Class)	100
Participation, assignments & attendance	100
Presentation (group)	<u>100</u>
	400

PRESENTATIONS

Students will work in groups of five or six (depending on the size of the class) to research a topic of their choice in the fraud area and then give a 10 minute presentation to the class. The topic may be the same as one we study in class, but the material must be “deeper” in subject matter. Attendance for these presentations is mandatory and those who miss any of the days of presentations will lose the points for their presentation as well (i.e., 100 max point penalty.)

ASSIGNMENTS

The purpose of the assignments is to keep you current with the material. The grading will be based on completeness and quality of thought. Late assignments will not be accepted and all assignments must be submitted at the beginning of the class.

TEXTING and CELL PHONES

Attendance in class means that you are expected to be in class both physically and mentally. As a class, we expect all members to provide the full measure of attention to class. The use of laptops or cell phones to communicate (texting) to those outside of class, while class is in session, is considered inappropriate behavior.

CLASS VIDEOS

If you miss a video presentation, you do so at your peril. These videos are made available through the generous support of the Association of Certified Fraud Examiners (ACFE) and I thank them for their support. Other videos are shown with permission from the provider and cannot be loaned or otherwise used outside of class.

CLASS HANDOUTS

I will use PowerPoint slides and handouts for most of the lectures and discussions. In the unlikely event you need to miss class, I ask that you find a classmate to work with in the event you do not get the materials for the class for which you were absent.

PARTICIPATION

Given that you will have read the material for the session indicated on the class outline, you should be prepared to participate in discussions, ask very insightful questions and make thoughtful comments in class. **You cannot earn the grade of "A" in this class without consistent, quality class contributions.**

ACADEMIC ACCOMODATIONS

If you have a disability that may require some modification of seating, testing, or any other class requirement, please let me know as soon as possible so that appropriate arrangements can be made.

SCHOOL OF BUSINESS HONOR SYSTEM

The faculty, instructors, and students of the School of Business have pledged to fulfill our mutual responsibilities to each other and the academic community at large with honor and integrity in order to build and maintain a climate of respect and trust that will enhance our research, teaching, and learning. We will support the Honor System of the School and will not tolerate activities that undermine academic integrity. As a student in this course, you will be protected by and expected to conduct yourself in accordance with this Honor System.

**BUSINESS FRAUD – RISKS AND RESPONSES
CLASS OUTLINE – CIMBA 2014**

	<u>Chapter and Topic</u>	<u>Assignment</u>
<u>Week 1</u>		
Tuesday	<p>Ch 1 <u>Morning session</u> Welcome and Course Overview Study of Fraud Examination <i>Video – Crossing the Line</i></p> <p>Ch 2 <u>Afternoon session</u> Skimming Transactions Asset Misappropriation <i>Video – Nowhere to Run (USPS)</i> Corporate Espionage</p>	<p>Review of course D1-1 (in class) R2-3, 7 &10</p> <p>D2-4 and D2-6</p>
Wednesday	<p>Ch 3 <u>Morning session</u> Cash Larceny and Cash Schemes <i>Video – Credit Card Theft (USPS)</i> Identity Theft <i>Video – Attack on Personal Information</i> <i>Video – Big Brother-Big Business</i></p> <p>Ch 5 <u>Afternoon session</u> Check Tampering <i>Video – Corporate Con/Internal Fraud</i> <i>Video – Work at Home Fraud (USPS)</i></p>	<p>R3-5 and R3-6</p> <p>D3-2</p> <p>R5-1, 5 &10 Finalize Groups D5-3</p>
Thursday	<p>Ch 8 <u>Morning session</u> Register Disbursement Schemes <i>Video – OPM/Asset Misappropriation</i></p> <p>Ch 4 Billing Schemes <i>Video – Cooking the Books</i> Investment Schemes</p> <p><u>Afternoon session</u> <i>Video – Investment Swindles</i> Corporate Espionage Credential Fraud</p>	<p>R8-5, 7 and 8 D8-5</p> <p>R4-3, 4 and 6 D4-3</p> <p>Group Topics Due</p>
Friday	<p><u>Morning session</u> Mid-Term Examination <i>Video – How to Locate Hidden Assets</i> Issues in Whistle Blowing Profiles in Deception</p>	<p>Chapters 1-5 & 8</p>

Week 2

Monday

Morning session

Ch 7	Expense Reimbursement Schemes <i>Video – Foreign Lotteries (USPS)</i>	R7-2, R7-3, R7-7 D7-2
Ch 9	Inventory and Other Assets <i>Video – How to Locate Hidden Assets</i>	R9-5, R9-7 D9-3

Afternoon session

Prepare for presentations (group work) On-campus

Tuesday

Morning session

Ch 10	Corruption/Bribery/Extortion Money Laundering <i>Long Shot – Foreign Lotteries (USPS)</i>	R10-5, 6, and 9 D10-4
Ch 6	Payroll Schemes <i>Video – Dialing for Dollars (USPS)</i>	R6-4, R6-8, R6-9 D6-2

Afternoon session

Ch 12	Financial Statement Fraud <i>Video – Financial Statement Fraud</i>	D12-7
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Wednesday

Morning session

Ch 11	Accounting principles and Fraud	R11-2 & 4, D11-5
Ch 13	Risk Assessment (Skim Appendix C) Expert Witness – Going to Court <i>Video – The Fraud Trial</i>	D13-6

Afternoon session

Presentations In-class

Thursday

Morning session

Ch 15	Art of Deception <i>Video – Finding the Truth</i> <i>Video – Beyond the Numbers</i>	R15-9, R15-10 D15-7
Ch 14	Interview Techniques	R14-5, R14-6 D14-3

Afternoon session

Ch 16	The Big Picture & Benford's Law Alternative Approach to Audit Model <i>Video – Computer Fraud</i>	D16-2
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Friday

Final Exam Comprehensive

This outline is subject to change (with notice in class) so please check with a classmate if you are absent from class. It is your responsibility to monitor the class progress.