

# Index

- Absolute assurance, provision, 51–52
- Access logs, 354
- Accountants, independence, 192
- Accounting, 285–286, 426–429, 434
  - documents, 183
  - executives, SEC action (example), 447
  - measures, metrics, 420
  - models, 481–482
  - records, 183, 265, 407
- Accounting firms, actions, 73, 129–130
- Accounting Principles Board (APB), 421
- Accounting Standards Codification (ASC), 426, 439, 472
- Accounting Standards Executive Committee (AcSEC), 421
- Account-opening procedures, 522
- Accounts, compliance sensitivity, 540
- Accounts payable, accruals (nonrecognition), 424
- Accounts receivable, reports (GAAP requirement), 460
- Accrued expense account, change (percentage), 478
- Actions, rationalization, 30
- Act on Promotion of Information and Communications Network Utilization and Data Protection (ADP), 167–168
- Adequate preparation, importance, 364–365
- Adjusted-as-planned method, 556
- Admission, 318, 330
- Admission-seeking interviews, 216, 322–325
- Advertising costs, 477–478
- Affected-as-planned method, 556
- Affected plan method, 557
- Affidavits, 364, 374
- Agency enforcement actions, 69–70
- Allegations, 140–141, 144–145
  - addressing, 224–225
  - investigations, 186
- Allocation methodology, forensic accountant support, 582
- Allowance method, 461
- American Institute of Architects (AIA) documents, 419, 554–555
- American Institute of Certified Public Accountants (AICPA), 64, 421
  - code of professional conduct, 365–366
  - Code of Professional Ethics, professional skepticism attention, 199
  - consulting standards, 364–367
  - independence rules, 192
  - management responsibility statements, 42–43
  - Rule of Professional Ethics 101 (ET Rule 101), 196–198
  - Special Committee on Financial Reporting, 66
  - statements, 365
  - statements of position (SOPs), 421, 451
- American Recovery and Reinvestment Act (ARRA), 156–157
- America Online (AOL), amortization problems (SEC charge), 478
- Amortization, 475–476
- Analytic procedures, 254–258
- Analytics, 57
- Analytic techniques, 258–260
- Annual reports, nonfinancial statement sections, 483
- Annual returned-goods limitations, disclosure failure, 443
- Anonymous communications, 133, 139–146
- Anonymous letters, 89, 90
- Anonymous reporting, federal statutes, 135–139
- Anonymous tips, 134–135, 147–148, 274
- Antibribery provision, 527–529
- Anticorruption
  - laws/relationship, 229–301, 349–351
  - program monitoring agents, FCPA assistance, 542
- Anti-money laundering (AML), 348–349, 511, 515–520
  - corporate governance, corporate culture (relationship), 523
  - forensic accounting investigation, 521–523
  - fraud investigation, relationship, 525–526
  - legislation, 301
  - procedures, financial institution employment, 18
  - reporting process, 522–523
- Anti-pre-texting legislation, 311
- Anything of value, term (usage), 528
- As-built method, 557–558
- Asia Pacific, data privacy, 167–168
- Asia Pacific Economic Cooperation (APEC) Privacy Framework, 167
- Asset-freeze orders, 520
- Asset misappropriation, 232, 244–245, 347–348
  - controls, adequacy, 238
  - investigation, conducting, 401–402
  - susceptibility, 237
- Assets
  - fraudulent collection, 232
  - inventory schemes, 467–470
  - investment schemes, 471–474
  - misstatements, 467–478

- Assets (*Continued*)
  - securitization, 14
  - valuations/values, 46, 467–468
- Associated General Contractors of America (AGC), 554
- Association of Certified Fraud Examiners (ACFE), 79, 365–368
  - Fraud Examiners Manual*, 364, 367, 370
  - fraud manual, instruction, 30–31
  - 2010 Report to the Nation on Occupational Fraud and Abuse*, 599
- Attitude, 246–248
- Attorneys, 402–404, 407–411
  - forensic accounting investigators, work, 399–400
  - interaction, 399
- Auction rate securities, 14
- Audit clients, 10A investigation (problem), 92
- Audit committee, 405
  - internal audit director, relationship, 112
  - investigation, 126
- Audited financial statements, availability, 278
- Audit firms, 130–131, 410
- Auditing, 7–9, 11–14
  - accounting, forensic accounting (comparison), 38
  - core skills, 119
  - firms, 129–130, 411
  - independence, maintenance, 56–57
  - investigation, 16–17, 22–23
  - loose-thread theory, 207–211
  - money laundering, relationship, 524–525
  - process, efficacy (expectations), 37
  - standards, 56–60
- Auditors, 14–16, 50–55, 448
  - authenticators, contrast, 80–81
  - clients, problematic/unusual events/occurrences, 88–89, 265
  - company position, 40
  - complexity/change, 41–42
  - details, importance, 221–223
  - estimates, challenge, 46–49
  - forensic accounting investigators, contrast, 80
  - fraud, 81–82, 428–429
  - guarantors, contrast, 82–83
  - independence, strengthening (SEC final rules), 192–193
  - lying, 462
  - management override, 60
  - observations, examples, 205–207
  - professional skepticism, 242
  - questions, 252
  - report, inclusion, 53–54
  - responses, examples, 205–207
  - responsibility, 50, 63
  - role, 7–14, 37, 42–44, 69
  - working papers, availability, 278
- Audits, 56, 122–123, 255–256
  - absolute assurance, absence (reasons), 52–53
  - committee, advice, 375–376
  - effectiveness, 55–57
  - engagement leader, impact, 249
  - evidence, 52, 59
  - independence/objectivity, 56–57
  - partners, forensic accounting investigator usage, 124
  - performing, 12, 383
  - planning, 59, 83
  - predictability, 83–84
  - social value, 64
  - team members, discussion, 249–251
  - testing/tests, 256, 263–264
  - trail, maintenance, 356
- Authenticators, auditors (contrast), 80–81
- Authorities, contact, 279
- Available-for-sale securities, report, 473
- Background information, 305–306
- Bad debt provisions, recordation, 461
- Balance sheet, fraud, 456
- Balance-sheet-dependent financial ratios, 480
- Bank control procedures, 486
- Bank frauds, 428
- Banking restrictions, 297
- Bank of America Corporation (BoA), SEC settlement, 597
- Bank of New York, money laundering, 515
- Bank Secrecy Act (BSA), 348–349
- Baseline, 557
- Baselings, 327–328
- Bat's lumbering, 179–180
- Behavior, impropriety, 38–39
- Bill-and-hold schemes, 446
- Bill-and-hold transactions, 445–447
- Bills of quantities, contractor pricing, 564
- Bily v. Arthur Young & Co.*, 44, 71–72, 82
- Binding corporate rules (BCRs), 164
- Blinderman Constr. Co. v. United States*, 562
- Bloomberg Law Reports*, 300
- Blue-sky laws, 10, 419
- Boards of directors, 56, 123
- Bonding, 326–327
- Bookkeeper audits, 9
- Books, holding open (impropriety), 464–465
- Breach notification, 157
- Bribes, 232, 268
- Broker-dealers, impact, 418–419
- Build, operate, transfer (BOT), 553
- Bureau of Consumer Financial Protection, creation, 419
- Business, 43, 46, 297
  - combinations, 589–590
  - complexity, 43e, 46
  - globalization, increase, 296
  - intelligence, 294, 541
  - interruption, 587–588
  - nature, impact, 267
  - partners, 571–574, 577
  - process, improvement, 97
  - rules, application, 334
  - valuation, 589
  - world (complexity), globalization (impact), 42

- Business Principles for Countering Bribery  
 (Transparency International), 300
- Buy America Act, 578
- Capital markets, 417–419
- Cardozo, Benjamin, 63–64
- Case, building, 175
- Cash balances, manipulation, 474
- Cash payments, FCPA red flag, 542
- Cash structuring analysis, 349
- Cendant Corporation, claims settlement, 75
- Central America, general manager (case study),  
 225–228
- Certified Fraud Examiner (CFE), 128, 365, 372–373
- Certified Public Accountant (CPA), 288, 289e,  
 372–373
- Chain of custody, 178–182, 184
- Channel stuffing, 444–445
- Check, reading process, 288–289, 290e
- Check tampering, 489–490
- Civil fraud claim, plaintiff, 371–374
- Civil lawsuit, filing, 397
- Civil litigation, 377, 408
- Clawback rules, 510
- Clean Air Act/Clean Water Act, 586
- Clients, 120–121, 205–207, 341, 440
  - auditors, problematic/unusual occurrences, 88–89
  - controller, auditor questioning, 90
  - embezzlement, suffering, 86
  - investigation target, law enforcement agency  
 identification, 85
  - law enforcement/regulatory agency subpoena,  
 receipt, 85
  - oral information (falsity), auditor belief, 85–86
- Codes of conduct, 45
- Collaborative technologies, 354
- Collapsed-as-built method, 556
- Collusion, 427, 429, 453
- Commission, 488, 542–543
- Commission Nationale de l'Informatique et des  
 Libertés (CNIL), 160
- Committee of Sponsoring Organizations of the  
 Treadway Commission (COSO), 12, 231, 596  
*Internal Control–Integrated Framework*,  
 20–21, 95
- Commodity Exchange Act, amendment, 138
- Common-size analysis (vertical analysis), 259
- Communication, 272, 361
- Community knowledge, 39
- Companies, 45–46, 119, 407
  - assets, conversion (opportunity), 30
  - audit committee, anonymous letter (receipt), 90
  - books, hold open, 465
  - control framework, 598
  - data, 257–258
  - investments, auditor understanding, 471–472
  - lenders, investigation objectives, 125
  - money laundering, impact (variation), 515–516
  - remedial action plans, Section 10A requirements,  
 195
  - target/investigation notification, 410
  - timing, impact, 436–438
- Companies Act (1879), 8
- Company financial data, company operational data  
 (contrast), 258
- Company-specific information, 589
- Compensation models, alignment problems (auditor  
 examination), 493
- Competition in Contracting Act, 578
- Competitive intelligence, 294
- Completed-contract method, GAAP requirement, 452
- Compliance, 574–579, 598, 605
- Comprehensive Environmental Response,  
 Compensation and Recovery Act (CERCLA)  
 (Superfund Act), 586
- Computer forensic analysis, 360
- Computerized records, 279
- Computer system, change, 279
- Computer usage, 354
- Comquest, 287–288, 287e
- Concealment, 426
- Concept searching, 359–360
- Concurrency (delay), 556
- Concurrent interviewing, 321
- Conduct, codes, 45
- Confidentiality, 400–401
- Conflicting/missing evidential matter, 88
- Conflict of interest, 45, 118, 275
- Consensus DOCS, 554
- Consideration of Fraud in a Financial Statement  
 Audit* (SAS 99), 54–55
- Consignments, 443, 465
- Consolidation, risk-and-reward model, 482
- Construction, 547–552, 556–561
  - affected plan method, 557
  - change orders, 560–561
  - claims, 562, 567–569
  - completion certificate, architect issuance, 548–549
  - contracts, 452–453, 550–554, 568e
  - delay, 568e
  - finance charges/interest, 566
  - financial damages, 561–566
  - guaranteed maximum price (GMP) contracts, 552
  - litigation team, 555–556
  - modified total cost method, 562
  - original specification, disputes, 569e
  - overheads, 563–565
  - plan V as-built method, 558
  - private finance, 553–554
  - profit loss, 565–566
  - reference/bid rates, 563–564
  - time and materials contracts, 552–553
  - time impact analysis, 558–559
  - total cost claim, application, 562
  - turnkey contracts, 553
  - underbid, 567
  - working cost, increase, 566
- Consultants, FCPA red flag, 543
- Consulting services, attest services (contrast),  
 196–197

- Contingencies, 424, 426, 443
- Contractors, performance (dispute), 580
- Contracts, 574–576
  - compliance, 571, 573e
  - government termination, 580
  - noncompliant behavior, impact, 571
  - payments/pricing, 550–554
  - portfolio risk assessment, 573
- Control, impact/usage, 20–21, 26, 261–263
- Control persons, 528
- Controls assurance, internal audit focus, 117
- Cookie jar reserves, 426, 482–483
- Corporate actions, failure (cost), 302
- Corporate communication, 42
- Corporate culture, AML corporate governance (impact), 523
- Corporate espionage, 296
- Corporate frauds, 44–45, 102, 105–106
- Corporate Fraud Task Force, 509
- Corporate governance, 17–20, 65
- Corporate integrity, guarantors (auditor role impossibility), 76
- Corporate intelligence, 293, 300–307
  - advisors, marginal treatment, 309
  - conducting, 278–279
  - ethical debates, 313–314
  - evolution, 294–296
  - external consultants, impact, 308
  - legal/regulatory drivers, 297–301
  - limitations/barriers, 308–310
  - teams, pressures, 310
- Corporate management, behavior, 44–45
- Corporate performance, metrics, 420
- Corporate remediation, 593–598
- Corporate reporting supply chain (CRSC), 15, 15e
- Corporate scandals, 63–64, 133–134
- Corruption, 268–269, 537
- Corruption Perception Index (CPI), 350
- Corrupt payments, occurrence, 606
- Cost Accounting Standards (CAS), 578, 582
- Cost of goods sold (COGS), deferral, 424
- Cost-plus contracts, 551
- Cost-shifting, usage, 453
- Counsel, 404, 413–414
  - legal counsel, handoff, 99–101
- Counterfraud laws/regulations, 299–301
- Counter-terrorist financing (CTF), 511, 514–515
- Court pleadings, 184
- CPA's Handbook of Fraud and Commercial Crime Prevention* (CPA), 71–72
- Criminal antitrust fines, excess, 595
- Criminal charges, resolution methods, 533
- Criminal prosecution, 389–397
- Criminals, calculation, 26–27
- Crisis management, litigation support, 581–583
- Critical path method (CPM), 556–557
- Cross-border data transfers, 163–165
- Currency Transaction Report (CTR), filing, 349
- Current company data, contrast, 257
- Current ratio, increase, 478
- Custom clearing agents, FCPA red flag, 543
- Customers, complaints/standards, 457, 516–517
- Customers, issues, 274
- Cutler, Stephen, 413
- Cutoff testing, performing, 438
- Cybercrime, 590–591
- Daimler AG, DOJ settlement, 533–534
- Damages, fraud element, 2
- Data, 152–159, 337–344
  - analysis, 286, 347–352, 358–360, 539–541
  - authentication, 357
  - cleaning, 345
  - collection, 356–357, 539
  - concept searching, 359–360
  - consolidation, 346
  - corporate ownership, 182–183
  - deduplication, 345–346, 353e
  - duplicates, elimination, 345–346
  - fields, requirement, 306–307
  - filtering, 357–358
  - interrogation queries, 491–492
  - mining, 286, 333–340, 361–362, 479
  - origination, processes, 333
  - point, definition, 335
  - preparation stage, 344–346
  - preservation, 539
  - reporting stage, 346–352
  - sorting, 357–358
  - visualization, 359
- Database research, misguided assumptions, 309
- Data Protection Authority (DPA), 164, 182, 284
- Davis-Bacon Act, 578
- Debit, hanging, 476
- Debt securities, classification (GAAP requirement), 472–473
- Debt-to-equity ratios, 480
- Deception, 241, 429
- Deduplication, 345–346
- Defalcation, 456
- Delegate travel, FCPA red flag, 544
- Deleted computer space, 355
- Deliverables, contracts, 449–450
- Demonstration goods, 465
- Deposition, 184, 376–379
- Depreciation, 475–476
- Design, build, finance, operate (DBFO), 553
- Design and build, 553
- Design-build contracts, 552
- Details, importance, 221–223
- Detection risk, 221–222
- Detection techniques, 254–255, 438–439
  - financial statements, 266–267
- Detectives, actions, 38–41
- Devices, data (relevance), 181
- Direct loss/expense, construction contract claim (heads), 563
- Disallowed costs, 551
- Disbursement schemes, 485–486

- Disclosure controls and procedures (DC&P), maintenance, 483
- Disclosures, impact, 143, 274, 483–484
- Disgorgement, 535
- Documentation, 57, 186–189, 405–408
  - absence, 90
  - examination, 325
  - forgery, detection (difficulty), 474
  - gap, filling, 145
  - location, 279
  - review, 286–291
- Dodd-Frank Wall Street Reform and Consumer Protection Act (2010), 133–134
- Dominant CEO, fraud risk factor, 239
- Due diligence, 298–299
  - enhancement, provision, 541
- Due Professional Care in the Performance of Work* (AU 230), 53
- Early administrative matters, 272–273
- Earnings management activities, discretionary choices, 49–50
- Economic downturn, fraud, 492
- Economic Espionage Act, 310–311
- Electronically stored information (ESI), mining potential, 151
- Electronic communications, 353–354
- Electronic computer files, 184
- Electronic discovery, 157–158
- Electronic evidence, gathering, 413–414
- Electronic information, gathering practices, 181
- Electronic research, misguided assumptions, 309
- E-mail, analysis, 278
- Embezzlement schemes, detection (difficulty), 222
- Emerging Issues Task Force (EITF), 421, 451
- Employee Polygraph Protection Act (1988), 320
- Employees, 5, 186
  - encouragement, 391
  - interviews, 145–149
  - misrepresentations, 428
- Enabling legislation, 310, 313
- Ending inventory, overstatement, 471
- End-of-period sales, recordation, 464
- Enforcement actions, threat, 413
- Engagement letter, 272–273
- Engineering, procurement, and construction (EPC) contracting corporations, 547
- Engineers Joint Contract Documents Committee (EJCDC), 554–555
- Enron Corporation, 56, 406–407, 481, 595
  - scandal, aftermath, 83, 133
- Enterprise Resource Planning (ERP) applications, 346
- Enterprise Risk Management (ERM), COSO issuance, 12
- Entity, actions, 50, 256
- Environmental issues, 586
- Environmental safeguards, 297
- Equity investments, risk, 420
- Equity securities, classification (GAAP requirement), 472–473
- Ernst and Ernst v. Hochfelder*, 70
- Errors, impact, 50–51
- Espionage, 295
- Estimates, impact, 46–49
- Ethical code of conduct, senior management role, 600
- Ethics statements, 45
- ET Rule 101. *See* American Institute of Certified Public Accountants
- European Union (EU), actions/impact, 153, 158–165
- European Union Data Protection Directive (1998), 312
- Events, coverage/exclusion, 281
- Evidence, 175–182
  - forensic accounting investigator creation, 183–185
  - gathering, 185–186
  - ownership, identification, 182–183
- Evidential matter, destruction, 429
- Evidential message, conflict/absence, 265
- Evidentiary materials, routing, 180e
- Exception procedures, 522
- Exchange rights, 442–443
- Exchanges, auditor assessment techniques, 444
- Exclusive fraud, 424, 425
- Executives, pressure (types), 41e
- Expectations gap, 65–64
- Expenditures, impropriety, 232
- Expense ledger, review, 478
- Expenses
  - accounting impropriety, 86–87
  - reimbursement schemes, 490–491
  - understatement, 425, 478–479
- Expert report, civil court proceeding filing, 364
- Expert witness, written report, 371–374
- Export controls, 297
- Extended procedures, suspicion, 461–463
- External audit firm, 409–411
- External auditing, practice, 64
- External auditors, 120–121
  - coordination/information, 405, 407
  - inquiries, 139
  - investigation objectives, 124–125
  - SAS 99 instruction, 102
  - Section 10A responsibilities, 116
- External contract compliance program, internal contract compliance program (integration), 572–576
- External forensic accounting investigators, engagement, 128–129
- Facilitating fee, 488
- Facilitation payments, 529, 545
- Facts, assumptions, 217–221
- Failed corporate actions, cost, 302
- Fair Credit Reporting Act (FCRA), 155–156, 312, 336
- Fair Information Practices (FIPs), 152–155
- Fair market value, unrealized declines (recordation), 474
- False Claims Act (1863), 4, 134–136, 578
- False expenses, suspicions, 490–491

- False-invoice scheme, usage, 486
- Faming industry, internal audit function (impact), 110–111
- Federal Acquisition Regulation (FAR), 578, 579, 582
- Federal government, sector-specific privacy protection, 154–155
- Federal prosecutors, criminal prosecution referral, 394
- Federal Rules of Criminal Procedure, Rule 6(e), 177
- Federal securities regulation (pre-1934), 9–11
- Federal sentencing guidelines (FSGs), 298–299, 390–391
- Fee-flow, 14
- Fictitious fixed assets, recordation, 475
- Fictitious inventory schemes, examples, 469
- Fictitious investments, 472
- Fictitious receivables, red flags, 459
- Fictitious sales, 458–459
- Field visit, information, 277
- File types/extensions, 358
- Final analytic procedures, 255
- Financial accounting, knowledge, 405–406
- Financial Accounting Standards Board (FASB), 54, 421
- Financial Action Task Force (FATF), 301, 512, 524
- Financial crime legislation, 301
- Financial Crimes Enforcement Network (FinCEN), 518
- Financial damages, 561–566
- Financial data, nonfinancial data (relationship), 256
- Financial fraud, 426–430, 453
  - investigation, conducting, 12
  - types, 423–426
- Financial Fraud Enforcement Task Force, 509
- Financial fraudster, types, 26
- Financial Industry Regulatory Authority (FINRA), rogue trading pronouncement (Regulatory Notice 08-18), 493
- Financial information, usage, 420
- Financial institutions, fraud (perpetuation), 418–419
- Financial Intelligence Unit (FIU), 518
- Financial Interpretation (FIN), No. 46 (*Consolidation of Variable Interest Entities*), 481–482
- Financial Investigations Bureau (FIB), 300
- Financial relationships, 259–260
- Financial reporting, 46–49
  - difficulty, 274
  - fraud, 15, 233, 417
  - scandals, size/impact (increase), 16
  - schemes, fraud, 232
- Financial Reporting Practices (FRP), 422–423
- Financial sector, sector-specific privacy protection, 155–156
- Financial stability, 237
- Financial staff, questions (sample), 243
- Financial statement fraud, 5–6, 233, 348, 433–435
  - accounting models, 481–482
  - detection techniques, 266–267
  - overview, 423–426
  - schemes/misappropriations, 467
  - skepticism, impact, 34
- Financial statements, 50–54
  - errors, 186, 256
  - fairness, auditor concern, 37
  - management responsibility, 44
  - money laundering, impact, 520–521
  - preparer consideration, SEC recommendation, 446
- Findings, analysis/reporting, 307
- Fixed assets, fictions (recordation), 475
- Fixed priced contracts, 550–551
- Follow-up tips, 149–150
- Football, 96–97, 96e
- Foreign Corrupt Practices Act (FCPA), 274, 300, 527–535, 594
  - anticorruption, 349–351, 542
  - business intelligence, provision, 541
  - compliance programs, 537–538
  - corruption risk assessments, 537
  - criminal charges, resolution methods, 533
  - data analysis, 539–541
  - data mining, 540
  - data preservation/collection, 539
  - due diligence, enhancement (provision), 541
  - enforcement, 300, 530–536
  - forensic accountant, role, 537–542
  - global anticorruption training, designing/ conducting, 542
  - prohibitions, 6
  - public record searches, 541
  - red flags, 542–545
  - reporting, 545–546
  - scrutiny, increase, 535–536
  - settlements, 535
  - transnational forensic investigations, 538–541
  - violations, investigations, 185
- Foreign regulators, FCPA cooperation, 534–535
- Forensic accountants, 581–582
  - roles, 537–542, 576–578
- Forensic accounting, 22, 38–39
  - dimensions, 585
  - services, 193–196, 196e
- Forensic accounting investigators, 37–42, 79–80, 217–218
  - attorneys, work, 399–400
  - consultation, 87
  - document examination, 326
  - evidence creation, 183–185
  - external auditors, cooperation, 120–121
  - fraud, red flags, 81e
  - handoff, 99–101, 100e
  - internal auditors, cooperation, 117–120
  - location, 127–130
  - objectives, 122–123
  - privilege protection, 404
  - questionable situation handling, 89–90
  - referral success impact, 395–396
  - review documents, obtaining, 412
  - skill set, 403
  - teamwork, 115

- Forensic image, 340
- Forensic photograph, example, 148e
- Forensic technology, usage, 507–508
- Forged documentation, detection (difficulty), 474
- Form 10-K/10-Q, 421, 483
- Fourth Amendment, impact, 153–154
- France, impact, 160, 162
- Fraud, 1–7, 16–22, 50–59
  - anonymous allegations, 84
  - auditor exposure, 81–82
  - committing, incentives/opportunities, 426
  - deception, involvement, 241
  - discovery, 102, 222
  - indications, 85–87
  - internal auditor case studies, 103–105
  - investigation, 525–526
  - management, 61, 107–108
  - money laundering, relationship, 511–514
  - observable events, 87
  - potential, environmental/cultural comparison, 47e–48e
  - prevention/detection, sharing (facilitation), 67
  - red flags, 81e, 88–89, 231, 234, 238–240
  - regulatory reaction, 60–61
  - reliance, 91–92
  - remediation, 19
  - response protocol, 130–131
  - suspicion, considerations, 213
  - theft, personal benefit, 106
  - triangle, 34e, 243–248
  - trigger points, 84–91
  - types, 232–233
- Fraud detection, 97–99
  - foundation, 236–238
  - improvement, 113
  - internal auditors, reporting relationship, 111–113
  - location, 234
  - overview, 233–236
  - PCAOB matters, 77–78
  - techniques, 231
  - technologies, advances, 361–362
- Fraud deterrence, 16–22, 16e
- Fraud Enforcement and Recovery Act (FERA), 428, 594
- Fraud Examiners Manual* (ACFE), 364, 367
- Fraud risk
  - assessment, 195–196, 236–237
  - awareness, development, 241–242
  - degree, assessment, 237
  - factors, 237–240, 254, 260–261
  - identification/addressing, 235–236, 263
  - internal audit perspective, 253
  - management perspective, 252
  - observation/inspection, 264–266
  - potential, SAS No. 99 outline, 83–84
- Fraudsters, impact, 25–32
- Freedom of Information Act (FOIA), 168–171, 313
- Freight forwarders, FCPA red flag, 543
- Galvin, Robert W., 296
- Generally Accepted Accounting Principles (GAAP), 54, 421–423
  - conformity, 49
  - impact, 434
  - requirements, SEC interpretation, 436
  - violations, 426, 433
- Generally Accepted Auditing Standards (GAAS), 22, 83, 193–194
  - conformity, 49
  - formula, 368
- General manager (GM), case study, 225–228
- Germany, impact, 161
- Global anticorruption training, designing/conducting, 542
- Global competition, impact, 41–42
- Global Crossing, SEC investigation, 463–464
- Global forensic investigation, 284
- Globalization, impact, 42
- Governance, usage, 17–18
- Gramm-Leach-Bliley Act (GLBA), 155–156
- Grand jury, rules, variation, 412
- Gross margins, improvements, 478
- Guaranteed maximum price (GMP) contracts, 552
- Guarantors, auditors (contrast), 82–83
- H. Rosenblum, Inc. v. Adler*, 71–72
- Hadley v. Baxendale*, 562
- Hague Convention on the Taking of Evidence Abroad in Civil or Commercial Matters, 165
- Hague Evidence Convention, 165
- Hazardous Waste Act, 586
- Health care sector, sector-specific privacy protection, 156–157
- Health Information Technology for Economic and Clinical Health Act (HITECH Act), 157
- Health Insurance Portability and Accountability Act (HIPAA), 156–157
  - privacy regulations, 182–183
- Hidden-revenue misappropriation scheme, customer complaints (red flags), 457
- High-ranking official, resignation (discovery), 84–85
- High-risk countries, wire transfers (identification), 349
- High-risk personal information, examples, 154e
- Horizontal analysis, 258
- HUD-1 Settlement Statement, 494
- Human rights safeguards, 297
- Immateriality, pass/waive, 223
- Improper related-party activity, investigations, 185–186
- Incentive/pressure, risk category, 244–245
- Inclusive frauds, 424–425
- Income statement, auditing, 221
- Independence, impact, 191, 198

- Independent counsel, impact, 404
- Industry characteristics, 237, 589
- Informal reports, 364, 374–376
- Information, 251–254, 274–279
  - plausible relationships, study, 256
  - storage, 151
- Information-seeking interview, 321–322
- Information technology (IT), 42, 238, 361, 405
- Informative sources, pool, 305
- Initial public offerings (IPOs), problems, 418–419
- Instantaneous global communications, 41–42
- Instant messaging (IM), usage, 353–354
- Instant messengers, data collection, 356–357
- Insurance, impact/usage, 281–282, 402, 587–588
- Integrity, objectivity (relationship), 198–199
- Intellectual property, 586–587
- Intelligence gathering, external advisors, 307–308
- Intent, question (SAS 99 comment), 51
- Interest costs, 477
- Internal accounting controls, 17
- Internal accounting investigation, 403, 406
- Internal accounting transactions,
  - review/interpretation, 405
- Internal audit, 95–96, 117–118, 253
  - corporate fraud, relationship, 102
  - findings, management response (adequacy), 253
  - forensic accounting investigators, location, 127–128
  - reports, availability, 278
  - staff, post-Sarbanes-Oxley Act function, 98
  - team, actions (example), 105–111
- Internal auditors, 96–98, 101–105, 116–120
  - coordination, 405
  - fraud detection, improvement, 113
  - investigation objectives, 124
  - loneliness, 109–110
  - reporting relationship, 111–113
- Internal audit team, 604
- Internal audit units, 99, 117–119
- Internal compliance program, 572
- Internal contract compliance program, external contract compliance program (integration), 572–576
- Internal control focus, Sarbanes-Oxley requirement, 249
- Internal Control–Integrated Framework* (COSO), 20–21, 95
- Internal controls evaluation, 97
- Internal Revenue Service (IRS), money recovery, 489
- International assignments, considerations, 283–284
- International business companies (IBCs), 523–524
- International Chamber of Commerce, 299
- International disclosure laws, 172
- International financial reporting standards, GAAP reconciliation (absence), 422
- Interviews, 320–330, 408–409, 539
  - conducting, approaches, 317–318
  - informality, 409
  - investigative procedure, 414
  - legal issues, 319
  - location, 319
  - memoranda, 386, 386e–387e
  - premise, 218–219
  - recording, 319–320
  - silence, usage, 227
  - skills, development, 317
  - timing, 319
- In the Matter of David Decker, CPA, and Theodore Fricke, CPA*, 69
- Inventory, 468–471
  - audit procedures, 106–107
  - reserves, 482
  - theft, forensic investigation (consideration), 179
- Inventory/cost of sales equation, irregularities, 471e
- Investigation, 122–126
  - depth, integration (challenge), 40–41
  - predication, 273–275
  - report, 363, 364, 369–372
  - targets, consideration, 147
  - written report, 368
- Investigative procedures, selection, 413–414
- Investigative team, impact, 279, 402–407
- Investigative techniques, 271–272
  - exceptions/considerations, 282–283
  - international assignments, considerations, 283–284
  - knowledge, 275–281
- Investment Company Act of 1940, 419
- Investment in Affiliate, 480
- Investments, 297, 471–474, 504e
- Investor greed/transaction flow, combination, 13
- Invoices, 287e, 486–488
- Joint Stock Companies Act (1844), 8
- Kickbacks, 268, 488, 543
  - payment, 375
  - proof, difficulty, 215
  - receipt, 232
- Kiting (lapping), 459–460
- Knowledge management, 354
- Know your customer (KYC), 297, 337–338, 516
- Lapping (kiting), 459–460
- Larceny, 456
- Latin America, data privacy, 166–167
- Law enforcement agencies, work/interaction, 412
- Lawyers, interaction, 399–400
- Lease-contracts receivable (LCR), 200–203
- Legal counsel, handoff, 99–101
- Legal documents, 407
- Legal parameters, enabling legislation (contrast), 310–313
- Lehman Brothers, collapse, 481
- Liabilities, 424–425
  - impropriety, 232
  - understatement, 478–479
- Liberal return, 442–444
- Lifestyle, expectation, 274
- Liquidated damages, 548
- Liquid investments, 14

- Litigation, 72, 581–583
  - prior litigation, selection, 411
  - reserves, 482
- LIVEDGAR, 171
- Local prosecutors, criminal prosecution referral, 394
- Logical copy, 340, 341
- Long-lived assets, impairments, 482
- Long-term incentive model, absence, 493
- Loose-thread theory, 207–211, 236
- Lower-of-cost-or-market writedowns, 482
  
- Madoff, Bernie, 16, 428, 492, 499–500
- Magnetic ink character recognition (MICR), 288
- Management, 234–237, 252
  - coordination/selection, 307–308
  - investigation objectives, 123
  - judgment, GAAP (impact), 434
  - misrepresentations, 428
  - override, 60
  - questions, sample, 242–243
  - results, speed, 116
  - Sarbanes-Oxley Act, impact, 56
- Management and others, term (usage), 251
- Marital dissolution, 588
- Material accounting irregularities, 402
- Material items, definition, 484
- Materiality, 53–55, 223–224, 484–485
- Material misstatement, 234, 244, 261
  - personnel, discussion, 58
  - result, 51
  - risk, 58–59, 240, 244–245
- Material nature, false representation, 2
- Materials, auditor examination, 439
- Media reports/communication, 400
- Mergers and acquisitions (M&A), 535–536
  - integrations, failure rates, 302
  - transactions, 594
- Merrill Lynch, Bank of America acquisition, 484
- Metadata, 354–355
- Misrepresentations, 427
- Misstatements, combinations, 424e
- Model Open Records Act, 172
- Modified total cost claim, 562
- Money laundering, 511–520. *See also* Anti-money laundering
  - auditing, relationship, 524–525
  - legal arrangements, anonymity, 523–524
- Money-laundering reporting officer (MLRO), obligation, 519
- Money market alternatives, 14
- Mortgage fraud, 494
- Multiple-element revenue arrangements, value (improper allocation), 450–452
- Municipal ordinances, infractions, 38–39
  
- National Archives and Records Administration, records maintenance, 171
- National Commission on Fraudulent Financial Reporting (Treadway Commission), 65–66, 82
- Network-based email applications, usage, 353
  
- No-documentation loan, 14
- Nonattest services, independence standards, 198–199
- Noncompliance, 575–576, 578
  
- Objectivity, 191–192, 198–199
- Observation/inspection, 264–266
- Off-balance-sheet transactions, 480–481
- Office of Foreign Assets Control (OFAC), 515, 517
- Operating characteristics, 237
- Operating constraints, enabling legislation (contrast), 310–313
- Operational planning, 18
- Opinion Procedure Release 08-03, 544
- Opportunity risk, 244–246
- Oral information, falsity (auditor belief), 85–86
- Oral reports, 364, 375
- Organization for Economic Co-operation and Development (OECD), 7
  - Convention on Combating Bribery of Foreign Officials in International Business Transactions, 299
  - Financial Action Task Force (FATF), 512
  - Guidelines Governing the Protection of Privacy and Transborder Data Flows of Personal Data, 158
  - Third Directive on Money Laundering, 301
- Organizations, fraud potential (environmental/cultural comparison), 47e–48e
- Outside contract examination program, 576
- Overheads, 563–565
- Overseas payment arrangements, FCPA red flag, 544
  
- Package deal, 553
- Partial shipments, 449
- Partnering Against Corruption Initiative (PACI), 300
- PATRIOT Act, 515, 594
- Patrolmen, impact, 38–41
- Payment terms, extension, 443
- Payroll schemes, 491–492
- Performance measurement/monitoring, 18
- Personal catastrophes, 29–30
- Personal Information Protection Act, 167
- Personally identifiable information (PII), 151–152, 155
- Personal pressures, increase, 245
- Personal privacy, 151, 152
- Personal property, preservation, 159
- Petty cash account, usage, 285
- Pinnacle Holdings, SEC action, 477
- Plan V as-built method, 558
- Plea agreements, 397
- Point-of-cash-collection misappropriation schemes, 457
- Point-of-sale misappropriation schemes, 457
- Politically connected third parties, FCPA red flag, 544
- Politically exposed persons (PEPs), 516–517
- Ponzi, Charles, 495
- Ponzi schemes, 7, 350–351, 427–428, 505–510
  - attributes, 497
  - examples, 497–503
  - framework, 496
  - global Ponzi schemes, 500

- Ponzi schemes (*Continued*)
  - insights, 503–507
  - origin/development, 495–497
  - types, 496–497
  - variation, 497
- Population records, falsification, 462
- Portfolio risk assessment, 574e
- Post-Sarbanes-Oxley Act, internal audit staff
  - environment, 98
- Power brokers, 28
- Predication, 273–275
- Preliminary analytic procedures, 255
- Prepared by client (PBC), 385
- Preparing for a Deposition in a Business Case*, 376
- Price protection concessions, disclosure failure, 443
- Privacy, impact, 152–153, 157, 311–312
- Private finance initiative (PFI), 553–554
- Private sector entities, corporate intelligence usage, 304
- Private Securities Litigation Reform Act (PSLRA), 232, 588
  - pleading requirements, 75
  - Section 10A, 69–70, 74, 91–92, 116, 400, 410
- Privileged work product, example, 385e
- Processing, definition, 159
- Product, early delivery, 447–449
- Professional skepticism, 192, 199–200, 240–243
  - attitude, 204, 234
- Profit-and-loss (P&L) statement, 420
- Profit excess, auditor examination, 493
- Project management, core skills, 119
- Provisional sums, 561
- Public, investigation objectives, 125
- Public Company Accounting Oversight Board (PCAOB), 11, 55, 76–78, 594
  - Auditing Standard 2 (AS2), 231, 262
  - independence rules, 192
  - quality control modifications, 83
- Public disclosure, 151, 168–172
- Public information, 407
- Public institutions, transparency, 152
- Public Oversight Board, estimates report, 46, 48
- Public-private partnership (PPP), 553–554
- Public record searches, 183, 278–279, 541
- Public sector entities, corporate intelligence usage, 304
- Purchasing fraud, 108–109
  
- Quantum merit valuation, 561
- Quarterly interim information (Form 10-Q), 421
- Questionable situation, handling, 89–90
- Questionnaire process, 305–306
- Quick-ratio analysis, 479
- Qui tam actions (whistle-blower lawsuits), 135–136
- Qwest Communications, SEC investigations, 463–464
  
- Rationalization, 33, 244, 246–248, 323
- Ratios, usage, 259–260, 440
- Re-aging, 441
- Real estate bubble, 419
- Reasonable assurance, 51–53
- Rebaselined, term (usage), 557
- Receivables, 455–462
  - detection techniques, 441
  - financial statement fraud, 433
  - premature recognition, 424
- Reckless disregard, 134
- Recovery, 579–581
- Redating, 460
- Red countries, business (FCPA red flag), 545
- Red flags. *See* Fraud
- Refund, 442–443
- Regulatory action, response, 273
- Regulatory agencies, investigation objectives, 123
- Regulatory reports/communications, 400
- Related-party activity, investigations, 185–186
- Related-party transactions, 453–455
- Relationship review, 272, 384
- Relator, 136
- Reliance, fraud element, 2
- Remediation, 19, 593–594, 599–609
  - control framework, 596
  - enforcement methods, changes, 596
  - necessity, 597–599
- Reporting, 380–382
  - expertise, 405–406
  - standards, 365–371
- Report of investigation, 364, 372e
- Report of the Public Oversight Board Panel on Audit Effectiveness (2000), 66
- Reports, usage/impact, 364–365
- Research and development (R&D) costs, 476–477
- Residential housing prices, real estate bubble, 419
- Resource Conservation and Recovery Act (Hazardous Waste Act), 586
- Resource models, 118–119
- Responses, interception, 462
- Retained Interest in Securitization, 480
- Retention moneys, release, 548
- Retrospective examination, 18–19
- Return rights, 442–443
- Returns, auditor assessment techniques, 444
- Revenue, 455–457
  - accounting impropriety, 86–87
  - extended procedures, suspicion, 461–463
  - fictitious schemes, 460
  - financial statement fraud, 433
  - fraudulent collection, 232
  - improper recognition, 433, 435–438, 450
  - inflation, example, 444
  - kiting (lapping), 459–460
  - material overstatement, 90
  - overstatement, procedure, 435
  - premature recognition, 424
  - redating, 460
  - red flags, identification/exploration, analytical procedures, 440–450
  - round-tripping, 463–464
- Revenue recognition, 267–268, 437–440, 450–451
- Rights of return, 442–443

- Risk, 260, 340
  - assessment, 17, 21, 59, 391, 601–602
  - categories, 243–244
  - compliance, relationship, 578–579
  - consultants, impact, 98
  - degree, obscuring, 75–76
  - existence, 239
  - factors, 240, 248–251
  - identification, 59
  - management, 18
- Rite-Aid Corporation, claims settlement, 75–76
- Rogue trading, 492–493
- Round-tripping, 463–464
- Round-trip-revenue frauds, indications, 463
- Rules of Civil Procedure, 151–152, 157
  
- Safe harbor, 164
- Safe Harbor Act, 312
- Sale-related license structure, 575
- Sales
  - impact, 441–443, 458–459
  - transactions, 438, 444
- Sarbanes-Oxley Act (2002), 12, 67, 133, 594
  - guidelines, 391
  - protections, 137
  - requirements, 55, 57, 76
  - sections, 61, 138, 529–530
- Scienter, 2, 69–70
- Search terms, 358
- Section 10A. *See* Private Securities Litigation Reform Act
- Sector-specific privacy protections, 154–157
- Securities Act (1933), 10, 64, 588
- Securities and Exchange Act, amendment, 69
- Securities and Exchange Commission (SEC), 9–10, 38
  - auditor independence, 192–193
  - complaint, example, 449
  - Financial Reporting Practices (FRP), 422
  - forensic accounting services regulation, 193–196
  - hearings, 115
  - independence rules, 192
  - proxy disclosure/information statements, requirements, 13–14
  - reports access, 171
  - Rule of Practice 102 (e), 69–70
  - Staff Accounting Bulletin (SAB) 101, 436
- Securities and Exchange Commission v. Halliburton Company and KBR*, 531
- Securities class-action complaint, elements, 423
- Securities Exchange Act (1934), 10, 64, 588
  - sections, 192, 528
- Securities investment model, 419–429
- Securities Investors Protection Corporation (SIPC), initiation (1970), 419
- SEC v. Solucorp Indus. Ltd.*, 69
- SEC v. The Dow Chemical Company*, 545
- Selling, general, and administrative expenses (SG&A)
  - accounts, auditing, 221–222
- Serious Fraud Office (SFO), 38, 300–301
- Services, agreement/scope, 98–99, 441–442
- Servidone Construction Corporation v. United States*, 562
- Shareholder litigation, 588–589
- Share options, backdating, 479–480
- Side agreements, 438, 441–442
- Signed engagement letter, 382–383
- Significance, pervasiveness (relationship), 261
- Signing officers, 302 provision understanding, 61
- Silence, usage, 227
- Situation-dependent criminals, 27–28
- 6(e) order/statement, 177, 401
- Skepticism, 191–192, 199–200, 228
- Skepticism Probing communication Analytics
  - Documentation Evaluation (SPADE), 57–58
- Skimming, 456
- Slack computer space, 355
- Social network analysis, 359
- Social trends, 43e
- Software development costs, 476
- Special Report of the Public Oversight Board, 66
- Staff Accounting Bulletin (SAB) 99 (*Materiality*), 54–55, 61, 485
- Staff Accounting Bulletin (SAB) 101 (*Revenue Recognition in Financial Statements*), 436
- Staff Accounting Bulletin (SAB) 104, 439, 441, 447
- Stakeholders, initial communication, 402
- Standard contractual clauses (SCCs), 163–164
- Start-up costs, 477
- Statement of Financial Accounting Standards (SFASs)
  - 34 (*Capitalization of Interest Costs*), 477
- Statement on Auditing Standards (SAS)
  - No. 1 (*Codification of Auditing Standards and Procedures*), 50, 231, 240
  - No. 22 through 71, 66, 231, 236, 261–262
  - No. 82 (*Consideration of Fraud in a Financial Statement Audit*), 66, 231
- Statement on Auditing Standards (SAS) No. 99 (*Consideration of Fraud in a Financial Statement Audit*), 11–12, 66–68, 223, 231–232
  - enforcement, 73–74
  - external auditor instruction, 102
  - intent question, 51
  - procedures outline, 83–84
  - requirements, 261–262
- Statement on standards for consulting services (SSCS), 365
- Statement on standards for management advisory services (SSMAS), 365
- Statements of financial accounting standards (SFASs), 421
- Statements of positions (SOPs), 421, 451, 477–478
- Statements on Standards for Attestation Engagements, 196
- State prosecutors, criminal prosecution referral, 394
- State securities regulation (pre-1934), 9–11
- Statutory financial statements, availability, 278
- Stockholders, investigation objectives, 125
- Stock-keeping units (SKUs), predetermined listing, 450
- Stock rotation rights, disclosure failure, 443
- Strategic intelligence, 294

- Strategic relationships, cost, 302
- Strategy planning, 18
- Strauss v. Credit Lyonnais*, 162
- Structured data, 335, 341–352
- Structured datasets, 335
- Subpoena power, absence, 409
- Substantive analytic procedures, 255
- Substantive working papers, 384
- Subterfuge, usage, 331
- Supporting documentation, absence, 90
- Suspects, impact, 216–221, 226
- Symbol Technologies, SEC charges, 483
  
- Taking off, 550
- Targets, 216–217, 219
- Taulli, Tom, 303
- Telephone Records and Privacy Protection Act (2006), 311
- Test audits, 9, 64
- Testimony, 386, 409
- Text analytics, 359
- Third parties, 184, 279
  - collusion, 429
  - payments, FCPA red flag, 543
- Thornburgh Report, 102–103
- Time and materials contracts, 552–553
- Time impact analysis, 558–559
- Time-impact analysis, 556
- Time line analysis, 359
- Tone at the top, 599
- Total balance, detail (comparison), 259
- Total deliverable, undelivered portion (GAAP criterion), 449–450
- Trading authorization, absence, 492–493
- Trading managers, dual responsibilities (auditor examination), 493
- Trading securities, report, 473
- Transaction, 13, 86, 97
  - detail, 352e
  - fraud, concealment, 428
  - implications, evaluation (auditor instruction), 224
  - mischaracterizations, 425
  - monitoring, 522
- Transaction-level control, 17, 18, 20–22
- Transnational forensic investigations, conducting, 538–541
- Transparency International (TI), 300, 303–304, 350
- Travel reimbursements, investigation, 285
- Treadway Commission. *See* National Commission on Fraudulent Financial Reporting
- Troubled Asset Relief Program (TARP), 13e, 68
- Trust, study/settings, 35, 200–207
- Trust but verify, 200–207
- Truth in Negotiation Act, 578
- Turnkey contracts, 553
- 2010 Report to the Nation on Occupational Fraud and Abuse* (ACFE), 599
  
- Ultramares* decision, 63–64, 71
- Unaligned compensation models, auditor examination, 493
- Unallocated computer space, 355
  
- Unauthorized trading, 492–493
- Union Pacific Railroad Company, fraud, 4–5
- United Kingdom (UK), actions/impact, 162, 516, 536
- United Nations Convention against Corruption (UNCAC), 7, 299
- United States, 162–165, 171–172
  - Economic Espionage Act, 310–311
  - Ponzi schemes, 497
  - Sentencing Commission Guidelines, 390–392
  - Sentencing Guidelines, 289
- United States v. Aibel Group, Ltd.*, 543
- United States v. Arthur Young & Co.*, 64–65
- United States v. Frederic Bourke Jr.*, 528
- United States v. Latin Node*, 542
- United States v. Misao Hioki*, 543
- United States v. Paradigm B.V.*, 528
- United States v. Siemens*, 543
- Unit price contracts, 551–552
- Universal Declaration of Human Rights (UN), 152
- Unpredictable audit tests, 263–264
- Unrecorded/unprocessed returns, observation, 438
- Unstructured data, 335, 352–358
- Up-front fees, 451–452
- U.S. data privacy, 153–158
- User-created files, 346
  
- Value, allocation/measurement, 419–420, 450–451
- Variable interest entity (VIE), 481–482
- Vendors, impact, 144, 186, 218–219
- Vendors, issues, 274
- Verifiable objective evidence (VOE), 451
- Verification, process, 204
- Verify, definition, 203–204
- Vertical analysis (common-size analysis), 269
- Vicarious liability, 298–299
  
- Wall Street, Main Street (conflict), 419
- Warranty reserves, 482
- Watershed analysis, 556
- Web-based email system, deployment, 353
- Whistle-blowers, 84, 133–139, 391
  - allegation, 141–142, 581
  - Works Councils, relationship, 163
- White-collar crime, 3, 27, 28e, 301, 392
- Willful blindness, 134
- William Morris Agency, invoice scheme, 487–488
- Windows analysis (construction), 556
- Wire transfers, identification, 349
- Working papers, 183–189, 382–386
  - access, permission, 411
- Works Councils, whistle-blowers (relationship), 163
- World Bank, 299
- WorldCom, 56, 102–103, 133, 253
  - corporate remediation, 595
  - earnings, inflation, 476
- World Economic Forum, Partnering Against Corruption Initiative (PACI), 300
- Written record, creation, 179–180
- Written reports, 363, 368, 371–374
  - provision, 184
  
- Zubulake v. UBS Warburg*, 158