



## ACC335: Fraud Examination

**Credit Hours:** 3

**Contact Hours:** This is a 3-credit course, offered in accelerated format. This means that 16 weeks of material is covered in 8 weeks. The exact number of hours per week that you can expect to spend on each course will vary based upon the weekly coursework, as well as your study style and preferences. You should plan to spend 10-25 hours per week in each course reading material, interacting on the discussion boards, writing papers, completing projects, and doing research.

### Faculty Information



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Office Hours/Time: Wednesdays & Fridays – 10:30am – 1:30pm EDT

### Course Description and Outcomes



This course builds on the basic financial accounting skills developed in various accounting classes based on generally accepted accounting principles (GAAP). The impact of occupational fraud and abuse cannot be overemphasized. It is important that allegations of occupational fraud be thoroughly and independently investigated. The numerous headline-grabbing accounting scandals of recent years – Enron, WorldCom, Tyco, HealthSouth, Bernie Madoff, Lehman Brothers, Olympus, among others – would be enough reason to study the serious issue of fraud. It is important to note that books, records, and computers don't commit fraud – people do. This course explores the psychology of fraud and why ordinary people engage in fraudulent behaviors. Major topics include fraud theory approach, how perceived opportunity and rationalization contribute to fraud, skimming, cash larceny, billing schemes and check tampering; payroll schemes, expense reimbursement schemes, register disbursement schemes, noncash assets, corruption, accounting principles and fraud; financial statement fraud schemes, external fraud schemes, fraud risk assessment, conducting investigations and writing reports, interviewing witnesses, occupational fraud and abuse.

## Course Learning Outcomes

1. Examine fraud theory approach, and how perceived opportunity and rationalization contribute to fraud, skimming, cash larceny.
2. Understand billing schemes and check tampering.
3. Evaluate payroll schemes, expense reimbursement schemes, and register disbursement schemes.
4. Analyze noncash assets misappropriation and how their theft is concealed.
5. Describe corruption and general methods used to commit financial statement fraud.
6. Analyze financial statement fraud schemes and external fraud schemes.
7. Evaluate fraud risk assessment, and how to conduct fraud investigations and report writing.
8. Conduct witness interviews and examine occupational fraud and abuse.

## Participation & Attendance



Prompt and consistent attendance in your online courses is essential for your success at **Gunu-Institute**. Failure to verify your attendance within the first 7 days of this course may result in your withdrawal. If for some reason you would like to drop a course, please contact your advisor.

Online classes have deadlines, assignments, and participation requirements just like on-campus classes. Budget your time carefully and keep an open line of communication with your instructor. If you are having technical problems, problems with your assignments, or other problems that are impeding your progress, let your instructor know as soon as possible.

## Course Materials



### Required:

Wells, J.T. (2013). Principles of fraud examination. (4th ed.). Wiley. ISBN-13: 9781118922347.

## Course Schedule



### Due Dates

The Academic Week at **Gunu-Institute** begins on Monday and ends the following Sunday.

- Discussion Boards: The original post must be completed by **Thursday at 12 midnight EST** and Peer Responses posted by **Sunday 12 midnight EST**. Late posts may not be awarded points.
- Mastery Exercises: Students may access and retake mastery exercises through the last day of class until they achieve the scores they desire.

- Critical Thinking Activities: Assignments are due **Sunday at 12 midnight EST.**

Week #	Readings	Assignments
1	<ul style="list-style-type: none"> <li>• Chapters 1, 2 &amp; 3 in Principles of Fraud (4th ed.).</li> </ul>	<ul style="list-style-type: none"> <li>• Discussion Board (25)</li> <li>• Mastery Exercises (25)</li> </ul>
2	<ul style="list-style-type: none"> <li>• Chapters 4 &amp; 5 in Principles of Fraud (4th ed.).</li> </ul>	<ul style="list-style-type: none"> <li>• Discussion Board (25)</li> <li>• Mastery Exercises (25)</li> <li>• Critical Thinking (60)</li> </ul>
3	<ul style="list-style-type: none"> <li>• Chapters 6, 7, &amp; 8 in Principles of Fraud (4th ed.).</li> </ul>	<ul style="list-style-type: none"> <li>• Discussion Board (25)</li> <li>• Mastery Exercises (25)</li> <li>• Critical Thinking (60)</li> </ul>
4	<ul style="list-style-type: none"> <li>• Chapter 9 in Principles of Fraud (4th ed.).</li> </ul>	<ul style="list-style-type: none"> <li>• Discussion Board (25)</li> <li>• Mastery Exercises (25)</li> <li>• Critical Thinking (60)</li> </ul>
5	<ul style="list-style-type: none"> <li>• Chapters 10 &amp; 11 in Principles of Fraud (4th ed.).</li> </ul>	<ul style="list-style-type: none"> <li>• Discussion Board (25)</li> <li>• Mastery Exercises (25)</li> <li>• Critical Thinking (60)</li> </ul>
6	<ul style="list-style-type: none"> <li>• Chapters 12 &amp; 13 in Principles of Fraud (4th ed.).</li> </ul>	<ul style="list-style-type: none"> <li>• Discussion Board (25)</li> <li>• Mastery Exercises (25)</li> <li>• Critical Thinking (110)</li> </ul>
7	<ul style="list-style-type: none"> <li>• Chapters 14 &amp; 15 in Principles of Fraud (4th ed.).</li> </ul>	<ul style="list-style-type: none"> <li>• Discussion Board (25)</li> <li>• Mastery Exercises (25)</li> </ul>
8	<ul style="list-style-type: none"> <li>• Chapters 16 &amp; 17 in Principles of Fraud (4th ed.).</li> </ul>	<ul style="list-style-type: none"> <li>• Discussion Board (25)</li> <li>• Mastery Exercises (25)</li> <li>• Portfolio Assignment (250)</li> </ul>

### Assignment Details



This course includes the following assignments/projects:

## **Week 2: Critical Thinking Assignment (60 points)**

### **Fraud Classification and Check Tampering (60 Points)**

There are two parts to this assignment; parts 1 and 2, address both accordingly:

1. In terms of classifying frauds under the Fraud Tree system, how does a scheme in which an employee fraudulently orders merchandise for his personal use differ from a scheme in which an employee steals merchandise from his company's warehouse?
2. Assume there are two thefts of checks at ABC Company. In the first case, an employee steals an outgoing check that is drawn on ABC's account, and is payable to "D. Jones." The perpetrator forges the endorsement of "D. Jones" and cashes the check. In the second case, an employee steals an incoming check from "D. Jones" that is payable to ABC Company. The employee fraudulently - endorses the check and cashes it. Which of these schemes would be classified as check tampering? Why?

Instructions: your response must be three pages in length, double spaced and must include:

- Proper introduction and conclusion
- A reference page
- 12-point font times new romans
- APA citation (both intext and reference page)
- Two or three scholarly or peer-reviewed articles or journals

**Refer to the rubric to ensure meeting all project criteria.**

**Project Due Saturday by 11:59 PM EST**

## WEEK 3: CRITICAL THINKING (60 Points)

Answer the following three-part questions:

### 1. Ghost Employee Scheme

The ability to add ghost employees to a company's payroll system is often the result of a breakdown in internal controls. What internal controls prevent an individual from adding fictitious employees to payroll records?

### 2. Fictitious Expense Reimbursement Scheme and Red Flags

Baker is an auditor for ABC Company. He is reviewing the expense reports that Green, a salesperson, has submitted over the last 12 months. Baker notices that Green's expenses for "customer development - dinners" consistently range between \$160 and \$170, and the amounts are almost always a round number. ABC Company has a policy that limits reimbursement for business dinners to \$175 unless otherwise authorized. In addition, most of the expense reports show that Green paid for the meals in cash, even though he has been issued a company credit card that he usually uses for other travel and entertainment expenses. What kind of expense reimbursement scheme is most likely, based on these circumstances?

### 3. Register Disbursement Scheme

In the 2011 Global Fraud Survey, register disbursements were reported far less frequently than any other fraudulent disbursement scheme. Discuss some reasons why this result might not reflect the true frequency of register disbursements.

**Submission instructions:** your response must be three pages in length, double spaced and must include:

- Proper introduction and conclusion
- A reference page
- 12-point font times new romans
- APA citation (both intext and reference page)
- Two or three scholarly or peer-reviewed articles or journals in addition to the course text

**Refer to the rubric to ensure meeting all project criteria.**

**Project Due Saturday by 11:59 PM EST**

## **WEEK 4: CRITICAL THINKING (60 Points)**

### **Controls to Prevent & Detect Noncash Larceny**

Discuss the controls that an organization should have in place to effectively prevent and detect larceny of inventory.

**Submission instructions:** your response must be two pages in length, double spaced and must include:

- Proper introduction and conclusion
- A reference page/section
- 12-point font times new romans
- APA citation (both intext and reference page)
- Two or three scholarly or peer-reviewed articles or journals in addition to the course text.

**Refer to the rubric to ensure meeting all project criteria.**

**Project Due Saturday by 11:59 PM EST**

## Week 5: Critical Thinking Assignment (60 points)

### Conflict of Interest Category & Fraudulent Reporting

Answer the following questions and their sub-questions:

1. Assume an employee is responsible for purchasing an apartment complex on behalf of his/her company. The employee owns stock in the management company that operates the apartment complex. The employee does not let his/her company know about his/her stock ownership, and proceeds to make the purchase. Why does this example represent a conflict of interest?
  - a. What are the three primary reasons people commit financial statement fraud?
  - b. What are the three general methods commonly used to commit financial statement fraud?
2. Management of a cellular phone company learns that a new technological advance will occur within the next year that will make the company's current phones and related products obsolete. As a result, there is a strong chance that the company will close. When financial statements appear for auditors, management does not reveal its knowledge of the new technology. In this case, what accounting concepts are involved?
  - a. In an organization, who is generally responsible for the financial statements, and how can those responsible help to deter financial statement fraud?
  - b. Although three general methods of committing financial statement fraud have been identified, one of these methods is typically used first. Which method is this, and why is it more likely to be selected first as opposed to the other two?

**Submission instructions:** your response must be three pages in length, double spaced and must include:

- Proper introduction and conclusion
- A reference page/section
- 12-point font times new romans
- APA citation (both intext and reference page)
- Two or three scholarly or peer-reviewed articles or journals in addition to the course text.

**Refer to the rubric to ensure meeting all project criteria.**

**Project Due Saturday by 11:59 PM EST**

## **Week 6: Critical Thinking Assignment (110 points)**

### **Financial Statement Analysis for Fraud Detection**

**Answer each of the following questions:**

1. What financial reporting analysis techniques can help to detect fraudulent financial statement schemes?
2. What internal control activities and related test procedures can detect or deter overstated inventory?
3. What are some analytical tests that can be performed to detect fraudulent activity by vendors, and what are some ways to prevent vendor fraud from occurring in the first place?

**Submission instructions:** your response must be five pages in length, double spaced and must include:

- Proper introduction and conclusion
- A reference page/section
- 12-point font times new romans
- APA citation (both intext and reference page)
- Two or three scholarly or peer-reviewed articles or journals in addition to the course text.

**Refer to the rubric to ensure meeting all project criteria.**

**Project Due Saturday by 11:59 PM EST**



## WEEK 8 FINAL PORTOFOLIO PROJECT (250 Points)

### Fraud/Embezzlement Interview (250 Points)

In the fraud examination field, there is nothing more important to the successful resolution of a case, than the ability to conduct penetrating and legally binding interviews, of subjects and witnesses. Regardless of the type of interview being conducted or who is being interviewed, there are five types of questions that can be asked.

You will be provided with a fictitious case or and or/names, and you are required to use the five types of questions discussed in chapter 16 to interview a subject and a witness of the case. The purpose of these questions is to get the subject and the witness to understand the serious nature of the fraud. You will only be drafting the questions to be asked of the subject and the witness. Before drafting your questions, remember the purpose of each type of question.

**Case Scenario:** Ms. Jackson, a Certified Fraud Examiner (CFE), is investigating a suspected embezzlement/fraud by one of XYZ Corp.'s employees Mr. Yohannes. As part of this investigation, Ms. Jackson is assembling a financial profile of the suspect. Among other things, she wants to know if the suspect has made any significant real estate purchases since the embezzlement scheme began. Information on real estate transactions such as deeds, grants, transfers, and mortgages are located with the county recorder. Ms. Jennifer was identified as a witness to the case. Assuming you are Ms. Jackson.

**You are required to:**

1. Use the five types of questions discussed in chapter 16 to interview Mr. Yohannes, the subject. Ask two interview questions under each type of question.
2. Use the five types of questions discussed in chapter 16 to interview Ms. Jennifer, the witness. Ask two interview questions under each type of question.
3. Discuss the potential reaction you may observe as well as the typical attitudes that both may display during the course of the interview.

**Submission instructions:** your response must be **five pages** in length, double spaced and must include:

- Proper introduction and conclusion
- A reference page/section
- 12-point font times new romans
- APA citation (both intext and reference page)
- Two or three scholarly or peer-reviewed articles or journals in addition to the course text.

**Refer to the rubric to ensure meeting all project criteria.**

**Project Due Saturday by 11:59 PM EST**

## Course Policies



### Late Work

Students are permitted a 7-day grace period during which they may submit a Critical Thinking assignment after the original due date without penalty. Papers submitted between 8 and 14 days after the original due date will be accepted with a potential 10 percent reduction in grade for late submission. Papers submitted 15 or more days beyond the original due date may not be accepted unless prior arrangements have been made with the instructor. **No Portfolios will be accepted late** and no assignments will be accepted after the last day of class unless a student has requested an incomplete grade in accordance with the Incomplete Policy.

### Course Grading

20% Discussion Participation  
20% Mastery Exercises  
35% Critical Thinking  
Activities  
25% Final Portfolio Paper

#### Grading Scale

A	95.0 – 100
A-	90.0 – 94.9
B+	86.7 – 89.9
B	83.3 – 86.6
B-	80.0 – 83.2
C+	75.0 – 79.9
C	70.0 – 74.9
D	60.0 – 69.9
F	59.9 or below
FN*	Failure for Nonparticipation
I**	Incomplete

### Artificial Intelligence (AI) Policy:

Students must consult with their instructors before using an AI tool such as GPTZero, ChatGPT, QuillBot etc... in their academic papers.

\* Students who stop attending class and fail the course for nonparticipation will be issued the “FN” grade. The FN grade may have implications for financial aid and scholarship awards.

\*\* An “I” grade may be assigned at the instructor’s discretion to students who are in good standing (passing) in the course. Students should have completed a majority of the coursework in order to be eligible for the “I” grade. Students should request an “I” grade from the instructor with a written justification, which must include explanation of extenuating circumstances that prevented timely completion of the coursework. If the request is approved, the instructor will require a written agreement consisting of **a)** the specific coursework to be completed, **b)** the plan to complete the coursework, and **c)** the deadline for completion. The agreement will be kept on file at **Gunu-Institute Campus**. An incomplete course must be satisfactorily completed within the time frame stipulated in the agreement, but no later than the end of the following semester from the date the “I” was given. An incomplete not removed within one year shall convert to an F and be included in the computation of the student’s grade point average.

### **Academic Integrity**

Students must assume responsibility for maintaining honesty in all work submitted for credit and in any other work designated by the instructor of the course. Academic dishonesty includes cheating, plagiarism, unauthorized possession of academic materials, and falsification. The **Student Handbook** provides information on how students can avoid plagiarism by understanding what it is and how to use the library and Internet resources appropriately with proper citation. Please refer to the **Academic Catalog** for complete policies regarding plagiarism and academic dishonesty.

### **APA**

Students are expected to follow the **Gunu-Institute** requirements when citing in APA (based on the APA Style Manual, 6th edition). For details on **Gunu-Institute’s** APA style, please review the APA resources located under the library tab in the course management system.

### **Netiquette**

All posts and classroom communication must be conducted in a professional and respectful manner in accordance with the student code of conduct. Think before you push the Send or Post button. Did you say just what you meant? How will the person on the other end read the words?

Any derogatory or inappropriate comments regarding race, gender, age, religion, sexual orientation, are unacceptable and subject to disciplinary action. If you have concerns about something that has been said, please let your instructor know.

### **Institutional Policies**

Refer to the Academic Catalog for comprehensive documentation of **Gunu-Institute’s** institutional policies