

**North Carolina State University**  
**MBA 590 Fraud Examination**

**Instructor:** Eileen Z. Taylor, Ph.D., CPA  
**Online:** <http://moodle.wolfware.ncsu.edu/>  
**Class Days/Hours:** T/Th 3:00-4:15 pm

**E-Mail Address:** [eileen\\_taylor@ncsu.edu](mailto:eileen_taylor@ncsu.edu)  
**Class Location:** Nelson Hall 1120  
**Office Days/Hours:** Tues/Weds 10 am – noon

### **COURSE OVERVIEW**

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This course provides students with both practice and theory-based knowledge in the area of occupational fraud. Students will discover how and why fraud occurs in organizations, develop skills to detect fraud, and be able to identify and classify the various types of fraud. We will study common fraud techniques through online research, video, group projects, and discussion. The course will also provide students with an understanding of controls and their implementation to help prevent the most common types of fraud. Students who successfully complete this course will have the knowledge and tools necessary for identifying, detecting, and preventing the most common frauds. Students will also develop skills necessary for analyzing cases in uncertain situations and researching current fraud literature.

The course relies *less* on lectures and *more* on active learning through case analysis, discussion, problem-solving, quantitative reasoning, information literacy, technological competency, interview techniques, and an appreciation for ethical dilemmas and professional responsibility. The course integrates practical and theoretical writings to help students understand the reasons behind fraud, as well as the tools to detect and prevent fraud.

- Part 1 addresses general background relating to fraud (i.e., prevalence, psychology)
- Part 2 covers financial statement fraud, corruption, and asset misappropriation
- Part 3 focuses on corporate governance and whistleblowing

### **Moodle and E-MAIL RESPONSIBILITIES**

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I will post course materials, assignments, syllabi, announcements, grades, and any changes in the course on Moodle. I will also send information through e-mail, so please check it regularly.

### **COURSE OBJECTIVES**

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The primary objective of this course is for students to gain a conceptual understanding of how fraud occurs and how it can be prevented and detected through practical application of skills and tools.

Students who have completed this course should be able to:

- Analyze fraud scenarios (actual and fictitious) using the fraud triangle.
- Identify the major occupational fraud schemes and controls to prevent them.
- Identify red flags related to fraud schemes
- Dissect a real world fraud from multiple perspectives
- Identify trends in fraud detection (Whistleblower status, limitations of hotlines)
- Understand the consequences of fraud to various parties

### **HOW TO SUCCEED IN THIS COURSE**

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I measure your success in this course both by your ability to meet the course objectives above and by the increase in your awareness of fraud, evidenced by your ability to apply your new knowledge to

situations in which fraud might exist. To achieve this success, at a minimum, you must read the assigned materials prior to class and actively participate during class by leading class when assigned, listening carefully, contributing to class discussions, and being prepared. To succeed in this course you must put in both time and effort.

## **COURSE MATERIALS**

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- *Fraud Examiners Manual (2009)* Supplied when you join the Association of Certified Fraud Examiners as a student member. **(Required)**
- Cooper, Cynthia (2008). *Extraordinary Circumstances: The Journey of a Corporate Whistleblower*, John Wiley & Sons, Inc. Hoboken, New Jersey. ISBN: 978-0-470-12429-1. **(Required)**
- Other readings – located in course pack or online at Moodle site. **(Required)**
- One book of your choosing from the following for the book project:
  - Markopolos, Harry (2010). *No One Would Listen: A True Financial Thriller*, John Wiley & Sons, Inc. Hoboken, New Jersey.
  - Callahan, David (2004). *The Cheating Culture: Why More Americans are doing wrong to get ahead*, Harcourt Inc., Orlando, FL.
  - Brewster, Mike (2003). *Unaccountable: How the Accounting Profession Forfeited a Public Trust*, Wiley.
  - Toffler, Barbara Ley and Jennifer Reingold (2004). *Final Accounting: Ambition, Greed and the fall of Arthur Andersen*. Crown Business.
  - Eichenwald, Kurt (2005). *Conspiracy of Fools: A True Story*. Broadway.
  - Other book related to occupational fraud and approved by me.
- Access to the following online blogs (for the individual blog updates):
  - <http://goingconcern.com/>
  - <http://retheauditors.com/>
  - <http://accountingonion.typepad.com/>
  - [http://taxprof.typepad.com/taxprof\\_blog/](http://taxprof.typepad.com/taxprof_blog/)
  - <http://www.jrdeputyaccountant.com/>
  - <http://fraudbytes.blogspot.com/>
  - <http://sleightfraud.blogspot.com/>
  - <http://www.jamesrpetererson.com/>
  - Other fraud-related blog

## **INCOMPLETE (I) GRADES**

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An “I” grade may be awarded only when a small portion of the student’s work is incomplete due to circumstances beyond the control of the student and only when a student is otherwise earning a passing grade. “I” grades are to be used only in emergencies. “I” grades are not to be used as a means of avoiding a poor grade.

## **DISABILITIES**

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In order to request services or accommodations, students must contact the Disability Services for Students (DSS) directly at 515-7653 (voice) or 515-8830 (TDD). Please inform me during the first week of class if any special accommodations or arrangements will be necessary.

## **Pass-Fail/Audits**

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If you are taking this course on a pass/fail basis, you will be required to complete all assignments, exams, and projects. You will earn a “satisfactory” if you earn a C- or better. Otherwise, you will receive

an unsatisfactory.

## COURSE GRADE

	<u>% weight</u>
Book Project (Partner/Individual)	15
Cases and Assignments(Group):	20
Albrecht Internet Assignment	
Maxwell and Company	
Interstate College	
Royal Ahold	
KPMG Lots of Books (possible)	
Participation and Professionalism (Individual)	20
Blog reports/Article Summaries (Individual)	5
Midterm Exam (Individual)	20
Final Exam (Individual)	20
Total	100

Grades will be assigned as follows:

Percentage range	Grade
97-100	A+
93-96.9	A
90-92.9	A-
87-89.9	B+
83-86.9	B
80-82.9	B-
77-79.9	C+
73-76.9	C
70-72.9	C-
67-69.9	D+
63-66.9	D
60-62.9	D-
<60	F

## ACADEMIC HONESTY

All projects, exams and assignments, with the exception of group assignments, are expected to be completed by the individual student. For further clarification, consult the Code of Student Conduct found in the NCSU Student Handbook. The following are violations: Copying another student's homework, copying another student's electronic or written work, and misrepresenting a reason for a missed exam. All students involved, even those who allow their work to be copied, will be disciplined within the guidelines of the NCSU Code of Student Conduct. Further, on exams, you are prohibited from accessing any program or document that is outside the exam.

**Group Work:** Throughout the course, you will be working in groups. At the end of the semester, you will evaluate each group members' participation and contribution to the overall group's efforts. This evaluation will count as part of the participation grade noted above. **You must submit an evaluation to obtain full credit for class participation.**

Tentative Course Calendar

Date	Topic	Readings before class	Assignment(s) Due/In-class activities
Jan11_T	Introduction to class		Meet and Greet Review course syllabus and requirements VUE Mapping software
<b>Introduction to and Prevalence of Fraud</b>			
Jan 13_TH	Introduction to fraud	*Jensen's History of Fraud *FEM Introduction I1-I18 *Albrecht Chapter 1- available on Moodle	Discussion of readings Blog Updates
Jan 18_T	Fraud Examination as a Career	* <i>So you want to be a fraud examiner?</i> Wells, December 2002 Fraud Examiner Magazine. * <i>Sherlock Holmes, CPA, Part 1</i> (August 2003) and <i>Part 2</i> (September 2003), Wells, ACFE	Albrecht Chapter 2 Internet Assignment 1- <u>Write-up Due</u>
Jan 20_TH	Prevalence, perpetrators, and the fraud triangle	*FEM 4.601- 4.619 Fraud Research *FEM 4.619-4.639, 4.641-4.655 Current prevalence of fraud and perpetrator char. * <i>Who commits fraud and why?</i> Thompson Learning pp. 17-45 * <i>Why employees commit fraud</i> , Wells, JOA 2001 * <i>The Threat within: Employee Fraud Detection and Prevention</i> , RSM McGladrey * <i>"The Dark Side of Wall Street: Why Scandals Continue to Erupt,"</i> The Wall Street Journal.	Discussion of readings Blog Updates
Jan 25_T	Fraud Statistics  Applied Knowledge	<ul style="list-style-type: none"> <li>• <i>KPMG's 2008-2009 Integrity Survey</i></li> <li>• <i>National Business Ethics Survey 2009</i></li> <li>• <i>ACFE Report to the Nations 2010</i></li> </ul>	<u>Case Write-up Due: Maxwell and Company: Staff Auditor Embezzlement at a Small Client.</u> McKnight et al. (2008) Issues in Accounting Education 23(2) pp.291-297. <i>The Fraud Diamond: Considering the four elements of fraud</i> , Wolf and Hermanson, The CPA Journal, December 2004, pp. 38-42. (supporting article for case)

Jan 27_TH	Theory of the fraud perpetrator	<p><i>*Strain, differential association, and coercion: Insights from the criminology literature on causes of accountant's misconduct</i>, Donegan and Ganon, Accounting and the Public Interest, 8 pp.1-20.</p> <p><i>*Why Do CFOs Become Involved in Material Accounting Manipulations? SSRN</i></p>	<p>Discussion of reading</p> <p>Blog Updates</p>
<b>Occupational Fraud</b>			
Feb 1_T	Financial Statement Fraud	<p>*FEM Financial Statement Fraud 1.301 – 1.342</p> <p>*Analyzing Financial Reports Handout</p> <p><i>*The Financial Numbers Game (FNG)</i></p> <p>Foreward (iii-vii)</p> <p><i>*Timing is of the Essence</i>, Wells, JOA 2001</p> <p><i>*"Fifteen Risk Factors for Poor Governance A self-diagnostic to identify risk factors for poor governance and reporting,"</i> by Walter Smiechewicz, Directorship, Sept. 8, 2009</p>	<p>AICPA Tone at the Top Video (20:46)</p> <p>ACFE ZzzzBest Fraud Video</p>
Feb 3_TH		<p><i>*For Some Firms, a Case of 'Quadrophobia'</i> by: Scott Thurm, Wall Street Journal, Feb 13, 2010</p>	<p><u>Case Due: Interstate Business College: A Case Study in Fraud Examination (2004), Peterson and Buckhoff 19(4) pp.505-527 – <a href="#">Financial information on Excel located in Moodle.</a></u></p> <p>Blog Updates</p>
Feb 8_T		Real-life fraud	<p>Lots of Books Case</p> <p>American Greed: DeadlyRx for Greed (43:17)</p>

Feb 10_TH	Bribery and Corruption Schemes	<p>* FEM 1.701-1.719</p> <p>* <i>Billing Schemes, Part 1: Shell Companies That Don't Deliver</i>, Wells, JOA 2002</p> <p>* <i>Billing Schemes, Part 2: Pass-Throughs</i>, Wells, JOA 2002</p> <p>* <i>Billing Schemes, Part 3: Pay-and-Return Invoicing</i>, Wells, JOA 2002</p> <p>* <i>The Fraud Textbook: The Whiteland and Via Distribution Successes</i> by John Tzanis, Business Credit October 2008 pp.18-21</p> <p>* Business Planet (Enterprise Survey tab – corruption) <a href="http://rru.worldbank.org/businssplanet/default.aspx?pid=2">http://rru.worldbank.org/businssplanet/default.aspx?pid=2</a></p>	Discussion of readings Blog Updates
Feb 15_T	Theory of Corruption	<p>* <i>Bribery in International Business Transactions</i>, Baughn et al. 2010, Journal of Business Ethics 92:15-32</p> <p>* <i>Feelings, Brain and Prevention of Corruption</i>, Albaran et al. 2008, International Journal of Psychology Research 3(3) pp.1-17</p>	Ernst & Young: FCPA Fraud Webcast
Feb 17_TH	Applied Analysis	Use Access to identify occupational fraud.	Detecting Occupational Fraud: Billing Schemes <a href="http://www.nysscpa.org/cpajournal/2005/405/essentials/p58.htm">http://www.nysscpa.org/cpajournal/2005/405/essentials/p58.htm</a>
Feb 22_T		Cooper: Read Chapters 1-7 pp.1-81	Book Club
Feb 24_TH		Real World Fraud	American Greed: Tyco Blog Update
Mar 1_T	Midterm Exam		

Mar 3_TH	Asset Misappropriation	*FEM 1.401-1.432 Asset Misappropriation - Cash Receipts *FEM 1.501- 1.579 Asset Misappropriation – Fraudulent Disbursements *FEM 1.601-1.617 Asset Misappropriation- Inventory and other assets * <i>Enemies Within</i> . Wells, JOA 2001 * <i>And One for me</i> . Wells, JOA 2002	Discussion of readings Blog Updates  Sticky Fingers: Occupational Fraud in Business
Mar 8_T	***** <i>Spring Break</i> *****		
Mar 10_TH			
Mar 15_T	Theory	<i>When Misconduct goes unnoticed: The acceptability of gradual erosion in others' unethical behavior.</i> Gino and Bazerman (2009) Journal of Experimental Social Psychology 45 pp708-719.  The Adelpia Fraud	
Mar 17_TH		Cooper: Read Chapters 8-18 pp.82-183, prepare to discuss	Book Club Blog Updates
<b>Corporate Governance, Whistleblowing, and Responses to Fraud</b>			
Mar 22_T		*FEM 4.639-4.640 * <i>ACFE 2010 Report to the Nations: Detection, Controls and Response</i> *WorldCom Testimony: Depositions of accountants in WorldCom Case	American Greed: Inside the WorldCom scam (43:38)
Mar 24_TH		* <i>The Confusing Line between Ethics and Fraud</i> , Peter Goldman	Baylor CFO video Discussion of readings Blog Updates
Mar 29_T		Real World Case	<u>Case DUE</u> : Europe's Enron, Royal Ahold, N.V. (2007) Issues in Accounting Education 22(4) pp. 641-660
Mar 31_TH		Cooper: Read Chapters 18-21, pp.184-241, prepare to discuss	Book Club Blog Updates

Apr 5_T	Whistleblowing Practice	<p><i>*Whistleblower and Anti-retaliation laws:</i> Mark Scott, J.D.</p> <p><i>*International Emergence of Legal Protections for Whistleblowers.</i> Elaine Kaplan (2001) The Journal of Public Inquiry, Fall/Winter pp37-42.</p> <p><i>*Hotlines offer new insights into success</i> (2007) ACFE Dodd-Frank Bill re: Whistleblower Bounty- SEC.gov</p>	
Apr 7_TH	Whistleblowing Theory	<p><i>*A word to the wise: How managers and policy-makers can encourage employees to report wrongdoing</i> (2009) Miceli, Near and Dworkin, Journal of Business Ethics 86 pp.379-396.</p> <p><i>*An Examination of the Layers of Workplace Influences in Ethical Judgments: Whistleblowing Likelihood and Perseverance in Public Accounting.</i> Taylor and Curtis (2009), Journal of Business Ethics, <i>*Whistleblowing in Public Accounting,</i> Curtis and Taylor</p>	Discussion of readings Blog Updates
Apr 12_T		Cooper: Read Chapters 22- Epilogue, pp.242-367, prepare to discuss	Book Club
Apr 14_TH	Enron	<p><i>Resisting organizational level corruption: An Interview with Sherron Watkins</i> (2009) Beenen and Pinto, Academy of Management Learning and Education 8(2) pp.275-289.</p> <p><i>"I didn't know" and "I was only doing my job": Has corporate governance careened out of</i></p>	Discussion of readings Blog Updates



		<i>control? A Case Study of Enron's Myopia</i>	
		<i>"Accountants, Texas board still at odds over Enron," by Danny Robbins, Bloomberg, December 24, 2010</i>	
Apr 19_T	<b>Dinner and a Movie:</b> <i>Enron: The Smartest Guys in the Room</i>		
Apr 21_TH	<i>Spring Holiday</i>		
Apr 26_T		Book Presentations	
Apr 28_TH	<i>Last Day of Class</i>	Book Presentations and Review	
May 10_T	<i>1-4pm Comprehensive Final Exam</i>		