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The Teaching of Forensic Accounting in the United States

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This paper examines the reasons for the increasing importance of and demand for forensic accounting and then explores the extent to which forensic accounting is currently being offered at academic institutions across the United States. Of the 267 institutions which completed and returned the survey instrument, only 24 (9 percent) either currently offer (13) or plan to offer (11) a course in forensic accounting. On average, the 267 institutions considered the offering of a course in forensic accounting to be moderately important.

The findings in this study are important because many schools are in the process of revising their curriculum to conform to AACSB (1993) standards and Accounting Education Change Commission (AECC) recommendations. Moreover, to help implement Statement on Auditing Standards (SAS) No. 82 – Consideration of Fraud in a Financial Statement Audit, accounting firms are scrambling to hire people with knowledge and skills in the area of fraud detection and prevention. The results of our study indicate that adding a forensic accounting course to the accounting curriculum can greatly benefit the three major stakeholders in accounting education: (1) academic institutions, (2) students, and (3) employers of accounting graduates.

INTRODUCTION

The Failure to Detect Fraud

Historically, there has been confusion between the accounting profession and the public over who bears responsibility for detecting fraudulent financial statements. For years, the accounting profession has maintained that it is not responsible for detecting fraud during the course of a financial statement audit. However, the courts increasingly have been holding accounting firms responsible for failing to detect financial statement fraud. Currently, the Big Five accounting firms are facing an unprecedented $30 billion[1] in total legal claims arising from audit and consulting malpractice lawsuits (MacDonald, 1998). The majority of the lawsuits brought against accounting firms involved either bankrupt or financially distressed

[1] To put this amount into perspective, fiscal year 1997 global revenues for the Big Five accounting firms totaled $49.9 billion (MacDonald, 1998).