



## ***Fraud Examination***

ACCT 3380  
Spring 2017

### Instructor Information

Instructor: Dr. David Kerr

E-mail: [dkerr@uncc.edu](mailto:dkerr@uncc.edu)

Class Hours: ACCT 3380-001: Monday & Wednesday, 2:00–3:15, Friday bldg. room 381.  
MBAD 6131-U91: Every other Tuesday (beginning January 10), 5:30 – 8:15, Center City bldg. room 604.  
MBAD 6131-U90: Every other Wednesday (beginning January 11) 5:30 – 8:15, Center City bldg. room 602.

Office Hours: Feel free to stop by anytime.  
You can also contact me 24/7 via e-mail.

Regular office hours in the **Friday Building 253-E:**

Monday & Wednesday before class (12:45 – 1:55) and after class as needed.

Regular office hours in the **Center City Building room 713:**

Tuesday and Wednesday before class (3:30 – 5:20) and after class as needed.

### Required Textbook

***Principles of Fraud Examination***, 4<sup>th</sup> Edition, Joseph T. Wells; Wiley, ISBN-13: 978-1-118-92234-7.

### Course Description

This course will cover the major methods management and employees use to commit occupational fraud. You will learn how and why occupational fraud is committed, how fraudulent conduct can be deterred and detected, and how allegations of fraud should be investigated and resolved.

**Format:** Class time will consist primarily of a combination of lecture/discussion and videos. The videos deal with a wide range of subjects related to fraud investigation, and they have been provided to us by the *Association of Certified Fraud Examiners* specifically for our use in this course.

### Prerequisites

ACCT 3311 (with a grade of C or above) or with special permission.

### Statement on Students with Disabilities

UNC Charlotte is committed to access to education. If you have a disability and need academic accommodations, please provide me with a letter of accommodation from Disability Services early in the semester. For more information on accommodations, contact the Office of Disability Services at 704-687-0040 or visit their office at Fretwell 230 on main campus.

### General Comments

**Welcome to *Fraud Examination!*** I believe you will find this course to be one of the most interesting and enjoyable classes you have taken, as well as one of your best learning experiences. I am looking forward to getting to know each of you this semester and helping you succeed in this course, in the University, and in your career.

Keep in mind that your primary goal in this course is to enhance your professional career. Do not approach the course as if your only goal is to perform well on exams. You should make every effort to attend class. If you occasionally skip class, you will find yourself continually struggling to catch up. The best thing to do is plan ahead and budget your time appropriately so you can keep up in every class.

**Please feel free to meet with me if you ever need help with this course.** In addition, I welcome your suggestions about how the course could be improved.

### Canvas (UNC Charlotte Learning Management System)

Class Notes: Class notes for each topic we will cover in this course are available on *Canvas*. We will work through those notes during class. The notes are in PDF format; I recommend you print the notes and bring them with you to class.

In addition, solutions to homework problems are available on *Canvas*.

To access *Canvas*, open your browser and go to **canvas.uncc.edu**.

### Performance Evaluation

Your grade in the course will be based on four exams and a presentation. Your best <sup>3</sup>~~two~~ exam scores will be doubled as follows:

	<b>Points Available</b>
Student presentation .....	50
Lowest exam score 100 .....	100
Other exam score 100 x 2 .....	200
Other exam score 100 x 2 .....	200
Other exam score 100 x 2 .....	<u>200</u>
Total possible points .....	<u>750</u>

## Preliminary Grading Scale

<u>Total Points Earned</u>	<u>Course Grade</u>
675.00 – 750.00	A
600.00 – 674.99	B
525.00 – 599.99	C
450.00 – 524.99	D
Less than 450.00	F

## Examinations

You will be given four exams during the semester, including the final exam. Exam scores are not “curved.” You may use **one 4"x6" note card** with notes on the front and the back when taking each exam.

You should make every effort to take each exam on the scheduled date. Make-up exams will be given only in situations involving an excused absence with appropriate documentation. Make-up exams are typically a combination of multiple-choice, true/false, short answer (fill-in-the-blank), and/or problems. If you miss the final exam due to an excused absence with appropriate documentation, you will be given a make-up final exam during the second week of the following semester.

There will be no “do-over” exams. In other words, if you perform poorly on an exam, you will not have an opportunity to replace your score on the original exam with a makeup exam.

On exam days, bring with you at least one #2 pencil and an eraser.

## Student Presentation

This project is worth 50 points. **You may do it by yourself, or you may team up with one other student** – the choice is yours. You will select a type of fraud from those presented below and prepare a PowerPoint presentation on the fraud selected. Assume that you have been asked to teach a group of new auditors or fraud examiners about this type of fraud. You must know your materials – do not simply read your slides or notecards. Some items for you to consider including in your presentation are:

- i. A description of the fraud
- ii. Motivations for committing this type of fraud
- iii. Who commits this type of fraud?
- iv. Statistics relating to this type of fraud
- v. Actions that may be taken to prevent this type of fraud
- vi. Actions that may be taken to detect this type of fraud
- vii. Cases or examples of this type of fraud

In addition, you should include a list of fraud-related articles or resources you used for developing your presentation (at least 3 references should be used; you may include your textbook in the list if applicable).

Please select one of the following types of frauds for your presentation. You need to decide what type of fraud you are interested in and email your choice to me no later than April 3.

- Asset misappropriation – Sales skimming
- Asset misappropriation – Receivables skimming
- Asset misappropriation – Larceny
- Asset misappropriation – Shell company billing schemes
- Asset misappropriation – Non-accomplice vendor billing schemes
- Asset misappropriation – Personal purchases billing schemes
- Asset misappropriation – Check tampering (forged maker schemes)
- Asset misappropriation – Check tampering (forged endorsement schemes)
- Asset misappropriation – Check tampering (altered payee schemes)
- Asset misappropriation – Check tampering (concealed check, authorized maker schemes, and tampering with electronic payments)
- Asset misappropriation – Payroll schemes (ghost employee)
- Asset misappropriation – Payroll schemes (falsified hours, salary, or commission schemes)
- Asset misappropriation – Expense reimbursement schemes (mischaracterized expenses)
- Asset misappropriation – Expense reimbursement schemes (overstated expense reimbursements)
- Asset misappropriation – Expense reimbursement schemes (fictitious expenses and multiple reimbursements for a single expense)
- Corruption: Conflicts of Interest – Purchasing schemes
- Corruption: Conflicts of Interest – Sales schemes, business diversions, and resource diversions
- Corruption: Bribery – Kickback schemes
- Corruption: Bribery – Bid-rigging schemes
- Financial statement fraud – Fictitious revenue
- Financial statement fraud – Concealed liabilities & expenses
- Financial statement fraud – Timing differences
- Financial statement fraud – Improper asset valuation
- Financial statement fraud – Inadequate disclosures
- The Enron fraud

If you would like to select a topic that is not listed above, please see me.

Your actual presentation in class should last between 3 to 5 minutes per person (i.e. 6 to 10 minutes per partnership). Your presentation should not simply repeat what is presented in your textbook or what was presented previously in class. If you work on this project with a partner, each of you is expected to contribute to the development and presentation of your topic.

You must provide a one-page outline of your presentation to the instructor and members of the class. Additionally, each presenter must create 3 multiple-choice questions (6 per partnership) relating to their portion of the fraud topic presented in class. Copies of these multiple-choice questions should be provided to the instructor and members of the class on the date of your presentation.

## Cell Phones and Computers

The use of cell phones, beepers, or other communication devices is disruptive, and is therefore prohibited during class. Please **turn your cell phone off** before entering the classroom.

You are permitted to use computers or tablets during class for note-taking and other class-related work. The use of computers or tablets during class for activities not related to the class is distracting to other students (and to you) and is not allowed.

## Attendance and Participation

**Class attendance is important** as it gives you an opportunity to clarify and test your understanding of the material covered. You will be responsible for all material covered in class as well as in the homework assignments and readings. If you are unable to attend a class, please let me know in advance if possible.

Verbal communication skills and the ability to “think on your feet” are important for professionals. You should be prepared each day to respond to questions from other members of the class and from me. I will conduct this class in an atmosphere of mutual respect. I encourage your active participation in class discussions. The sharing of differing ideas is encouraged and welcome. However, I will exercise my responsibility to manage the discussions so that ideas and argument can proceed in an orderly fashion.

**Promptness is important** and is an expected quality of successful individuals in the accounting profession. Students arriving late to class tend to disrupt other students, so please be prompt.

Unless it’s an emergency, **please do not leave class before it’s over**. Leaving class early is distracting and discourteous to other students and to me. If you know you’re going to have to leave early, please let me know before class starts.

## Policies Regarding Grading

Portions of the following paragraph are from the University’s *Policies and Procedures for Appeals of Final Course Grades*; for more information, see <http://legal.uncc.edu/policies/GradeAppeal.html>):

Determination of final course grades and policies and procedures regarding grades is the responsibility of faculty, not students. Thus, the grading policies, procedures, and scales in your courses at UNC Charlotte are not open to debate, negotiation, or appeal. It is **inappropriate** for a student to contact a faculty member at the end of the semester in an attempt to influence the faculty member’s determination of final course grades. This includes, but is not limited to, asking the faculty member to raise the student’s grade for any reason. However, if you believe your final course grade assigned by the instructor was the result of a clear and **material mistake** in calculating or recording grades, you should contact the instructor, who will explain how the grade was determined. Your inquiry to the instructor should occur as soon as possible after the formal grade report is received. If you are unable to resolve the grievance through consultation with the instructor, a written request for review of the course grade may be submitted to the Chair of the Department in which the course was taught. Requests for review must be submitted within the **first four weeks** of the next regular academic semester.

For this course, your semester grade will be determined by the total number of points you earn on exams and your presentation — **period**. Factors and circumstances other than your total points will not be considered. This includes, but is not limited to, factors such as **need** (e.g., if you need a “B” or better to keep a scholarship or to graduate, then you must earn at least enough points to receive a B; plan accordingly), **effort** (while effort and exam scores tend to be highly correlated, your grade in this course will be based on your exam scores, not on the number of hours you spend studying), the number of **hours per week you work**, **number of courses** you’re taking this semester, **prior coursework** or **work experience** related to accounting, etc. (i.e., all students will be graded similarly, regardless of current employment status, course load, and prior accounting-related employment or coursework). In addition, students with **disabilities** will be graded in the same manner as all other students; however, students with disabilities may request reasonable accommodation of their disabilities as discussed on page 2 of this syllabus. Finally, please note that there will be **no additional “extra credit” work** available, and midterm exams are not curved. **I will not grade you differently than other students or raise your end-of-semester grade – please don’t ask.**

## Policies Regarding Academic Honesty

A high level of ethical conduct is a critically important attribute of members of the accounting profession. The importance of ethical conduct extends into the academic arena where the profession's future leaders are being prepared. Thus, **accounting students are expected to conduct themselves in a manner that is above reproach** in their academic work.

Academic misconduct includes cheating, fabrication, falsification, multiple submissions, plagiarism, and complicity. Each of these types of misconduct is discussed in the **Code of Student Academic Integrity** on the UNC Charlotte website at [www.legal.uncc.edu/policies/ps-105.html](http://www.legal.uncc.edu/policies/ps-105.html), along with related penalties and procedures. You are expected to be familiar with, and to follow, this Code.

In addition, the following specific requirements are expected in this class:

- (1) Strict individual performance on exams, i.e., not copying from or looking at another student's exam or opscan;
- (2) Not allowing another student to copy from or look at your exam or opscan;
- (3) Not passing or receiving information about an exam to other students;
- (4) Not consulting notes or books during exams unless specifically permitted to do so;
- (5) The questions used on exams are copyrighted. Therefore, you are not permitted to write down or take pictures of any of the questions. This applies not only during exams but also when reviewing exams.

Plagiarism consists of passing off as one's own the ideas, words, writings, etc., which belong to another. In accordance with this definition, you are committing plagiarism if you copy the work of another person and turn it in as your own, even if you have that person's permission.

Cheating on exams is wrong and will not be tolerated. If I determine or suspect you have cheated on an exam, I will follow University procedures for handling cases of academic misconduct (see [www.legal.uncc.edu/policies/ps-105.html](http://www.legal.uncc.edu/policies/ps-105.html)).

In addition to risking a U in the course and expulsion from the university, there are several other practical reasons not to cheat:

- No grade is worth sacrificing your character.
- You do not have to live with the knowledge that you behaved dishonestly while under pressure.
- You will know that your work is your own.
- Accountants must agree to a code of ethics before they can be licensed. Practicing ethical behavior becomes easier the more it's practiced. A person does not suddenly become ethical when he or she enters a profession after a lifetime of unethical behavior.

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Note: I reserve the right to modify the course schedule, deadlines, reading and homework assignments, classroom procedures, and course policies if circumstances warrant.

If I am late in arriving to class, please wait 10 minutes after the scheduled start of class before leaving.

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## Course Schedule

(Dates are subject to change, depending on guest speakers' schedules)

Date	In-Class Discussion Topic	Assignment (to do after class)
Week 1 Jan 9	<p><b>Note:</b> Download class notes for each chapter and video from <b>Canvas</b>. We will discuss and fill in the notes in class, so bring them with you.</p> <p>Introduction to the Course. Chapter 1: Introduction to Fraud Examination</p> <p><b>Video:</b> <i>Inside the Fraudster's Mind</i> (54 min) <a href="http://acfevideo.vzaar.me/1132865">http://acfevideo.vzaar.me/1132865</a></p> <p>The password for all videos is <del>8FE16275996</del> <b>9FE162030112</b></p>	<p>Read Wells Textbook – Chapter 1. Study notes for Chapter 1. <i>Study Notes for Video – Inside the Fraudster's Mind.pdf</i></p>
Week 2 Jan 16	<p><b>No class on Monday, January 16 – Martin Luther King Day.</b></p> <p><b>Wednesday:</b></p> <p><b>Video:</b> <i>Introduction to Fraud Examination, Vol. 1, Segment 1</i> (45 min) <a href="http://acfevideo.vzaar.me/1126405">http://acfevideo.vzaar.me/1126405</a></p>	<p><i>Study Notes for Video - Introduction to FE, Vol 1, Seg 1.pdf.</i></p>
Week 3 Jan 23	<p>Chapter 15: Conducting Investigations and Writing Reports</p> <p><b>Video:</b> <i>Conducting Internal Investigations</i> (54 min) <a href="http://acfevideo.vzaar.me/1126372">http://acfevideo.vzaar.me/1126372</a></p>	<p>(There are no notes for the video.)</p>
Week 4 Jan 30	<p>Chapter 16: Interviewing Witnesses</p> <p><b>Video:</b> <i>Beyond the Numbers: Professional Interview Techniques</i> (48 min) <a href="http://acfevideo.vzaar.me/1118412">http://acfevideo.vzaar.me/1118412</a></p> <p><b>Video:</b> <i>Evaluating Deception</i> (43 min) <a href="http://acfevideo.vzaar.me/1126383">http://acfevideo.vzaar.me/1126383</a></p>	<p>Read Wells Textbook – Chapter 16. Study notes for Chapter 16. <i>Study Notes for Video - Beyond the Numbers.pdf.</i> <i>Study Notes for Video - Evaluating Deception_Intro to FE, Vol 4, Seg 1.pdf.</i></p>
Week 5 Feb 6	<p><b>Exam 1 (on Monday)</b></p> <p><b>Wednesday:</b></p> <p><b>Video:</b> <i>ZZZZ Best &amp; Barry Minko (Cooking the Books)</i> (25 min) <a href="http://acfevideo.vzaar.me/1118404">http://acfevideo.vzaar.me/1118404</a></p> <p><b>Video:</b> <i>Criminology (Introduction to Fraud Examination, Vol. 1, Segment 2)</i> (25 min) <a href="http://acfevideo.vzaar.me/1126405">http://acfevideo.vzaar.me/1126405</a></p>	<p>(There are no notes for the ZZZZ Best video.) <i>Study Notes for Video – Criminology_Intro to FE, Vol 1, Seg 2.pdf.</i></p>

<p>Week 6 Feb 13</p>	<p><b>Video:</b> The Legal Elements of Fraud (Introduction to Fraud Examination, Vol. 1, Segment 3) (38 min) <a href="http://acfevideo.vzaar.me/1126405">http://acfevideo.vzaar.me/1126405</a></p> <p>Chapter 2: Skimming Chapter 3: Cash Larceny</p> <p><b>Video:</b> Other People’s Money: The Basics of Asset Misappropriation – Part 1 (22 min) <a href="http://acfevideo.vzaar.me/1127499">http://acfevideo.vzaar.me/1127499</a></p>	<p>Study <i>Notes for Video – The Legal Elements of Fraud_Intro to FE, Vol 1, Seg 3.pdf</i>.</p> <p>Read Wells Textbook – Chapter 2. Study notes for Chapter 2.</p> <p>Read Wells Textbook – Chapter 3. Study notes for Chapter 3.</p> <p>Study pages 1 thru 8: <i>Notes for Video - Other People’s Money.pdf</i>.</p>
<p>Week 7 Feb 20</p>	<p><b>Video:</b> The Smartest Guys in the Room</p>	<p>(There are no notes for the video)</p>
<p>Week 8 Feb 27</p>	<p><b>Exam 2</b> (Monday or Wednesday) <b>Guest speaker</b> (Monday or Wednesday)</p>	
<p>Week 9 March 6</p>	<p><b>Spring Recess – no classes this week</b></p>	
<p>Week 10 March 13</p>	<p>Chapter 4: Billing Schemes – <i>Monday</i> Chapter 5: Check Tampering <i>Wednesday: Guest speaker from Grant Thornton. Bring a laptop or tablet</i></p>	<p>Read Wells Textbook – Chapter 4. Study notes for Chapter 4.</p> <p>Read Wells Textbook – Chapter 5. Study notes for Chapter 5.</p>
<p>Week 11 March 20</p>	<p><del>Guest speaker (Monday or Wednesday)</del> <b>Wednesday:</b> Chapter 6: Payroll Schemes</p> <p><b>Video:</b> Other People’s Money: The Basics of Asset Misappropriation – Part 2 (20 min) <a href="http://acfevideo.vzaar.me/1127499">http://acfevideo.vzaar.me/1127499</a></p>	<p>Read Wells Textbook – Chapter 6. Study notes for Chapter 6.</p> <p>Study pages 9 thru 24: <i>Notes for Video - Other People’s Money.pdf</i>.</p>
<p>Week 12 March 27</p>	<p><b>Exam 3 (on Monday)</b> <b>Wednesday:</b> Chapter 7: Expense Reimbursement Schemes</p>	<p>Read Wells Textbook – Chapter 7. Study notes for Chapter 7.</p>
<p>Week 13 April 3</p>	<p>Chapter 10: Corruption Chapter 12: Fraudulent Financial Statement Schemes</p>	<p>Read Wells Textbook – Chapter 10. Study notes for Chapter 10.</p>



<p>Week 14 April 10</p>	<p><b>Guest speaker (Monday or Wednesday)</b></p> <p><b>Wednesday:</b> (continued) Chapter 12: Fraudulent Financial Statement Schemes</p> <p><b>Video:</b> Fraudulent Financial Transactions: Financial Statement Fraud (Introduction to Fraud Examination, Vol. 3, Segment 1) (39 min) <a href="http://acfevideo.vzaar.me/1126392">http://acfevideo.vzaar.me/1126392</a></p>	<p>Read Wells Textbook – Chapter 12.</p> <p>Study notes for Chapter 12.</p> <p><i>Study Notes for Video – Financial Statement Fraud.pdf</i></p>
<p>Week 15 April 17</p>	<p><b>No class on Monday, April 17 – Spring Weekend</b></p> <p><b>Wednesday:</b></p> <p><b>Video:</b> How to Detect and Prevent Financial Statement Fraud (53 min) <a href="http://acfevideo.vzaar.me/1126412">http://acfevideo.vzaar.me/1126412</a></p>	<p><i>Study Notes for Video – How to Detect and Prevent Financial Statement Fraud.pdf.</i></p>
<p>Week 16 April 24</p>	<p><b>Monday &amp; Wednesday:</b></p> <p>Student presentations</p>	
<p>Week 17 May 1</p>	<p><b>Monday:</b></p> <p>Student presentations</p> <p><b>No class on Wednesday</b></p>	

**Final Exam: Monday, May 8, 2:00 – 4:30**

The final exam will consist of questions about the material covered after Exam 3.

Please print, fill out, and bring with you to class on Monday, January 9, 2017

### Student Information Form

ACCT 3380, Spring 2017

1. Name \_\_\_\_\_ Phone \_\_\_\_\_

Name by which you would like to be called in class (if different from above) \_\_\_\_\_

(Circle one) Male Female

Hometown (where did you grow up?) \_\_\_\_\_

2. Experience:

A. Previous accounting-related employment (circle one) None Part-time Internship Full-time

B. Briefly describe any work experience related to accounting:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. If you currently have a job, where do you work? \_\_\_\_\_

4. If you have a job, how many hours per week do you work? \_\_\_\_\_

5. Career Interests:

\_\_\_\_\_  
\_\_\_\_\_  
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6. Comments and/or other information:

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