



**THE ARC TRAINING GROUP**  
A Division of The ARC Consulting Group, Inc.  
A Profit Enhancement Firm  
Providing Educational and Consultative Services to the  
International Business Community

## **SEMINAR FACT SHEET**

### **THE FORENSIC ACCOUNTING COURSE: DEVELOPING THE FRAUD RESISTANT COMPANY® COURSE NO. ARC 014**

#### **SEMINAR OVERVIEW**

Latest results show that employees, customers and suppliers, **steal over 6%** of your company's revenues. In the past 10 years, external CPA firms were complicit or knew about 50% of the biggest frauds—and did nothing! In this hard hitting program, you will see how crooks have taken advantage of systems that may be in your own organization, and learn how to create the "Fraud Resistant Company@!" While no one can guarantee to "Fraud-Proof" a company, this program will show you how to make the commission of a crime more difficult, and how to establish an "Early Warning System" for early detection. Remember, "Pigs get fat, Hogs get slaughtered!"

By a combination of learning from the significant cases of fraud in the past, coupled with a structured Risk Analysis of the processes in place today, you will learn how to make your key accounting and operational systems a crook's "Worst Nightmare!"

#### **WHO SHOULD ATTEND**

Financial professionals, internal auditors, operational process owners, business management professionals, project managers, Marketing, and anyone tasked with the effective and efficient evaluation of potential investments, acquisitions, outsourcing agreements, or long-term contracts with unknown entities. Also this seminar is for those responsible for the making of or evaluating management of a decision-making process and want to more effectively use Excel® and an analytical tool.

| <b>Audit Professionals</b> | <b>Financial Professionals</b> | <b>Technical Professionals</b> | <b>Operational Professionals</b> | <b>Strategic Management</b> |
|----------------------------|--------------------------------|--------------------------------|----------------------------------|-----------------------------|
| ■ Staff                    | ■ Staff                        | ■ I / T                        | ■ Supervisors                    | ■ Managers                  |
| ■ Seniors                  | ■ Controllers                  | ■ Purchasing Mgrs              | ■ Team Leaders                   | ■ Directors                 |
| ■ Managers                 | ■ Directors                    | ■ Proj. Managers               | ■ Managers                       | ■ Vice Presidents           |
| ■ Directors                | ■ VP's & CFO's                 | ■ ISO & Quality                | ■ Plant Managers                 | ■ CEO's                     |

#### **WHAT WILL BE COVERED**

You will learn how to create a Fraud Resistant Company® by analyzing the structure of your key accounting and operational systems including:

- Invoicing and Accounts Receivable
- Cash Disbursement and Accounts Payable
- Purchasing and Receiving
- Cash Receipt and Cash Management
- Fixed Asset Acquisition and Accounting
- Payroll, Time Accounting and Travel Expense Reimbursement
- Raw Material and Finished Goods Inventory

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- Accruals, Deferrals and Reserves
- Budgeting and Variance Analysis

Using live case studies participants will develop forensic skills to determine where the holes are any to spot potential irregularities. Every internal process presents its own unique set of “Red-Flags” in accounting crimes. You will learn how to review accounting and operational processes, internal financial reports, identify such signals and alert the right folks in your organization.

**SPECIAL FEATURE:** You can tailor this program by using any companies’ financial processes, those of your customers, suppliers, strategic partners, acquisition targets, or any company with which you may have substantial financial commitments in lieu of the standard case study provided with the materials at no additional charge. ARC will gladly modify this program **AT NO COST** to ensure your team receives the best educational experience possible.

### HOW YOU WILL BENEFIT

At the end of this program, you will be able to:

- Create a Fraud Resistant Company®
- The importance of Fraud Resistant Corporate Culture
- Discuss the elements of fraud and how to spot irregularities
- The elements of internal control and how they safeguard against internal fraud
- What constitutes accounting irregularities
- How to use controls as a fraud prevention tool
- How crooks circumvent controls and rendered them useless
- How to identify potential financial misstatement
- The “Red-Flags” of internal crime
- Tools used to prevent accounting misstatements
- Use Excel® and an analytical tool.

### PROGRAM AGENDA

#### DAY ONE:

##### **THE FRAUD DRIVEN BUSINESS ENVIRONMENT**

This section will show you how the development of a structured strategic, tactical, and operational business plan provides a key component of the “Fraud Resistant” organization. You will discuss the circumstances and environments that actually ENCOURAGE fraud, and how a sound corporate structure and culture and go a long way in creating a Fraud Resistant corporate environment. You will also see how external forces play a key role in the frequency and extent of fraud, and what you can do the stop it.

##### **THE RED FLAGS OF POOR CORPORATE CULTURE – THE BREEDING GROUND FOR FRAUD**

The Fraud Resistant Company® is only as good as its corporate culture.

- The Elements of an Effective Set of Environmental Controls
- Corporate Views on Prosecution of Offenders
- Bonus and Compensation programs
- The Value of Conflict of Interest Statements
- Hiring and Applicant Screening practices

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### **THE CURRENT SAFEGUARDS IN TODAY'S FINANCIAL REPORTING STRUCTURE**

Current and past legislation does assist in the development of the Fraud Resistant Company®, but we need more. In this section, you will explore the attributes of an effective system of Internal Controls, and the interrelationship among Controls, SOX, and the Audit Committee. You will discuss:

- Nature and purpose of Internal Controls
- The Board of Directors and Audit Committees
- Committee of Sponsoring Organizations (COSO)
- SOX and the Future

### **THE NATURE AND PURPOSE OF INTERNAL FINANCIAL REPORTING**

The internal financial reporting structure of the organization is the “First Line of Defense” in creating the Fraud Resistant Company®. By understanding how to use the systems already in place better, you can significantly reduce the potential for fraud. You will explore:

- Key accounting principles and the foundation of financial reporting
- The drivers of employee and Third Party fraud
- Budgets as a fraud prevention tool
- Variance Analysis as an “Early Warning System”
- Several key cases

## **CASE STUDY PART I**

### **DAY TWO**

#### **FRAUD PERPETRATED THROUGH FALSE REVENUE RECOGNITION**

Fictitious revenue is the first avenue of creative managers to cover fraudulent activities. They may be trying to meet a bonus plateau, or to cover irregularities committed in prior periods. Or, they may be simply skimming off the top. This section will explore the techniques you can employ to continue the task of creating the Fraud Resistant Company®. You will discuss:

- Nature of Revenue
- The recognition of revenue - SEC Staff Accounting Bulletin SAB101
- Converting revenue into cash
- The Red Flags of Revenue Fraud
- Techniques for analyzing the recognition of revenue
- Analyzing Closing Entries and Accruals
- Frauds involving Invoicing and Accounts Receivable processes

#### **FRAUD PERPETRATED THROUGH CASH RECEIPT AND CASH MANAGEMENT**

The theft of cash represents a deadly strike at the very foundation of the company. Unscrupulous employees that steal from their employers represent the lowest form of criminal. They fail to realize that they not only hurt the company, but every other employee. In this section, you will review a number of cash-related schemes focused on preventing the company from every taking possession of the cash, helping to create the Fraud Resistant Company®. You will explore:

- The Red Flags of Cash-Related Frauds
- Skimming
- Larceny
- Lock Box and Cash Management Schemes
- Sweep Accounts or Check Kiting?
- Preventing and Detecting Credit Card Fraud

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### **FRAUD PERPETRATED THROUGH CASH DISBURSEMENTS AND ACCOUNTS PAYABLE**

The second area of fraudulent activities is the improper disbursement of cash through a number of avenues; checks, “P” Cards, wire transfers, bank drafts or just plain larceny. False billing schemes averaged \$160,000 per reported incident over the past 10 years. This section will delve into the various schemes used to defraud your company of its cash, and how to continue the development of the Fraud Resistant Company®.

- Identifying Potential False Invoices - Is it Real, or is it “Memorex?”
- Identifying and Preventing Duplicate Payments
- Red Flags of Cash Disbursement Fraud
- Purchasing Card Fraud Schemes – How to Spot and Prevent Them
- Identifying and Prevent “Phantom” Vendors
- The Red Flags of Disbursement Fraud
- Internal Control systems that help create the Fraud Resistant Company®
- How to spot fictitious suppliers, consultants, service contracts, etc.

### **FRAUD PERPETRATED THROUGH THE PURCHASING AND RECEIVING SYSTEMS**

Fraud through collusion with outside suppliers and contractors represents the most viscous attack on company assets. Over the past 10 years, bribes & kickbacks averaged \$300,000 per offense, and represent the most frequent fraud scheme. The use of bribes, kickbacks, use of condo, planes and boats provides the crooks with a never-ending array of schemes. But there is a way to reign in even this environment in your journey to the creation of the Fraud Resistant Company®. In this section, you will learn how to identify an array of purchasing-related schemes. You will discuss:

- Identifying fictitious suppliers
- The Red Flags of Purchasing Fraud
- “Fixed” Bidding Processes and Insider Manipulation of Received Bids
- Fraud at the Receiving Dock
- The Red Flags of Receiving fraud
- Using The Variance Reporting System as an Early Warning System,

### **FRAUD PERPETRATED THROUGH FIXED ASSET ACQUISITION AND ACCOUNTING**

The theft of assets takes many forms, from employees simply walking away with laptops and other valuable and moveable assets, to collusion with suppliers to ship “Phantom” goods. The creation of the Fraud Resistant Company® depends heavily on the ability of the company to ensure it uses its invested capital for the acquisition of assets that add to shareholder profitability. In this section your will explore:

- Frauds in Capital Spending – Misrepresenting DCF Models
- Leasing Frauds – The Lease – Buy Syndrome
- Red Flags of Capital Spending Fraud
- Collusion with Suppliers
- Manipulation of Depreciation Covenants
- The capitalization of Operating Expenses
- Accounting for Fictitious Assets
- Fixed Asset Management systems as a key defense tool
- The Red Flags of Owned-Asset Fraud
- Ratio Analysis as a Fraud Detection tool

## **CASE STUDY PART II**

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### DAY THREE:

#### **FRAUD PERPETRATED THROUGH PAYROLL, TIME ACCOUNTING AND TRAVEL EXPENSE REIMBURSEMENT**

The second most frequent scam used by employees to defraud the organization is the manipulation of payroll records. The Fraud Resistant Company® depends on its employees to provide honest service in the pursuit of the company's strategic vision. In this section, you will explore some of the most devious actions take to commit Payroll-Related Fraud, including:

- The use of Ghost Employees
- The Red Flags of Payroll Fraud
- Payroll tax deposit schemes
- Time accounting schemes
- Using headcount changes to mask payroll fraud
- Using turnover to mask payroll fraud
- Collusion with banks
- Fraudulent Payroll Management Companies
- Hiding payroll fraud during periods of rapid growth

#### **FRAUD PERPETRATED THROUGH THE MANIPULATION OF RAW MATERIAL AND FINISHED GOODS INVENTORY**

One of the easiest places managers hide Income Statement fraud is in Inventories. They are often difficult to count, locate and value. They move quickly, and may be in the possession of third party consignees, outsourced warehouse facilities, or simply in transit internationally. The Fraud Resistant Company® must “get a grip” on its inventories to ensure they are actually converted into goods and sales. In this section, you will explore some of the most treacherous and devious inventory schemes, and also discuss the control systems that you can use to help create the The Fraud Resistant Company®. In this section, you will explore:

- The Invisible Inventory Scheme
- Red flags of Inventory Fraud
- Using the Variance Analysis System as an Early Warning Device
- Dangers lurking in consigned and Third-Party warehouse arrangements
- Paying for goods never received
- Effective inventory practices
- Control systems that resist fraud

#### **FRAUD PERPETRATED THROUGH ACCRUALS, DEFERRALS AND RESERVES**

The proper timing of revenues and expenses is an essential part of the accrual accounting system. In addition, it is critical for the effective analysis of business behaviors. Past frauds used the “Soft” accounts of deferrals, accruals, and reserves to either hide fraud, or to build “Cookie Jar” reserves to manipulate earnings, budget variances, and to hide fraudulent activities. In order to effectively develop The Fraud Resistant Company® you need to understand how the misuses of these accounts by less than scrupulous managers can hide frauds for years. In this section, you will discuss:

- Managing Variances Through “Creative Accounting”
- Phantom Revenue
- Red Flags of Accrual Manipulation
- Playing Games with Accruals
- Ensuring the proper timing of revenues and expenses
- Disappearing Receivables – “Bait and Switch”

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### **FRAUD PREVENTED THROUGH BUDGETING AND VARIANCE ANALYSIS**

Just because the manager came in under budget does not mean that the manager used the funds effectively or honestly. This section shows how to use budgets and budget variances to develop The Fraud Resistant Company®. In this section, you will discuss:

- Budgeting as a Fraud Deterrent
- Red Flags of Budget Fraud
- Making Variance Analysis a “Value-Added” Activity
- Making them “Enjoy the Gain and Feel the Pain.”
- How to benchmark specific revenue and expense types
- Regression an a Budget tool and “Fraud Finder”


### **CASE STUDY WRAP-UP AND PRESENTATION**

- **COURSE SUMMARY AND WRAP-UP**

This section provides you with the opportunity to address any specific issues with the total group as a resource, to review any specific issue or topic addressed in the program, or to just recap the benefits received from the program and the group as a whole.

### **SEMINAR PRICING AND LOGISTICS**

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| <b>Duration:</b> 3 Days  | <b>Program Level:</b> Basic                 |
| <b>Seminar Fee:</b> \$ 9,500   | <b>Average Cost / Attendee:</b> \$ 380      |
| <b>Prerequisites:</b> None   | <b>Advanced Preparation:</b> None           |
| <b>Maximum Attendance:</b> 25  | <b>CPE Hours:</b> 24                        |
| <b>Delivery Method:</b> Group Live   | <b>Booking Instructions:</b> (904) 268-1148 |
| <b>This fee includes all instructor travel, living and professional fees, and all participant materials. The client is responsible for training facility, audio-visual requirements, and other creature comforts. For information regarding refund, complaint and program cancellation policies, please visit our website at <a href="http://www.arctraining.com">www.arctraining.com</a>, or call Kate Robbins at (904) 268-1148.</b> |   |
| <b>For additional savings to your organization, invite participants from companies in your area who may also be interested in this program. The ARC Training Group places no restrictions on who you can ask to join your group.</b>   |   |

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