

## **Using Non-Academic Multimedia Resources to Enhance Student Learning of Fact-Based Fraud Cases**

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This paper discusses how multimedia (the combination of words, pictures, video and other recordings [Reed, 2006]) from non-academic sources can be used to make the coverage of fact-based financial statement fraud cases more interesting and educational to students. Most textbooks addressing financial statement auditing, fraud auditing, forensic accounting, and ethics courses contain fact-based cases for the purpose of providing students with insight into the detection, prevention, investigation, and ethical issues of financial statement fraud. The goal of studying such cases is to help students more fully appreciate the importance and relevance of one or more particular matters emphasized by the case. Unfortunately, students generally lack the adequate levels of professional and practice experience for truly appreciating many of the facts presented. In addition, due to the lack of a proper frame of reference, students may also doubt the reality and relevance of a case written by an educator for inclusion in a textbook for academic purposes.

The Internet provides a wealth of readily available multimedia (particularly video) about actual instances of financial statement fraud—a number of which are the topics of many common textbook cases. Such multimedia from non-academic sources can be used to complement textbook cases to help students gain more interest and insight into a particular fraud. As a result, students can appreciate and learn more from the case than if textbook case materials were the

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only resources used. The multimedia resources can also be used to stand on their own if a textbook is not used in the course or if the fraud is not covered in the textbook used.

Our proposal for leveraging multimedia such as video to enhance student learning is not new or innovative to education. The usefulness of media such as television in education has long been noted in the academic education literature (e.g., McKeachie, 1978). Students can find videos to be enjoyable and insightful about material that may previously have been presented in another form, such as a textbook case. Kuomi (2006) asserts that “entertainment is not inimical to learning, nor does it necessitate superficial coverage of the subject” (p. 46). Kuomi further states that details provided in video can, at the least, re-engage a viewer’s attention on the subject matter and even bring a fascination into the subject matter.

The importance of student enjoyment on learning cannot be emphasized enough. Evidence shows that the greater the student interest or enjoyment with the educational material, the more motivated the student is to learn and the greater the learning (Hidi and Renninger, 2006). Further, Reed (2006) notes that multimedia provides a richer learning environment and can increase recall and understanding of the presented material. This is because multimedia such as videos provide an opportunity to gain unique insights into “the human element” and emotive element” of the material being covered, thereby enabling students to “not just understand what key people have to say, but how they say it” (Lane and Law, 2012, p. 365). These unique insights from multimedia are not as easily present in much of the currently available traditional textbook material, thereby allowing multimedia resources to serve as either a supplement or substitution to increase student learning (Lane and Law, 2012).

Further, the use of multimedia resources is not a new academic practice in providing students with greater insight into instances of fraud. The Association of Certified Fraud

Examiners (ACFE) provides free educational materials available, including anti-fraud videos, for teaching forensic accounting and fraud auditing. The American Accounting Association has recognized the value of these materials, bestowing upon the ACFE's founder, Joseph T. Wells, the Innovation in Education Award for 2001-2002 (AAA 2013). Gates *et al.* (2011) discusses how to strategically place ACFE materials, including the anti-fraud videos, in both the accounting and the business curriculum.

Furthermore, the use of multimedia resources from non-academic sources is not a new practice in education. For example, much of history since the early 20<sup>th</sup> century has been captured in documentary film and news archives and has helped students better understand politics and history (Lane and Law, 2012). What we propose, however, is that multimedia materials from these non-academic sources, much of which is readily available on the Internet, can be used to help students learn more about fraud prevention and detection. The history of many infamous frauds of the past three decades has been captured in documentary film and news archives and is available on the Internet. These archives created for non-academic purposes provide a wealth of rich content that can both ignite the students' interest in the cases and enhance their learning.

The difference we wish to emphasize about our proposal and that of the ACFE anti-fraud videos is that the ACFE resources were created expressly for academic purposes while the multimedia resources we refer to were not. Using materials that were not created for the primary, expressed purpose of formal education may further increase student enjoyment and learning about cases of fraud because students are viewing them differently than originally intended by its creators. Although the multimedia materials to which we refer in this paper were meant to be encountered outside the class setting, they can serve an additional purpose beyond that originally

intended—to help enhance and increase student learning in a formal academic setting. Our proposal reiterates the recommendation by Lane and Law (2012) that educators “re-purpose” multimedia that was not originally created for educational reasons for the new purpose of enhancing student learning.

We have identified a number of selected videos available via the Internet and other sources that can complement many commonly used textbook case studies. As noted previously, the resources referred to can also standalone if a textbook is not used in the course or if the fraud is not covered in the textbook used. The links provided to videos in this paper (for specific frauds covered in many textbook cases) are from sources such as the Public Broadcasting Service (PBS), including *Frontline* episodes; Cable-Satellite Public Affairs Network (C-SPAN) Video Library (including United States Congressional hearings); *American Greed* episodes; and youtube.com<sup>1</sup>. Links to other resources (e.g., transcripts, publicly available documents, and example news stories) are also provided. We have used many of these resources in both undergraduate and graduate auditing courses over multiple semesters of multiple years, with consistent positive student feedback regarding the enhancement of written cases and perceived increased understanding, appreciation, and learning of the frauds studied.

The next section discusses in detail our use of selected publically available multimedia resources for one rather infamous case of fraud—the \$65 billion Ponzi scheme perpetrated by Bernard L. Madoff Investment Securities, LLC (Madoff Securities). The approach we use for this one case can serve as an example to educators for other commonly covered cases of fraud for which multimedia resources are readily available, including Baptist Foundation of Arizona, Crazy Eddie, Enron, Phar-Mor, Tyco, World-Com, and ZZZZ Best. A later section provides

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<sup>1</sup> No videos identified in this paper as being available on the Internet (such as at youtube.com) were uploaded by the authors. The videos were found through searches for materials to use when teaching fact-based cases of fraud, and done so in compliance with the Copyright Act of 1976 regarding the doctrine of fair use for educational purposes.

example Internet resources for these commonly covered cases with references to those textbooks in which the respective cases are currently covered. We then conclude with comments regarding the instructional use of multimedia resources when teaching fraud cases.

## **MULTIMEDIA APPROACH WITH MADOFF SECURITIES**

The \$65 billion Ponzi scheme perpetrated by Bernard Madoff came to light in December 2008 and quickly became a fraud case of great interest to be covered in accounting curriculums. The fraud is currently documented in two commonly used auditing case textbooks: 1) *Contemporary Auditing* by Knapp (2013) and 2) *Auditing and Accounting Cases: Investigating Issues of Fraud and Professional Ethics* by Thibodaux and Freier (2014). Both textbooks:

- Provide excellent discussions of how the fraud began and continued for what is believed to be nearly two decades;
- Identify the critical issue of how the Securities and Exchange Commission (SEC) repeatedly ignored reports provided by securities executive Harry Markopolos detailing numerous red flags indicating that Madoff was conducting a multi-billion dollar Ponzi scheme;
- Describe how Madoff's reputation, including being a co-founder of the National Association of Securities Dealers Automated Quotations (NASDAQ), allowed him to prey on investors for whom he was willing to "invest" their money;
- Note Madoff's vagueness with explaining how investors earned profits, with reference to a "split-strike" strategy involving the purchase of stocks and then simultaneously selling both put and call options on those securities which ensured a positive rate of return regardless of stock market activity;

- Discuss how Madoff Securities' audit firm of Friehling and Horowitz claimed to perform audits but did not (given that the firm did not have the resources to do so); and
- Refer to the issue of "feeder firms" investing client funds with Madoff Securities, resulting in "once-removed" investors being defrauded without knowing their money was supposedly being invested by Madoff.

Knapp (2013) includes the following requirements for students regarding the Madoff case:

- Research recent developments about the case;
- Identify audit procedures that should have been performed by the independent auditor of a "feeder firm" investing in Madoff Securities;
- Explain the peer review process and whether it would have identified the fraud;
- Describe the difference between fraud conditions vs. fraud risk factors, and identify examples of each in the case; and
- Provide suggestions for other financial reporting and auditing reforms besides those identified in the case.

Thibodaux and Freier (2014) include the following student requirements regarding the Madoff case:

- Define a Ponzi scheme and describe why the Madoff fraud is a Ponzi scheme;
- Describe Madoff's "split-strike" strategy and provide an opinion on its viability;
- Consider whether the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 would have prevented or detected the Madoff fraud;

- Discuss whether Madoff Securities’ auditors exercised due care and professional skepticism;
- Identify the type of audit evidence that should have been gathered by the auditors of a “feeder firm” regarding the purchase, sale and maintenance of proper custody of investment securities in Madoff Securities;
- Describe the difference between ordinary negligence, gross negligence and fraud, as well as identify the level of failure by Madoff’s auditors and whether there are any mitigating factors to help defend the audit firm;
- Discuss whether Madoff’s audit firm should be held criminally responsible for fraud committed by Madoff, as well auditors of “feeder firms”; and
- Discuss whether Madoff investors should only recover money invested and not fake profits.

We have assigned the Madoff fraud in a graduate auditing course in multiple semesters over multiple academic years, using the case in one of the two textbooks mentioned. While the case in each textbook is well-written with insightful questions, we have used other readily-accessible multimedia resources from the Internet for complementing the written case. Internet resources could also be successfully used alone because of the richness of their content. Table 1 provides some excellent Internet multimedia resources that can be assigned to students for viewing and/or reading regarding the Madoff fraud.

[Insert Table 1 here]

One or more of these items (particularly those we have identified as providing an excellent overview) could be assigned along with reading the case, or in lieu of reading the case if a textbook covering the case is not used, to help students gain a greater sense, appreciation and

insight into the fraud. In addition, Table 2 provides three further examples of short videos that can be assigned, all of which discuss particular aspects of the Madoff fraud.

[Insert Table 2 here]

Although the videos referenced in Table 2 total only approximately 11 minutes, they provide an example of how short videos provide an opportunity for students to research, understand, and develop thoughtful answers to substantive questions regarding the fraud and its related issues. For example, students could be asked to identify and discuss fraud risk factors (i.e., “red flags”), a central concept to the auditor’s responsibility for the consideration of fraud on a financial statement auditing (see Appendices A through C of AU-C 240 for examples of fraud risk factors<sup>2</sup>). This identification and discussion assignment could be used in addition to questions asked in previously published cases related to the fraud or could be a standalone requirement. For example, the following assignment used in our classes contains three requirements and a suggested solution identifying nine separate red flags from the three short videos listed in Table 2, along with the auditor’s appropriate response to each.

### **Suggested Assignment: Require the Identification of Red Flags of the Madoff Fraud**

**Overview:** The three videos (in Table 2) discuss many “red flags” that should have alerted investors to the fact that Madoff was running a Ponzi scheme or some other type of scam and that their investments were in jeopardy. The term “fraud risk factor” is used in the auditing literature (i.e., AU-C 240) to identify situations or conditions that should alert an auditor to pay special attention to a particular transaction or circumstance. For an auditor, a fraud risk factor is a

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<sup>2</sup> As a result of the Auditing Clarity Project, “AU-C” has been established as a new section identifier for the clarified auditing standards. The identifier is to help avoid confusion with the superseded “AU” sections in the AICPA *Professional Standards*. Although the AU-C identifier had been scheduled to change to the previous AU identifier in 2014, the AICPA has chosen to maintain the AU-C identifier due to numerous user requests for doing so (AICPA, 2013).



“red flag” or indicator of potential errors or fraud which highlights areas of concern in an engagement.

**Required:** (a) Identify and briefly describe each red flag mentioned in the three videos. (b) Explain why each of should have been identified as a red flag by an auditor. (c) Describe how an auditor may have identified the red flag.

**Suggested solution:** Nine red flags are discussed below. A suggested auditor’s response to each flag is provided.

**Flag 1:** (a) Madoff Securities combined investment decision making (fund management) with custody of the investment. The firm operated as a securities broker/dealer and allegedly processed all of its investors’ trades. The firm did not operate as a hedge fund which normally holds its portfolio at a securities firm (a major bank or brokerage), which allows an outside investigator to verify those holdings (Berenson and Henriques, 2008). This clear lack of segregated duties provided an opportunity to commit the fraud. Since there were no actual investments, this may not be a true red flag; however, introducing it may lead to a lively “sound of a tree falling in the forest” type of class discussion.

**Auditor response to flag 1:** (b) In an audit engagement involving a client that held or made investments for outside parties as a fiduciary, the auditor should verify the existence of the assets and make an inventory inspection if assets are held by the client, or verify the existence of those assets if held by a third party. (c) Inquiry and corroborative procedures regarding the roles of fund management and custody of the asset would have alerted the auditor to the lack of segregation of duties. After determining the lack of segregation of duties, at the minimum, the auditor would seek to determine, first hand, the existence of the securities or other assets.

**Flag 2:** (a) Madoff consistently reported monthly positive returns on investment, even in market downturns, defying logic and economic reality. Markets are volatile and go up and down; consistently positive returns are a practical impossibility. Legitimate investment managers generate uneven returns with some periods of outperformance and others of underperformance in relation to overall market activity.

**Auditor response to flag 2:** (b) In this instance, an auditor, like the fund managers of the large investment firms that refused to do business with Madoff, should have questioned the viability of continuous positive returns. Many large fund managers would not do business with Madoff because they suspected something was amiss. (c) Auditors, in evaluating a prospective client or as part of the recurring examination of a continuing client, should perform analytical procedures to determine anomalies in the client's reported results. One major analytic is to compare the client's performance to the industry as a whole, to other firms in the same lines of business, and to the general economy. The auditor should evaluate the results of these analytical procedures in light of his/her knowledge of the industry, the economy and the client.

**Flag 3:** (a) Madoff charged only four cents per share for trades rather than the standard investment fees as a percentage of the assets managed. He appeared to be content to receive only the trivial brokerage fee rather than the higher investment management fees. In reality, however, he wanted to keep costs down to investors so they would keep supplying investment funds for his Ponzi scheme. Investors (and auditors) should be wary of these types of fee structures, recognizing that it would not be normal business practice for an "investment management genius" to charge only a few cents per transaction for his services.

**Auditor response to flag 3:** (b) The exceptionally low charges by Madoff for services that provided returns that consistently outperformed the market should have both been readily

noticeable red flags to an auditor. (c) Again, as part of results of the analytical procedures performed on the reported results of a client, the auditor should note unusual aspects of the business operations of the client.

**Flag 4:** (a) Madoff's operation was run by a relatively small number of close, long-time associates and family. There were no outside, independent parties involved in the operation of the business. This lack of oversight or independent checks on performance creates a potential breeding ground for fraudulent action.

**Auditor response to flag 4:** (b) and (c) One of the elements of an auditor's review of a client's organizational structure should be to identify potential conflict of interest or nepotism situations. These conditions may be considered an opportunity for unacceptable behavior, such as overriding internal controls, and should be considered when determining the nature, timing, and extent of further audit procedures.

**Flag 5:** (a) Madoff used charitable giving to create an illusion of responsibility, charity, and trustworthiness. This enhanced his status in the community and helped create and maintain an aura of success and unquestioned integrity, fair dealing, and high ethical standards. This type of activity is many times identified as a red flag that points to possible rationalization for committing the fraud. Since Madoff was doing such good deeds with his fraudulently acquired wealth, he may have deemed that his fraudulent activities were excusable.

**Auditor response to flag 5:** (b) Since the word "fraud" was recognized as a financial statement auditing term in the 1980s, auditors, as part of their educational process, have studied both classic and new cases of fraud by management and employees. Even a cursory study of fraud cases suggests that many times the fraudster attempts to project an aura of trustworthiness and high moral character and the image of being a "really good person" through generosity and

noble, caring activities. Some of today's auditors have been sensitized to these types of activities used to deflect suspicion that such a person could be involved in shady activities. (c) An auditor should review the types of charitable activity an entity's leadership—in this case, Madoff—is engaged in and if these activities are consistent with the tone of the organization.

**Flag 6:** (a) Madoff sought both small and large investors. Despite giving an illusion of exclusivity, anyone with money was “allowed” to invest with Madoff. This was, of course, necessary to fuel the Ponzi scheme engine.

**Auditor response to flag 6:** (b) An auditor must understand the client's business operations and model. In the case of *small* clients with relatively *few* shares per transaction, the auditor should consider whether charging four cents per share traded would produce sufficient revenue to cover the costs of making and managing such *small* investments. For instance, an auditor with astute cost management knowledge would recognize that there is an activity cost to make and manage an investment of 1,000 shares that is, in all probability, the same cost as that of an investment of 1,000,000 shares. If that activity cost exceeded \$40 then the smaller investment would lose money (that is, if Madoff were actually transacting on the investments). (c) Review of investment contracts and performance of analytical procedures should have alerted the auditor to this unusual fee structure.

**Flag 7:** (a) The “Madoff Empire”, which was thought to have in excess of \$60 billion of invested funds, was audited by a three person accounting firm, including one secretary and a 70 year old retired partner who lived in Florida. This obviously created opportunity to commit fraud.

**Auditor response to flag 7:** (b) Under certain circumstances, auditing standards (see, for example, AU-C 600) require group auditors to identify and reach a conclusion as to the adequacy

of another CPA or firm (component auditor) that was auditing a material component of a larger audit being performed (or in this case, the inadequacy of a three person accounting firm auditing Madoff Securities). If, of course, a business were a potential new client, the auditor would contact the previous auditor in an attempt to reach a conclusion as to the veracity of previous audits (AU-C 210). If the auditor planned to rely on some of the work performed by another auditor, he/she would again assess the work done by that other auditor. If an auditor had been asked by a client to investigate the Madoff operation, that auditor should have identified who supposedly performed the audit of Madoff. (c) The fact that one individual CPA performed, for many years, the audit of an investment firm with billions of dollars under its control, should have raised serious concern for another auditor, particularly the auditors of the “feeder firms.”

**Flag 8:** (a) Madoff’s genius fund management was supposedly based on a scheme using a “secret” means of ensuring that there were no losses to his investors who utilized a “split-strike” strategy that involved the simultaneous purchase of puts and calls for blue chip stocks. However, as quickly determined with little investigative effort by Markopolos (Berenson and Henriques, 2008), Madoff’s puts and calls would have exceeded the total of *all* put and call transactions on the Chicago exchange. In addition, not one of the individuals contacted at the Chicago exchange had ever processed any transactions for Madoff. His investment strategy was “too complex” for anyone to understand. Such complexity is an opportunity to commit fraud.

**Auditor response to flag 8:** (b) An auditor should not attempt to audit an organization if he/she does not understand how it operates (AU-C 315). If Madoff’s techniques were too complex for the auditor to understand, the auditor would either need to rely on a specialist (AU-C 620) or decline the engagement. A lack of competence to perform professional services involving both the technical qualifications of the auditor and the auditor’s staff and the ability to

supervise and evaluate the quality of the work performed would require one of these two actions. Competence relates both to knowledge of the profession's standards, techniques and the technical subject matter involved, and the capability to exercise sound judgment in applying such knowledge in the performance of professional services. (c) A simple analytical procedure—similar to the ones prepared by Markopolos—would have identified the impossibility of the complex investment strategy.

**Flag 9:** (a) When investors asked to review financial records, Madoff refused on the basis of maintaining confidentiality of his proprietary investment strategies. Therefore, there was a lack of due-diligence on the part of the investors and their advisors. The Madoff scheme should have been stopped many years prior to its self-directed end. The firms and individuals doing business with Madoff were not able to accomplish even the slightest diligence in determining whether he had the necessary trustworthiness to manage millions, let alone billions, of dollars in investments.

**Auditor response to flag 9:** (b) Unlike a member of the general public, the auditor is required, by standards, to approach business activities and especially audits with an attitude of professional skepticism (AU-C 200). Professional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. The auditor uses the knowledge, skill, and ability called for by the public accounting profession to diligently perform, in good faith and with integrity, the gathering and objective evaluation of evidence. This requires the auditor to consider the appropriateness and sufficiency of the evidence. Since evidence is gathered and evaluated throughout the audit, professional skepticism should be exercised throughout the audit process. The auditor neither assumes that management is dishonest nor assumes unquestioned honesty. In exercising professional skepticism, the auditor should not be

satisfied with less than persuasive evidence because of a belief that management is honest. (c) If the auditors had been performing their work according to auditing standards, the Ponzi scheme would have failed to materialize and the investors lack of due diligence would not have been an issue.

### **Other Example Requirements about the Madoff Fraud**

Asking students to identify and discuss red flags is a salient requirement for any case regarding financial statement fraud. However, other specific questions can also be asked in addition to, or in lieu of, those asked in the textbook cases. For the Madoff fraud, the following topics provide opportunities for assignments, requiring students to cite professional standards as support for their responses:

- Auditor independence issues,
- When auditors should use specialists,
- The auditor's required use of analytical procedures, and
- How a group auditor would modify the audit report when relying on the work of a component auditor.

Suggested assignments and solutions for these topics are presented next.

### ***Auditor Independence Issues***

**Overview:** Madoff told investors that he chose the firm of Friehling & Horowitz to audit Madoff Securities because David Friehling was his brother-in-law. This matter is noted multiple times in the SEC's Office of Investigations report, *Investigation of Failure of the SEC to Uncover Bernard Madoff's Ponzi Scheme* (see link in Table 1). In actuality, Friehling was not

Madoff's brother-in-law, nor was he or any others performing audits of Madoff Securities. The following requirement could be assigned to complement a discussion of independence and professional ethics.

**Required:** Why is the claim of the auditor being Madoff's brother-in-law an issue with auditor independence? Cite professional standards, identifying the relationships that impair auditor independence. In this case, the firm was performing no audits of Madoff Securities. Assume, however, that audits were being performed and a lack of independence did exist. What type of audit report is required by auditing standards?

**Suggested solution:** Auditing standards require that auditors maintain all ethical requirements of the profession, such as integrity, objectivity and independence, and due care (AU-C 200). AICPA Code of Professional Conduct provides many examples that would cause an auditor, identified as a covered member, to lack independence (AICPA ET Section 101). If Friehling were Madoff's brother-in-law, he would lack independence due to a familiarity threat as a close relative. Madoff obviously had a key position, had material financial interest, and was in a position to influence the audit. If audits had actually been performed and there was a lack of independence, AU-C 705 states that the auditor should disclaim an opinion with respect to the financial statements and should state specifically that he is not independent. The following is an example report that should be issued in such a situation:

*We are not independent with respect to Bernard L. Madoff Investment Securities LLC ,  
and the accompanying balance sheet as of December 31, 20XX, and the related  
statements of income, shareholders equity and cash flows for the year then ended were  
not audited by us and, accordingly, we do not express an opinion on them.*

*Friehling & Horiwitz, CPAs*



*New York, New York*

*Date of Report*

### ***When Auditors Should Use Specialists***

**Overview:** Madoff stated that he performed complex financial transactions to obtain the unusual gains earned by investors in Madoff Securities. Markopolos was able to identify many red flags of the Ponzi scheme due to his specialized background in finance and investing (for example, see the video clip listed in Table 1 of Markopolos testifying at Congressional hearing about his reports to the SEC, trying to alert them to the Madoff fraud). This point emphasizes that an auditor should have the training and expertise necessary to conduct an accepted audit engagement. The following is an example requirement related to the use of specialists that can be assigned to students.

**Required:** Which of the AICPA's Fundamental Principles are relevant for considering the use of a specialist on an audit engagement? What AU-C section reference gives auditors guidance regarding the need to use specialists on a financial statement audit? Discuss the content of the section that asserts that obtaining a specialist would be an appropriate exercise in professional due care on an audit such as Madoff Securities. Also discuss key considerations that an auditor must make when determining the use of a specialist.

**Suggested solution:** The Responsibilities Principle states that auditors are to discharge professional responsibilities with competence and have the appropriate capabilities to both perform the audit and issue the appropriate report (AU-C 200.A19). This infers the use of a specialist on an audit engagement when needed to meet these responsibilities. AU-C 300 and 620 provide guidance to auditors regarding the use of specialists on a financial statement audit. AU-C

300.12 states that the auditor should have sufficient knowledge to communicate the objectives of the specialist's work, evaluate whether the specified audit procedures will meet the auditor's objectives, and evaluate the results of the audit procedures performed by the specialist. AU-C 620.03 states that the auditor has sole responsibility for the audit opinion expressed and this responsibility is not reduced by the use of a specialist. AU-C 620.10 requires that the auditor should obtain a sufficient understanding of the specialist's field of expertise so that the auditor can determine the nature, scope, and objectives of the specialist's work and evaluate its adequacy for the audit.

AU-C 620.A1 provides examples of matters present in an audit for which the work of a specialist may be required. One example pertinent to Madoff's Ponzi scheme is for valuation of complex financial instruments. AU-C 620.09 notes that the auditor should consider and evaluate the specialist's competence and capabilities. Paragraph .09 also notes that the auditor should evaluate the relationship between the specialist and client because a relationship could impair objectivity. Paragraph .12 discusses how the auditor may use the findings of a specialist, which include obtaining an understanding of and evaluating the work of the specialist.

### ***Auditor's Required Use of Analytical Procedures***

**Overview:** Two major red flags of the Ponzi scheme were that returns were always positive and the returns were consistent over a long period of time, both regardless of actual market activity. Understanding the client's industry should assist the auditor with identifying these types of red flags. The following requirement, related to the use of analytical procedures, can be assigned to students.

**Required:** Which AU-C section gives auditors guidance with regard to understanding the client's industry? Provide examples of client industry factors the auditor should understand. Which AU-C section gives auditors guidance with regard to the performance of analytical procedures? When are analytical procedures required to be performed on an audit and what is their purpose when performed? Provide some example categories of analytical procedures that can be performed by auditors and identify those that are applicable to this case.

**Suggested solution:** AU-C 315 provides auditors with guidance on the importance of gaining an understanding of the client's industry when planning and performing a financial statement audit. AU-C 315.A18 identifies industry condition examples of the market and competition, cyclical or seasonal activity, product technology relating to the entity's products and energy supply and cost. Many of these are applicable to Madoff Securities. Madoff outperformed the competition in a highly competitive market and did so with no cyclical results (consistent returns over many years). Product technology is also an issue, because Madoff claimed the ability to obtain certain gains based on his ability to enter and leave the market. The technology for gaining on such trades should have been understood by the auditors, as well as the timing of how to enter and leave the market (supply availability). Product cost is also an industry consideration with respect to Madoff's fee structure for investors.

AU-C 315 provides guidance on the use of analytical procedures on a financial statement audit to assist with planning the nature, timing and extent of audit procedures. AU-C 520 provides guidance on the use of analytical procedures as substantive audit procedures and as an overall review of the financial information in the final review stage of the audit. Analytical procedures are required during planning (AU-C 315.06) and the overall review stages of the audit (AU-C 520.06). AU-C 520.A2-A3 identify example categories of analytical procedures,

including comparison of financial information with prior periods, anticipated results of the entity, expectations of the auditor, similar industry information, elements of financial information, and between financial information and relevant nonfinancial information. The comparison of Madoff Securities' results with those of competitors in the investment industry should have identified the investment returns as an anomaly and red flag during planning, thereby impacting the substantive audit procedures performed during fieldwork.

### ***Component Auditor Issues***

**Overview:** This case raises many issues with regard to auditors of Madoff's "feeder firms" (group auditors). Professional audit standards provide guidance to group auditors when a component of an audit is performed by another independent auditor. Here is an example requirement that can be assigned to students regarding component auditor issues.

**Required:** (a) Which AU-C section provides guidance on using the work of a component auditor who has audited a portion of the financial statements under audit? (b) Why would a group auditor make reference to a component auditor in the audit report? (c) How is the standard unmodified audit report modified when referring to a component auditor? (d) What must a group auditor obtain an understanding of regarding a component auditor, regardless of whether or not the audit report is modified?

**Suggested solution:** (a) AU-C 600, *Audits of Group Financial Statements (Including the Work of Component Auditors)*, provides guidance for answering this question. Paragraph .A2 specifically mentions the situation of when a component auditor has audited investments, a situation that would be applicable to feeder firms of Madoff Securities. (b) A group auditor may decide to make reference to a component auditor if the component is material to the financial

statements. This reason could very well have existed when auditing a “feeder firm” of Madoff Securities.

(c) Paragraph .28 of the section describe how the report is modified to identify the sharing of the opinion with the other auditors, including the identification of the amounts in the financial statements audited by the other auditors so that readers can understand the level of sharing being made. (d) Regardless of whether a component auditor is referred to, paragraph .22 states that the group auditor should obtain an understanding of the following:

- a. Whether a component auditor understands and will comply with the ethical requirements relevant to the group audit, particularly independence.
- b. A component auditor’s professional competence (such as reputation and licensure).
- c. The extent, if any, to which the group engagement team will be able to be involved in the component auditor’s work.
- d. Whether the group engagement team will be able to obtain information from the component auditor affecting the consolidation process.
- e. Whether a component auditor operates in a regulatory environment that actively oversees auditors.

### **EXAMPLE MULTIMEDIA RESOURCES AVAILABLE FOR OTHER TEXTBOOK FRAUD CASES**

Many excellent multimedia resources are available via the Internet for other commonly used fact-based textbook cases on financial statement fraud, including Enron, ZZZZ Best, Baptist Foundation of Arizona, Crazy Eddie, WorldCom, Tyco, and Phar-Mor. This section identifies a number of example resources for each of these other well-known frauds. Also provided are references to textbooks with written cases on each fraud for which the resources can

be used as a supplement. Some of the videos we refer to are viewable at both youtube.com and the website of Gary Zuene and his anti-fraud training organization, The Pros and Cons ([theprosandcons.com](http://theprosandcons.com)). The lists in this section of the paper are certainly not all-inclusive, but do identify a variety of multimedia resources that can complement a number of fact-based cases in textbooks or can stand alone. The lists may also motivate instructors to search for additional resources and share with other educators how they can be used, as we have done here.

### ***Enron***

Arguably the fraud case of the twentieth century with the most far reaching impact (or at least notoriety or infamy) is Enron. The way in which this fraud was perpetrated and ignored by so many supposedly responsible parties has led to the total revamping of the auditing profession, as well as to a whole generation of legal implementations that have redirected auditing and business practices. A number of resources listed in Table 3 include a recounting of the fraud by its original players. This adds the element of seeing real “faces” and hearing in their own words what happened.

[Insert Table 3 here]

### ***ZZZZ Best***

There are a number of videos at youtube.com that relate to the \$100 million fraud perpetrated by ZZZZ Best, which involved the falsity of its carpet restoration business in its financial statements. After filing for bankruptcy, the assets of ZZZZ Best were found to be worth only \$50,000. Some of the videos listed in Table 4 are insightful about the fraud that occurred in the mid to late 1980s, while others are insightful about Barry Minkow, the founder of ZZZZ Best

(such as his once planned television show and movie). One of the videos relates to his conviction in 2011 for insider trading. A number of articles were written about the ZZZZ Best fraud in the *Los Angeles Times* since the company was located in the area. We provide a link to a summary of search results at the newspaper's website for reading about the fraud at the time it was discovered. One of the articles discusses ZZZZ Best overcharging customer credit cards; it was this particular article that led to the eventual discovery of the fraud. Minkow was convicted yet again in 2014, this time for embezzlement at his San Diego Bible Church, and while no videos have yet been made public for this conviction (at the time of writing), it is an interesting fact to add to the discussion of this case.

[Insert Table 4 here]

### ***Baptist Foundation of Arizona***

There are a few online videos listed in Table 5 relating to the nearly half a billion dollar Ponzi scheme perpetrated by the Baptist Foundation of Arizona (BFA) on its investors throughout the mid-1980s to the late 1990s. The largest fraud to date perpetrated by a non-profit organization, BFA revealed that it had an actual negative net worth of approximately \$450 million when declaring bankruptcy in 1999.

[Insert Table 5 here]

### ***Crazy Eddie, Inc.***

There are a number of videos posted at youtube.com regarding the Crazy Eddie fraud that came to light in 1987 and its two primary principals—Eddie Antar (founder and former Chief Executive Officer) and his cousin, Sam Antar (former Chief Financial Officer—"Sam the CPA")

as Eddie called him). The electronics retail chain had falsified approximately \$80 million in inventory on its balance sheet when the fraud was discovered by new owners of the business. Table 6 lists several videos that discuss the fraud and how perpetrated, while others, such as commercials, can spark interest in the case by giving insight into the popularity of Crazy Eddie and its entertaining commercial spokesperson.

[Insert Table 6 here]

### ***WorldCom***

Excellent resources are available discussing in detail the \$10 billion dollar financial statement fraud at WorldCom. Discovered in early 2002 shortly after the bankruptcy of Enron that occurred in late 2001, the fraud primarily consisted of capitalizing line expense, cryptically referred to as “Prepaid Capacity”, and was the largest corporate bankruptcy up to that point in time. Resources listed in Table 7 include firsthand accounts from major individuals, including Cynthia Cooper, former Vice President of Internal Audit at WorldCom, whose team discovered the fraud.

[Insert Table 7 here]

### ***Tyco***

Like some other frauds previously noted, Tyco’s excessive corporate spending and \$80 million in unauthorized bonuses to former CEO, Dennis Kozlowski, have also been documented on the television shows *American Greed* and *60 Minutes* (see Table 8 for links). Kozlowski is interviewed in both episodes. Sentenced in 2005 to serve an 8 to 25 year prison sentence, he was released from prison in early 2014.



[Insert Table 8 here]

### ***Phar-Mor***

Sam Walton, founder of Wal-Mart, once said that the only competitor he ever feared was Phar-Mor. His statement is referred to in both the *PBS Frontline* episode and transcript given below regarding the retail chain's \$500 million fraud in the early 1990s. The fraud included the overstatement of inventory at essentially all of Phar-Mor's 300 stores, as well as the misspending of funds on non-corporate expenses, including disbursements for a men's "six feet and under" professional basketball league founded by Phar-Mor's former president, Michael Monus.

[Insert Table 9 here]

## **CONCLUDING COMMENTS**

Fraud case studies based on actual events typically deal with describing people, circumstances and events that are unfortunately beyond the knowledge base of many students. Students may not have the life experiences to fully comprehend some of the factors that gave rise to the environment or circumstances that allowed or prompted fraud to occur, particularly if the only exposures they have had to these frauds are, as good as they are, textbook cases. While written case studies provide background discussions to enhance student comprehension, the limitations of both space and written communication may also restrict the effectiveness of these efforts. While there are excellent *academic* resources available from the ACFE for teaching fraud prevention and detection, the use of multimedia resources from *non-academic* sources can enhance and enrich student understanding of the background and circumstances of cases.

In our experience, the use of the non-academic multimedia resources identified in this paper in both undergraduate and graduate auditing has improved both student interest and the understanding of issues addressed in those cases. Over multiple semesters in multiple academic years, students have consistently expressed their enjoyment and appreciation of the use of multimedia as supplemental resources in the study of assigned cases. This enjoyment and appreciation cannot be stressed enough, given that the literature has shown that these elements are generally associated with increased learning.

Watching and listening to the actual individuals who were involved in and/or who perpetrated the fraud, allows students to put faces, facts, and events together which increases their interest in the case, and provides an appreciation that fraud occurs in a real world with real people. If students see a video of a Crazy Eddie commercial; an interview with Barry Minkow; a video of Sam and Eddie Antar meeting for the first time in 20 years; an interview with Dennis Kozlowski continuing to profess his innocence from prison; or a pontification of self-greatness by Bernard Madoff and his admirers in a capital markets roundtable discussion, student understanding and appreciation of the individuals involved in the various cases will be enhanced. An increased understanding of the personalities, emotions, philosophies, motives, etc. of the individuals involved can better set the context for a case and enhance the student's understanding and learning of the facts and issues in the case.

Multimedia resources from non-academic sources available on the Internet provide students with subtle yet strong evidence that the cases presented in textbooks have real world contexts beyond the facts and concepts of interest in their classrooms. Internet postings from a wide variety of sources addressing a particular case from non-academic viewpoints can provide

the student with a broader understanding of the whole environment of a case rather than the limited, and sometimes totally academic, viewpoint of a written case.

In addition to providing an understanding of the mindset of the individual who perpetrated the scheme, available multimedia resources also provide rich material for studying and answering specific questions about the fraud. We provide one in-depth example—Madoff Securities, Inc.—for which there are a number of multimedia resources available for providing not only better context to written cases, but which can also serve as material to study for helping answer a variety of questions about the fraud. As shown by the example resources referenced and our own questions and answers from the example resources, available multimedia material can be used to enhance written cases or stand alone as case materials.

While written material may be considered a necessary core for case studies in audit, ethics, fraud, and forensic accounting education, the addition of multimedia materials available on the Internet can increase student interest, add a “real world” perspective, and provide material that may not be available from even the best written case textbooks. All of these are opportunities for non-academic multimedia resources to have a new purpose that can help increase student interest, understanding, and learning in a lively and different manner than from written cases.

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**Table 1 – Some Excellent Internet Multimedia Resources on the Madoff Securities Fraud**

Description	Link
<i>American Greed</i> episode on the Madoff fraud that provides an excellent overview of the fraud. The first link includes additional news clips and resources to supplement the episode.	<a href="http://www.cnbc.com/id/28256310/">http://www.cnbc.com/id/28256310/</a>  Episode can also be viewed at: <a href="http://www.hulu.com/watch/59463/cnbc-originals-scam-of-the-century-bernie-madoff-and-the-50-billion-heist">http://www.hulu.com/watch/59463/cnbc-originals-scam-of-the-century-bernie-madoff-and-the-50-billion-heist</a>
<i>PBS Frontline</i> episode on Madoff fraud that provides an excellent overview of the fraud.	<a href="http://video.pbs.org/video/1122731028">http://video.pbs.org/video/1122731028</a>  Episode can be purchased at: <a href="http://www.shoppbs.org/search/index.jsp?kwCatId=&amp;kw=madoff&amp;origkw=madoff&amp;sr=1">http://www.shoppbs.org/search/index.jsp?kwCatId=&amp;kw=madoff&amp;origkw=madoff&amp;sr=1</a>
Excerpt of <i>60 Minutes</i> episode on Harry Markopolos that provides an excellent overview of the fraud from the perspective of the whistleblower.	<a href="http://www.youtube.com/watch?v=s68FR1MX T8Q">http://www.youtube.com/watch?v=s68FR1MX T8Q</a>  Excerpt of episode can be purchased at: <a href="http://www.amazon.com/60-Minutes-Knew-March-2009/dp/B001U0P392/ref=sr_1_1?ie=UTF8&amp;qid=1371234575&amp;sr=8-1&amp;keywords=60+minutes+markopolos">http://www.amazon.com/60-Minutes-Knew-March-2009/dp/B001U0P392/ref=sr_1_1?ie=UTF8&amp;qid=1371234575&amp;sr=8-1&amp;keywords=60+minutes+markopolos</a>
<i>2007 Capital Markets Roundtable Discussion</i> , which includes comments from Madoff. This discussion took place <i>before</i> his fraud came to light. Madoff's sterling reputation, such as being co-founder of the NASDAQ, is highlighted. Madoff makes comments about the inability for on-going fraud to occur because of the structure of the SEC and capital markets that, in hindsight, are quite ironic.	<a href="http://www.youtube.com/watch?v=auSfaavHD XQ">http://www.youtube.com/watch?v=auSfaavHD XQ</a>
Markopolos talks about his book about the Madoff fraud, <i>No One Would Listen</i> .	<a href="http://www.c-spanvideo.org/program/Marko">http://www.c-spanvideo.org/program/Marko</a>
Excerpt of Markopolos testifying at Congressional hearing about his reports to the Securities and Exchange Commission, trying to alert them to the Madoff fraud.	<a href="http://www.youtube.com/watch?v=uw_Tgu0tx S0">http://www.youtube.com/watch?v=uw_Tgu0tx S0</a>
Congressional hearings about the Madoff fraud, including the testimony of Markopolos.	<a href="http://www.c-spanvideo.org/program/Ponzi">http://www.c-spanvideo.org/program/Ponzi</a>  <a href="http://www.c-spanvideo.org/program/MadoffF">http://www.c-spanvideo.org/program/MadoffF</a>

	<a href="http://www.c-spanvideo.org/program/MadoffFr">http://www.c-spanvideo.org/program/MadoffFr</a>
<i>Investigation of Failure of the SEC to Uncover Bernard Madoff's Ponzi Scheme</i> – A 477 page report produced in 2009 by the SEC's Office of Investigations. The Executive Summary from pages 20-41 provides an excellent description of how the SEC failed to identify Madoff's fraud.	<a href="http://www.sec.gov/news/studies/2009/oig-509.pdf">http://www.sec.gov/news/studies/2009/oig-509.pdf</a>

**Table 2 – Some Short Internet Video Resources on the Madoff Securities Fraud**

<b>Description</b>	<b>Link</b>
<i>CNBC News</i> report on Madoff fraud – approximately four minutes in length.	<a href="http://www.youtube.com/watch?v=7Zm6uK2npEE">http://www.youtube.com/watch?v=7Zm6uK2npEE</a>
<i>Fox Business</i> report on Madoff fraud – approximately four and a half minutes in length.	<a href="http://www.youtube.com/watch?v=UlpokT8icQ">http://www.youtube.com/watch?v=UlpokT8icQ</a>
Discussion of <i>How to Smell a Rat</i> by Ken Fisher – approximately two and a half minutes in length, with references to the Madoff fraud.	<a href="http://www.youtube.com/watch?v=cYgKH48UaOw">http://www.youtube.com/watch?v=cYgKH48UaOw</a>



**Table 3 – Example Multimedia Resources Available on the Enron Fraud Case****Textbooks with Case:** Knapp, 2013; Thibodeaux & Freier, 2014; Brooks & Dunn, 2011

Description	Link
<i>Bigger Than Enron</i> – A one hour episode of <i>PBS Frontline</i> regarding the business environment of the 1990s leading up to the frauds discovered at Enron and other companies, such as Sunbeam and Waste Management.	Video link: <a href="http://vimeo.com/61053538">http://vimeo.com/61053538</a>  Transcript link: <a href="http://www.pbs.org/wgbh/pages/frontline/shows/regulation/etc/script.html">http://www.pbs.org/wgbh/pages/frontline/shows/regulation/etc/script.html</a>
<i>Smartest Guys in the Room</i> – This two hour movie is another excellent resource regarding Enron and the demise of Arthur Andersen.	Link to View at a Cost of \$2.99: <a href="http://www.youtube.com/movie/enron-smartest-guy-in-the-room">http://www.youtube.com/movie/enron-smartest-guy-in-the-room</a>
Sixteen minute video reenacting Stanley Milgram’s experiments regarding obedience to authority, of which the original experiments are referred to in <i>Smartest Guys in the Room</i> .	<a href="http://www.youtube.com/watch?v=mwrLHqtodII">http://www.youtube.com/watch?v=mwrLHqtodII</a>
A 10 minute video that dramatizes Milgram’s experiment in the context of Nazi Germany.	<a href="http://www.youtube.com/watch?v=TiaptX6enMs">http://www.youtube.com/watch?v=TiaptX6enMs</a>
The CSPAN video library contains almost 9,000 search results for “Enron.” Most notable, in terms of content and length, are Congressional hearings. For example, the following links are to hearings held in December 2001 and January 2002 right after Enron’s bankruptcy in December 2001.	December 12, 2001 (four hours in length): <a href="http://www.c-spanvideo.org/program/Collaps">http://www.c-spanvideo.org/program/Collaps</a>  December 18, 2001 (three hours in length): <a href="http://www.c-spanvideo.org/program/Collapseo">http://www.c-spanvideo.org/program/Collapseo</a>  January 24, 2002 (House hearing, five hours in length): <a href="http://www.c-spanvideo.org/program/EnronFina">http://www.c-spanvideo.org/program/EnronFina</a>  January 24, 2002 (Senate hearing, four hours in length): <a href="http://www.c-spanvideo.org/program/168349-1">http://www.c-spanvideo.org/program/168349-1</a>  January 29, 2002 (two and a half hours in length): <a href="http://www.c-spanvideo.org/program/168425-1">http://www.c-spanvideo.org/program/168425-1</a>
Hearings involving Jeffrey Skilling, former President of Enron. One hearing is	March 6, 1997: <a href="http://www.c-spanvideo.org/program/Electri">http://www.c-spanvideo.org/program/Electri</a>

from 1997 regarding deregulation of electricity (a key issue highlighted in <i>Smartest Guys in the Room</i> ) and the other two hearings are from 2002 after the collapse and bankruptcy of Enron.	<p>February 7, 2002:  <a href="http://www.c-spanvideo.org/program/EnronBankruptc">http://www.c-spanvideo.org/program/EnronBankruptc</a></p> <p>February 26, 2002:  <a href="http://www.c-spanvideo.org/program/FinancialCo">http://www.c-spanvideo.org/program/FinancialCo</a></p>
Hearing involving Sherron Watkins, who wrote a letter to Kenneth Lay, former Chairman of the Board of Enron, about fraud in the company's financial statements.	<a href="http://www.c-spanvideo.org/program/EnronBankruptc">http://www.c-spanvideo.org/program/EnronBankruptc</a>
The first of these links is to the hearing involving Kenneth Lay and the second is to a press conference for his indictment for committing fraud.	<a href="http://www.c-spanvideo.org/program/EnronBankruptcy">http://www.c-spanvideo.org/program/EnronBankruptcy</a>  <a href="http://www.c-spanvideo.org/program/ConferenceonIn">http://www.c-spanvideo.org/program/ConferenceonIn</a>
Hearing involving Andrew Fastow, former Chief Financial Officer of Enron.	<a href="http://www.c-spanvideo.org/program/EnronBankruptc">http://www.c-spanvideo.org/program/EnronBankruptc</a>
Hearing involving David Duncan, former Arthur Andersen engagement partner on the Enron audit.	<a href="http://www.c-spanvideo.org/program/EnronFina">http://www.c-spanvideo.org/program/EnronFina</a>
These links are to hearings involving Joseph Berardino, former managing partner and CEO of Arthur Andersen.	<a href="http://www.c-spanvideo.org/program/EnronFinanc">http://www.c-spanvideo.org/program/EnronFinanc</a>  <a href="http://www.c-spanvideo.org/program/Collaps">http://www.c-spanvideo.org/program/Collaps</a>

**Table 4 – Example Multimedia Resources Available on the ZZZZ Best Fraud Case**

**Textbooks with Case:** Knapp, 2013; Mintz and Morris, 2010

Description	Link
A 13 minute excerpt of the <i>60 Minutes</i> episode with Barry Minkow, followed by the link at which a DVD of the excerpt can be purchased.	<a href="http://www.youtube.com/watch?v=2sMvKaFY2uQ">http://www.youtube.com/watch?v=2sMvKaFY2uQ</a> <a href="http://www.amazon.com/60-Minutes-Takes-Know-2005/dp/B000IY0CFQ/ref=sr_1_1?ie=UTF8&amp;qid=1371604675&amp;sr=8-1&amp;keywords=barry+minkow+60+minutes">http://www.amazon.com/60-Minutes-Takes-Know-2005/dp/B000IY0CFQ/ref=sr_1_1?ie=UTF8&amp;qid=1371604675&amp;sr=8-1&amp;keywords=barry+minkow+60+minutes</a>
A six minute excerpt of <i>Anderson Cooper 360</i> on Barry Minkow being sentenced in 2011 for insider trading.	<a href="http://www.youtube.com/watch?v=CdS16pWSKoE">http://www.youtube.com/watch?v=CdS16pWSKoE</a>
Links to ZZZZ Best commercials, each approximately a minute in length. While not informative about the fraud itself, the commercials can spark interest in the case.	<a href="http://www.youtube.com/watch?v=k6GAZN0f20M">http://www.youtube.com/watch?v=k6GAZN0f20M</a> <a href="http://www.youtube.com/watch?v=3TljW_adhjQ">http://www.youtube.com/watch?v=3TljW_adhjQ</a> <a href="http://www.youtube.com/watch?v=9yz9NHAYnXw">http://www.youtube.com/watch?v=9yz9NHAYnXw</a>
A two minute trailer for a movie, <i>Minkow</i> , which was (perhaps unfortunately) never released. Barry Minkow played himself in the unreleased movie. Like the commercials, while not informative about the fraud itself, the clip can spark interest in the case, particularly when seeing other actors in the movie, such as James Caan, Bill Goldberg, and Ving Rhames.	<a href="http://www.youtube.com/watch?v=SLi0Fp8tB6w">http://www.youtube.com/watch?v=SLi0Fp8tB6w</a>
The first link is to a four minute clip of behind the scenes footage of a television show pilot, <i>Redemption</i> , also about Minkow, with him again playing himself. The second link is to a one minute clip from the pilot episode. Like the commercials and movie trailer, the clips can spark interest in the case.	<a href="http://www.youtube.com/watch?v=CHaGzaZ9ECI">http://www.youtube.com/watch?v=CHaGzaZ9ECI</a> <a href="http://www.youtube.com/watch?v=b17PQevlsHQ">http://www.youtube.com/watch?v=b17PQevlsHQ</a>
A clip produced by Minkow's Fraud Discovery Institute and involves Minkow interviewing individuals claiming to be defrauded by Usana Health Sciences, Inc.	<a href="http://www.youtube.com/watch?v=91UW5JMcyFc">http://www.youtube.com/watch?v=91UW5JMcyFc</a>

This clip can provide students with a reference to Minkow's anti-fraud work after being serving his sentence for the ZZZZ Best fraud.	
Links are to videos with Mark Morze, CFO of ZZZZ Best, who helped Minkow commit the fraud.	Eleven minute excerpt from episode of CBS Sunday Morning:  <a href="http://www.youtube.com/watch?v=Z5TLPRlXZaY">http://www.youtube.com/watch?v=Z5TLPRlXZaY</a>  <i>Catching the Crooks Who Cook the Books – Parts 1 and 2:</i>  <a href="http://www.youtube.com/watch?v=PsjmsONPU-E">http://www.youtube.com/watch?v=PsjmsONPU-E</a>  <a href="http://www.youtube.com/watch?v=uWRNbaOSjjA">http://www.youtube.com/watch?v=uWRNbaOSjjA</a>
The first link is to articles in the <i>Los Angeles Times</i> about Barry Minkow. The oldest article in this list is to one from May 22, 1987. It is this article that led to the discovery of financial statement manipulation at ZZZZ Best. The second link is to this particular article.	<a href="http://articles.latimes.com/keyword/barry-minkow">http://articles.latimes.com/keyword/barry-minkow</a>  <a href="http://articles.latimes.com/1987-05-22/business/fi-1124_1_barry-minkow">http://articles.latimes.com/1987-05-22/business/fi-1124_1_barry-minkow</a>

**Table 5 – Example Multimedia Resources Available on the Baptist  
Foundation of Arizona Fraud Case**

**Textbook with Case:** Thibodaux and Freier, 2014

Description	Link
An overview of the <i>American Greed</i> episode about the fraud.	<a href="http://www.cnbc.com/id/19331888/">http://www.cnbc.com/id/19331888/</a>
The <i>American Greed</i> episode about the fraud can be viewed at the following link. The first half of the episode covers the fraud.	<a href="http://www.hulu.com/watch/80718/american-greed-medical-scams">http://www.hulu.com/watch/80718/american-greed-medical-scams</a>
A 15 minute excerpt of the <i>60 Minutes</i> episode on the fraud.	<a href="http://www.youtube.com/watch?v=BxPYcKXOBdI">http://www.youtube.com/watch?v=BxPYcKXOBdI</a>
News story about the sentencing of executives.	<a href="http://www.youtube.com/watch?v=w_A042wk79s">http://www.youtube.com/watch?v=w_A042wk79s</a>

**Table 6 – Example Multimedia Resources Available on the Crazy Eddie, Inc. Fraud Case**

**Textbook with Case:** Knapp, 2013

<b>Description</b>	<b>Link</b>
A 24 minute video of an episode of <i>Masterminds</i> regarding the Crazy Eddie fraud.	<a href="https://www.youtube.com/watch?v=sn19YzyUrl4">https://www.youtube.com/watch?v=sn19YzyUrl4</a>
A 13 minute video of an episode of <i>Business Nation</i> regarding the Crazy Eddie fraud, including a meeting between Sam and Eddie Antar in 2007 – their first in approximately 20 years.	<a href="http://www.youtube.com/watch?v=Y_7ntzgTvhs">http://www.youtube.com/watch?v=Y_7ntzgTvhs</a>
A four minute video containing of a number of Crazy Eddie commercials.	<a href="http://www.youtube.com/watch?v=Yi5HfjEFrF4">http://www.youtube.com/watch?v=Yi5HfjEFrF4</a>
A six minute video of Sam Antar being critical of actor Danny DeVito’s desire to make a movie about his cousin, Eddie Antar.	<a href="http://video.foxbusiness.com/v/3889080/crazy-eddie-the-movie/">http://video.foxbusiness.com/v/3889080/crazy-eddie-the-movie/</a>
Sam Antar’s website (“Sam the CPA”), which contains much information about the Crazy Eddie fraud and other anti-fraud resources.	<a href="http://www.whitecollarfraud.com/">http://www.whitecollarfraud.com/</a>

**Table 7 – Example Multimedia Resources Available on the WorldCom Fraud Case**

**Textbooks with Case:** Thibodeaux and Freier, 2014; Brooks and Dunn, 2011;  
Mintz and Morris, 2010

Description	Link
An overview of the <i>American Greed</i> episode about the WorldCom fraud and the company's founder and former CEO, Bernard Ebbers.	<a href="http://www.cnbc.com/id/23237211">http://www.cnbc.com/id/23237211</a>
The <i>American Greed</i> episode about the WorldCom fraud.	<a href="http://www.hulu.com/watch/46554/american-greed-inside-the-worldcom-scam">http://www.hulu.com/watch/46554/american-greed-inside-the-worldcom-scam</a>
Cynthia Cooper, former Vice President of Internal Audit at WorldCom, has written an excellent book ( <i>Extraordinary Circumstances</i> ) about the discovery of the fraud by her internal audit staff and its impact on her as a whistleblower. This link is to her discussing her book to the Army-Navy Club in 2008.	<a href="http://www.c-spanvideo.org/program/Circum">http://www.c-spanvideo.org/program/Circum</a>
The nine hour Congressional hearing held in 2002 on the WorldCom fraud and collapse, with appearances by Bernard Ebbers and Scott Sullivan, former CFO at WorldCom.	<a href="http://www.c-spanvideo.org/program/ComFi">http://www.c-spanvideo.org/program/ComFi</a>
A video and transcript of a discussion on <i>PBS Newshour</i> of Ebbers being found guilty in 2005 of committing fraud at WorldCom.	<a href="http://www.pbs.org/newshour/bb/business/jan-june05/ebbers_3-15.html">http://www.pbs.org/newshour/bb/business/jan-june05/ebbers_3-15.html</a>

**Table 8 – Example Multimedia Resources Available on the Tyco Fraud Case**

**Textbook with Case:** Brooks and Dunn, 2011

Description	Link
An overview of the <i>American Greed</i> episode about Dennis Kozlowski's fraud at Tyco.	<a href="http://www.cnbc.com/id/23240635">http://www.cnbc.com/id/23240635</a>
The <i>American Greed</i> episode about Tyco and Dennis Kozlowski.	<a href="http://www.hulu.com/watch/46535/american-greed-party-s-over-tycos-kozlowski">http://www.hulu.com/watch/46535/american-greed-party-s-over-tycos-kozlowski</a>
A <i>60 Minutes</i> interview with Dennis Kozlowski in prison.	<a href="http://www.youtube.com/watch?v=MYmLaVYsyHw">http://www.youtube.com/watch?v=MYmLaVYsyHw</a>



**Table 9 – Example Multimedia Resources Available on the Phar-Mor Fraud Case****Textbooks with Case:** Beasley *et al.*, 2011; Mintz and Morris, 2010

Description	Link
These links are to the <i>PBS Frontline</i> episode on Phar-Mor.	Part 1 of the episode: <a href="http://www.youtube.com/watch?v=XpuzHpTM1uA">http://www.youtube.com/watch?v=XpuzHpTM1uA</a>  Part 2 of the episode: <a href="http://www.youtube.com/watch?v=kj4Io-zJEH0">http://www.youtube.com/watch?v=kj4Io-zJEH0</a>  Part 3 of the episode: <a href="http://www.youtube.com/watch?v=ya1_LNpQMZo">http://www.youtube.com/watch?v=ya1_LNpQMZo</a>  Part 4 of the episode: <a href="http://www.youtube.com/watch?v=IjObP8IHoiU">http://www.youtube.com/watch?v=IjObP8IHoiU</a>
Transcript to <i>PBS Frontline</i> episode for which links are given above.	<a href="http://www.pbs.org/wgbh/pages/frontline/programs/transcripts/1304.html">http://www.pbs.org/wgbh/pages/frontline/programs/transcripts/1304.html</a>
Thirteen minute video of the CPA malpractice deposition of Pat Finn, former CFO of Phar-Mor, particularly the deception of the audit firm, Coopers & Lybrand (now part of PricewaterhouseCoopers).	<a href="http://www.youtube.com/watch?v=BSg1ThGWdZA">http://www.youtube.com/watch?v=BSg1ThGWdZA</a>