



August 8, 2008

Advisory Committee on the Auditing Profession
Office of Financial Institutions Policy
Room 148
Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

Comments on the Second Draft Report of the Advisory Committee on the Auditing Profession

Dear Co-Chairman Levitt and Nicolaisen and members of the Advisory Committee:

The Association of Certified Fraud Examiners (ACFE) is pleased to comment on the draft report of the Advisory Committee on the Auditing Profession. The ACFE applauds the committee on its work to date and welcomes the effort by the committee to develop recommendations relating to the sustainability of the auditing profession.

As the largest anti-fraud organization in the world, the ACFE represents over 45,000 anti-fraud professionals in more than 125 countries. The membership of the ACFE consists of external auditors, internal auditors, government employees (including the SEC, FBI, and GAO), fraud examiners, educators, and other anti-fraud experts. Given the varied roles, responsibilities, and experiences of our members, the ACFE is uniquely positioned to provide resources to the accounting profession and to investment communities regarding fraud prevention and detection.

We are pleased to provide our comments on specific sections of the report.

V. Firm Structure and Finances

Recommendation 1 — We support the committee's desire to develop the creation of "a national center to facilitate auditing firms' and other market participants' sharing of fraud prevention and detection experiences, practices, and data and innovation in fraud prevention and detection methodologies..." In this respect, the ACFE recommends either the development of a new, independent entity established solely for the purposes outlined above or the utilization of the Institute for Fraud Prevention (IFP), which is an existing non-profit entity established to further fraud research with assistance and support of organizations including ACFE, the American Institute of Certified Public Accountants, Grant Thornton, Deloitte, the Federal Bureau of Investigation and the U.S. Government Accountability Office, among others.

An effective center must fully represent the dynamic and diverse group of individuals who can provide a broad range of fraud prevention and detection experiences as well as different perspectives to ensure the best outcome. Since 1996, the ACFE has been the leader in anti-fraud statistical measures with its biennial Report to the Nation. This Report is routinely quoted in media outlets and academia. Because

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the ACFE is devoted entirely to anti-fraud initiatives and information, we would welcome the opportunity to be part of a national center and share our knowledge and experience regarding fraud prevention and control.

In addition, the Institute of Internal Auditors, working in combination with the AICPA and ACFE, recently developed an extensive report entitled *Managing the Business Risk of Fraud: A Practical Guide*, which was designed to educate and inform audit and business professionals about the risk of fraud within their organizations. We would encourage further joint efforts of this nature to continue to build on the common body of knowledge relating to fraud prevention and detection.

Recommendation 5 — The ACFE supports the recommendation to evaluate the current auditor's report and consider improvements to the report, as well as to review the existing auditing standards governing fraud detection and fraud reporting. As indicated in AU sec. 316, *Consideration of Fraud in a Financial Statement Audit*, an important part of the audit process is the assessment of the organization's fraud risks. The ACFE recommends that qualified anti-fraud professionals be required as part of the audit team, or at the very least, as part of the fraud risk assessment process. The requirement to include a qualified anti-fraud professional will ensure that those evaluating the risk of fraud will have the requisite knowledge and skills to perform that important function.

IV. Human Capital

Recommendations 1 and 3 — Continuous improvement in accounting curriculum is an important step in developing the next generation of auditing and accounting professionals. In 2002, the ACFE developed the ACFE Anti-Fraud Education Partnership in response to a lack of anti-fraud curricula in higher education. The ACFE provides free educational materials such as videos, workbooks, and syllabi to colleges and universities that teach an anti-fraud class. The ACFE also developed a textbook on the subject of occupational fraud that is used in the classroom. As a result of this effort the number of colleges and universities teaching anti-fraud classes went from 5 in 2002 to now over 300.

However, the level of anti-fraud training within accounting programs is still primarily limited to one elective class usually at a graduate level. Anti-fraud training should be an important component of many undergraduate and graduate accounting classes and should be woven throughout the entire curriculum. We would encourage the committee to recommend that efforts to enhance accounting and auditing curricula include fraud examination, prevention, and detection materials.

In conclusion, we appreciate the time and effort of the committee regarding these important issues. Thank you for your consideration of our comments.

Sincerely,

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