

Fraud and Corporate Misconduct

Case Studies and Analysis

Course Description

A series of corporate misbehavior and scandals where employees, investors, and other stakeholders suffered tremendous losses have made the world aware of the severity of fraud. While fraud varies in sophistication, it can reach and impact every business, regardless of size, industry, or length of time in business. Fraud is a common risk that cannot be ignored and tolerated. A recent study reveals that organizations typically lose approximately 5% of revenues each year to fraud. Whether due to an aggressive sales culture, lack of moral leadership, ineffective monitoring systems, or weak internal controls, questions always beg “why did it happen?”, “why couldn’t it be prevented or detected by the existing internal controls?”, and “where were the auditors and why didn’t they uncover the fraud?”

This course is designed to help professionals better prepare for these questions by examining two infamous corporate scandals: 1) The Retail Empire: Crazy Eddie, and 2) The King of Cross-Sell: Wells Fargo. It details how Crazy Eddie applied various techniques to “cook the books” and deceive auditors. It explains how Wells Fargo employees engaged in different types of sales practice misconduct to meet unrealistic sales targets. It also reviews the factors that led to the end of Crazy Eddie and Wells Fargo’s widespread customer abuse. Moreover, it discusses lessons learned from both cases that can result in improved audit processes. It identifies specific mistakes made by Crazy Eddie’s auditors and discussed what the auditors should have done. It also describes how internal auditors can help prevent the unethical practice from snowballing in Wells Fargo. Finally, it provides guidelines for evaluating the corporate culture with a sample audit program.

Completion Deadline & Exam: This course, including the examination, must be completed within one year of the date of purchase.

Course Level: Overview. This program is appropriate for professionals at all organizational levels.

CPE Credits: 6 (CPA)

Category: Auditing

Prerequisite: Basic Accounting and Auditing

Advanced Preparation: None

Course Learning Objectives

Upon completion of this course, you will be able to

1. Recognize techniques used to manipulate earnings

2. Identify the red flags missed and audit mistakes made
3. Recognize the characteristics of financial statement fraud
4. Recognize the role of auditors in detecting financial statement fraud
5. Identify common fraudulent activities and misconduct
6. Identify the factors that led to widespread unethical sales practices
7. Recognize how regulatory agencies protect consumers from deceptive and abusive practices
8. Recognize how pressure, opportunity, and rationalization facilitate fraudulent activity
9. Recognize the role of internal auditors in auditing corporate culture
10. Identify audit procedures and considerations for corporate culture