The Forensic Audit: An Example from the Public Sector

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Abstract

This paper provides an in-depth illustration of the conduct of a forensic audit for a major fraud case in a local government setting. Extensive detail on techniques employed in a forensic audit is typically not publicly available. Further, fraud cases outside the corporate arena have not been well represented in the literature.

The paper describes the forensic audit carried out by state auditors in the case of a major fraud in a local school district. Two lengthy public reports by the State Comptroller’s Office provide richness of detail for this illustration.

Even in the face of missing documents and records and manipulation of the accounting system, auditors were able to reach a good understanding of what had transpired, how it had been accomplished, how much loss the school district had incurred, and who was responsible. The thoroughness of the audit led to the subsequent conviction of most of the perpetrators.

Keywords: Governmental forensic audit; public sector; school district audit; credit cards; fraud.

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