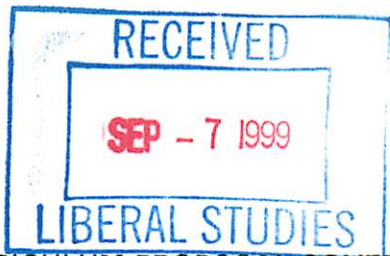


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**CURRICULUM PROPOSAL COVER SHEET**  
University-Wide Undergraduate Curriculum Committee

*Resent-00-59e*

**I. CONTACT**

Contact Person Duane Ponko Phone 357-2686  
Department Accounting

**II. PROPOSAL TYPE (Check All Appropriate Lines)**

**COURSE** Forensic/Intl. Audit  
Suggested 20 character title

**New Course\*** AG 432 Forensic and Internal Auditing  
Course Number and Full Title

**Course Revision** \_\_\_\_\_  
Course Number and Full Title

**Liberal Studies Approval+** \_\_\_\_\_  
for new or existing course Course Number and Full Title

**Course Deletion** \_\_\_\_\_  
Course Number and Full Title

**Number and/or Title Change** \_\_\_\_\_  
Old Number and/or Full Old Title

\_\_\_\_\_  
New Number and/or Full New Title

**Course or Catalog Description Change** \_\_\_\_\_  
Course Number and Full Title

**PROGRAM:**  Major  Minor  Track

**New Program\*** \_\_\_\_\_  
Program Name

**Program Revision\*** \_\_\_\_\_  
Program Name

**Program Deletion\*** \_\_\_\_\_  
Program Name

**Title Change** \_\_\_\_\_  
Old Program Name

\_\_\_\_\_  
New Program Name

**III. Approvals (signatures and date)**

*T. P. Ponko* 11/5/98  
Department Curriculum Committee

*Duane Ponko* 11-5-98  
Department Chair

*John P. ...* 11/6/98  
College Curriculum Committee

*Bob ...*  
College Dean

+ Director of Liberal Studies (where applicable)      \*Provost (where applicable)

## **PART II: DESCRIPTION OF CURRICULAR CHANGE**

### **1. SYLLABUS OF RECORD FORMAT**

#### **I. Catalog Description**

AG 432 – Forensic and Internal Auditing	3 credits 0 lab hours 3 lecture hours 3c-0l-3sh
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Prerequisites: AG301, Junior Standing

This course introduces students to forensic auditing in fraudulent financial reporting and employee theft. This course also covers the foundations of internal auditing and operational audits performed by internal auditors.

#### **II. Course Objectives**

1. Students will have an understanding of the roles and duties performed by internal auditors which include operational audits. This will add to the “external auditing” exposure in AG431 Auditing (required course) that students receive.
2. Students will be alerted to the large number of fraudulent financial reporting cases that exist and the auditor’s new responsibilities in investigating these cases.
3. Students will examine the enormous financial implications of employee theft in business and ways to deter fraud.
4. Students will learn how the accounting profession plans to integrate the new focus on fraud into the role and duties of the internal auditor.

#### **III. Course Outline**

- A. Nature of Internal Auditing (5 hours)
  1. The history of internal auditing and the effect on the accounting profession of the Foreign Corrupt Practices Act to this discipline
  2. The nature of this discipline and career path versus the external auditor
  3. Relationship to the external auditor
- B. Internal Auditing Professional Standards (1 hour)
  1. The Code of Ethics
  2. External influences

- C. **Assessing Internal Controls (2 hours)**
  - 1. Preventive controls
  - 2. Breakdowns
  - 3. Correcting weaknesses
  
- D. **Overview of Human Relations Within the Audit Environment (3 hours)**
  - 1. The audit interview
  - 2. The forensic interview
  
- E. **The Preliminary Survey and Audit Program (5 hours)**
  - 1. Entrance conference
  - 2. Interviews and documentation
  
- F. **Divisional Assignments (4 hours)**
  - 1. Operational, management, and performance audits
  - 2. Special investigations
  - 3. Client communications
  
- G. **Audit Reporting and Follow-Up (3 hours)**
  
- Exam (1 hour)
  
- H. **Fraud Auditing (1 hour)**
  - 1. Responsibilities under SAS No. 82
  
- I. **Current Fraudulent Financial Reporting Cases (7 hours)**
  - 1. Motivation to produce fraudulent business results
  - 2. Red flags
  - 3. Reasons for lack of detection
  
- J. **Employee Theft (9 hours)**
  - 1. Extent of problem
  - 2. The historic lack of discovery by auditors and the failure to prosecute
  - 3. Rationale of criminals
  - 4. Examination of case studies
  
- K. **The Ultimate Integration of Forensic Work Within the Internal Audit Department (1 hour)**

Final Exam (2 hours)

Total Course Hours: 42

#### **IV. Evaluation Methods**

Although this is left to the discretion of the instructor, recommendations are as follows:

80% tests – One exam at mid-term to cover the internal auditing portion and the final to concentrate on the forensic area. Tests will probably consist of short essay, case analysis, and some multiple choice questions.

10% - In-class participation based on case analysis

10% - Writing assignments based on special projects and case analysis

#### **V. Required Textbooks, Supplemental Books and Readings**

##### **Required Text**

1. Flesher, Dale L. Internal Auditing Standards and Practice, Institute of Internal Auditors, 1996.

##### **Supplemental Books and Readings**

1. Arthur Andersen, Business Ethics Program, Arthur Andersen, 1992.
2. Association of Certified Fraud Examiners, "Cooking the Books", 1990.
3. Association of Certified Fraud Examiners, "Introduction to Fraud Examination", 1996.
4. Association of Certified Fraud Examiners, "Tools and Techniques Preventing and Detecting Fraud", 1996.
5. Atkinson, Robert M., Modern Internal Auditing, CPE Edition, Wiley, 1997.
6. Bologna and Fendquest, Fraud Auditing and Forensic Accounting, Wiley, 1997.
7. Institute of Internal Auditors, "The Hunt for Fraud Prevention and Detection Techniques", 1994.
8. Institute of Internal Auditors, "Journal of the Institute of Internal Auditors"
9. KPMG, "Fraud Surveys, 1993-1994.
10. Ratcliff, Richard L., Internal Auditing Principles and Techniques, Institute of Internal Auditors, 1996.
11. Taylor, Donald H., Auditing: An Assertive Approach, Wiley, 1986.

#### **VI. Special Resource Requirements**

None

## **2. COURSE ANALYSIS QUESTIONNAIRE**

### **A. Details of the Course -**

- A1. This course is an elective course for accounting majors.**
- A2. This course has no effect on other courses.**
- A3. This course was successfully offered as a special topics course during the 1998 spring semester.**
- A4. This course is not intended to be a dual-listed course.**
- A5. This course is not to be taken for variable credit.**
- A6. A small number of universities offer internal auditing courses on the graduate level. The inclusion of forensic topics is just evolving at the formal education level.**
- A7. By the associations of the Institute of Internal Auditors and the Association of Certified Fraud Examiners with forensic accounting issues, we obviously have their implicit recommendations to teach the content and skills associated with these topics.**

### **B. Interdisciplinary Implications**

- B1. This course will not be team-taught.**
- B2. This course will not overlap with any other courses at the university.**
- B3. Five seats will be reserved for students in the School of Continuing Education since many practitioners may be interested in the course.**

### **C. Implementation**

**C1. There are adequate faculty seating resources available. The current AG435 internal auditing course has been offered each spring for the last three years. We will continue to offer this course on the same basis.**

**C2. The available space is sufficient for this course.**

**No additional equipment is necessary for this course.**

**No laboratory supplies and other consumable goods are required for this course. Library materials are adequate for this course.**

No travel funds are required for this course.

C3. No grant funds are associated with this course.

C4. The course will be offered once every year in the spring and possibly in the summer.

C5. One section of this course will be offered at a time.

C6. Twenty-five students will be accommodated in this course. Due to participation and discussion, a larger class is not recommended.

C7. No professional society recommends enrollment limits for this course.

**D. Miscellaneous**

No additional information is necessary.