

FQ19 ACCT 5240 - PIGOTT 208
FRAUD EXAMINATION & FORENSIC ACCOUNTING: *KIMBRO*

INSTRUCTOR AND CLASS INFORMATION

Instructor: Marinilka B. Kimbro
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Lecture times: **Monday 6:00-8:40 (Sept.25 – Dec.9, 2019)**
Office Hours: M & W: 11:00 – 1:30 PM & Monday: 4:00 – 5:00 PM.
CANVAS: <https://seattleu.instructure.com/login>

COURSE OBJECTIVES

- To understand the concepts and skills of financial statement analysis (FSA) in order to evaluate the quality of financial statements.
- To learn how to apply “red-flag” analysis in financial statements.
- To evaluate when, why and how earnings management occurs.
- To understand accruals and cash flows and their relationship to earnings quality.
- To learn how to detect fraud through Financial Statements.
- To understand the nature of fraud: Who commits fraud and why?
- To understand the different types of fraud: management, employee, external and cyber.
- To understand the role of law within the context of fraud: civil & criminal.
- To learn how to prevent fraud.
- To learn how to recognize the symptoms of fraud.
- To learn how to detect data driven fraud and concealment techniques.
- To learn how to use data mining technics to detect red-flags.
- To understand data characteristics and their relevance.
- To apply the understanding of the flow of data in accounting information systems in order to analyze and interpret data/analytics procedures and analysis.
- To learn how to apply data analytics tools in order to examine accounting data.
- To acquire working knowledge of cluster analysis, threshold investigations, inferential statistics and correlation/regression analysis of accounting data in order to evaluate internal controls and detect fraud.
- To be able to interpret and communicate the results of advanced data analytics procedures through oral communication, written reports and visualization analytics.

COURSE DESCRIPTION

This course provides an in-depth analysis of fraud examination from an accounting viewpoint and is designed to promote the development of analytical skills that can be utilized by professionals responsible for the prevention, detection, and investigation of fraud as well as financial analysts, and law enforcement. Specifically, this course will help you

- Understand how to examine Financial Statements in order to identify the quality of income.
- Learn how to identify red flags in financial statements.
- Obtain knowledge of fraud examination
- Apply the fraud triangle to fraud scenarios,
- Recognize the types of fraud schemes and the red flags that indicate their presence,
- Recommend techniques that can be used to detect fraud,
- Be aware of the importance of fraud prevention and actions that can be taken to deter the incidence of fraud.
- Understand how to apply big data analysis and statistical techniques for fraud detection and prevention.

Fulfillment of these objectives will help you develop competencies the AICPA believes are necessary for accounting professionals. Also, this class will be very useful to business analysts, and data analyst professionals who will need to analyze various aspects of business data. The principal methods employed to attain these objectives will be the use of videos, textbook(s), classroom interactions and analyses of fraud cases. You will be expected to work creatively in completing course assignments. Extensive use of the Internet and electronic interaction will be fundamental part of the course.

COURSE REQUIREMENTS, STRUCTURE AND METHODOLOGY

The most important requirement for this course is that you prepare well for class. You must read the assigned theory from the text, you must thoroughly analyze the assigned cases and problems, and you must actively participate in class.

I will typically start class with a “lecture”, an overview and review of the theory and readings that you have previously completed. During this “lecture” period, you are encouraged to ask questions and clarify concepts related to the reading assignments. Please use the lecture times to ask questions. After the theory has been covered, you will have problem and case assignments that apply the theory discussed in class. Typically, this assignment should be completed for the subsequent class. In some instances, we will lecture the entire class period, but in most class meetings, we will have both lecture and problem/case discussions.

I will post all lecture slides in *CANVAS* *before* our class meetings and I will post the solutions and notes to problems and case assignments *after* our class meetings.

Please be aware that the class discussions will not necessarily follow the book and that additional information will be discussed in class. This is important since the book will serve as a reference and template for the class, but it **DOES NOT** substitute for class lectures.

The class will evolve according to the level of discussion and interaction, based on the order of the program. Thus, the schedule is just a framework in which the course will develop.

We will also discuss current news that relate to our class discussion, thus adding a contemporary perspective to our discussions. However, please bear in mind that we have to cover a lot of theory, and that long discussions, and “case based” discussions, will (unfortunately) not be possible at this stage.

CASES, EXERCISES AND PROBLEMS

The **assignment** for each class meeting consists of some reading as well as some recommended practice problems. You are encouraged to practice with additional problems. Since we have limited time, assigned problems *will not* be discussed during the class sessions. However, the solutions to the assigned problems will be provided. Of course, if you have a *specific* question about a problem, you can contact me and I will arrange a meeting to discuss it during my office hours or in class. Please note that assignment exercises and problems could require one to two hours for completion, in addition to the regular time required to read the theory. All individual assignments will be collected at the beginning of the session as noted in the schedule. **The importance of homework is highly emphasized.**

TEXTBOOK & REQUIRED READINGS

Fraud Examination, 5th Edition
Albrecht, Albrecht, Albrecht and Zimbelman
6th Edition, Cengage Learning 2019
ISBN-978-1-337-61967-7

REGULAR READINGS:

You must keep abreast of the general business news and read the *Business Section* of the Seattle Times or your local newspaper as well as *The Wall Street Journal*, or *Financial Times*. Occasionally, I could assign additional readings of contemporary news if they relate to class such as: SEC announcements regarding Accounting and Auditing enforcement actions, outsourcing announcements, pricing hikes, compensation packages, restructuring, layoff plans, etc.

GRADES

Your grade will consist of four components: class participation & homework, a midterm, two **individual** data analytics assignments and a group project. The relative weighting of these components are as follows:

Class participation	10 %
Midterm	40
Data Analytics Assignments	20 (2 assignments)
HW Assignments	10
Group Project:	<u>20</u>
Total	100%

The final grade will be assigned according to the following scale:

A	93-100 %	4.00
A-	90-92	3.70
B+	88-89	3.33
B	83-87	3.00
B-	80-82	2.70
C+	78-79	2.30
C	73-77	2.00
C-	70-72	
D	65-69	
F	0-64	

Group Written Report and Presentation

Groups will be created by the instructor and each group will have a dedicated CANVAS page. Each group will have the corresponding data in this page.

1. Group written reports should have a one-page Executive Summary
2. The report should be a maximum of 6 pages (1.5 spaced) of text **plus** exhibits.
3. The report should include graphs and exhibits that illustrate the points in the report.
4. The written reports are due on Friday, December 6. **A printed (hard-copy)** must be in my mailbox in the **5th floor by 6:00PM** or please leave them under my door.
5. A soft-copy file with your report should be in your CANVAS site by Friday, December 9.
6. Each group member must complete a confidential evaluation of all other group members and deliver all evaluations by Monday, December 9.
7. **Only hard-copies of these evaluations will be accepted.**

INDIVIDUAL DATA ANALYTICS ASSIGNMENTS

Data for these assignments will be available in CANVAS. Each student **MUST** complete these assignments.

CLASS PARTICIPATION

Intelligent, **relevant and to-the-point** discussion is expected of each student and will be an important part of the general evaluation of the course. I view class participation as both an opportunity and a responsibility. Class participation provides an opportunity for students to practice important career skills in a low-cost environment. Among other skills, these include the ability to express and defend one's ideas. The cost of not having developed these skills will increase as you progress in your career (e.g., lost promotions). Class participation is also a responsibility, because students who attend class expect to learn from the viewpoints of their classmates (**I also expect to learn from you!**). Non-participating students do not provide their classmates and instructor with this important benefit. I therefore reserve the right to "cold call" students who are not participating in class discussions. My intent is not to embarrass you; rather, it is to help you get involved in the discussion where all of us can benefit from your comments. Unexcused absences will **definitely** affect your class

participation grade. **Please be aware that just coming to class is NOT class participation.**

I will focus primarily on the quality of your input in grading class participation; however, it usually takes at least some quantity of participation to make that evaluation. I grade participation each session. A no-show attracts a zero. You are expected to attend ALL classes. You cannot make-up a class discussion that you have missed.

GRADING CRITERION FOR CLASS PARTICIPATION (all conditions apply)

90% or more Extremely involved in almost all class discussions;

Helped create an exciting class discussion on a regular basis;

Occasionally provided relevant OUTSIDE of class reading material.

80% or more Involved in almost all class discussions;

Typically helped create an exciting class discussion;

Once provided relevant outside reading material with some comments;

70% or more occasionally got involved in class discussions;

Did not detract from creating an exciting class discussion;

60 % or more had some participation in classes: 50 – 60% of classes

Did not detract from creating an exciting class discussion;

50% or less Had a few interventions in class: 30 – 40% of classes

Did not detract from creating an exciting class discussion;

40% or less Had only two or three interactions in class 20-30% of classes

Did not detract from creating an exciting class discussion;

EXAM

Everything discussed in class will be examinable material. Please note that our class discussions will go *beyond* the book's theory. So, you must keep up with these additional class discussions.

The nature of the exams will be a mix of a small matching section, multiple-choice questions and one or two problem/small cases: that test your analysis, judgment, communication and understanding of the theory.

You must bring pencils, erasers, calculator, etc, to the exam. I will not permit calculator *sharing* phones or "programmable" calculators. There will be a **10-minutes open book section** towards the end of the exam. At that time, you will be advised that you can use your book. **The open book section will be strictly for ONE bounded book during the specific time allowed. No loose pages or documents will be permitted.**

- **You must show all your work to receive credit on a computational problem.**

- **No credit will be given for an unsupported answer, even if the answer is correct.**

Makeup exams will be given only under **extraordinary circumstances and with my prior permission**. Please do not book tickets (or have your parents book tickets) for travel prior to the completion of the final exam week. Please plan family events after the final exam week.

COMMUNICATION

I will communicate through my SU e-mail kimbrom@seattleu.edu , and I'll post and email frequent announcements, so please check your e-mail on a daily basis. I also check my e-mail many times during the day, so PLEASE use e-mail to communicate with me. Also, please do not leave phone messages on my voice mail. If you need to talk to me, outside of office hours, send an e-mail with your phone number and I'll respond as soon as possible, and we can arrange a telephone call or a meeting outside of office hours.

LAPTOPS

The use of laptops, net-books, tablets or PDAs in class to take notes, view Power-Points or work on class projects **is NOT allowed** unless specifically instructed.

AUDIO AND VIDEOTAPING

Audio and videotaping for any class session is strictly prohibited without prior approval.

ACADEMIC INTEGRITY STANDARDS

I expect that you will abide by the University's Academic Honesty Code. "Seattle University is committed to the principle that academic honesty and integrity are important values in the educational process and that violations in this area should be dealt with in the appropriate manner." Link: <https://www.seattleu.edu/academic-integrity/>. If you are not sure about whether a particular action is acceptable according to the Academic Honesty Code, you should check with me *before* engaging in it. Verified instances of plagiarism, cheating and the usage of unauthorized sources in exams, papers and other academic projects will lead to a severe penalty.

All written work must be your own except when an assignment explicitly states that teamwork is acceptable or required. Moreover, all your work must be original to this class. To avoid plagiarism, you must correctly cite the source of any idea that is not your own (from books, magazines, newspapers, Internet sites, etc.) using APA reference style, or other similar citation styles. You may reference the APA style online at: <http://libguides.seattleu.edu/theresearchpath/citeyoursources>

UNIVERSITY RESOURCES AND POLICIES

Academic Resources

-Library and Learning Commons (<http://www.seattleu.edu/learningcommons/>)
(This includes: Learning Assistance Programs, Research [Library] Services, Writing Center, Math Lab)

-Academic Integrity Tutorial (found on CANVAS and SU Online)

Academic Policies on Registrar website

(<https://www.seattleu.edu/registrar/academics/performance/>)

-Academic Integrity Policy

- Academic Grading Grievance Policy
- Professional Conduct Policy (*only for those professional programs to which it applies*)

NOTICE FOR STUDENTS CONCERNING DISABILITIES

If you have, or think you may have, a disability (including an ‘invisible disability’ such as a learning disability, a chronic health problem, or a mental health condition) that interferes with your performance as a student in this class, you are encouraged to arrange support services and/or accommodations through Disabilities Services staff located in Loyola 100, (206) 296-5740. Disability-based adjustments to course expectations can be arranged only through this process.

NOTICE REGARDING RELIGIOUS ACCOMMODATIONS

It is the policy of Seattle University to reasonably accommodate students who, due to the observance of religious holidays, expect to be absent or endure a significant hardship during certain days of their academic course or program. Please see, *Policy on Religious Accommodations for Students* (<https://www.seattleu.edu/media/policies/Policy-on-Religious-Accommodations-for-Students---FINAL.PDF>).”

OFFICE OF INSTITUTIONAL EQUITY

Title IX of the Education Amendments of 1972 (Title IX) prohibits discrimination based on sex in educational programs or activities that receive Federal financial assistance. This prohibition includes sexual misconduct, which encompasses sexual harassment and sexual violence. Seattle U remains committed to providing a safe and equitable learning, living, and working environment. Seattle U offers emergency, medical, and other support resources, as well as assistance with safety and support measures, to community members who have experienced or been impacted by sexual misconduct.

Seattle U requires all faculty and staff to notify the University’s Title IX Coordinator if they become aware of any incident of sexual misconduct experienced by a student.

For more information, please visit <https://www.seattleu.edu/equity/>. If you have any questions or concerns, you may also directly contact the Title IX Coordinator in the Office of Institutional Equity (email: oi@seattleu.edu; phone: 206.296.2824) University Resources and Policies.

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Tentative Course Schedule

The course schedule should follow according to this plan. However, adjustments and changes will probably happen and will be announced in class. Please note this since you are responsible for keeping up with any changes.

DATE	TOPIC	HOMEWORK DUE (complete before class)
M Sept.30	Introduction Chapter 1 The Nature Fraud Chapter 11: FS Fraud	Read Syllabus. Read Chapters 1 and 11
M Oct.7	Chapter 11: FS Fraud Chapter 2: Why people commit fraud?	Ch 1: MC: 1, 2, 4, 5, 14, 23. Read Chapter 2 and 3
M Oct.14	Chapter 3: Fighting Fraud	Ch.11 MC: 1,2,3,4,5,6,7,9,11,12,13. Ch. 2: MC: 1,3,4,6,9,10,11,14,19,20. Read Chapter 4
M Oct.21	Chapter 4: Preventing Fraud	Ch. 3 MC: 1,2,3,5,6,10,11,12,13,18,22.
M Oct.28	Chaps. 12 & 13: FS-Fraud (cont.) Corporate Governance	Read Chapter 12 & 13 Ch. 4 MC: 1,2,4,5,7,8..
M Nov.4	Midterm Chapter 6: Data Driven Fraud detection: Z-scores, distributions, digital analysis	Read Chapter 6
M Nov 11	NO Class: Veteran's Day	
M Nov.18	Review Midterm Chapter 6: Threshold and sequential analysis, Chapter 8: Investigating Concealment (Data Analytics) In class BIG DATA practice	Bring laptops with TABLEAU, and EXCEL with Analytics ToolPack Ch 6 MC: 1,2,3,5,6,8,9,14,15,16,17.
M Nov.25	Chapter 8: (cont.): Cluster analysis	Individual assignment due: Data: Janitorial Services
M Dec 2	Data Analytics methodologies	Individual assignment due Data: Dentists, Claims and Patients
M Dec 9	Reports are due	