



Forensic & Investigative Accounting Section
American Accounting Association

The Forensic Accounting Educator

Summer 2012

Senior Editor: D. Larry Crumbley, LSU

Editor: Tanweer Hasan, Roosevelt University

Volume 4, No. 1

A MESSAGE FROM THE PRESIDENT

I am pleased to inform everyone that (despite dire predictions to the contrary) the Section not only has survived my first year as President, but in fact has flourished. The section is in strong shape financially, membership continues to grow (lookout FARS!), and we continue to host one of the best (if not THE best) Mid-Year meetings in the AAA. While I would like to take credit for the Section's successes, I will share one of my secrets with you: Surround yourself with brighter, more talented people than yourself. Thankfully, (especially in my case) it has been easy to find such people in the FIA Section. So on to a brief update:

Committees continue to be active advancing Section objectives:

- The Membership Committee (chaired by **Natalie Churyk**) surveyed the few members who did not renew their memberships in an attempt to determine what we can do better to provide value for the membership dues (still among the lowest in the AAA).
- The Journal Committee (chaired by **Chih-Chen Lee**) continues to work on our application to submit to the AAA Publications Committee for a FIA Section journal. The application proposes the title of the journal to be *The Journal of Forensic and Investigative Accounting* which **Larry Crumbley** has generously donated for the Section's use if approved by the AAA.
- Mark your calendar for the 2013 Mid-Year meeting, Friday – Saturday, 3/22-3/23. We will meet jointly with the Public Interest Section in New Orleans, Louisiana in an attempt not only to reduce our hotel guarantees, but also to increase our exposure to potential members. (This past year, both Sections met on the same date).
- The Mid-Year Meeting was a huge success (over 100 attendees) thanks to the efforts of **Cindy Durtschi** and **Priscilla Burnaby** and the rest of their committee. We gratefully acknowledge the generous financial and logistic support from our hosts at **DePaul University**, as well as financial support from **CCH**, **Deloitte**, **IDEA**, **KPMG**, and **Northern Illinois University**. We also want to thank the Internal Revenue Service which put on a CPE session on the Adrian Project (thanks to **Tom Weirich** for arranging this) and **Dana Newman (Audimation)** who put on a CPE session on IDEA software. If you missed Dana's IDEA CPE session, another will be held on Saturday (8/3) before the AAA meeting.



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Some things to look forward to at the AAA Annual Meeting in Washington, DC (8/4-8/8):

1. On Sunday (8/4), the Section will host its first Forensic Accounting Boot Camp to share members' best practices teaching forensic accounting/fraud investigation classes. All proceeds will go to the Section to fund the FIA Section breakfast/business meeting on Wednesday morning. The cost of the breakfast to the Section is \$43; we charge members only \$20.
2. On Monday (8/5) afternoon, we are co-sponsoring (along with the Auditing and Public Interest Sections and the AAA Professionalism and Ethic Committee) a panel of distinguished academics and practitioners (including Lynn Turner (LitiNomics) and Joe Ucuzoglu (Deloitte)) who will respond to moderator and audience questions on topics related to auditor independence, the role of academia, and other questions facing today's accounting profession. Expect some fireworks.
3. On Tuesday (8/6), we have two Section-sponsored sessions. In the morning, two members of the PCAOB Enforcement Division will discuss audit failures that they have investigated. In the afternoon, the Section will host its second FIA Section Networking Opportunities for Research and Teaching (SNORT) in the afternoon. More details to follow.
4. These activities are in addition to (but do not conflict with) the numerous research concurrent sessions that **Debbie Sinclair** has arranged in her role as Annual Meeting Coordinator for the Section.

As I continue to say to anyone who will listen, the strength of our section is its members. Please consider volunteering or re-volunteering as the case may be when you read my call for volunteers which you will receive shortly.

I hope everyone has a productive and rewarding summer and I look forward to seeing everyone at the Annual Meeting in the nation's capital in a couple of months.

Best regards,

Tim Louwers
2011-2013 FIA Section President
Jackson E. Ramsey Centennial Professor
James Madison University



WASHINGTON, DC
SEEDS OF INNOVATION
American Accounting Association Annual Meeting
and Conference on Teaching and Learning in Accounting

Manuscripts and Fraud Detection Stories

Anyone wishing to submit short manuscripts, cartoons, fraud stories, letters to the editor, calls for papers, or other items to *The Forensic Accounting Educator* should send the material to the senior editor, D. Larry Crumbley, at the address below

The Forensic Accounting Educator
D. Larry Crumbley, senior editor
Louisiana State University
2833 Business Education Complex
Baton Rouge, LA 70803
225.578.6231
Email: dcrumbl@lsu.edu

Call for Short Papers for the Next Issue

Playing Games in the Accounting Classroom

Do you utilize some form of game in your forensic accounting classroom? Describe your game, and how it is used, in a short manuscript. Your manuscript should be short (not over two to three pages single spaced). Submit your manuscript in Word or RTF format electronically to dcrumbl@lsu.edu.

Technology in the Classroom

In what ways do you use technology in the classroom? Do you use spreadsheets, videos, Powerpoint, or other technology in your teaching? What works and what doesn't work? Your manuscript should be short (not over two to three pages single spaced). Please submit your manuscript in Word or RTF format electronically to dcrumbl@lsu.edu.

Officers and Committees for 2011-12:		
President	Timothy Louwers	<i>James Madison University</i>
Past President	Larry Crumbley	<i>Louisiana State University</i>
President-Elect	Cindy Durtshi	<i>Depaul University</i>
Vice President (from Practice)	Robert Rufus	<i>Rufus and Rufus Accounting Corp.</i>
Secretary	Les Heitger	<i>Missouri State University</i>
Treasurer	Carl Pacini	<i>Penn State - Abington</i>
Newsletter Editors	Tanweer Hasan	<i>Roosevelt University</i>
	D. Larry Crumbley	<i>Louisiana State University</i>
AAA Commons Editorial Board Member	Kelly Pope	<i>DePaul University</i>
AAA Council Representative	D. Larry Crumbley	<i>Louisiana State University</i>
Committees		
Membership Acquisition and Retention	Natalie Churyk	<i>Northern Illinois University</i>
	Ted Takamura	<i>Eastern Oregon University</i>
	Carol A. Hartley	<i>Providence College</i>
	Dominic Peltier-Rivest	<i>Concordia University</i>
	Lynn Clements	<i>Florida Southern College</i>
	Blair Staley	<i>Bloomsburg University</i>
	Ronald Young	<i>University of New Orleans</i>
	Dana Newman	<i>Audimation Services, Inc.</i>
Program (AAA Annual Meeting (Washington, DC))	Debbie Sinclair	<i>University of South Florida St. Petersburg</i>
Fraud in Governmental/NFP Entities	Doug Ziegenfuss	<i>Old Dominion University</i>
Bylaw Review/Strategic Planning	Priscilla Burnaby	<i>Bentley College</i>
	Dick Riley	<i>West Virginia University</i>
	Les Heitger	<i>Missouri State University</i>
	Cindy Durtsebi	<i>Depaul University</i>
	Zabi Rezaee	<i>University of Memphis</i>
	Mary Jo Kranacher	<i>CUNY-York University</i>
Nomination	D. Larry Crumbley (chair)	<i>Louisiana State University</i>
	Timothy Louwers	<i>James Madison University</i>
	Patricia Johnson	<i>Canisius College</i>
	Gerald Smith	<i>University of Northern Iowa</i>
	Doug Ziegenfuss	<i>Old Dominion University</i>
	Sue Swangers	<i>Western Carolina University</i>
IFRS & Fraud	Sridhar Ramamoorti	<i>Kennesaw State University</i>
	Tanweer Hasan	<i>Roosevelt University</i>
	Dominic Peltier-Rivest	<i>Concordia University</i>
	Paul Dunmore	<i>Massey University (NZ)</i>
	Mark Holtzblatt	<i>Roosevelt University</i>
	Ikseon Suh	<i>Marquette University</i>
Electronic Evidence & Fraud	Nazik Roufaiel	<i>State University of New York/ESC-CDL</i>
	Mike Groomer	<i>Missouri Slate University</i>

Electronic Evidence & Fraud	Tim Pearson Mike Seda Sidney Askew	<i>Georgia Southern University</i> <i>St. Augustine's College</i> <i>Borough of Manhattan Community College</i>
Litigation Support	Richard Hurley James A. DiGabriele Dennis Huber Robert Rufus Blaise Sonnier Bill Black	<i>University of Connecticut</i> <i>Montclair State University</i> <i>Capella University</i> <i>Rufus & Rufus AC</i> <i>Florida International University</i> <i>Case Western Reserve University</i>
Mid-Year Research Conference (2012, Chicago)	Cindy Durtschi Priscilla Burnaby Tanweer Hasan Chi-Chen Lee Charles Bame-Aldred Thomas Buckhoff Natalie Churyk Jeanie O'Laughlin Samuel Tiras	<i>Depaul University</i> <i>Bentley College</i> <i>Roosevelt University</i> <i>Northern Illinois University</i> <i>Northeastern University</i> <i>Georgia Southern University</i> <i>Northern Illinois University</i> <i>Adams State College</i> <i>Louisiana State University</i>
Mid-Year Meeting (2013, Location TBD)	Dick Riley Tim Pearson Cindy Durtschi Don Berecz	<i>West Virginia University</i> <i>Georgia Southern University</i> <i>Depaul University</i> <i>Georgia Southern University</i>
Tax Fraud/Underground Economy	Carl Pacini Blaise Sonnier Robert Rufus Brian R. Greenstein Brigitte W. Muehlmann	<i>Penn State University-Abington</i> <i>Florida International University</i> <i>Rufus & Rufus AC</i> <i>University of Delaware</i> <i>Suffolk University</i>
Publications	Chih-Chen Lee John Sennetti Dana R. Hermanson Dan Stone Bill Dilla	<i>Northern Illinois University</i> <i>Nova Southeastern University</i> <i>Kennesaw State University</i> <i>University of Kentucky</i> <i>Iowa State University</i>
Awards	Ed Ketz Tim Pearson Sara Melendy Gerald Smith	<i>Penn State University</i> <i>Georgia Southern University</i> <i>Gonzaga University</i> <i>University of Northern Iowa</i>
Syllabus Exchange	Ronny Daigle	<i>Sam Houston State University</i>
Regional Coordinators		
Mid-Atlantic	James A. DiGabriele	<i>Montclair State University</i>
Midwest	Kelly Pope	<i>DePaul University</i>
Northeast	Patricia Johnson	<i>Canisius College</i>
Ohio	Bill Black	<i>Case Western Reserve University</i>

Regional Coordinators		
Southeast	Mike Seda	<i>St. Augustine's College</i>
Southwest	Rosie Morris	<i>Texas State-San Marcos</i>
Western	Frederick Choo	<i>San Francisco state University</i>
International	Real Labelle	<i>HEC Montreal</i>

Forensic & Investigative Accounting Section

Research Conference Report

AMERICAN ACCOUNTING ASSOCIATION					
55 Forensic & Investigative Accounting Section					
March 25-26, 2011					
ASTOR CROWNE PLAZA NEW ORLEANS					
INFLOWS:					
MEETING REGISTRATION FEES	TOTAL ATTENDEES:	Count	Price Each	Total	
	Early Member Registration	70	\$ 150.00	\$ 10,500.00	
	Late Member Registration	13	\$ 175.00	2,275.00	
	Non-Member Reg Registration	4	\$ 150.00	600.00	
	Non-Member Late Registration	3	\$ 175.00	525.00	
	AAA Reg Registration	0	\$ -	-	
	Comp Registration	0	\$ -	-	
	Doctorial Students	3	\$ 35.00	105.00	
	Guest Tickets Fri Dinner	9	\$ 35.00	315.00	
	Guest Tickets Sat Breakfast	4	\$ 20.00	80.00	
	Total Registration Fees:	106		\$ 14,400.00	
CONTRIBUTIONS					
	Audimation Services, Inc.	\$ 1,500.00			
	AICPA	\$ 1,000.00			
	TOTAL CONTRIBUTIONS	\$ 2,500.00			
	TOTAL INFLOWS	\$ 16,900.00			
OUTFLOWS:					
FOOD & BEVERAGE		Total with **	Before **	Service Charge	Tax
	Friday PM Break	\$ 510.85	\$ 382.00	\$ 84.04	\$ 44.81
	Friday Dinner	4,605.34	\$ 3,443.75	\$ 757.63	\$ 403.96
	Saturday Breakfast	1,925.71	\$ 1,440.00	\$ 316.80	\$ 168.91
	Saturday AM Break	310.25	\$ 232.00	\$ 51.04	\$ 27.21
	TOTAL F&B	\$ 7,352.15	\$ 5,497.75	\$ 1,209.51	\$ 644.89
AUDIO VISUAL					
	Fri/Sat AV	\$ 1,179.00	\$ 900.00	\$ 198.00	\$ 81.00
	TOTAL AV	\$ 1,179.00	\$ 900.00	\$ 198.00	\$ 81.00
ROOM AND INCIDENTAL CHGS					
	Room Rental	\$ 161.08			
	Room credit adj	\$ (278.00)			
	Packaging Handling Fee	\$ 30.00			
	TOTAL ROOM CHRG	\$ (86.92)			
TOTAL MTG CHGS PD TO HOTEL		\$ 8,444.23			
MISC MEETING EXPENSES					
	Printing	\$ 407.76			
	Mtg Coordinator Fee	\$ 555.89			
	CPE Documentation	\$ 65.50			
	Postage	\$ 55.09			
	Credit Card Fees	\$ 423.69			
	TOTAL MISC EXP	\$ 1,507.93			
	TOTAL OUTFLOWS	\$ 9,952.16			
	NET FLOW	\$ 6,947.84			

Why Nothing Will Change Until We Think Differently

Toby Groves*

Is the way Americans think about ethics—and even ethics codes themselves—the real problem? Personal and professional experiences have allowed me to explore that question in detail. I’ve met and spoken to people associated with shocking financial scandals. Doing so has given me a perspective that I never would have imagined. These conversations have made me think that everything we’re doing to protect ourselves from these scandals may actually be making us less safe than ever.

A Tale of Two Dinners

On June 29, 2009, a close friend of mine was dining at a trendy New York restaurant with an auditing and corporate fraud expert. The two had just left an accounting conference not far from the courthouse where earlier that day Bernard Madoff had been sentenced to 150 years in prison for running the biggest Ponzi scheme in history.

The men discussed legislation and sophisticated technology that had emerged in recent years to battle corporate malfeasance. The wave of corruption earlier in the decade—Enron, WorldCom, Adelphia—had spurred the U.S. Sarbanes-Oxley Act of 2002. With a harsh spotlight on ethics, companies essentially were being required to institute formal ethics codes and install ethics officers. My friend and his dinner partner concluded that much effort was being exerted, but that tangible progress and real answers were still far out of reach.

Six hundred miles away, I was having a similar discussion and getting my first true insight into why ethics codes were not working. My dinner was with Dick Scruggs, a billionaire and a powerful trial lawyer in another life. I considered Scruggs a hero for standing up to the powerful tobacco lobby in the 1990s (as portrayed in the 1999 film, *The Insider*). Our conversation drifted toward what role, if any, standards and codes played in shaping professional judgment and making the law more effective in stopping corporate wrongdoing.

*Researcher, speaker on behavioral accounting, organizational psychology and corporate scandal.

Our dinner, however, was not as trendy as my New York friend's dinner; what makes this conversation most interesting is where it took place — a federal prison. We were both inmates. I had been convicted of fraud, and Scruggs had pleaded guilty to bribery charges. After our conversation, I became obsessed with the idea of how these frauds happen. Why do intelligent, successful people commit crimes, and why do otherwise well-meaning people follow almost blindly along? Ascribing the trait of greed to these individuals seemed the easy answer, but should we?

My motivation to research this topic was extremely personal. As a teenager during the 1980s, my family was shaken to its core after my oldest brother committed financial crimes. I was determined to take an opposite path. I became a CPA and fraud fighter. I built a successful national company and reputation as an ethical businessman. Twenty years and nearly two billion dollars of business later, years of training and my principled upbringing failed me. I was confronted with a situation not covered by the code. On one hand I could try to protect my reputation, or I could do what was truly right. I made the wrong decision. That choice would eventually send me to prison. What started rather innocuously evolved into a multimillion-dollar fraud that enveloped multiple companies and affected hundreds of people. Twenty years after my brother's acts rocked our family, I was convicted of the same crime at the same age and even in the same courthouse.

Disturbed by these coincidences, I wondered what led me, my brother, and others to this point?

Are Certain People Disposed to Commit Fraud?

I was convicted of the same crimes as my brother had been 20 years earlier. The disturbing coincidences of his situation and mine led me to wonder if genetics played a role. In reviewing numerous studies about crime and genetics, including the famous 1970s twin studies, there was no clear link. More recent studies have attempted to isolate a "criminal" gene, but they have failed to find a reliable predictor of criminality.

In prison, I conducted research as scientifically as I could under the circumstances. After my release, I continued my research. I spoke to hundreds of auditors, fraud examiners, federal agents, and probation officers. I interviewed forty white collar criminals. I spoke with them about their criminal history, family background, and other topics. I found that 95% were in prison on their first offense. Most had never run afoul of the law. These individuals averaged sixteen years in their respective lines of business, were management level or above, and had an average age of 46.

If genetics and family history weren't part of the answer, what about psychology? When it came to personality disorders, only one of the forty had what appeared to be clinically diagnosable narcissistic personality disorder, characterized by the arrogance, callousness, and self-centeredness the public often associates with these crimes. My anecdotal evidence was similar to that of federal probation officers who

work with criminals after release. This evidence contradicts the belief of more than half of the forensic accountants and auditors I spoke to who, when asked, agreed with the statement “Most white-collar criminals are psychopaths.” Experienced probation officers told me that the public and even many experts grossly overestimate these dispositional traits that apply to less than 5% of white-collar criminals.

The Seeds of Scandal

Many scandals start in small, sometimes imperceptible steps. More than 90% of those I interviewed reported that their crimes happened in such small steps that they were fully involved in the crime before becoming conscious of it.

Of the criminals in my study, 85% agreed with the statement “I did not consciously weigh the risk of prison when committing my crimes.” Another ten percent said they were unsure. Ninety percent reported that they believed themselves to be basically ethical people. When I interviewed these individuals, it became clear that they could not discuss their crime in the context of “right and wrong” outside of a legal framework.

While discussing their acts, the fraudsters focused on the situation that caused their actions and what the law said about their behavior. They found it difficult to see the broader context of how their action affected others or alternative options they could have chosen. The only exception was one middle aged Asian-American man, a seemingly inconsequential fact that would later have greater implications.

Cultural Implications

During the 1970s, social psychologist Lee Ross coined the term “fundamental attribution error” to explain the self-serving bias that causes us to see what *we* do as a reaction to our environment but what *someone else* does as a reflection of their character. Americans have a particularly damaging strain of this bias. Ross’s experiments proved that we focus so much on personality characteristics and individual responsibility that we dismiss the critical importance of context and situations when determining causes of behavior. The study of corporate crime is an excellent example of this concept, with almost all discussions centering on the criminal, and not the situation and events preceding the crime.

In a classic psychology study on cheating, researchers at Columbia University examined the behavior of 11,000 schoolchildren between the ages of eight and sixteen over a five-year period. The children would cheat for different reasons at different times, with no reliable way to tell when cheating would occur. The researchers concluded that “even slight changes in the situation affect individual behavior in unpredictable ways.” The study found what many other studies in social psychology and criminology have found that the correlation between what anyone will do under two different situations is “lower than would be required for

an accurate prediction of individual behavior.” Still, Americans think they can predict who will commit crimes based on dispositional aspects or generalized situations.

Americans are terrible at recognizing context. This brings us back to my one exception in my research of 40 white collar criminals—the Asian-American I spoke to who understood the broader context of his actions. What surfaced in my research is supported in brain imaging studies involving Asian and American participants presented with pictures including different backgrounds. In the study, Asians saw the contextual differences while Americans seemed oblivious to them. When scenes changed and incongruent images were shown, Americans worked even harder to focus on the subject of the scene and ignore the background. Could this be the clue as to why my sole Asian-American subject could see the context of the moral aspects of his crime without reference to the law? Was his Asian identity enough to explain why his brain processed his crime differently from all the others?

Brain imaging technology also shows that when Americans think about whether they are honest, their brain activity is different than when they think about whether someone else is honest. This situation is not the case for a Chinese person. When a Chinese individual thinks about whether they are honest, the brain activity is nearly the same as when they think about whether someone else is honest. Chinese people find it natural to focus on context and situations, not disposition. They do not experience the same fundamental attribution error. Genetic studies have noted genetic mutations. It is believed those mutations are co-evolving respective to American and Eastern Asian cultures related to these national belief structures.

Small Crimes Escalate Into Something Larger

If most crimes of fraud start small and without evil intent, how do they escalate to such surprising lengths? In perhaps the strangest and most difficult to understand phenomena that I encountered during my research, all of the criminals I interviewed described a feeling of being “trapped” in their crime. They all reported an overwhelming feeling that they could somehow make the problem better. They reported that they would take whatever actions necessary to “get through another day.”

One of my interviewees, convicted due to his association with a \$350 million international Ponzi scheme, captured the thoughts of many of the convicted criminals when he commented, “You wake up every day and you have three choices, and you don’t like any of them.” Comments by Bernie Madoff saying that he wished he had been caught earlier, and amazed that he wasn’t, have an eerie echo in light of these findings.

When we invest time, effort, or money into something, a strange phenomenon occurs called “entrapment in escalation.” The more time or energy we invest in something, the more we are motivated to justify our behaviors and compelled to invest even more to see it through. Studies show that, contrary to rational thought, when we have invested even a small effort in something, we feel committed to the outcome, and

will follow that to ridiculous lengths. We will follow through, even if a loss is imminent, as though we can't stop ourselves.

Don't Follow Your Conscience; Follow the Leader

In my study, 70% of the convicted felons reported that their crimes required the cooperation of others, sometimes even auditors or enforcement officials. Most fraudsters reported that recruiting these individuals was effortless, even when it seemed obvious that the actions would be unethical. Why does this happen? Studies show that Americans respond to dominance. We are hardwired to follow our leaders and to follow our group and its rules.

Research comparing values in different countries about priorities of following the group or personal conscience are telling. Americans frequently favor following the rules of their group over their own conscience. Americans are significantly more likely than Europeans to say they should follow the orders of their superiors, even if it is against their conscience. In 1991, the International Social Survey Programme asked respondents from nine different nations if they agreed that "right and wrong should be a matter of personal conscience." Almost 90% of Austrians agreed with the statement, but Americans nearly tied for last with only 47% agreeing with the statement. The more recent 2006 survey asked, "In general, would you say that people should obey the law without exception, or are there exceptional occasions in which people should follow their consciences even if it means breaking the law?" At 45%, Americans were the least likely to say that people should on occasion follow their consciences.

If we've been conditioned to follow our leaders and not our consciences, what does that mean when it comes to codes of ethics? Does having more rules make us more inclined to be ethical, or less?

Does Our Educational Approach to Ethics Perpetuate the Problem?

Everything we're doing to protect ourselves from these scandals may actually be making us less safe than ever. During my research, fraud professionals and college business professors overwhelmingly reported that current professional judgment and ethics training at both the college and continuing professional education levels is ineffective. This failure can be tied to the methods we use in education.

Chinese children are educated using contextual learning while American children focus on standardized testing and memorization. The Chinese focus on context and process, while Americans focus on subject and outcome (passing a standardized test). Neuro-imaging studies have shown that Chinese and American children use different parts of their brain to do math. Chinese children have historically used an abacus as part of their instruction; thus, they visually understanding mathematical relationships and concepts.

American children are frequently taught math using mnemonics and memorization. Memorizing multiplication tables is an example.

Contextual learning is valuable, even for tasks that seem fit for rote memorization, such as learning multiplication tables. By integrating context, learning takes shape and meaning. You can better teach a child that $4 \times 4 = 16$ by relating the problem to the real world. One example would be asking a student who likes cars how many wheels are needed for four race cars that have four wheels each. The child not only memorizes the tables, but learns what multiplication actually does, helping them understand the thinking processes to solve related problems. By teaching context, learning becomes an extension of the child's natural curiosity and desire to figure out how things work.

Teaching to the Test

In college, students learn business and ethics using the same standardized methods. Most ethics courses are taught based on codes of ethics and are designed so that students pass professional licensing tests such as the CPA exam. Recent studies examining ethics education have found that the context in which an ethical dilemma is considered is critical. Students learning codified rules of ethics are not able to flexibly transfer their ethics knowledge into different contexts. When students learn about ethical dilemmas in the context of codification, they then view all problems through the lens of codified ethical principles.

The problem with rules is that they narrow our scope, make us act in our own self-interest, and undermine the ethical decision-making process. Rules cause us to ignore context and make us less aware of other people and more aware of compliance with the rules. In an experiment, MBA students were asked to consider whether they would limit toxic emissions. When they were told the agreement was voluntary, most (55%) viewed the decision as an ethical choice while fewer (45%) viewed it as a business or economic decision. However, when students were told there would be sanctions for non-compliance, their views changed dramatically, with those viewing the choice as an ethical decision dropping below 20% and increasing those viewing it as business (economic) decision to about 80%. Accordingly, studies examining financial reporting in U.S. corporations have found that standards have become so rules based and precise that CFOs focus more on meeting the letter of the law instead of the spirit and underlying principles. These studies show that CFOs of U.S. companies are actually less likely to engage in aggressive financial reporting when subjected to more principles-based and less precise standards.

Rules Dumb Down Decision Making

Our codification and standardization of rules may be “dumbing down” the population. Rules and attribution judgments play to our weakness because they simplify problem solving, but they only invoke thinking of the minimum standards, and do not inspire empathy or sophisticated thinking patterns. With overwhelming

evidence that codification obstructs moral processing, education and professional judgment must move towards contextual thinking processes that spur imagination and broaden our viewpoint by considering a wide array of conflicting perspectives.

As I have discussed these findings with cohorts in the industry and implored them to integrate the information into their work with corporations, I was quickly reminded of my naiveté of the power behind perpetuating the old belief system. Consulting with companies on how to meet industry or regulatory standards in a codified format is itself a prosperous industry. As I was told by one friend in the industry, talk that doesn't support the codes and standards equates to "fighting words." My words may be fighting words, but when it comes to fraud in America, nothing will change until we learn to think differently about why fraud happens.

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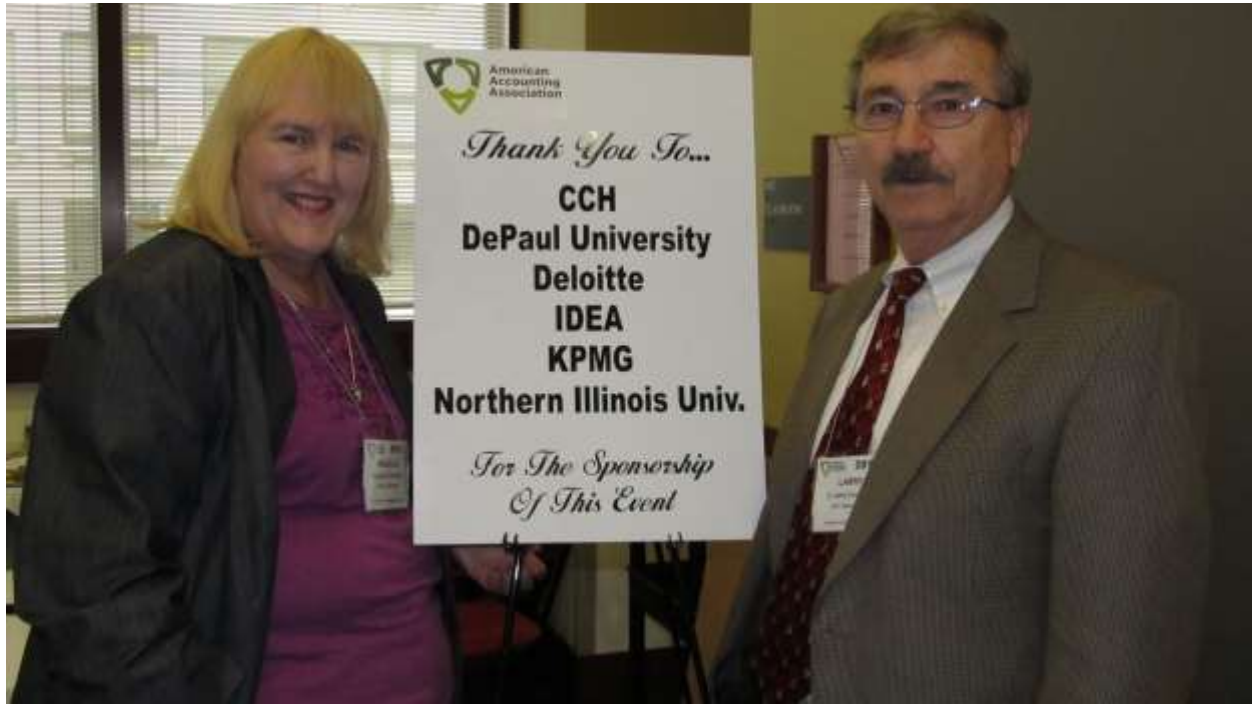


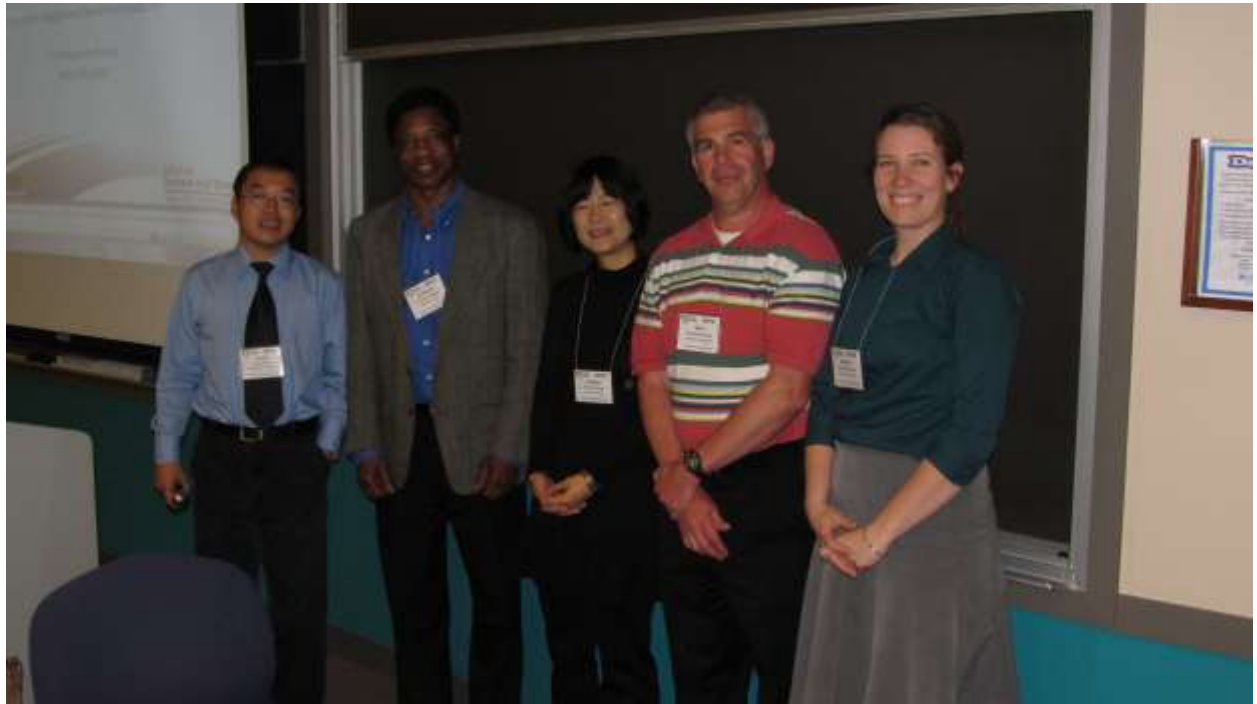


















































2012 Annual Meeting Sessions

Forensic and Investigative Accounting Section

Monday August 6, 2012 — 10:15 am-11:45 am

Forensic Accounting Teaching Cases

(NASBA Field of Study: Accounting)

Moderator: Dorothy A McMullen, Rider University [CONFIRMED]

A Case of Purchasing Fraud

PAPER CONFIRMATION STATUS: **CONFIRMED** Marcia Watson, Mississippi State University; Kevin Dow, University of Alaska Anchorage; Sara Melendy, Gonzaga University;

A Methodology for Developing a Case-Based Fraud Examination Course

PAPER CONFIRMATION STATUS: **CONFIRMED**

Sara Melendy, Gonzaga University; Patricia Johnson, Canisius College; Kevin Dow, University of Alaska Anchorage;

AIG and General Re: Helping One Another or Reinsurance Scheme

PAPER CONFIRMATION STATUS: **CONFIRMED**

Suasn W Hass, Simmons College; Mindy Nitkin, Simmons College; Priscilla A. Burnaby, Bentley University; Susan W. Hass, Simmons College;

Baptist Hospital and the State of North Carolina: Muddy Contracts, Alleged Malfeasance and Whistleblowing Aftermath

PAPER CONFIRMATION STATUS: **CONFIRMED**

Cynthia P Guthrie, Bucknell University; Eileen Z Taylor, North Carolina State University;

The Marriage of Sharon and Henry Sawbones: A Problem-Based Learning Case in Forensic Accounting

PAPER CONFIRMATION STATUS: **CONFIRMED**

Jeffrey J. Quirin, Wichita State University; David O'Bryan, Pittsburg State University;

Monday August 6, 2012 — 2:00 pm-3:30 pm

Professionalism in the Public Accounting Profession: Honoring the Public Trust
(NASBA Field of Study: **UNSPECIFIED**) **Moderator:** Stephen E Loeb, University of Maryland, College Park [Unconfirmed]

PANEL SESSION STATUS: **Undetermined**

Panelists:

Monday August 6, 2012 — 4:00 pm-5:30 pm

Financial Disclosures and Non-Financial Information
(NASBA Field of Study: Accounting) **Moderator:** Szu-fan Chen, University of Rochester [DECLINED]

Conservative Accounting Disclosure, Litigation Risk and Cost of Equity

PAPER CONFIRMATION STATUS: **CONFIRMED**

Karin A. Petruska, Youngstown State University; Pervaiz Alam, Kent State University;

Content Analysis for Early Detection of Fraud: Evidence from Restatements during the Post-SOX period

PAPER CONFIRMATION STATUS: **CONFIRMED** Michael Halperin, Lippincott Library of the Wharton School, University of Pennsylvania; Chuo-Hsuan Lee, State University of New York at Plattsburgh; Edward J Lusk, State University of New York at Plattsburgh; Emeritus, The Wharton School, University of Pennsylvania;

Does Presentation Format Affect Auditors' Consideration of Financial and Nonfinancial Information in Assessing Misstatement Risks?

PAPER CONFIRMATION STATUS: **CONFIRMED** Qian Song, Rochester Institute of Technology; Siew H Chan, Washington State University; Arnold M Wright, Northeastern University;

If Asset Misappropriation Is So Common, Why Do So Few Public Companies Disclose It?

PAPER CONFIRMATION STATUS: **CONFIRMED**

Daniel Tinkelman, Hofstra University; Ya Song, Hofstra University;

Which factors affect statement of cash flows restatements and how does the market respond to these restatements?

PAPER CONFIRMATION STATUS: **CONFIRMED**

Elio Alfonso, Louisiana State University; Dana Hollie, Louisiana State University; Shaokun Carol Yu, Northern Illinois University;

Tuesday August 7, 2012 — 10:15 am-11:45 am

A Morning with the PCAOB Enforcement Division (Working Title) (NASBA Field of Study: **UNSPECIFIED**)

Moderator: Tim Louwers, James Madison University [Unconfirmed]

PANEL SESSION STATUS: **Undetermined**

Panelists:

CEO Attributes and Fraud

(NASBA Field of Study: Accounting) **Moderator:** To Be Announced

[CEO Age and Financial Reporting Quality](#)

PAPER CONFIRMATION STATUS: **CONFIRMED** Hua-Wei Huang, National Cheng Kung University; Ena Rose-Green, University of Alabama Huntsville; Chih-Chen Lee, Northern Illinois University;

[Organizational and Executive Attributes as Antecedents to Fraudulent Behavior](#)

PAPER CONFIRMATION STATUS: **Undetermined** Anthony D Holder, Case Western Reserve University; Maef Woods, Wayne State University;

[The anatomy of financial fraud in the European context: tone at the top and fraud triangle](#)

PAPER CONFIRMATION STATUS: **Undetermined** BAHRAM SOLTANI, University of Paris Sorbonne;

Tuesday August 7, 2012 — 4:00 pm-5:30 pm

Forensic and Investigative Accounting Section Networking Opportunities for Research and Teaching

(NASBA Field of Study: **UNSPECIFIED**)

Moderator: Tim Louwers, James Madison University [Unconfirmed]

PANEL SESSION STATUS: **Undetermined**

Panelists:

Fraud Schemes

(NASBA Field of Study: Accounting) **Moderator:** Lori R Fuller, West Chester University [CONFIRMED]

[Abusive Trust Tax Evasion Schemes](#)

PAPER CONFIRMATION STATUS: **Undetermined** Katherine Barker, University of South Florida St. Petersburg;

[An Analysis of Collusion and Single Perpetrator Frauds](#)

PAPER CONFIRMATION STATUS: **CONFIRMED** Tom Madison, St. Mary's University; Orion J Welch, St. Mary's University; Sandra T. Welch, The University of Texas at San Antonio;

[Protecting CPAs and their clients from estate planning fraud](#)

PAPER CONFIRMATION STATUS: **Undetermined** Katherine Barker, University of South Florida St. Petersburg; Nicole Forbes Stowell, University of South Florida St. Petersburg;

Wednesday August 8, 2012 — 10:15 am-11:45 am

Hot Topics in Forensic Accounting

(NASBA Field of Study: **UNSPECIFIED**)

Moderator: Larry Crumbley, Louisiana State University [Unconfirmed]

PANEL SESSION STATUS: **Undetermined**

Panelists:

Wednesday August 8, 2012 — 2:00 pm-3:30 pm

Fraud Detection and Investigation

(NASBA Field of Study: Accounting)

Moderator: To Be Announced

Fraud detection using fraud triangle risk factors with Analytic hierarchy process

PAPER CONFIRMATION STATUS: **DECLINED** Chi-Chen Lin, Assistant Professor, Department of Accounting, Ming Chuan University; Shaio Yan Huang, Associate Professor, Department of Accounting Information Technology, National Chung Cheng University; An-An Chiu, Ph.D Student, Department of Accounting and Information Technology, National Chung Cheng University;

Summary Witness Testimony in Federal Tax Litigation Cases

PAPER CONFIRMATION STATUS: **CONFIRMED**

Brigitte W. Muehlmann, Suffolk University; Priscilla A. Burnaby, Bentley University; Martha A. Howe, Bentley University;

The Anatomy of a Whistle-Blower Letter: A Descriptive Study

PAPER CONFIRMATION STATUS: **CONFIRMED**

Kelly Richmond Pope, DePaul University; Natalie T Churyk, Northern Illinois University;

Wednesday August 8, 2012 — 4:00 pm-5:30 pm

Behavioral Issues in Fraud: Ethics, Culture, and Personality

(NASBA Field of Study: Accounting) **Moderator:** Ibolya Balog, Cedar Crest College [CONFIRMED]

A Comparison of Disposition-Based Fraud Cycle with the Fraud Triangle

PAPER CONFIRMATION STATUS: **DECLINED** Vasant Raval, Creighton University;

Do Emotions Affect Ethical Intentions?

PAPER CONFIRMATION STATUS: **CONFIRMED**

Lynn H Clements, Florida Southern College; Tara J Shawver, Kings College;

Moderating Effects of Culture on Supervising Accountants' Influence on Subordinates to Manipulate Accounting Information

PAPER CONFIRMATION STATUS: **Undetermined** Joshua K. Cieslewicz, Utah Valley University;

The Role of Ethical Climate in Fraud

PAPER CONFIRMATION STATUS: **CONFIRMED** Pamela R Murphy, Queen's University; Clinton Free, Queen's University; Carmel Branston, Queen's University;

Minutes of the FIA Officers' Meeting March 30, 2012

The meeting was called to order at 8:30 am on March 30, 2012 in the DePaul University Accounting Department conference room. The meeting started with introductions of the officers at the meeting. The first order of business was a report by Cindy Durtschi on the status of the current FIA meeting in Chicago. It was noted that there were about 50 papers submitted to the conference. In general, conference planners were pleased with the number and quality of papers submitted to the conference and it was felt that paper reviewer did a good job in the review process. It was noted that it was somewhat of a challenge at times in dealing with the AAA paper submission process. However, most of the challenges were probably due to the learning curve process. The AAA provided really good help in dealing with these issues as they arose. Creating program documents was also a challenge that was helped a lot by excellent support from AAA staff. It was noted that as of March 19, 2012 the FIA section had 683 members, and it was hoped that the section would have 800 members by the annual AAA meeting in Washing, D.C. It appears that the FIA section is the fastest growing section in the AAA.

Next the discussion moved to the 2013 FIA meeting. Tim Louwers is Chair of the program committee for the meeting. There was a discussion of how to coordinate our FIA meeting with the many other Forensic Accounting conferences around the country. It was noted that this is a challenge, but that it is difficult to work around every other scheduled FA event. Tim reminded us that during our February 16, 2012 meeting the committee had voted to jointly meet with the Association for Fraud Prevention (AFP) in the eastern corridor. Since that time, however, it became clear that the joint conference would not be possible in 2013.

There was a discussion on combining the FIA section annual meeting with another AAA section such as the Public Interest Section that may share many interests with the FIA section. That group is committed to a meeting in New Orleans in 2013. Atlanta was also mentioned as a possible meeting site in the near future. It was suggested that meeting as a combined larger group had the advantage of providing some economies of scale. For example, the cost per unit of meals, room charges, etc. tend to be less for larger groups. There was a discussion of who would most likely be able to provide logistic support such as providing computers. A motion was made that New Orleans was the FIA's first choice for a meeting site in 2013 and Atlanta was the second choice.

Tim Louwers commented that the FIA breakfast meeting in Washington, D.C. cannot go past the start of the plenary session starting time which creates some time logistic issues. It was noted that the AAA national is considering a 4th plenary session. This of course impacts on the scheduling of other meeting sessions. Karen Pincus, AAA president elect, offered that there are many "hotel logistic issues" that also impact on the ability to schedule meetings at the National Convention. Given the time constraints at the breakfast, the issues was raised about whether or not the FIA business meeting should be conducted at the breakfast with no breakfast speaker, or should the FIA business meeting be at some other time during the convention. Karen Pincus also commented that the AAA wanted to talk about the major issues created on many university campuses because of significant budget challenges that are being faced. The major theme would be that sometimes out of such challenges comes opportunities in disguise, and we must look for those opportunities to make the best of the current circumstances. Karen also mentioned that AAA National was conducting a study to evaluate if AAA staff salaries were market competitive. There was also a concern about whether or not there are "career paths" for AAA staff.

Tim raised the issues of having an FIA "happy hour" session at this summer's national meeting similar to the one that was hosted at the Denver meeting. Many people said that the Denver event was very popular and well received. It was noted that many who attended in Denver thought the event was a great opportunity to network and get to know other FIA section members or prospective members. Tim and others were going to work on

the logistics of the event. There was a brief discussion of ways of inviting people to the happy hour. It was noted that last summer at the Denver meeting the invitations were pretty much word of mouth. The question was raised about whether or not tickets for the event should be included in the AAA registration packet for FIA members.

Next the FIA Treasurer presented the treasurer's report for the section. Tim asked the treasurer to identify and report net inflows and outflows by FIA event and post the information to the web site.

The discussion shifted to the annual meeting in Washington, D.C. in August of 2012. It was noted that 29 papers have been submitted. One paper was rejected and two papers went to the new faculty forum. Most papers were put into sessions. There was some discussion of a policy shift to accept more papers in part because many faculty cannot get funding to attend meetings if they are not presenting a paper. There was also some discussion of the nature and mix of papers and the issue of similar papers being presented at the section and the national meetings.

There was a discussion of presenting a "Forensic Accounting Boot Camp" for people who are just getting started in teaching Forensic Accounting. The boot camp would be presented on Sunday morning. The boot camp would be an opportunity to help those who are new to the forensic accounting field and it could provide the FIA section with some additional funding. It was suggested that authors of leading forensic accounting textbooks might be willing to present the boot camp as a service to the profession.

Next the discussion shifted to the FIA Journal. The committee provided a discussion of the plan to create a new FIA Journal. There were some concerns about the transition to the new FIA journal through the American Accounting Association. The question arose as to where forensic accounting papers would be published during the transition to the new journal. Larry Crumbley stated that his journal would continue to be published until the new FIA Journal was approved by the American Accounting Association. Cindy Durtschi made a motion to accept the FIA journal proposal. It was passed unanimously. Larry Crumbley was not present during this part of the journal discussion. Tim Louwers suggested that the FIA section should have a backup journal proposal with a different journal name if the first one failed to be approved by the AAA. The committee agreed to going with an online journal. Initially we may want only one publication per year. The cost of an AAA online journal is \$37 per page. The cost of the journal was of some concern. Larry Crumbley stated that to be on solid financial ground with the journal commitment, the section should have \$100,000. There was some discussion of submission fees for the journal and of raising the section membership fee for FIA. Eventually it was moved, seconded, and passed that the section membership fee be raised to \$25 per year.

Tim raised the issue that there was some continuing concern about using the word "Investigative" in the FIA section name. It was noted that Joe Wells at the ACFE did not like the word Investigative in the FIA section name. It was suggested that we may want to raise the debate in an online discussion, but there was strong committee sentiment that we should not do that. Most Committee members strongly supported the idea of dropping the debate. It was felt that this issue had been raised and adequately addressed earlier by the FIA.

There were several minor corrections to the minutes of the 2/16/2012 conference call meeting. There was some discussion of the schedule to stagger the election of officers. Tim agreed to follow up on this issue but no other action was taken.

There was no new business. The meeting was adjourned at 11:30 am.

Respectfully submitted by Les Heitger FIA Section Secretary

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Prepared by Michelle Boulet
5/16/2012

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Discover why so many of your colleagues find the FIA the place to be.

* “Hockey great Wayne Gretzky advises that we need to go where the puck will be, rather than going to where the puck is now. Similarly, to become a great forensic accountant, you need to join and participate in the many valuable FIA activities.”

**D. Larry Crumbley
Louisiana State University**

Forensic accounting issues are important to everyone in the AAA, for we all have a vested interest in enhancing the quality of the forensic and fraud education of accounting students. This section provides a forum that cuts across disciplines, specialty areas and geographic boundaries. As Gordon Brown said, “What the use of finger prints was to the 19th century and DNA analysis was to the 20th, forensic accounting will be to the 21st century.” The FIA Section enables members to share their experiences, providing opportunities for linkage between large and small schools, educators and practitioners, and members worldwide. Use the attached form to apply for membership in the FIA (you must also be a member of the AAA). Mail your application to AAA headquarters (5717 Bessie Drive, Sarasota, FL 34233-2399). Join today and become better connected to your colleagues and your profession.

GIVE THE FORM BELOW TO COLLEAGUES AND ENCOURAGE THEM TO JOIN!

Membership Application for the Forensic and Investigative Accounting Section

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