

# **The role of accounting education in fraud awareness, prevention and detection**

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## Abstract

Until recently the accounting curriculum at most institutions included little or no course content concerning fraud related topics. The need for initial or expanded coverage of fraud and forensic accounting in higher education is clear. There is an overarching need for accounting educators to address issues relating to prevention and detection of fraud.

The purpose of this paper and conference presentation is to discuss the need for a greater emphasis on forensic accounting and fraud examination education; review some of the many resources available for use in fraud courses; and present some possible course structures and content, given different objectives and targeted audiences. The conference presentation should facilitate development of materials that support fraud education as well as support a student centered, active learning approach to assignment design.

Keywords: accounting education, accounting curriculum, forensic accounting, fraud examination

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### Introduction

The rash of financial statement frauds sent a tidal wave through the accounting profession and brought into question the profession's responsibilities in detecting and reporting fraudulent business behavior. Sarbanes-Oxley was a direct result of the corporate financial shenanigans and corruption that occurred at, among others, Enron and WorldCom. Statement of Auditing Standards No. 99 (now AU Section 316) was also an outgrowth of corporate improprieties. The Statement established standards for consideration of fraud in a financial statement audit. The Dodd-Frank Act created new regulations in an effort to avoid a recurrence of events that caused the 2008 financial crisis. The failure of the auditor to catch the plethora of long-running ponzi schemes such as the Madoff case has resulted in outcries for a change in the relationship between a firm and its accounting auditor.

Joe Wells, the founder of the Association of Certified Fraud Examiners (ACFE) has stated, "as a group, CPAs are neither stupid nor crooked. But the majority are still ignorant about fraud". The data seem to support his claim; The ACFE Report to the Nation in identifying how frauds were first discovered reported that external audits were the fifth most likely method for detection of occupational fraud behind such methods as tips and by accident.

The Public Company Accounting Oversight Board (PCAOB) in its report Observations on Auditors' Implementation of PCAOB Standards Relating to Auditors' Responsibilities with Respect to Fraud stated auditors should do more to detect fraud. The PCAOB recommends that external auditors improve their fraud assessment techniques and better document their efforts to detect material fraud.

### Forensic accounting and fraud curriculum

Until recently the accounting curriculum at most institutions included little or no course content concerning fraud related topics. With increasing awareness of the accountant's role and responsibility to fight numerous types of fraud including investment fraud, identity theft, embezzlement, and financial statement fraud many institutions are adding fraud examination and forensic accounting courses to their curriculum. The need for initial or expanded coverage of fraud and forensic accounting in higher education is clear. There is an overarching need for accounting educators to address issues relating to prevention and detection of fraud and give future accountants the tools to prevent and detect fraud.

A wealth of materials exists for use in a fraud course. The ACFE acknowledged an unprecedented need for fraud examination education at the college and university level. As a

result, the Association put out a call to accounting educators to offer a course in fraud examination. In return, the ACFE offered educational materials free of charge. The free anti-fraud education resources materials include course syllabus and teaching aids, over nine hours of videos that are used in the ACFE's continuing education courses, assistance in locating experts to serve as guest lecturers.

In addition to the resources provided by the ACFE a number of other professional organizations have useful information on their web sites, some organizations will provide training materials for classroom use. There are a number of textbooks for fraud examination and forensic accounting courses. Numerous books and articles relating to financial fraud are also available.

### Teaching pedagogy

There is a need to provide students with assignments that will enhance their analytical, critical and reflective thinking, and written communications skills. The challenge is to provide students with materials that have real world relevance and engage students actively in the learning process. The AICPA's Vision Project recommends that accounting education help students develop the essential core competencies of communication, critical thinking and interpersonal skills.

In an effort to more fully involve students in the learning process, many faculty have incorporated various active learning (A-L) strategies into their courses. The conference presentation will include examples of assignments utilized in a fraud examination class that draw upon available resources with a specific focus on the use of think paper assignments. These assignments are designed to address relevant course topics within a structure that will help students develop core competency skills needed for entry into the profession of accounting.

### Conclusion

Clearly, there is a need for accounting educators to address issues relating to prevention and detection of fraud. There is also a need to provide students with challenging assignments that escape the one right answer syndrome and require creative, critical thinking. Finally in this blossoming area of forensic accounting and fraud examination curriculum there is a need to develop and share resources that will be useful in addressing issues related to both course content competencies outlined in the Framework. Hopefully the material provided in this paper will help meet this need.