

NEW COURSE FORM

1. General Information.

- a. Submitted by the College of: Business Today's Date: 04/05/2010
- b. Department/Division: Von Allmen School of Accountancy
- c. Contact person name: Jeff L. Payne Email: jeff.payne@uky.edu Phone: 859-257-1435
- d. Requested Effective Date: Semester following approval OR Specific Term/Year¹: _____

2. Designation and Description of Proposed Course.

- a. Prefix and Number: ACC 555
- b. Full Title: Forensic Accounting and Fraud Examination
- c. Transcript Title (if full title is more than 40 characters): _____
- d. To be Cross-Listed² with (Prefix and Number): _____
- e. Courses must be described by at least one of the meeting patterns below. Include number of actual contact hours³ for each meeting pattern type.

3 Lecture _____ Laboratory¹ _____ Recitation _____ Discussion _____ Indep. Study
_____ Clinical _____ Colloquium _____ Practicum _____ Research _____ Residency
_____ Seminar _____ Studio _____ Other – Please explain: _____

- f. Identify a grading system: Letter (A, B, C, etc.) Pass/Fail
- g. Number of credits: 3
- h. Is this course repeatable for additional credit? YES NO
If YES: Maximum number of credit hours: _____
If YES: Will this course allow multiple registrations during the same semester? YES NO

- i. Course Description for Bulletin: This course will cover the principles and methodology of fraud detection and deterrence. The course includes such topics as skimming, cash larceny, check tampering, register disbursement schemes, billing schemes, payroll and expense reimbursement schemes, non-cash misappropriations, corruption, fraudulent financial statements, and interviewing witnesses.
- j. Prerequisites, if any: ACC 301 or consent of the Director of the School of Accountancy

- k. Will this course also be offered through Distance Learning? YES⁴ NO
- l. Supplementary teaching component, if any: Community-Based Experience Service Learning Both

3. Will this course be taught off campus? YES NO

4. Frequency of Course Offering.

¹ Courses are typically made effective for the semester following approval. No course will be made effective until all approvals are received.

² The chair of the cross-listing department must sign off on the Signature Routing Log.

³ In general, undergraduate courses are developed on the principle that one semester hour of credit represents one hour of classroom meeting per week for a semester, exclusive of any laboratory meeting. Laboratory meeting, generally, represents at least two hours per week for a semester for one credit hour. (from SR 5.2.1)

⁴ You must *also* submit the Distance Learning Form in order for the proposed course to be considered for DL delivery.

NEW COURSE FORM

- a. Course will be offered (check all that apply): Fall Spring Summer
- b. Will the course be offered every year? YES NO
If NO, explain: _____
5. Are facilities and personnel necessary for the proposed new course available? YES NO
If NO, explain: _____
6. What enrollment (per section per semester) may reasonably be expected? 24
7. Anticipated Student Demand.
- a. Will this course serve students primarily within the degree program? YES NO
- b. Will it be of interest to a significant number of students outside the degree pgm? YES NO
If YES, explain: _____
8. Check the category most applicable to this course:
- Traditional – Offered in Corresponding Departments at Universities Elsewhere
- Relatively New – Now Being Widely Established
- Not Yet Found in Many (or Any) Other Universities
9. Course Relationship to Program(s).
- a. Is this course part of a proposed new program? YES NO
If YES, name the proposed new program: _____
- b. Will this course be a new requirement⁵ for ANY program? YES NO
If YES⁵, list affected programs: _____
10. Information to be Placed on Syllabus.
- a. Is the course 400G or 500? YES NO
If YES, the *differentiation for undergraduate and graduate students must be included* in the information required in **10.b**. You must include: (i) identification of additional assignments by the graduate students; and/or (ii) establishment of different grading criteria in the course for graduate students. (See SR 3.1.4.)
- b. The syllabus, including course description, student learning outcomes, and grading policies (and 400G-/500-level grading differentiation if applicable, from **10.a** above) are attached.

⁵ In order to change a program, a program change form must also be submitted.

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Signature Routing Log

General Information:

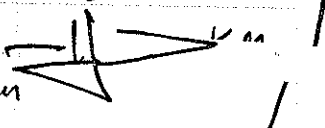
Course Prefix and Number: ACC 555

Proposal Contact Person Name: Jeff Payne Phone: 7-1435 Email: jeff.payne@uky.edu

INSTRUCTIONS:

Identify the groups or individuals reviewing the proposal; note the date of approval; offer a contact person for each entry; and obtain signature of person authorized to report approval.

Internal College Approvals and Course Cross-listing Approvals:

Reviewing Group	Date Approved	Contact Person (name/phone/email)	Signature
School of Accountancy Gatton	4/30/10	Dave Ziebart / 7-2112 / DZIEBZ@uky.edu	
Undergrad. Studies Comm. Gatton College Faculty	12/2/10 1/28/11	Scott Kelley / 7-3125 / skelley@uky.edu MERL HACKBART / 7-1627 / MHACKBART@uky.edu	Scott U Kelley 
		/ /	/

External-to-College Approvals:

Council	Date Approved	Signature	Approval of Revision ⁶
Undergraduate Council	3/14/2011		
Graduate Council			
Health Care Colleges Council			
Senate Council Approval		University Senate Approval	

Comments:

⁶ Councils use this space to indicate approval of revisions made subsequent to that council's approval, if deemed necessary by the revising council.

FRAUD EXAMINATION

ACC 555

Syllabus

INSTRUCTOR INFORMATION:

Jeff L. Payne, PhD, CPA
355J Gatton College of Business and Economics
jeff.payne@uky.edu; 859-257-1435
Office hours: Monday-Friday 10:45-Noon, or by appointment.

COURSE MATERIALS:

Required: *Good to Great*, 2001. Jim Collins. ISBN: 0-06-662099-6

Required: *Corporate Fraud Handbook*, Second edition (see class homepage), 2007 Wells. ISBN: 978-0-470-09591-1.

Reading materials:

Daily reading of the Wall Street Journal, *Fortune*, *Money*, *Business Week*, web based articles on Fraud, etc.

Web pages and resources as supplemental readings as indicated in class materials.

COURSE OBJECTIVES:

This course will cover the principles and methodology of forensic accounting, fraud detection and deterrence. The course includes such topics as skimming, cash larceny, check tampering, register disbursement schemes, billing schemes, payroll and expense reimbursement schemes, non-cash misappropriations, corruption, accounting principles and fraud, fraudulent financial statements, and interviewing witnesses. Upon completion of the course students will have an improved understanding of the techniques used to perpetrate fraudulent activity and the controls available to mitigate this behavior.

LEARNING OUTCOMES:

Knowledge and Understanding

Successful students will have a knowledge and understanding of:

- the impact and international scope of fraud in the twenty-first century
- potential legal liability of managers for fraud committed by others in the organization
- fraud theory and prevention
- best practices in achieving greater compliance, accountability and ethical conduct in public and private corporations, and in nonprofit organizations

- strategies for early fraud detection
- the uses and limitations of external and internal audits in fraud prevention
- the role of management in fraud prevention
- the role of fraud specialists in fraud detection and prevention (CPA, CFE, CFI)
- strategies for fraud prevention

Skills and Objectives

Successful students will be able to:

- Define the nature of fraud, who commits it and why.
- Identify methods to prevent fraud.
- Recognize the symptoms of fraud.
- Evaluate approaches to detecting fraud.
- Comprehend and apply fraud investigation techniques.
- Research, analyze, evaluate and communicate relevant fraud and corruption-related information in a professional manner
- Demonstrate awareness of organizational fraud and corruption issues
- Assess internal financial control weaknesses in organizations and identify and analyze fraud vulnerabilities
- Identify, interpret, and analyze employee and manager behaviors and financial and organizational data for potential fraud red flags indicating possible fraud or corruption
- Use appropriate decision-making techniques to formulate and recommend solutions to fraud and corruption-related organizational problems
- Graduate students will demonstrate an improved understanding of financial statement fraud by completing a comprehensive case analysis of a recently detected fraudulent financial statement.

COURSE STRUCTURE and POLICIES:

This brief summary is intended to outline how the classes will be organized, your responsibilities within the course, and the methods that will be incorporated into the course evaluation.

I expect you to be prepared for class. This is important because one of the goals of this class is for you to integrate information about fraud and forensic examination, corporate strategy and control, and accounting. To accomplish this, many of the class sessions will be devoted to critical discussions, rather than merely repeating the materials in the text. You will be provided a list of topics/questions to be ready to discuss each class period to assist your preparation.

Often we may use class time to discuss problems and cases. If provided beforehand, you should draft answers to the practice problems prior to class. This will enable the class to use the various individual solutions as a basis for its final solution.

Regardless of the method used to present material, you are encouraged to actively participate in

the class. If you have questions, ask them. If the discussion is related to your job experience or you can add to the discussion, please contribute. The class will be much more rewarding and interesting if you take an active role in it!

Schedule meeting times: Monday-Friday 8-10:45, GBE 248

UNIVERSITY OF KENTUCKY POLICIES

Reasonable accommodations policy

If you have a documented disability that requires academic accommodations, please see me as soon as possible during scheduled office hours. In order to receive accommodations in this course, you must provide me with a Letter of Accommodation from the Disability Resource Center (Room 2, Alumni Gym, 257-2754, email address (jkarnes@email.uky.edu) for coordination of campus disability services available to students with disabilities.

Religious observances

It is the policy of the University to excuse absences of students that result from religious observances and to provide without penalty for the rescheduling of examinations and additional required class work that may fall on religious holidays.

Classrooms

The College has asked that **no food or drinks** be consumed or brought into the classroom.

Code of Conduct

As a Student and a Future Accountant, You are Bound to a Code of Ethics. Certified Public Accountants have a formal ethics code that every member must follow. Similarly, to be a respected member of this classroom community, you must behave in an ethical fashion. You are expected to submit only your own work for credit. The University of Kentucky's Student Code of Responsibility and Conduct as contained in the student handbook will be adhered to explicitly. Of particular relevance are the pages that speak to academic conduct.

Specifically, each individual assignment must be the result of your own work. You may not use papers from other students--either currently enrolled in the course or from previous semesters--for writing, documentation, or computer assignments. In your papers, you should only use a small part of another's work, and you must cite the source; giving the original author credit eliminates any "plagiarism" discussion. During quizzes and exams, don't let your eyes wander. University policies regarding academic honesty will be strictly enforced.

Given the nature of this course, many of your homework and class project assignments will require the use of a personal computer. Please take care that you perform your own work on each assignment. Duplication of another's work will be treated as a violation of University

academic honesty policies.

The WITHDRAWAL POLICY for the School of Accounting is the same as the university-wide withdrawal policy. Refer to this withdrawal policy for details.

Students will be provided with a Midterm Evaluation (by the midterm date) of course performance based on criteria in the syllabus.

To assure compliance with federal law, I cannot inform you of your grade by phone. This applies to all School of Accounting personnel.

GRADING

Classroom participation, discussion, and professional behavior	20% / 30% (graduate / undergraduate)
Fraudulent financial statement analysis (see below)	10% (graduate)
Forensic case analysis and class presentation	20%
Exams (in class and take home)	50%
Total	100%

Grades will be determined based on the ranking of students in the class. I will grade your performance as follows: Undergraduate students: Clearly outstanding performance A (90-100), High level of performance B (80-89), Moderate or low level of performance, C (70-79), D (60-69), E (< 60). Graduate Students: Clearly outstanding performance A (90-100), High level of performance B (80-89), Moderate or low level of performance, C (70-79), E (< 70). Given the short term nature of this class the day-to-day in class exercises, case analyses, and discussions will be a significant portion of your grade. Your class participation will be evaluated based on your ability to discuss the questions for each day and the quality of any insights beyond these from your additional search and reading. Timeliness and professional behavior will affect this evaluation as well.

Questions and discussion when guest speakers are presenting will be weighted more heavily.

Taking both exams is a course requirement. It is your responsibility to notify me of any conflicts with the exam and to make alternate arrangements. Only University or Professor approved absences are acceptable for missing the exam or any class. Unless you notify me **prior** to the exam, a grade of 0 will be assigned for the exam. Absences will reduce the Classroom participation grade. Exams missed for approved absences will be completed at a date set by the Professor.

Exam questions will require multiple choice answers, short answers, and/or essay answers, and potentially a case analysis. Each exam will cover designated chapters from the textbook and

notes. Questions will be drawn from topics discussed in class, assignments, textbook reading, and other course materials.

Additional course requirements for graduate credit:

Students taking the course for graduate credit will be required to complete a comprehensive case analysis of a recent financial statement fraud. This analysis will be 12-15 pages in length and include a detailed analysis of the participants in the fraudulent activity, the fraudulent techniques utilized, the potential “red flags” that were overlooked by financial statement users, and what controls might have facilitated the earlier detection of the fraud.

An alternative will be to prepare a term paper of similar length dealing with one aspect of fraudulent behavior from research in the forensic and psychological literatures. This topic would be approved by the professor before initiating research efforts.

As class time allows, these deliverables would be presented to the class.

All assignments and exams should be prepared in a professional manner. Grammar, spelling, style, neatness, etc. will affect your grade.

All assignments will be submitted electronically to jeff.payne@uky.edu on or before the due date/time.

FRAUD EXAMINATION

ACC 555 SPRING _____

Class Schedule

Date	Topic / Pre-Class Preparation	In-Class handouts/Materials
Monday, April 5	<u>Chapter 1: Introduction</u> <u>Why employees commit fraud</u> <u>The Fraud Triangle</u> <u>The New Fraud Triangle (Diamond)</u> <u>ACFE: Report to the Nation 2008 (PPT / PDF)</u> <u>Fraud is Sexy</u> <u>Madoff</u> <u>No one would listen</u> <u>Small business Fraud on the rise</u> <u>Edwin H. Sutherland</u>	<p>All chapter questions relate to material from the readings for each class day.</p> <p><u>World Corruption Index</u></p>
Tuesday, April 6	<u>Chapter 2: Asset Misappropriation</u> <u>Chapter 3: Skimming</u> <u>Enemies Within</u> <u>"And one for me..."</u> <u>Failure of Morality, Not Capitalism</u>	<p><u>Failure of Morality, Not Capitalism</u></p> <p>Howard Street Jewelers, Inc</p> <p><u>Turning Employees into Corporate Spies</u></p>
Wednesday, April 7	<u>Chapter 4: Cash Larceny</u> <u>Lapping it Up (JofA)</u> <u>Chapter 6: Register Disbursement Schemes</u> <u>Control Cash-Register Thievery</u>	<p>Rocky Mountain Electric</p> <p><u>EF Hutton case questions</u></p> <p><u>Bank Deposit Bags</u></p>
Thursday, April 8	<u>Chapter 5: Check Tampering</u> <u>Money Laundering</u>	<p>OIG Fraud Alert</p> <p>Catch Me if You Can: Cleared for Takedown</p>
Friday, April 9	<u>Chapter 7: Billing Schemes</u> <u>Billing Schemes: Part 1: Shell</u>	<p>Excursion Airlines</p> <p><u>Online DBA</u></p> <p><u>Pro Card</u></p>

	<p>Companies <u>Billing Schemes: Part 2: Pass-Throughs</u> <u>Billing Schemes: Part 3: Pay and Return Invoicing</u> <u>Billing Schemes: Part 4: Personal Purchases</u></p> <p>KPMG: Lots of Books, Inc.</p>	<p><u>Bogus Billing Schemes</u> <u>77 Million Fraud</u> <u>Fair Debt Collection Practices Act</u> Catch Me if You Can: The Case of the Missing Manager</p>
Monday, April 12	<p><u>Chapter 8: Payroll and Expense Reimbursement Schemes</u> <u>Keep the Ghost off the Payroll</u> <u>Boston Longshoremen</u> <u>Risky Business</u> <u>Everybody is doing it!</u> <u>Expense Padding that Hurts</u></p>	<p>Trolley Dodgers <u>UK Travel Regulations</u></p>
Tuesday, April 13	<p><u>Chapter 9: Inventory and Other Assets</u> <u>Phantom Inventory</u> <u>Phar-Mor</u> <u>Inventory Walking out the Door</u> <u>McAfee</u> <u>Bristol-Myers Squibb</u></p>	<p>Phar-Mor <u>AAERs (2750)</u> <u>Channel Stuffing</u> Catch Me if You Can: Goodbye, Mr. Casino Chips</p>
Wednesday, April 14	<p><u>Chapter 10: Bribery</u> <u>Chapter 11: Conflicts of Interest</u> <u>Corruption: Causes and Cures</u> <u>The Business of Bribes</u> <u>At Siemens, Bribery Was Just a Line Item</u> <u>The Spectrum Game</u> <u>Federal False Claims Act</u> <u>Federal False Claim Act Settlements</u> <u>Qui Tam Lawsuits and Awards</u> <u>Health Care Fraud</u> <u>Federal Trade Commission</u></p>	<p>Catch Me if You Can: Villa De Crime</p>
Thursday, April 15	<p>Guest Speaker: Clay Mason, FBI</p>	<p><u>Fraud (FBI resources)</u></p>
Friday, April 16	<p><u>Interviewing Techniques</u> <u>Class Questions</u> <u>Sherlock Holmes, CPA, Part 2</u> ***Complete <u>Lie Detection Test</u> before class <u>Answer Please: Fraud Based Interviewing</u></p>	

	<p><u>10 Steps to a Top Notch Interview</u> <u>A Fish Story, or Not</u></p> <p>KPMG: Lots of Books, Inc.</p>	
Monday, April 19	<p>Chapters 12/13: Fraudulent Financial Statements <u>SAS 99</u> <u>SEC AAERs</u> <u>Benford's Analysis</u> <u>Timing is of the essence</u> Crazy Eddie: <u>Takes One to Know One</u> <u>Cynthia Cooper</u></p>	<p>Crazy Eddie Milgram experiment <u>Business Audit</u> <u>Person's of the Year 2002</u></p>
Tuesday, April 20	<p>Guest Speaker: Norman K. Williams Williams Financial Investigations LLC <u>www.WilliamsFI.com</u></p>	
Wednesday, April 21	<p>Global Financial Crisis <u>Valuing Toxic Assets</u> <u>Community Reinvestment Act</u> <u>2/28 Mortgages</u> <u>Fraud and the Financial Crisis</u></p>	
Thursday, April 22	<p>Fraud Examination Fraud Prevention Checkup from ACFE <u>Sherlock Holmes CPA Part 1</u> Fraud Hotline: United Kingdom <u>Fraud Examination, The New 404?</u> <u>PCAOB report on auditor's</u> <u>responsibility to detect fraud</u> <u>Assessing Fraud Risk</u> <u>Someone's watching</u> <u>Why ask? You ask?</u> <u>And nothing but the truth...</u></p>	
Friday, April 23	<p>Final Exam: In Class Portion (MC)</p>	<p>Take home portion of final exam due on or before Tuesday, May 5 10:30 am. (This is the end of the final exam period for the class) Early submissions accepted. Submit electronically to jeff.payne@uky.edu</p>