



UPR UNIVERSIDAD DE PUERTO RICO EN CAYEY
Cayey, Puerto Rico 00736

Senado Académico

2001-02

Certificación número 59

Yo, Sylvia Tubéns Castillo, Secretaria Ejecutiva del Senado Académico de la Universidad de Puerto Rico en Cayey, CERTIFICO:

Que el Senado Académico, en su reunión ordinaria del martes 19 de marzo de 2002, tuvo ante su consideración una **comunicación del Sr. Manuel Díaz Saldaña, Contralor de Puerto Rico**, con la que incluye el artículo "Accounting Students must have armor of fraud examination". Durante la discusión de este tema, el Sen. José Pérez Llavona, Representante del Departamento de Administración de Empresas, informó que en su departamento se está considerando diseñar ese curso, utilizando el formato que se recomienda en el artículo. Mencionó que en el mismo se ofrece el "syllabus" para el curso y demás materiales. Indicó que este curso sirve, además, para que los estudiantes completen los ciento cincuenta (150) créditos para el examen de Contador Público Autorizado (CPA).

Luego de la exposición de rigor, el Senado aprobó por unanimidad la siguiente

CERTIFICACIÓN:

En vista de que el Departamento de Administración de Empresas ya está atendiendo este asunto, el Senado Académico determinó remitir la comunicación del Contralor de Puerto Rico al Departamento para que se incluyan en el curso los puntos cubiertos en el artículo.

Y, PARA QUE ASÍ CONSTE, expido la presente Certificación en Cayey, Puerto Rico, el día veinticinco de marzo de dos mil dos.

Sylvia Tubéns Castillo
Sylvia Tubéns Castillo
Secretaria Ejecutiva

Vo. Bo.

Rafael Rivera Lehman
Rector y Presidente
Senado Académico





Estado Libre Asociado de Puerto Rico
OFICINA DEL CONTRALOR

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RECIBIDO
C.U.C.
OFICINA DEL RECTOR

12 de febrero de 2002

Lic. Rafael Rivera Lehman
Rector
Universidad de Puerto Rico
Recinto de Cayey
Cayey, Puerto Rico

Estimado licenciado Rivera Lehman:

En el momento histórico que vivimos se ha notado un alza en la ocurrencia de delitos de cuello blanco. Ante esta situación no podemos permanecer estáticos. Tenemos que tomar distintas acciones para lograr una mejor calidad de vida y reforzar nuestros valores. En la Oficina del Contralor realizamos nuestra labor ministerial de fiscalización, pero también enfatizamos la prevención.

Sabemos que las universidades están conscientes de la situación actual, que les preocupa y que siempre nos han apoyado en la labor educativa y preventiva que realizamos. Con ello en mente, sugerimos que se evalúen los cursos universitarios que se ofrecen. Recomendamos que se haga énfasis en tomar cursos obligatorios de ética y, por otro lado, que se incluyan cursos de investigación de fraude en los currículos universitarios. Le incluimos copia de un artículo titulado "*Accounting Students Must Have Armor of Fraud Examination*", publicado en la revista *The White Paper*, Vol. 16, No. 1, de enero/febrero de 2002. Sería bueno propiciar un diálogo sobre esta temática.

Estamos a sus órdenes para ofrecerles cualquier información adicional que estimen pertinente. Para ello pueden comunicarse con el Lic. Alfredo D. Colón Archilla, CFE, Contralor Auxiliar en el Área de Anticorrupción, al 787-250-3316.

Contamos con su cooperación para mejorar la fiscalización y administración de la propiedad y los fondos públicos.

Cordialmente,


Manuel Díaz Saldaña

Anejos

Cincuenta años de servicios de calidad reafirman nuestro compromiso con la excelencia.



The White Paper

TOPICAL ISSUES ON WHITE-COLLAR CRIME



Accounting Students Must Have Armor of Fraud Examination

Accounting Students Must Have Armor of Fraud Examination

The Association offers the syllabus, instructor notes, materials, and teaching aids derived from its recent University of Texas graduate fraud examination course free of charge to institutions of higher learning.

Cody Worthington is one of the fortunate ones.

As a master's college accounting student at Brigham Young University he completed a fraud examination course taught by W. Steve Albrecht, Ph.D., CFE, CPA, CIA. Worthington immediately applied the practical principles he learned in the course during his first year as a CPA at Andersen beginning in January of 2001.

"As a staff consultant in the Business Fraud and Integrity Risk Services group at Andersen, I learned that firms are very concerned about the risks of fraud," Worthington said. "I now find it hard to believe that more schools don't offer similar courses."

By Dick Carozza

Worthington is one of a handful of former accounting students in the United States who have had any fraud examination training. According to "Fraud Education of Accounting Students: A Survey of Accounting Educators," by Peterson and Reider,¹ only 13 of 215 respondents to their 1999 survey of U.S. universities with accounting programs offered a specific course on fraud. (See sidebar below.)

Two U.S. colleges offer specific degrees in anti-fraud training.² Utica College of Syracuse University awards the master's of science in economic crime management and the bachelor's of science in criminal justice – economic crime investigation.³ Hilbert College (with assistance from the Western New York Chapter of the Association) offers the bachelor's of science degree in economic crime investigation.⁴ George Washington University offers a master's of arts in criminal justice with a

concentration in computer fraud investigation.⁵

"As fraud becomes the crime of the 21st century, it's more important than ever that we protect our accounting graduates with the armor of fraud examination education," said Joseph T. Wells, CFE, CPA, founder and Chairman of the Association in his recent keynote address at the Association's 12th Annual Fraud Conference & Trade Show.

To help ameliorate the lack of fraud examination training in U.S. colleges and universities, the Association is providing free of charge to educators a graduate-level course it developed for the University of Texas (UT) at Austin. All college and university educators who agree to teach a fraud examination course may receive at no charge the syllabus, one copy of the course text (Wells' "Occupational Fraud and Abuse"), PowerPoint presentations and instructor notes, discussion

Research Shows Death of Fraud Examination Courses

Numerous studies in the last few years have indicated that few college and university accounting departments offer fraud examination or forensic accounting courses.

In the paper, "An Examination of Forensic Accounting Courses: Content and Learning Activities," by Dr. Bonita K. Peterson (of Montana State University in Bozeman) and Dr. Barbara P. Reider (of University of Montana in Missoula), the authors cite a study by Groomer and Heintz (1994) who examined the topics covered in typical advanced auditing courses in the United States and Canada.⁶ Groomer and Heintz found that fraud issues were taught in 31.6 percent of internal auditing courses but only 8.2 percent of classroom hours were spent on the topic (page 102).⁷

Buckhoff and Schrader's survey (2000) found that only 24 (9 percent) of the 267 institutions that returned the survey either currently offered (13 institutions) or planned to offer (11 institutions) a course in forensic accounting.⁸

Buckhoff and Schrader (2000) note that adding a course in forensic accounting benefits the three major stakeholders in accounting education: 1) academic institutions; 2) students; and 3) employers. Academic institutions benefit because they are offering a relevant course that implements

many of the recommendations of both the Accounting Education Change Commission (AEOC) and the American Assembly of Collegiate Schools of Business (AACSB). Students benefit because they are acquiring marketable skills and knowledge and because they are being exposed to another potential career path. Employers benefit because the graduates available to them possess skills and knowledge that are more consistent with their needs.

Peterson and Reider's research (1999) has found that accounting faculty perceive a strong need for fraud education of accounting students. They asked faculty members to indicate their level of agreement with the statement that "it is unlikely that students will encounter fraud in their careers." A large majority (159 of 215 respondents) strongly disagreed, while only 1 percent of the respondents agreed with the statement. Buckhoff and Schrader (2000) found that the 267 institutions responding to their survey considered offering a course in forensic accounting to be moderately important. Further, they found that the 24 institutions either currently offering or planning to offer a course in forensic accounting placed much more significance on offering such a course. The conclusion drawn by Buckhoff and Schrader is that as more

institutions become aware of the increasing importance of and demand for forensic accounting, the number of institutions offering courses in the area should also increase.

Peterson and Reider report that accounting faculty cited lack of resources to allow for an additional course and the lack of space in the curriculum for another class as reasons for not currently covering the topic of fraud in an individual course. Students "have relatively little flexibility in the courses they must complete to earn their accounting degrees," Peterson and Reider conclude. Buckhoff and Schrader (2000) note that adding a course in forensic accounting can be a "win-win" situation for all parties in accounting education (students, academic institutions, and employers).

Peterson and Reider note that accounting faculty may feel overwhelmed by the task of developing fraud examination courses. However, the researchers recommend that educators use the Association's video courses beginning with "Introduction to Fraud Examination."

Peterson and Reider report that faculty members who teach forensic accounting courses frequently remark that the courses are the most popular electives in their accounting curricula.

- questions and practical exercises, examinations, and other materials.

The course covers such topics as asset misappropriations, skimming, cash larceny, check tampering, register disbursement schemes, payroll and expense reimbursement schemes, inventory and other assets, corruption, bribery, conflicts of interest, and fraudulent financial statements.

The Association also is offering accounting educators free copies of 11 of its original videos that are used with its continuing education courses. The titles range from "Beyond the Numbers: Professional Interview Techniques" to "Other People's Money: The Basics of Asset Misappropriation."

The Association invites CFEs to offer their expertise as guest lecturers for the fraud examination courses.

Wells is revising "Occupational Fraud and Abuse" for the college market. The Association will offer it to schools at a reduced price and will donate all profits to the ACFE General Scholarship Fund. Deborah Pavelka, Ph.D., CPA, professor and director of the School of Accounting at Roosevelt University in Chicago, Ill., said that the students in her fall semester business fraud course gave the original book a standing ovation as the "most interesting text in their college careers."

Those accounting schools who take advantage of the Association's free anti-fraud course and educational resources must agree to offer a three-hour course on fraud examination.

"After the conclusion of the UT course, all 80-plus students in the class believed that fraud examination education should be an important part of the accounting curriculum," Wells said. The class had the highest overall course rating and tied for the highest overall instructor rating of any class in the UT accounting department in the 2001 summer session.

In addition to Wells, guest instructors in the UT course included: James R. Baker, CFE; Regent Emeritus Martin T. Biegelman, CFE, Fellow of the Association of Certified Fraud Examiners; Board of Regents Chairman Joseph R. Dervaes, CFE, CIA, Fellow of the Association of Certified Fraud Examiners; Ron Durkin, CFE, CPA; Regent Dennis F. Dycus, CFE, CPA; Fellow of the Association of Certified Fraud Examiners; Regent Emeritus Bryan J. Farrell, J.D., CFE, CPA; Elliott Leary, CPA; Regent Emeritus B. Edward Madge, CFE; and Association Program Director James D. Ratley, CFE. Association Associate General Counsel John Warren, J.D., CFE, was the course's administrator.

"Anti-fraud education is a personal mission of mine," Wells said. "I graduated more than three decades ago with an accounting degree, and to say that anti-fraud education was inadequate is a vast understatement: it was non-existent. Thirty-two years later, with some notable exceptions, anti-fraud education for accounting students is still non-existent. We want to change that with the introduction of this prototype fraud examination course."

Albrecht is the interim chairman of an ad hoc committee of accounting educators and fraud examiners organized to study the issue and make recommendations. He is associate dean of the Marriott School of Management at Brigham Young University and the 2001 recipient of AICPA's Distinguished

Achievement in Accounting Education Award. Albrecht was the Association's first president. "Fraud is an extremely costly business problem," said Albrecht. "For example, a Fortune 500 Company recently had a \$436 million fraud. Because this company's profit margin was approximately 10 percent, this organization had to generate 10 times the amount of the cost of the fraud, or \$4.36 billion, to restore net income to what it would have been without the fraud. When faced with the choice of generating another \$4.36 billion in revenues or reducing fraud losses, this company decided that reducing and eliminating future frauds was the more effective way to spend its money."

"Eliminating fraud is a business problem for organizations and accounting educators need to facilitate the application of the skills of our best students to fighting this significant problem," Albrecht said.

"One of the main reasons that anti-fraud training is not taught in college is because the real fraud examination experts are in the industry and not usually in academia like Dr. Albrecht so professors haven't known what to teach," Wells said. "We hope that this course will change that. It's our goal that at least half of the colleges and universities in the United States will be teaching this or a similar fraud examination course in five years," Wells said. "This will have an enormous beneficial impact on not only the rate of fraud but also on the future education of the fraud examination professional. As long as I am physically and mentally able, I will not rest until anti-fraud education at the university and college level is a reality."

Anti-fraud educators may obtain the syllabus and one copy of the text, "Occupational Fraud and Abuse" free of charge by writing a letter to the Association on accounting school letterhead describing the details of the anticipated class. Those who agree to teach a fraud examination course then may receive the other free Association materials.

Dick Carozza is the editor of The White Paper. His e-mail address is: dcarozza@cfenet.com.

¹ Peterson, Bonita K., and Barbara P. Reider. 1999. Fraud Education of Accounting Students: A Survey of Accounting Educators. *The National Accounting Journal* (Winter): 23 - 30.

² Please inform the Association of any other current or planned anti-fraud degree programs.

³ See www.utica.edu/ECM_Masters.asp and www.ecii.edu/academ_undergrad.html.

⁴ See www.hilbert.edu/academics/eci/bs_degree.asp.

⁵ See www.gwu.edu/~mastergw/programs/crime_commerce/index.html

⁶ Peterson, Bonita K., and Barbara P. Reider. 2000. An Examination of Forensic Accounting Courses: Content and Learning Activities. *The Journal of Forensic Accounting* (January - June 2001): 25 - 41.

⁷ Groomer, S. Michael, and James A. Heintz. 1994. A Survey of Advanced Auditing Courses in the United States and Canada. *Issues in Accounting Education* (Spring): 96 - 108.

⁸ Buckhoff, Thomas A., and Richard W. Schrader. 2000. The Teaching of Forensic Accounting in the United States. *Journal of Forensic Accounting: Auditing, Fraud, & Taxation* (January - June): 135 - 146. Also see Buckhoff, Thomas A., Fraud Examination in Academia. *The White Paper* Vol. 13, No. 3, May/June 1999.