



Second Edition

# FORENSIC ACCOUNTING and FRAUD EXAMINATION

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# Preface

## WHAT'S NEW IN THE SECOND EDITION

Because of a general increase in the demand for fraud investigation services, the second edition adds five new chapters relating to fraud investigation processes. The result is that, as revised, Part II (Chapters 5–12) covers the entire fraud investigation process over the span of eight chapters. Parts III and IV (Chapters 13–18) follow up with various types of fraud applications that range from employee and vendor fraud to anti-money laundering and counterterrorism.

A major distinction of the second edition is that it follows a process-oriented approach. This means that fraud investigation is presented as an organized sequence of steps that start at some point and end at some other point. Flow diagrams are presented throughout Part II (Chapters 5–12) to graphically illustrate the sequence of steps followed in fraud investigations.

The process-oriented approach differs significantly from taxonomy-based approaches commonly followed in the literature. Taxonomy-based approaches tend to focus on classifying fraud investigation methods. Although useful, taxonomy approaches in and of themselves do not provide the most basic guidance needed by a fraud investigator, namely what to do first, second, and so on, and when to end a given phase of an investigation.

## TEXT ORGANIZATION

The text seeks to provide comprehensive coverage of fraud examination and forensic accounting through a wide range of topics relevant to all types of students, regardless of their major, concentration, or level of studies. The chapters are organized into five major parts. Part I deals with topics primarily relevant to the fraud examination and forensic accounting environment. Part II introduces the theory, processes, and methods of fraud examination. Part III focuses on occupational and organizational fraud. Part IV deals with various specialized nonoccupational areas of fraud. Part V highlights forensic accounting services whose applications are typically outside the area of fraud examination.

## PART I INTRODUCTION TO FORENSIC ACCOUNTING AND FRAUD EXAMINATION

This part covers various foundational areas of importance to fraud examination and forensic accounting. Chapter 1 provides a general overview. Chapter 2 focuses on the legal procedures that are frequently relevant to forensic accounting work. Both criminal and civil procedures are covered, with a special emphasis on criminal procedures because they are often ignored in the typical business law courses.

Chapters 3 and 4 provide comprehensive, self-contained units in accounting information systems and auditing. Inclusion of these chapters makes the text accessible to nonaccounting majors and even to nonbusiness majors.

## PART II FRAUD EXAMINATION THEORY, PRACTICE, AND METHODS

This part discusses basic and advanced fraud examination and investigation processes. The flow of chapters in this section corresponds to the entire fraud investigation process: fraud prevention (Chapter 5), fraud detection (Chapter 6), fraud investigations and the engagement process (Chapter 7), the fraud evidence collection process (Chapter 8), physical,

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