ACT510 – Forensic Accounting and 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.

Course Description and Outcomes

Fraud is a serious problem that can affect any organization, industry, or region. Types of fraud can be broadly categorized as those perpetrated against a company or those perpetrated on behalf of a company. ACT510 explores various types of financial fraud, the how and why of fraud, and methods used to prevent, detect, and deter fraudulent occurrences in a financial environment. Additionally, discussion is provided regarding the red flags, or warning signs, of fraud and of various methods of fraud investigation, loss recovery, and resolution.

To gain maximum knowledge from this course, students should read the content for each module as well as the assigned readings from the textbook and additional sources. Examples and Check Your Understanding exercises provided in the module content prepare students to complete Critical Thinking Activities and gain understanding of key concepts.

Additionally, video clips from the Association of Certified Fraud Examiners are provided throughout the module content to elucidate key concepts and demonstrate applications of the materials. The videos focus on studies of actual fraud cases and fraudsters. The videos provide valuable insights into fraud in general, financial statement fraud schemes, fraud deterrence and prevention, the thinking of fraudsters and associated red flags, fraud detection tools, fraud investigation, interviewing techniques, fraud loss recovery, and the trial process.

Course Learning Outcomes:

1. Describe types of financial fraud and how and why financial fraud is committed.
2. Develop a framework for a fraud deterrence program that can be implemented in an organization.
3. Simulate key elements of a fraud assessment review and a financial audit and evaluate the differences in method and purpose between the two.
4. Explain and analyze the methods used to recognize symptoms of fraud ("red flags") in an organization.
5. Provide a comprehensive discussion of fraud investigation.

Participation & Attendance

Prompt and consistent attendance in your online courses is essential for your success at CSU-Global Campus. 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**

**Textbook Information** is located in the CSU-Global Booklist on the Student Portal.

**Course Schedule**

**Due Dates**
The Academic Week at CSU-Global begins on Monday and ends the following Sunday.

- Discussion Boards: The original post must be completed by Thursday at 11:59 p.m. MT and Peer Responses posted by Sunday 11:59 p.m. MT. Late posts may not be awarded points.
- Critical Thinking: Assignments are due Sunday at 11:59 p.m. MT.
- Live Classroom: Although participation is not required, Live Classroom sessions are held during Week 2 and Weeks 5 or 6. There are two total sessions.

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<tr>
<th>Week #</th>
<th>Readings</th>
<th>Assignments</th>
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| 1      | Chapters 1 & 2 in *Fraud Examination*  
        Critical Thinking (75 points) |
| 2      | Chapter 11 and Chapter 11 Appendix A in *Fraud Examination*  
        Critical Thinking (75 points)  
        Live Classroom (0 points) |
| 3      | Chapters 3 & 4 in *Fraud Examination*  
        Critical Thinking (75 points) |
| 4      | Chapter 5 in *Fraud Examination*  
        Rock, R. J., & Severson, J. V. (1996). Demystifying | Discussion (25 points)  
        Critical Thinking (75 points) |
### Assignment Details

This course includes the following assignments/projects:

**Module 1:**

**CRITICAL THINKING (75 points)**

**Option #1 – Case Study Analysis/Application of Module Concepts**

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<th>Module</th>
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| 5      | - Chapter 6 in *Fraud Examination*  
| 6      | - Chapters 7 & 8 in *Fraud Examination*  
| 7      | - Chapters 9 & 10 in *Fraud Examination*  
| 8      | - Chapter 18 in *Fraud Examination*  
Jerry Luck has been the manager of a small local branch of a credit union that specializes in providing financial services to a specific religious organization for the past 25 years. The credit union has tasked all of its local branches with building relationships with the churches in the area that are affiliated with the religion and establishing open lines of communication with the associated congregation. By offering one-stop shop services to the members of the organization and by bringing these services directly to their own facility, the credit union has established a dominant presence throughout the United States and has become the leading financial services provider in the vast majority of the local markets in which it operates.

In his role, Jerry is responsible for all activities that occur at the local branch, which include developing the local tactical approach to attain the overall corporate strategic goals. By linking a sizable portion of the local manager’s annual pay structure directly to the corporate growth goal of 3% year-over-year (which is roughly equivalent to the annual growth of this religious group on a national level), the credit union has established what it considers to be an effective incentive plan in place to drive toward its annual targets.

The management team of the local branch is a small and tight-knit group, with the majority of the team either related (by blood) or closely aligned due to their religious background/beliefs. While the overall team is highly regarded by the participants in the credit union due to their friendliness and flexibility, there is a lack of skill in terms of accounting knowledge throughout the group, which often means that they must rely directly on Jerry for his guidance and insight. Due to the nature of the business and its employees, there are very few internal control documents or other second-level approval processes in place to manage transactions and/or member information. Over the years this has not created any issues as the branch has performed quite well in terms of performance and customer satisfaction.

Upon reviewing the most recent financial and operating results, it has become apparent that growth in the local market has dwindled to a trickle. Contrary to the national figures that are used as the basis for performance metrics, the congregation growth has stagnated in the applicable market, putting the local branch at a significant disadvantage as it attempts to meet its yearly growth targets. In addition there are two new credit unions that have opened in the local area over the last 18 months that are providing stiff competition due to their services and rates. These factors have made it highly unlikely that the branch will meet its targets for the fiscal year, thus eliminating the annual bonus for the majority of the team.

As you analyze the case, please address the following:

1. Is local branch at risk for fraud? Why or why not?
2. Apply the fraud triangle to the local branch. What are the results?
3. Are there any mitigating factors that should be considered that could potentially reduce the potential risk level of fraud occurring in this situation?
4. As a Certified Fraud Examiner, based on the details of this case, what specific items would you investigate at year-end to determine whether or not fraud has occurred?

Deliverable: Please submit a three- to five-page Word document that adheres to the CSU-Global Guide to Writing and APA Requirements. This paper should specifically address each of the questions above and provide support for your position where required. Please provide at least two external citations to support your position.

Option #2 – Fraud Identification and Classification

A. Please read the following situation statement and answer the questions that follow:

While traveling on business with a co-worker, you spend quite a few evenings having dinner and cocktails with your co-worker’s extended family that lives in town. After each of these meals your co-worker charges the entire meal to his corporate credit card, which he then submits as a business expense as part of his travel expense report. As these meals were not overly extravagant, the total value is small enough to get “lost” in the overall expense report, thus considered to be insignificant from the perspective of your co-worker.

1) Would the inclusion of these meals on his corporate expense report be considered fraudulent?
2) Does the low dollar value of these transactions impact your opinion?
3) If you consider this activity potentially fraudulent, do you have a responsibility to report the activity? If so, to whom?
4) If you confronted your co-worker and his response was, “You are correct, that was a mistake on my part. I did not realize that I was improperly handling these expenses. I will be sure to pay them with my own personal funds once
the bill is received,” would you take further action and report the incident or consider it settled based on the conversation?

B. Please answer each of the following questions in paragraph form providing examples and support from the chapter readings and other sources:

1) What is the difference between fraud and error?
2) Is there evidence to support the notion that instances of fraud have increased at a rapid rate? Provide insight into the driver(s) of this issue.
3) Please provide the description and at least one example of each type of fraud:
   a. Employee embezzlement
   b. Management fraud
   c. Investment scam
   d. Vendor fraud
   e. Customer fraud
   f. Miscellaneous fraud

Deliverable: Please submit a three- to five-page Word document that adheres to the CSU-Global Guide to Writing and APA Requirements. This paper should specifically address each of the questions above and provide support for your position where required. Please provide at least two external citations to support your position.

Module 2:

CRITICAL THINKING (75 points)

Option #1 - Financial Statement Fraud and Other Types of Fraud

Read the following problems and respond according to the instructions at the end.

1. How is fraud committed on behalf of an organization (such as financial statement fraud) different from fraud committed against an organization (such as embezzlement)? In your answer address how the different types of fraud are committed, who usually commits each type, and who benefits from the fraud.

2. One of the most controversial topics to affect the accounting profession has been earnings management. Companies sometimes manage their earnings to match analysts’ projections. While the accounting literature doesn’t give accounting professionals a clear definition of earnings management, many people have been critical of companies for managing earnings, saying that most managed financial statements are fraudulent. Discuss the pros and cons of earnings management and determine whether or not earnings management is the same as financial statement fraud.

3. Discuss the positive and negative effects of regulations on combating fraud.

Deliverable: Your paper must be in a Word document of three to five pages. Calculations are not required in this assignment but may be included in your paper if you feel that they support your answers. Cite at least three resources supporting your responses, other than the course textbook. Your paper must be formatted in accordance with CSU-Global Guide to Writing and APA Requirements.

Option #2 – Financial Statement Fraud

Read the following questions and respond according to the instructions at the end.

1. Chapter 11 of the book identifies the nine factors that led to the “perfect fraud storm”. Identify them and explain how these factors helped foster and create the ethical compromises that occurred between 2000 and 2002.
2. What are the common ways in which financial statement frauds are concealed?
3. What are some common motivators of financial statement fraud?
4. What are some of the ways that financial statement fraud exposures can be identified?  
5. Who usually commits financial statement fraud?

Deliverable: Your paper must be in a Word document of three to five pages. Calculations are not required in this assignment but may be included in your paper if you feel that they support your answers. Cite at least three resources supporting your responses, other than the course textbook. Your paper must be formatted in accordance with *CSU-Global Guide to Writing and APA Requirements.*

**Module 3:**

**CRITICAL THINKING (75 points)**

**Option #1 - Fraud Deterrence, Detection and Prevention**

Read the following case study and respond according to the instructions at the end:

During the past year, your company has discovered three major fraud incidents. The **first** was a $2.7 million theft of inventory that had been going on for six years.

The **second** was a $3.2 million kickback scheme involving the most senior purchasing agent. She had been allowing certain customers to overcharge for products in return for personal payments and other financial favors.

The **third** was an overstatement of receivables and inventories by a subsidiary manager to enhance reported earnings. Without the overstatement, his unit’s profit would have fallen far short of budget. The amount of overstatement has yet to be determined. All three of these instances of fraud have been reported in the financial newspapers and have been embarrassing to the company.

In response to these incidents, the board of directors has demanded that management take “positive steps to eliminate future fraud occurrences,” and they are “sick and tired of significant hits to the bottom line and negative exposure in the press.” The responsibility to develop a program to eradicate fraud has fallen on your shoulders. You are to outline a comprehensive plan to prevent future fraud.

In outlining your plan, discuss the roles the following groups will play in preventing fraud:

- Top Management
- Middle Management
- Internal Audit
- Corporate Security
- Audit Committee
- Legal Counsel

Respond to these questions:

a. Why is each of the groups above reluctant to take the responsibility for detecting and preventing fraud?  
b. Who should be responsible?

Your paper must be in a Word document of three to five pages. Calculations are not required in this assignment but may be included in a table within your paper if you wish. Cite at least three resources supporting your responses, other than the course textbook. The CSU-Global Library is a good place to find these resources. Your paper must be formatted in accordance with *CSU-Global Guide to Writing and APA Requirements.*

**Option #2 – Financial Statement Fraud**
Read the following questions and respond according to the instructions at the end.

6. Chapter 11 of the book identifies the nine factors that led to the “perfect fraud storm.” Identify them and explain how these factors helped foster and create the ethical compromises that occurred between 2000 and 2002.
7. What are the common ways in which financial statement frauds are concealed?
8. What are some common motivators of financial statement fraud?
9. What are some of the ways that financial statement fraud exposures can be identified?
10. Who usually commits financial statement fraud?

Deliverable: Your paper must be in a Word document of three to five pages. Calculations are not required in this assignment but may be included in your paper if you feel that they support your answers. Cite at least three resources supporting your responses, other than the course textbook. Your paper must be formatted in accordance with CSU-Global Guide to Writing and APA Requirements.

Module 4:

CRITICAL THINKING (75 points)

Option #1 - Fraud Triangle and Red Flags

Read the following case study and respond according to the instructions at the end:

Plutonium was an Internet start-up company founded in 1988 at the beginning of the technology boom. One of the largest problems for Plutonium was developing the technological systems necessary to support the rapidly expanding user base. Furthermore, due to the rapid expansion in recent years, many of its systems had been added hastily, resulting in poor integration and eroding data integrity. As a result, the CEO of Plutonium announced an initiative to integrate all systems and increase the quality of internal data. In compliance with this initiative, Plutonium purchased an expensive and complex billing system called Gateway, which would automate the billing for thousands of Internet accounts via credit cards.

During the integration, Gateway, in collaboration with Visa, created a phony credit card number that could be used by developers and programmers to test the functionality and integration of the Gateway system. Moreover, this credit card number was fully functional in “live” environments so testers and developers could ensure functionality without being required to use actual personal or company credit card numbers. The activity on this card was not monitored. The integration went smoothly; however, it created thousands of corrupt accounts that required fixing.

Jonathan, the manager of the Operations Department, was responsible for the resolution of all data integrity issues. His team was tasked with fixing all corrupt accounts created by the launch and integration of the Gateway system. As a result, Jonathan was given the phony credit card number, which was kept on a Post-it Note in his drawer.

One of the top performers on the Operations team was a 29-year-old male named Chris. Chris had worked in Operations for more than a year and was making $15 per hour, the same salary as when he was hired. He was an introvert working to support a family and put himself through school. Chris was the most technologically savvy individual on the team, and his overall systems knowledge exceeded that of his manager, Jonathan. Chris was brilliant in creating more efficient tools and methods to repair corrupted accounts, therefore Chris was tasked with conducting training for new employees and updating team members on new processes and tools that he had created. As a result, he quickly became a trusted and valuable team member. Jonathan gave him, and the other team members, the phony credit card number to increase the productivity of the team.

However, after six months of working at Plutonium, Chris received an official reprimand from the company for using the company system to access Web sites containing pirated software and music. The FBI attended the investigation and determined that Chris had not been a major player in the piracy. Therefore, Chris was quietly warned and placed on a short-term probation. Jonathan was asked to write a warning letter for the action; however, after a brief conversation...
with Chris, Jonathan determined that Chris’s intentions were good and never officially submitted the letter because Chris was a trusted employee and elevated the overall performance of the team.

A few months after the piracy incident, Jonathan noticed some changes in Chris’s behavior:

- Chris’s computer monitor was repositioned so that his screen was not visible to coworkers.
- Chris had the latest technological innovations including a new smartphone, an MP3 player, a Play Station, a new laptop, a tablet and a new car stereo system.
- Chris was going out to lunch more frequently.
- Chris frequently used multiple fake usernames and passwords for testing purposes.

Analyze this case using the three elements of the fraud triangle. Address the following five points in your response:

1. What potential pressures exist that might cause Chris to commit fraud?
2. What opportunities does Chris have for committing fraud?
3. What are some rationalizations that Chris might have to excuse committing fraud?
4. What are some of the symptoms suggesting that fraud might exist in this situation?
5. What could Jonathan have done to eliminate some or all of the opportunities for fraud?

Poof Inc. is an alternative energy company headquartered in Detroit, Michigan, that specializes in the development and installation of urban wind energy solutions. Rather than the current windmill technology that has become prevalent in the market, which consists of large wind turbines placed in rural areas, Poof has taken a dramatically different approach by producing smaller windmills that are designed to be mounted on buildings while providing power to only that building or cluster of facilities. Over the last few years this business model has begun to gain some traction in the market, which has led to increased sales and performance expectations. As a result, the company’s stock price has skyrocketed.

Peyton Fialho was recently appointed as the CFO of the corporation after a short tenure with the firm, however he brings with him a great deal of industry experience. As a former VP of Finance at other industry competitors, Peyton is familiar with the financial statements and challenges that are common in the industry.

During a recent monthly operating review, the discussion turned toward year-end performance expectations. As the detailed discussion continued for a number of hours on this topic, Peyton made the following observations:

- The president of the urban wind turbine division was hesitant to commit to year-end financial targets.
- There was a good deal of talk surrounding the “unrealistic expectations of Wall Street analysts.”
- There was concern about customer deals that were expected to close in the 4th quarter.
- Mention of increased work hours by certain groups and/or individuals
- Potential material sourcing concerns were raised due to transportation issues.
- Lagging customer orders were mentioned across the division.

When the year finally closed there was relief by the entire team as the year-end analysts’ targets were met despite the significant challenges that were faced leading into the final quarter of the year. Although Peyton was outwardly pleased with the result, he was concerned that something suspicious behind-the-scenes may have occurred to help the company meet the year-end targets, as the number of issues leading into the 4th quarter seemed to be insurmountable.

Analyze this case by answering the following questions:
1. List and briefly describe the six different types of fraud symptoms.
2. Describe the fraud symptoms that are present at Poof Inc.
3. What types of analysis (including financial) could Peyton perform to determine if there was fraudulent activity occurring at Poof?
4. Based in the specific fraud symptoms and concerns, which specific accounts and trends/figures should Peyton focus his analysis on which would directly address his concerns?

Your paper must be in a Word document of three to five pages. Outside references are not required in this assignment but may be included. Format your paper in accordance with CSU-Global Guide to Writing and APA Requirements.

PORTFOLIO MILESTONE (15 points toward final Portfolio):

Portfolio Option 1:

First Deliverable Due: Submit a draft of the project outline via email to your instructor. This submission should include the complete chapter outline and an executive summary of the proposed paper.

Portfolio Option 2:

First Deliverable Due: Submit a draft of the project outline via email to your instructor. The submission should include the scandal topic chosen for the assignment, which will be approved by the instructor.

Module 5:

CRITICAL THINKING (75 points)

Option #1 - Fraud Detection Using Trend Analysis and Financial Statement Analysis

Read the following problems and respond according to the instructions at the end:

1. As CEO of your company, you've been going over your financial statements and have noticed something disturbing. You perform a horizontal analysis and find that sales have been increasing at a rate of 4 percent per year, while inventory has risen at a rate of 39 percent per year. Address the following:
   a. Could fraud be occurring? Why or why not?
   b. Assuming that fraud is being committed, how would you investigate?

2. Large-scale fraud can often be detected by performing financial statement analysis. Although such analysis can raise areas of concern, not all red flags are the result of fraudulent activities. Reasonable explanations often exist for anomalies in financial statements.

The statement of cash flows is one financial statement that is analyzed in order to identify possible fraud. This statement for Romana Inc. for a three-year period is shown below.
Address the following:

a. Identify possible red flags.

b. Indicate if reasonable explanations exist for the areas of concern.

c. Identify the “next step” actions that you would take as part of the investigation.

Your paper must be in a Word document of three to five pages. If you wish to include calculations in support of your response, place them in the form of a table within your paper. Outside references are not required but may be included. Format your paper in accordance with CSU-Global Guide to Writing and APA Requirements.

Option #2 – Interpretation of Red Flags

As a trainer for a forensic accounting firm, you have been asked to establish a matrix to provide the firm’s investigation teams with a “symptom” list to aid them in their assessment of potentially fraudulent actions. As part of this matrix you have included a list of possible red-flag search results, which could be indicators of specific fraudulent activity that is occurring.

For example:

**Red-flag:** Your research has uncovered invoices that do not have a valid purchase order.

**Potential Activity:** Goods being purchased for personal use

**Type of Fraud:** Employee committing purchasing fraud

For each of the following red-flags please discuss (in paragraph form), including the red-flag, the potential activity that could be occurring, the category of fraud, and the action that should be taken to further investigate this potentially fraudulent activity.

The red-flags noted during the investigation:

- Price increases by one vendor of 40% year-over-year
- Employee overtime rates increasing dramatically and sustaining without increased sales
- Vendors with sequential invoices
- Contractors with only one buyer for all contracts
- Equipment charges with no associated labor charges
In the final section of your paper, please discuss other types of red-flags that you would look for during an investigation and discuss their importance. Keep in mind that different types of investigations would likely lead to the analysis of different source documents and metrics.

Your paper must be in a Word document of three to five pages. If you wish to include calculations in support of your response, place them in the form of a table within your paper. Outside references are not required but may be included. Format your paper in accordance with CSU-Global Guide to Writing and APA Requirements.

Module 6:

CRITICAL THINKING (75 points)

Option #1 - Theft and Concealment Investigation

Read the following case study and respond according to the instructions at the end:

By the time the New York identity theft fraud case was solved, more than 30,000 people had suffered a total combined loss of more than $2.7 million. This money had been stolen by a ring of New York residents who had accessed the victims’ credit information and exploited that information to steal the victims’ identities.

The fraud began when Linus Baptiste approached Philip Cummings about a plan to steal and sell people’s personal information. Philip Cummings had begun to work at Teledata Communications, Inc., a third-party credit-reporting agency that facilitates the retrieval of credit history data. Teledata had outstanding contracts with more than 25,000 companies, allowing these companies to check on the creditworthiness of potential customers, thus creating a direct line past the three main credit bureaus. As a customer service representative, Cummings had obtained access to many confidential access codes. These access codes were used by the clients of Teledata to gain approval on credit requests. With access to these codes, Cummings had the opportunity to commit fraud.

In early 2000, Cummings and Baptiste began to steal credit reports. The two fraudsters sold this information to a group of Nigerian nationalists. The Nigerian nationalists would pay up to $60 for one person’s information. After some time, the Nigerians began to provide Cummings and Baptiste with names and Social Security numbers to help facilitate the process even further.

To convert the information into money, the Nigerians would use the information to gain access to the victims’ bank accounts and other financial information. The group of Nigerians would then take the following steps:

- Deplete the bank accounts of the victims through wire transfers.
- Change the addresses of the accounts so the current information was not sent to the victims.
- Order new checks to be written off of the victims’ bank accounts.
- Order new ATM cards so the money could be taken out in cash.
- Order new credit cards under the victims’ names.
- Establish new lines of credit under the victims’ names.

By using these techniques, the fraud ring was able to steal more than $2.7 million from consumers. This money was stolen over a period of three years, from late 1999 to late 2002. An intriguing aspect of the fraud was that Cummings quit working at Teledata in early 2000 but was able to continue to steal the information for an additional two years. Cummings claimed that most of the access codes he had stolen while working at Teledata remained unchanged for the full two years after he left the company.

Finally, in early 2002, Cummings began to get greedy, and his greed led to the detection of fraud. Desiring to make even more money, Cummings stole around 15,000 credit reports from Teledata by using the access codes of Ford Motor Company. Then from February 2002 to May 2002, Cummings again stole a large number of names. This time, Cummings used the access codes of Washington Mutual Bank (now Chase Bank) to steal 6,000 credit reports. Finally,
in September 2002, Cummings made what would be his last big credit report theft. Using the access codes of Central Texas Energy Supply, Cummings was able to steal 4,500 credit reports.

After the theft using Ford’s access codes, Equifax, one of the three large credit bureaus in the United States, began to see the request spikes in Ford’s account. After the next two large batches of requests, Equifax decided to investigate further. Equifax found that almost all of the credit report requests came from one phone number and that the requests were done in batches of about 100. The location of the phone number was found, and a search by federal authorities turned up a computer and other equipment that were used in the fraud.

In September 2004, Cummings pled guilty to the crime and was later sentenced to 14 years in prison. The victims faced the dreadful task of restoring their credit, a process that can take years to complete.

In your paper, assuming you are an agent with the Federal Bureau of Investigation:

a. Describe the stages and all aspects of coordinating an investigation in a manner that would not arouse the suspicions of Cummings and Baptiste.

b. Design a vulnerability chart to coordinate the various elements of the possible fraud.

Your paper must be in a Word document of three to five pages. If you wish to include calculations in support of your response, place them in the form of a table within your paper. Outside references are not required but may be included. Format your paper in accordance with CSU-Global Guide to Writing and APA Requirements.

Option #2 – Fraud Investigation Methods and Procedures

For each of the following situations you should:

a. Discuss the appropriate investigative methods/techniques that you would suggest.

b. Provide a detailed plan on how you would develop and carry out the investigation.

c. Provide support (including the use of external citations) of why the method/technique would be useful in the situation.

Situation #1

As a result of being dissatisfied with the lack of “New York style” pizza in your local area, you opened a new venture over a year ago to address this market need. As you are employed full-time in the corporate world, this store was designed to be run by a store manager and to provide you with a passive income. As a result, you are not involved in the day-to-day activities of the store. In order to handle the daily operations of the store you hire a store manager that has extensive experience in running a pizza restaurant.

For the first six months of operation you had been pleased with the growth and overall performance of the venture. The store continued to generate consistent margins on sales growth of 10% plus month over month, which had exceeded your initial expectations. Customer reviews have continued to remain strong throughout this period with little variation in result.

Over the most recent 6 month period the sales growth has remained strong (although perhaps slightly down from the initial growth as would be expected). However, you have noticed a reduction in your margins. One of the drivers of this margin reduction appears to be an increased inventory burn in your pizza making supplies (dough, sauce, cheese, etc.) that seems out of line with the sales growth figures. You have recently brought this matter to the attention of your store manager, who has assured you that this type of margin decline is normal (and expected) as the increased volume has led to more waste due to product errors while handling peak-level volumes. You manager also pointed out that the increased volume has led to hiring needs which have been filled by inexperienced personnel, which is also leading to further product waste.

You intuition is telling you that the explanation provided does not align with the inventory burn level apparent in the financial statements. You suspect that fraudulent activity, such as free product or non-register sales, may be occurring in your store.
Situation #2

You have been hired to complete an investigation into a potential issue at a small gas station and convenience store operation. Due to the location of the business and the typical customers of this establishment, the store operates largely on a cash basis with more than 75% of sales handled with cash payments.

The store manager has reported a discrepancy between the daily cash receipts versus the gas holding tank measurements at the end of each week. As the misalignment has not been significant in any one week, but rather consistently disconnected, the manager is not sure if there could be ongoing theft by an employee or if the measurement issue is the result of some other issue (tank leakage, issues with the measurement process, etc.).

You have been asked to establish an approach to address the concern and provide a detailed plan to proceed through an investigation.

Your paper must be in a Word document of three to five pages. If you wish to include calculations in support of your response, place them in the form of a table within your paper. Outside references are not required but may be included. Format your paper in accordance with CSU-Global Guide to Writing and APA Requirements.

PORTFOLIO MILESTONE (15 points toward final Portfolio):

Option #1

Second Portfolio Deliverable: Submit the proposed references section of the paper to the instructor via email. At this point you should have established your list of references that will be used to support the content of your paper. Be sure that you have included all references needed based on the source documents that you have and will use when you submit your final assignment in two weeks.

Option #2

Second Portfolio Deliverable: Submit the proposed references section of the paper to the instructor via email. At this point you should have established your list of references that will be used to support the content of your paper. Be sure that you have included all references needed based on the source documents that you have and will use when you submit your final assignment in two weeks.

Module 8:

PORTFOLIO (350 points)

Option #1 - Development of an Anti-Fraud Program

A for-profit manufacturing organization loses a certain percentage of its annual revenue to fraud. Fraud occurs regardless of organizational size or type. Every organization is vulnerable to fraud. Fraud risk must be reduced as much as possible, hence preventing, deterring, and detecting fraud are crucial. Deterring and preventing fraud can be more economical than detecting, investigating, and recovering from fraud after-the-fact. These anti-fraud measures must start at the top and be communicated to all levels of the organization. They must go beyond internal controls and must be implemented on a cost-benefit basis.

In a 9-11 page, double-spaced paper, develop an anti-fraud program, or model, that can be implemented in an organization. This model, if applied correctly, must be efficient in preventing, detecting and deterring fraud. At the minimum, your model must address the following factors:

- Fraud risk
- Fraud risk assessment
- Employees’ behavioral expectations
- Fraud prevention policies and procedures
• Fraud detection policies and procedures
• Fraud deterrence policies and procedures
• Cost-benefit analysis.

Spend time to ensure that the formatting complies with CSU-Global Guide to Writing and APA Requirements, and thoroughly proofread and grammar-check your final product. Be sure to examine the Portfolio Project Rubric to guide your project writing and presentation. If calculations are included, place them in a table in the Word document. Include a list of six to eight references cited and integrated in your paper. The CSU-Global Library is a good place to find these references. Your references must be credible and formatted according to CSU-Global’s APA requirement.

Here are some additional resources that will assist you in completing this project:

• Managing The Business Risk of Fraud: A Practical Guide
• Fraud prevention and anti-fraud programs information. You will find it useful to check out the resources and links within this website.
• Final Report: Strategic Plan for Fraud Prevention, Fraud Detection, and Fraud Deterrence. Download a free copy of the e-book with registration.
• Free fraud resources from the following professional websites: www.acfe.com www.acfsnet.org Free registration is required to access these resources.

The Portfolio Project preliminary deliverables are as follows:

• Week 4: Submit a draft of project outline via email to your instructor (15 points toward the final project grade).
• Week 6: Submit the proposed final references section for the project (15 points toward the final project grade).

Option #2 – Corporate Fraud – Case Analysis

This Portfolio Project option has two parts: calculations and a 5-7 page essay. While the calculation requirements of this assignment are important, equally important are your discussion and analysis of the quantitative results. You will submit two documents: 1) a spreadsheet containing your horizontal and vertical analysis, along with your chosen ratios and 2) a word document containing your essay.

Choose a publicly traded company that has incurred a public accounting scandal in recent years, which included the need for a financial restatement, and perform an expanded analysis on the financial statements from that time period. Please make use of the 10K statements available on www.sec.gov http://www.sec.gov or annual statements in finance.yahoo.com http://finance.yahoo.com. You will submit each part separately.

Part 1: Please complete the following for your chosen firm in an Excel spreadsheet:

1. Horizontal and vertical analysis of the income statements for at least three years surrounding the incident (all yearly balances set as a percentage of total revenues for that year).
2. Horizontal and vertical analysis of the balance for at least three years surrounding the incident (all yearly balances set as a percentage of total assets for that year or total liabilities/equity).
3. Ratio analysis (eight ratios of your choosing) for the three years surrounding the incident. Note - you should choose ratios that are likely to provide insight into the incident based on which accounts were impacted by the fraudulent activity (hindsight being 20/20, you know the fraud that has occurred).
4. Specific account financial analysis based on the nature of the fraud that was perpetrated by the corporation. For example, if the corporation was improperly handling revenue, there should be a deep-dive analysis on the revenue accounts throughout the appropriate periods that specifically highlights the issue.
5. A restatement of the financial statements should be conducted that provides a summarized view of the income statement and balance sheet prior to restatement and post restatement.
Part 2: The Paper:

- 5-7 pages in length.
- Follow the CSU-Global Guide to Writing and APA Requirements, which include the inclusion of an introduction and conclusion.
- Include a reference page that contains at least five external sources (outside of the 10k source).
- Your paper should provide your reader with an overall understanding of the incident along with the results of the financial analysis that you completed, including:
  - Discussion of the ratio analysis results, including rationale for the ratios chosen
  - Discussion of all horizontal and vertical analysis from above.
- The paper should include a thorough analysis of the accounts that were impacted by the fraudulent activity.
- The paper should also include a synopsis of the restated financial statements which includes and assessment of the total financial impact to the firm.

If you have questions, please let your instructor know. He or she may be willing to take a quick look at your horizontal and vertical analysis to give you feedback in advance since you will not have had much experience on that calculation prior to the project. The instructor is also available to provide insight into the accounts that would have been impacted by the specific fraudulent activity that occurred at your subject corporation.

Reminder: All of the financial techniques that are included in this assignment were discussed in Module 5. Please take the time to acquaint yourself with these techniques prior to the start of the portfolio assignment so that they are familiar to you. All of these accounting analysis techniques are simple but quite powerful.

Course Policies

Course Grading

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In-Classroom Policies

For information on late work and incomplete grade policies, please refer to our In-Classroom Student Policies and Guidelines or the Academic Catalog for comprehensive documentation of CSU-Global institutional policies.

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, fabrication, facilitating academic dishonesty, plagiarism, reusing /re-purposing your own work (see CSU-Global Guide to Writing and
APA Requirements for percentage of repurposed work that can be used in an assignment), unauthorized possession of academic materials, and unauthorized collaboration. The CSU-Global Library provides information on how students can avoid plagiarism by understanding what it is and how to use the Library and Internet resources.

Citing Sources with APA Style
All students are expected to follow the CSU-Global Guide to Writing and APA Requirements when citing in APA (based on the APA Style Manual, 6th edition) for all assignments. For details on CSU-Global APA style, please review the APA resources within the CSU-Global Library under the “APA Guide & Resources” link. A link to this document should also be provided within most assignment descriptions on your course’s Assignments page.

Disability Services Statement
CSU–Global is committed to providing reasonable accommodations for all persons with disabilities. Any student with a documented disability requesting academic accommodations should contact the Disability Resource Coordinator at 720-279-0650 and/or email ada@CSUGlobal.edu for additional information to coordinate reasonable accommodations for students with documented disabilities.

Netiquette
Respect the diversity of opinions among the instructor and classmates and engage with them in a courteous, respectful, and professional manner. All posts and classroom communication must be conducted in accordance with the student code of conduct. Think before you push the Send button. Did you say just what you meant? How will the person on the other end read the words?

Maintain an environment free of harassment, stalking, threats, abuse, insults or humiliation toward the instructor and classmates. This includes, but is not limited to, demeaning written or oral comments of an ethnic, religious, age, disability, sexist (or sexual orientation), or racist nature; and the unwanted sexual advances or intimidations by email, or on discussion boards and other postings within or connected to the online classroom.

If you have concerns about something that has been said, please let your instructor know.