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
Anti bribery 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, 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, 53–57
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, 336
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
Baselining, 327–328
Bates numbering, 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
Blindermand 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), 533
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, 389
world (complexity), globalization (impact), 42
Index

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 Libérés (CNIL), 160
Committee of Sponsoring Organizations of the Treadway Commission (COSO), 12, 231, 396
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
Conquest, 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
Conflicts 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
INDEX

Contingencies, 424, 426, 443
Contractors, performance (dispute), 580
Contracts, 574–576
compliance, 571, 573
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 intelligence, guarantors (auditor role impossibility), 76
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 Perception Index (CPI), 350
Corruption Perception Index (CPI), 350
Corrupt payments, occurrence, 606
Cost Accounti ng Standards (CAS), 578, 582
Cost of goods sold (COGS), deferral, 424
Cost-plus contracts, 351
Cost-shifting, usage, 453
Counsel, 404, 413–414
deduplication, 345–346
Demonstration goods, 465
depletion, 184
Departmental temporary assistance fund (DTAF), 438
detectives, actions, 38–41
direct loss/expense, construction contract claim (heads), 563
Deferred costs, 531
Deferred revenue, 531
Depreciation, 475–476
detectives, actions, 38–41
Devices, data (relevance), 181
Direct loss/expense, construction contract claim (heads), 563
Disallowed costs, 485–486

Index

| Disclosure controls and procedures (DC&P), maintenance, 483 |
| 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, 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 |
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, 455–459
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
detection techniques, 266–267
overview, 423–426
schemes/misappropriations, 467
skepticism, impact, 34
Financial statements, 50–54
effects, 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, 533–536
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
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
detection (difficulty), 474
deception, involvement, 241
disclosure, 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
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
Health care sector, sector-specific privacy protection, 156–157
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
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, 405
review/interpretation
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/transection 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, 348
Liquid investments, 14
Index

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
  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
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, 565–566
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
Personnel, discussion, 58
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), 515–517
Ponzi, Charles, 495
Ponzi schemes, 7, 350–351, 427–428, 505–510
  attributes, 497
  examples, 497–503
  framework, 496
  global Ponzi schemes, 500
INDEX

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
Private 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
West 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
Rebaseline, 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
c control framework, 598
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
Rights of return, 442–443
Index

Risk, 260, 340
assessments, 17, 21, 59, 391, 601–602
categories, 243–244
compliance, relationships, 578–579
consultants, impact, 98
degree, obscuring, 75–76
eexistence, 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. Salomon Smith
Lender, 369
SEC v. The Dow Chemical Company, 545
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
Signers, 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, 353
Social network analysis, 359
Social trends, 43
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 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
INDEX

622

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 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, 322
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
Ultranares 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. Abel 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
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, whistleblowers (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, 568, 371–374
  - provision, 184
Zubulake v. UBS Warburg, 158