Southern New Hampshire University

ACC 646 Final Project Guidelines and Rubric

Overview

The final project for this course is the creation of a case study analysis and report for management.

Forensic accounting has been identified as the fastest growing area of accounting. Fraud examiners must understand the legal aspects of fraud and what constitutes fraud. To be successful in this industry, they must be able to determine why people commit fraud and how to prevent it from happening. Through this analytical process, examiners may then provide organizations with recommendations for improving their internal controls, thus preventing further financial losses and additional harm to their reputations.

For this assessment, you will assume the role of a fraud examiner using a case study based on an actual fraud occurrence. Cressey's fraud triangle will be used to assess the three conditions present in fraud cases: incentives, opportunity, and rationalization. The case will also provide you with the opportunity to employ basic techniques for identifying red flags for fraud occurrence, recognize legal and regulatory issues, and compose an executive report for management.

The project is divided into **three milestones**, which will be submitted at various points throughout the course to scaffold learning and ensure quality final submissions. These milestones will be submitted in **Modules Three, Five,** and **Seven.** The final product will be submitted in **Module Nine.**

In this assignment, you will demonstrate your mastery of the following course outcomes:

- Analyze the impact of the legal and regulatory environment on perpetrators, witnesses, organizations, and fraud and forensic accounting professionals
- Analyze fact patterns, likelihood of occurrence, and significance of potential losses for identifying various fraud acts
- Apply appropriate skills and approaches to unstructured problem solving for developing analytical skills indicative of an antifraud practitioner
- Determine essential skills for informing how to approach forensic accounting engagements
- Formulate recommendations for the improvement of fraud prevention programs based on the design of the organization's antifraud techniques and controls

Prompt

For this assessment, you will assume the role of a fraud examiner using a case study based on an actual fraud occurrence. You will use Cressey's fraud triangle to assess the three conditions present in fraud cases: incentives, opportunity, and rationalization. The case will also provide you with the opportunity to employ basic techniques for identifying red flags for fraud occurrence and recognize legal and regulatory issues. Finally, you will compose a report for management in which you will explain your findings and supply management with recommendations regarding how to improve their antifraud techniques and internal controls.

The following is a list of possible companies for the final project. Information on the company, fraud, and financial statements can be found on the U.S. Securities and Exchange Commission (SEC) website. The SEC website also provides quarterly, annual, and various filings and Accounting and Auditing Enforcement Releases (AAER). You may also select a different publicly traded company from the SEC website for consideration by your instructor.

Enron
The Enron scandal is often referred to as one of the largest accounting frauds in history. Enron was a commodities and energy company formed after a merger of Houston Natural Gas and Internorth. In October 2001, the SEC launched an investigation into Enron's financial statements. The main issues regarding this fraud include accounting treatment of special purpose entities and derivatives.
The Spotlight on Enron webpage on the SEC website lists numerous litigation releases regarding the company.

WorldCom
WorldCom is a telecommunications company currently known as MCI, Inc. In 2002, it overstated assets by $11 billion and understating expenses by $3.8 billion. The main issues regarding this fraud include capitalizing costs that should have been expensed and overstating revenues.
A complaint issued by the SEC against WorldCom provides many details about this case.

Tyco International Ltd.
Tyco International Ltd.**,** a Swiss security system located in New Jersey, was implicated in a fraud scandal that occurred in 2002. The main issues regarding this fraud included asset misappropriation by top executives and overstatement of income.
The AAER related to Tyco is located on the SEC website.

Satyam Computer Services
The chairman of Satyam, an Indian software outsourcing company, admitted to committing fraud in 2009. The main issues regarding this fraud include overstatement of revenue and cash and falsification of documents.
The AAER related to Satyam Computer Services is located on the SEC website.

AgFeed Industries, Inc.
AgFeed Industries, Inc. is a Tennessee animal feed company. In 2014, the SEC alleged that the company had overstated revenues by $239 million in its Chinese operations. The main issues regarding this fraud included overstatement of revenues and meeting stock analysts' expectations.
A complaint issued by the SEC against AgFeed Industries is located on the SEC website.

Specifically, the following **critical elements** must be addressed:

I. **Introduction**
   a) What are the **elements** of fraud and the importance of studying fraud? How does knowledge of fraud benefit stakeholders beyond the accounting department?
   b) What are the different **theories of crime causations**? How does the identification of the cause of the fraud assist the investigator in determining the perpetrator and the extent of the crime? Provide specific examples that link crime causation to the perpetrator and the crime.

c) Use the fraud triangle to discuss red flags of **evidence** of pressure, opportunity, and rationalization typically present when fraud occurs. Be sure to link each red flag to a specific area of the fraud triangle.
d) Describe the **regulatory and legal factors** that impact the prevention and/or detection of fraud.
e) Explain the **recent developments** that impact the accounting industry and specifically the fraud investigation. Consider linking previous cases of fraud to changes in the fraud investigation.

II. **Business Environment and the Industry**
a) What are the **industry-specific challenges**, such as specialization, competition, or growth, this organization is faced with? How do these challenges relate to the company's business environment?
b) Based on the case study, what **behaviors** did employees exhibit that were indicative of fraud? Describe the pressures employees faced from management that might have led to the fraud. How could they have been avoided?
c) Assess the strengths of the organization's **internal controls**. Where are the weaknesses and how might these lead to fraud?
d) How could you address these **weaknesses** in order to improve them? What measures could you take to ensure this would improve the weaknesses?
e) What sorts of **anomalies** were contained within the financial statements or additional financial analysis? How do these anomalies relate to the potential fraudulent activity?

III. **Hypothesis Development**
a) What frauds could **occur in the environment** you researched? How are these related to the specific company, the industry, and the economic conditions as a whole?
b) Of all of the employees mentioned, who would have **incentives or opportunities** to commit fraud? Why?
c) **Which** of the **employees** who had the incentive or opportunity to commit fraud is in a position to cause the financial anomalies found? Explain why.

IV. **Investigation Planning**
a) Describe the **process** of how could you investigate the potential fraud and the appropriate steps to complete the process.
b) What **documents** might you need? Who might you need to speak with regarding the fraud? Support your responses.
c) Illustrate how **regulatory issues** such as Sarbanes–Oxley or SAS No. 99 would impact the investigation.
d) What other **fraud risk inquiries** are needed to investigate the suspected fraud? What steps would need to be taken to address these risk inquiries?

V. **Report to Management**
a) To whom do you need to **address your findings**? Why are these appropriate parties?
b) What are your **recommendations** to improve internal controls to reduce the likelihood of fraud? Be sure to support your recommendations.
c) Determine which theory of crime causation is **present in the fraud** you identified. How is this theory of crime causation directly related to this fraud and how could it have been prevented?
d) What **legal or regulatory issues** were related to your findings? How will these impact all parties involved?

e) What **suggestions** do you have for management to prevent this fraud from occurring in the future? What evidence could you present to prove your suggestions would be effective?

Milestones

Milestone One: *Introduction (Section I)*
In **Module Three,** you will submit an introduction to fraud as it applies to your case study analysis. Consider the elements of fraud, the theories of crime causation, red flags of evidence based on the elements of the fraud triangle, regulatory and legal factors in preventing and/or detecting fraud, and developments in the accounting industry that impact the fraud investigation. **This milestone will be graded with the Milestone One Rubric.**

Milestone Two: *Business Environment and the Industry (Section II)*
In **Module Five,** you will submit an analysis of the business environment and the industry for your chosen company**.** Consider the industry-specific challenges, behaviors indicative of fraud, and internal control structure and perform a financial statement analysis for your company. **This milestone will be graded with the Milestone Two Rubric.**

Milestone Three: *Hypothesis Development and Investigation Planning (Section III & Section IV)*
In **Module Seven,** you will submit your hypothesis development and investigation plan for your company. Consider potential frauds and perpetrators in your company, how the fraud could be investigated, regulatory issues, and any other fraud risk inquires required. Once you have developed your fraud hypothesis, propose an investigation plan. Describe the process of how you would investigate the potential fraud and all of the factors that must be considered for carrying out the investigation. **This milestone will be graded with the Milestone Three Rubric.**

Final Submission: *Case Study Analysis and Report for Management*
In **Module Nine,** you will submit the case study analysis and report for management of your company. The final submission should contain **all** of the critical elements of the final project. For this submission, you will develop Section V and combine it with Sections I through IV, revised to incorporate feedback gained throughout the course. **This submission will be graded with the Final Product Rubric (below).**

Deliverables

Milestone	Deliverable	Module Due	Grading
One	Milestone One: Introduction	Three	Graded separately; Milestone One Rubric
Two	Milestone Two: Business Environment and the Industry	Five	Graded separately; Milestone Two Rubric
Three	Milestone Three: Hypothesis Development and Investigation Planning	Seven	Graded separately; Milestone Three Rubric
	Final Submission: Case Study Analysis and Report for Management	Nine	Graded separately; Final Product Rubric (below)

Southern New Hampshire University

Final Product Rubric

Guidelines for Submission: Your case study analysis and report for management must be 10–12 pages, excluding exhibits, double-spaced, 12-point Times New Roman font, and in APA format.

Critical Elements	Exemplary (100%)	Proficient (90%)	Needs Improvement (70%)	Not Evident (0%)	Value
Introduction: Elements	Meets "Proficient" criteria and uses concrete examples to substantiate claims	Explains the elements of fraud, the importance of studying fraud, and how knowledge of fraud benefits various stakeholders beyond the accounting department	Explains the elements of fraud and the importance of studying fraud but does not explain how knowledge of fraud benefits stakeholders beyond the accounting department or explanation is cursory or contains inaccuracies	Does not explain the elements of fraud and the importance of studying fraud	4.45
Introduction: Theories of Crime Causation	Meets "Proficient" criteria and demonstrates a nuanced understanding of the theories of crime causation	Discusses the different theories of crime causation and how identifying the cause of the fraud assists the investigator in determining the perpetrator and the extent of the crime and provides specific examples linking crime causation to the perpetrator and the crime	Discusses the different theories of crime causation and how identifying the cause of the fraud assists the investigator in determining the perpetrator and the extent of the crime but does not provide specific examples linking crime causation to the perpetrator and the crime or discussion is cursory or contains inaccuracies	Does not discuss the different theories of crime causation	4.45
Introduction: Evidence	Meets "Proficient" criteria and demonstrates keen insight into the aspects of the fraud triangle	Discusses the red flags of evidence of pressure, opportunity, and rationalization typically present when fraud occurs using the fraud triangle and links each red flag to a specific area of the fraud triangle	Discusses the red flags of evidence of pressure, opportunity, and rationalization typically present when fraud occurs but does not use the fraud triangle	Does not discuss the red flags of evidence of pressure, opportunity, and rationalization typically present when fraud occurs	4.45
Introduction: Regulatory and Legal Factors	Meets "Proficient" criteria and description is exceptionally clear and contextualized	Describes the regulatory and legal factors that impact the prevention and/or detection of fraud	Describes the regulatory and legal factors that impact the prevention and/or detection of fraud but description is cursory or contains inaccuracies	Does not describe the regulatory and legal factors that impact the prevention and/or detection of fraud	4.45

Introduction: Recent Developments	Meets "Proficient" criteria and links previous cases of fraud to changes in fraud investigation	Explains the recent developments that have impacted the accounting industry and specifically fraud investigation	Explains the recent developments that have impacted the accounting industry and specifically fraud investigation but explanation is cursory or contains inaccuracies	Does not explain the recent developments that have impacted the accounting industry and specifically fraud investigation	4.45
Business Environment and the Industry: Industry-Specific Challenges	Meets "Proficient" criteria and is well-qualified with concrete examples	Determines the industry-specific challenges the organization faces and how they relate to the company's business environment	Determines the industry-specific challenges the organization faces but does not determine how they relate to the company's business environment	Does not determine the industry-specific challenges the organization faces	4.45
Business Environment and the Industry: Behaviors	Meets "Proficient" criteria and demonstrates a nuanced understanding of potential pressures felt by employees	Describes the behaviors employees exhibited in the case study that were indicative of fraud and the pressures employees faced from management that may have led to the fraud and how they could have been avoided	Describes the behaviors employees exhibited in the case study that were indicative of fraud but does not describe the pressures employees faced from management that may have led to the fraud and how they could have been avoided or description is cursory or contains inaccuracies	Does not describe the behaviors employees exhibited in the case study that were indicative of fraud	4.45
Business Environment and the Industry: Internal Controls	Meets "Proficient" criteria and cites specific, relevant examples to establish a robust context for the assessment	Assesses the strength of the organization's internal controls and discerns the weaknesses and how they may have led to fraud	Assesses the strength of the organization's internal controls but does not discern the weaknesses and how they may have led to fraud	Does not assess the strength of the organization's internal controls	4.45
Business Environment and the Industry: Weaknesses	Meets "Proficient" criteria and determination is well-supported and logical	Determines how the weaknesses could be addressed and what measures could be taken to ensure improvement	Determines how the weaknesses could be addressed but does not determine what measures could be taken to ensure improvement	Does not determine how the weaknesses could be addressed and what measures could be taken to ensure improvement	4.45
Business Environment and the Industry: Anomalies	Meets "Proficient" criteria and uses concrete examples to substantiate claims	Determines the types of anomalies present in the financial statements or additional financial analysis and directly relates them to the potential fraudulent activity	Determines the types of anomalies present in the financial statements or additional financial analysis but does not relate them to the potential fraudulent activity or contains inaccuracies	Does not determine the types of anomalies present in the financial statements or additional financial analysis	4.45

Hypothesis Development: Occur in the Environment	Meets “Proficient” criteria and offers a nuanced insight into the relationship between this particular environment and potential frauds	Explains what frauds could occur in the environment researched and how they are related to the specific company, the industry, and the economic conditions as a whole	Explains what frauds could occur in the environment researched but does not explain how they are related to the specific company, the industry, and the economic conditions as a whole or explanation is cursory or contains inaccuracies	Does not explain what frauds could occur in the environment researched	4.45
Hypothesis Development: Incentives or Opportunities	Meets “Proficient” criteria and explains how this could lead to or is directly related to the potential fraud committed	Determines which of the employees would have incentives or opportunities to commit the fraud and defends response	Determines which of the employees would have incentives or opportunities to commit the fraud but does not defend response	Does not determine which of the employees would have incentives or opportunities to commit the fraud	4.45
Hypothesis Development: Which Employees	Meets “Proficient” criteria and explains how this employee was able to cause the anomaly	Determines which of the employees with the incentive or opportunity to commit fraud is in a position to cause the financial anomalies found and explains why	Determines which of the employees with the incentive or opportunity to commit fraud is in a position to cause the financial anomalies found but does not explain why	Does not determine which of the employees with the incentive or opportunity to commit fraud is in a position to cause the financial anomalies found	4.45
Investigation Planning: Process	Meets “Proficient” criteria and description is exceptionally clear and contextualized	Describes the process of how the potential fraud could be investigated and the appropriate steps to complete the process	Describes the process of how the potential fraud could be investigated but description is cursory or lacks important steps	Does not describe the process of how the potential fraud could be investigated	4.45
Investigation Planning: Documents	Meets “Proficient” criteria and determination is well-supported and logical	Determines what documents might be needed and who might need to be spoken to regarding the fraud and supports responses	Determines what documents might be needed and who might need to be spoken to regarding the fraud but does not support responses	Does not determine what documents might be needed and who might need to be spoken to regarding the fraud	4.45
Investigation Planning: Regulatory Issues	Meets “Proficient” criteria and demonstrates a nuanced understanding of the applicable regulatory issues	Illustrates how regulatory issues would impact the investigation	Illustrates how regulatory issues would impact the investigation but does not apply a variety of regulatory issues to the case study	Does not illustrate how regulatory issues would impact the investigation	4.45
Investigation Planning: Fraud Risk Inquiries	Meets “Proficient” criteria and determination is well-supported and logical	Determines what other fraud risk inquiries are needed to investigate the suspected fraud and the steps to address these risk inquiries	Determines what other fraud risk inquiries are needed to investigate the suspected fraud but does not determine the steps to address these risk inquiries	Does not determine what other fraud risk inquiries are needed to investigate the suspected fraud and supports response	4.45

Report to Management: Address Your Findings	Meets "Proficient" criteria and justification uses industry-specific language to establish expertise	Identifies parties and justifies why parties are appropriate	Identifies parties but does not justify why parties are appropriate	Does not identify appropriate parties	4.45
Report to Management: Recommendations	Meets "Proficient" criteria and proposes how these recommendations might be implemented	Proposes recommendations to improve the internal controls to reduce the likelihood of fraud and supports recommendations	Proposes recommendations to improve the internal controls to reduce the likelihood of fraud but does not support recommendations or recommendations are illogical	Does not propose recommendations	4.45
Report to Management: Present in the Fraud	Meets "Proficient" criteria and offers keen insight into crime causation and prevention methods	Determines which theory of crime causation is present in the fraud identified and how this theory is directly related to this fraud and how it could have been prevented	Determines which theory of crime causation is present in the fraud identified but does not determine how this theory is directly related to this fraud and how it could have been prevented	Does not determination which theory of crime causation is present in the fraud identified	4.45
Report to Management: Legal or Regulatory Issues	Meets "Proficient" criteria and discusses how to use these legal or regulatory issues to prevent and/or detect fraud in the future	Discusses which legal or regulatory issues were related to the finding and how they will impact all parties involved	Discusses which legal or regulatory issues were related to the finding but does not discuss how they will impact all parties involved or discussion is cursory or contains inaccuracies	Does not discuss which legal or regulatory issues were related to the finding and how they will impact all parties involved	4.45
Report to Management: Suggestions	Meets "Proficient" criteria and describes how the suggestions might be implemented	Proposes suggestions to management to prevent this fraud from occurring in the future and presents evidence to prove the suggestions would be effective	Proposes suggestions to management to prevent this fraud from occurring in the future but does not present evidence to prove the suggestions would be effective	Does not propose suggestions to management to prevent this fraud from occurring in the future	4.45
Articulation of Response	Submission is free of errors related to citations, grammar, spelling, syntax, and organization and is presented in a professional and easy to read format	Submission has no major errors related to citations, grammar, spelling, syntax, or organization	Submission has major errors related to citations, grammar, spelling, syntax, or organization that negatively impact readability and articulation of main ideas	Submission has critical errors related to citations, grammar, spelling, syntax, or organization that prevent understanding of ideas	2.1
				Total	**100%**