BOOK REVIEW

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A Review of Fraud Auditing and Forensic Accounting—New Tools and Techniques


The authors initially attempt to expose the reader to the extent of white-collar crime by listing its many varieties. As is stated, the main thrust of the book is to provide auditors and investigators with further knowledge of and insight into fraud as an economic, social, and organizational phenomenon. Fraud auditing is referred to as a relatively new discipline, in comparison with financial and operational auditing.

The fraud auditor is likened to a detective, detecting and challenging unusual circumstances. Fraud auditing is described as more an art than a science, learned rather than taught. Its primary concerns are fraud, theft, embezzlement, and commercial bribery.

The stated goals of the book are to reduce incidents of accounting-type fraud and the amount of the losses attributable to such frauds. With these in mind, the authors discuss in some detail reasons fraud may exist that are due to the corporate environment and management style, and they list indicators of fraud in top and lower level managers. A chapter is devoted to the types of computer crime with some case examples.

The subject of forensic accounting is approached by seeking to define the term in relation to the generic definition of established forensic science disciplines, that is, the relationship and application of financial facts to legal problems. The authors seek to distinguish between the fraud auditor, who is involved on an active basis with the aspects of prevention and detection, and the forensic accountant, who is involved on a reactive basis with claims in criminal, civil, and corporate investigations. Case examples of management, vendor, employee, and customer fraud are presented within the confines of the accounting system.

Up to approximately the first half of the book, the authors present a fairly straightforward approach to their subject: defining terms; attempting to explain who commits fraud, and how and why; listing various approaches to problems; and citing case examples. The reading is a little dry and presented in textbook style. In the second half of the book, the authors digress into an extensive discussion of the expert witness, with no real tie-in to the fraud auditor or forensic accountant. Included also are chapters on basic accounting

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procedures and rules of evidence, again, very general, with no real tie-in to the intent of the subject. This material seems to be filler for the remainder of the text.

Two Appendices finish the book, the first, General Criteria and Standards for Evaluating an Expert’s Qualifications, is not germane to the subject matter. The second Appendix, Corrupt Capers in the Chicken Business, relates a story, told interestingly and containing pertinent, practical investigative auditing procedures. An entire book written in this vein could be appealing.