



Fraudulent Perspectives

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agenda



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introduction

This Honors Capstone is a set of creative writing pieces that are meant to convey a story of fraud. The creative writing pieces, as based on research, are told from the view of three different people: the auditor, the perpetrator, and the victim. These pieces are meant to enhance our understanding of how fraud can happen along with the repercussions it can have on those involved. This serves to enhance our careers as aspiring CPAs and auditors past college.

meet our team



PAIGE MORRIS

View of the Perpetrator



BRYNN SEDAR

View of the Victim



SAGE WALTON

View of the Auditor

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Research

Paige

- FRAUD- intentional manipulation of financial statements
 - Create illusion surrounding financial situation of company
- Impacts on dangers of fraud
 - 'Tone at the top'/management, workplace culture
 - Lacking corporate governance
- Creative accounting- legal flexibility within industry
 - Increase income and assets
 - Decrease expenses or liabilities
 - Alter perceptions of financial positions

Even if legal, where is the line drawn for ethics?

Paige



<https://research-methodology.net/carrolls-csr-pyramid-and-its-relation-to-modern-environment/>

“Corporate Fraud Prevention and Detection: Revisiting the Literature”

- Red flags- auditors are found to use them rarely
- Management- may see pressure or rewards for committing fraud
 - External Auditors or regulatory agents are essential
- Industry- fraud caused by major rivalry and environmental changes
- How to prevent fraud?
 - Internal controls
 - Fraud detection protocol
 - Corporate governance
 - Whistleblower protection
 - Forensic accountants & external and internal auditors

“Psychology of Fraud: Why good people do bad things”

- Toby Groves- Why did he commit bank fraud?
 - His company was struggling
 - Took out a false loan with the help of his employees and external resources
 - Shows that fraud involved the work of many
- Most people assume they could never commit fraud, but they are more than capable of it
- Why do people help the perpetrator?
 - They have respect for them/like them
 - Empathy

“Guide to Understanding the Total Impact of Fraud”

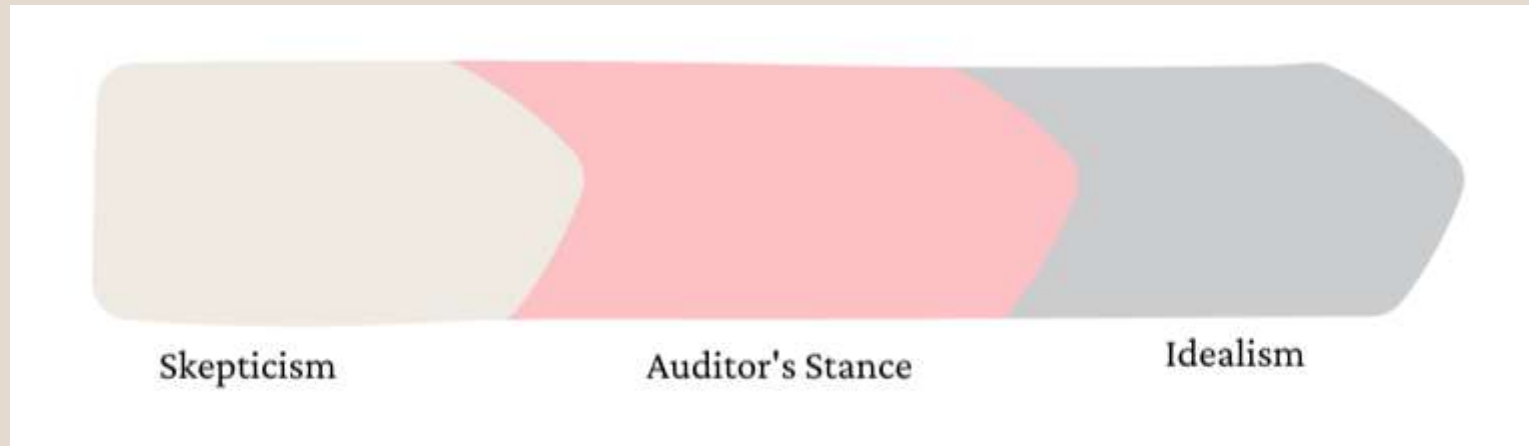
- Impacts of fraud-
 - Human
 - Government outcomes
 - Reputation
 - Government systems
 - Industry
 - Environment
 - Security
 - Financial
 - Business
- Five Principles of Fraud and Corruption

Accountant's Perspectives on Controls

- Preventative vs detective methods
- Passwords
- Separation of duties
- Verification/approval of work
- Clear-cut policy regarding fraud
- Anonymous hotlines.
- Data analytics and advanced software
- In the perspective of the auditor, it is important to evaluate the design and operation of these controls.

Ethical Idealism and Trait Skepticism

- As seen in the graphic, one of the articles focused heavily on idealism and skepticism applied to the accounting profession.
- Potential pitfalls for an auditor when going too far in one direction compared to another.
- Trait skepticism is a key tool for auditors and is needed to make sound judgement calls.
- There are many factors to unpack when it comes to how an auditor conducts themselves on an engagement.



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Creative Writing

timeline

FEB 11, 2014

Frank asks Chris to commit fraudulent financial statement activities via email.

NOV 2015

Frank has their trial for fraud they committed at Morris-Sedar.

SEPT/OCT 2015

Victims talk about the repercussions of Morris-Sedar committing fraud.

APRIL 21, 2015

The CEO addresses employees about financial statement fraud found in the company.

MAY 12, 2016

Frank writes to an old professor asking them for a favor after he serves his sentence.

February 11th, 2014

Updated Accounting Procedures

Frank Beely <f.beely@morris-sedarcorp.com>

Tues 2/11/2014 11:49

To: c.ortiz@morris-sedarcorp.com <c.ortiz@morris-sedarcorp.com>

Good afternoon, Chris—

Firstly, I would like to say how much we have loved working with you these last few quarters. You are essential to the team, and we would like to continue to foster a healthy relationship with both you and your group.

I am letting you know some changes will start to occur in the Finance Department here at Morris-Sedar. Our most recent financial statements have not been up to our standards, so we have decided to better assist our management team by reporting more accurate financial figures. In the interest of saving time and resources, please make sure you are utilizing the correct accounting standards for reporting. We ask you to follow these new processes and not worry about accuracy or reporting. I assure you that accounting professionals have been consulted at length. I will be reviewing all work to ensure accuracy and will be available to answer all questions surrounding the new procedures.

We hope you will assist in this endeavor as the company, shareholders, and society will all benefit from a more successful institution. If you have any questions, please let me know. From this point forward, management and I will make efforts to be more involved in the accounting and reporting processes, so please direct all concerns to us.

Have a great day,

Frank Beely

CFO, Morris-Sedar Corporation

f.beely@morris-sedarcorp.com

THE FIRST DAY

The air
is heavy in the back
storage room they cleared
for me, I sit the stack of
papers they seem daunting from
this angle, colored tabs
cascading down the side,
handwritten sticky notes
peeking through the files.

I sit, a little while longer,
listening to the muffled
conversation
outside the door.

*It's a new person
this time.*

My stomach turns,
I log onto the computer.
It is time to begin.

THE MOMENT

This is the undoing, the
unraveling of the mystery,
I pulled the thread, and
it all
came
loose.

It happened so quietly, waiting
until no one was looking.
I picked up the phone and
spoke in a hushed tone

*Just a little
each time, I'm sure it
was easy to justify at first.*

I was met with heavy
silence on the other end,
nothing good was
coming.

April 21, 2015

Memo

To: All Employees
From: Greg Morris, CEO
Date: April 21, 2015
Re: Urgent News Concerning the Company

To begin, there has been a breach of company policy and ethical conduct within our company. We, as top management, are taking this breach seriously and would like to keep you all informed. Before the public becomes aware of the seriousness of this situation, we feel as though everyone working at Morris-Sedar Corporation should be made aware of such findings.

There have been some unethical and fraudulent reporting of financial statements within the Accounting & Finance department. One member of the Accounting & Finance department was aware of these unethical accounting practices and failed to correct these fraudulent actions. As many are aware, we recently were audited by an external audit firm who found these cases of fraud. These auditors were forced to report to our corporation's Board of Directors and legal action will take place.

Many of you may be wondering what this means for your careers and the life of Morris-Sedar Corporation. To be frank, there is a lot of uncertainty during this time. At this point, this information is confidential and shall not be discussed with anyone outside of this company. We will be holding a mandatory meeting for all employees on Wednesday, April 22nd at 8 am in the conference room. In this meeting, we will discuss the future of the company and each employee's career.

I understand that this is shocking and overwhelming news to receive. Please be assured that we are doing everything in our power to handle this situation with the utmost professionalism and assurance. If anyone needs to speak with me, or other top management, please don't hesitate to reach out. Thank you for your patience and understanding during this difficult time, see you all tomorrow morning.

Greg Morris
CEO Morris-Sedar Corporation
g.morris@morris-sedarcorp.com
(307)895-9855

October 1, 2015

October 1, 2015

Dear Mom & Dad,

This will be a hard letter to write to you, as my situation is embarrassing and one that was out of my control. I am sure that you have both been watching the news and have seen that Morris-Sedar Corporation has fraudulently reported on their financial statements. This is why it appeared that their company was a good investment and one that would bring me a lot of money. Well, when the external auditor found this case of fraud, their stock immediately went down. I held a lot of stock in their company, and as a result of their fraudulent reporting, I lost a significant amount of money. My wife and I have just made big financial decisions because we thought we had more money than we did. We just built a brand new home, donated thousands to charity, and are funding our children's college education.

At this time, I am unsure what to do. I have tried to come up with possible solutions to our problem of losing all this money. I am at a standstill. This has affected my wife and my mental health due to fear that we will not be able to support our family anymore. We do not have enough money in our savings to be able to pay our bills. Our financial advisor is unable to come up with possible solutions to our problems. Plus, we do not want to bring this up with our children, since that will only make them worry.

We think one of the only options is to put our house on the market. Considering the real estate market is poor right now, we believe that we will get substantially less than what the home is worth. However, we think this is the only thing we can do to continue to support our family. The reason that I am telling you this information is that my wife and I would like to come live with you until we can find another home to buy. We don't anticipate this will be long, and we plan on working overtime for the foreseeable future to make back some of the money we have lost. We know this is a hard ask and understand that this puts both of you in a tough position.

We are sad that as adults, we have to ask such a big favor. We are going to work diligently to make sure that we can get back up on our feet as soon as possible. Thank you for your understanding during this hard time for our family.

Love you,

Thatcher

November 16, 2015

I was beckoned with one crooked finger—
Thought all the devils stayed in Georgia, yet I found one

My testimony lacked, my emotions did not
Too bad they were the wrong ones

I saw you in the crowd
My broken promise carving out your cheek
I told you it was all on me? Well...

My sentence is just a steppingstone
Onto talk shows, speeches, books
(After I step across, of course)

I lie to my children,
Things are easier to carry if you do not know the weight
The blame may end with me, but so do punishments

I spilled oil on this white collar,
And now you're next

May 12, 2016

To Professor Bulliard

Dear Gary,

It's so great to be writing this letter. It may seem out of left field, but I have been wanting to get in touch for a while now. I'm sure you've heard about what happened at Morris-Sedar. I was the CFO there for a while—but you may also know that. I bet you're wondering why we decided to actually go through with things.


I think it all started when my schooling started to pick up—you remember how crazy my Sophomore semester was, right? It was non-stop, and I was knocking those exams and audit concepts out of the park. You wouldn't stop telling me how ahead of the curve I was—my parents didn't either. That's what I called a 'hot topic' at thanksgiving—my skill and natural talent, not to mention my impossible-to-imagine future. Once I graduated, I wanted to keep that momentum going—and it did, right into a tax firm. For the first time in my life, I was struggling to see the bright side of being at the top of the class. Right around that time was the last time I saw you, and then I found the Controller position at Morris-Sedar. At the time, there was a lot of turnover and the desperation to fill this position was evident. Not to say I didn't use it to my advantage, but I may have used some negotiation techniques...

After I got used to the hefty salary, I started to work on my professional reputation. I wanted my name to be so well-known in the industry, companies would fight to pay me obscene amounts of money. The irony is, I'm now very well-known but no one wants my work now (that I know of. Ha!).

Anyways, I wanted to write and ask you how the teaching is going. I know that I still have a sentence to finish up (93%, but who's counting?) but I have an appeal coming through that I feel pretty good about. If that works out, I was wondering if the university would be interested in having a temporary speaker? I do have a lot to share about my time and what I've learned. Also, I haven't really decided on a new career path for when it's time. Anyways, call or mail back when you get a chance. Snail mail makes it rough, but they do have a nice discount on pencils in here this week!

Your friend,

Frank Beely Class of 2008

The background features a light grey base with large, overlapping organic shapes in muted green and brown. In the top left, there are stylized, layered patterns of foliage in shades of grey and brown. A thin white line curves across the bottom right of the image.

How this
Capstone
benefits our
education

- Lack of fraud courses offered through the College of Business for undergraduate accounting students
- We are all interested in an audit or CFE careers post-college
- Fraud will continue to impact the world
- We now have an expanded understanding of the ways in which fraud alters individuals, communities, industries, and even government intervention
- Helped us understand the complexity and damage that fraud can have on the accounting profession

summary

Our Honors Capstone has captured the sad reality of fraud. Fraud can appear in many different forms and has different impacts on different communities. With the help of the research and creative elements of this Honors Capstone, we are better prepared for fraudulent circumstances in our professional careers. With this Capstone, we feel confident in our enhanced understanding of how fraud affects the world.

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thank you

Paige Morris, Brynn Sedar & Sage Walton