Public Relations Associates: Investigating Cost Assignment Fraud

Jennifer Mueller
Brian Ballou
Paul Zikmund
* 

Abstract

This instructional case reveals employee misappropriation resulting from control environment failure. Though the company is fictional, the case is based on an actual fraud within a large corporation. Part I of the case describes the controller’s discovery of curious accounting within accounts payable. Students play the role of a fraud examiner who has received a frantic call from the controller. Part I requires students to use the initial information provided by the controller to determine how the investigation should proceed. Part II of the case allows the investigation to unfold similarly for all students, ending with “solving” the case. Part II requires students to write a letter to the Board of Directors containing specific recommendations on how control weaknesses (related to the fraud occurrence) may be mitigated.

Keywords: Fraud risk, fraud investigation, forensic, accounts payable, purchasing, case.

* The authors are, respectively, Associate Professor at Auburn University, Ernst & Young Professor of Accountancy and Center for Business Excellence Co-Director at Miami University, and Senior Director of Forensic Audit, Tyco International.