**AC313 Chapter 6 Glossary**

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| **Benford's law** | A fraud indicator that predicts the relative incidence of first digits of numbers in certain types of random data. |
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| **composite fraud indicator** | A single-number fraud indicator that is computed from a formula that involves possibly many factors; also known as *risk score.* |
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| **content analysis and text analysis** | Data-mining techniques that involve using algorithms to analyze and interpret the content of documents and conversations. |
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| **discovery sampling** | A statistical technique in which the investigator selects a random sample in such a way to have a high probability of detecting a particular type and size error or fraud. |
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| **false negative** | In fraud detection, the result that occurs when a detective control fails to signal possible fraud when one exists. Reducing false negatives means increasing the fraud detection rate. |
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| **false positive** | In fraud detection, the result that occurs when a detective control signals a possible fraud that upon investigation indicates a reasonable explanation. |
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| **fraud detection process** | Method that involves identifying indicators of fraud that suggest a need for further investigation. |
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| **fraud triangle** | One means of assessing the risk that a particular individual may commit fraud. The three ''sides'' of the triangle are pressure/incentive, opportunity, and rationalization/attitude; they appear in almost all fraud cases. |
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| **inspector general** | An individual in government agencies whose job includes investigating possible frauds. |
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| **pattern data analysis** | An analytical technique that builds fraud indicators from data items that, individually speaking, appear to be unrelated to fraud; also known as *data mining.* |
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| **red flag** | See *single-factor fraud indicator.* |
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| **risk score** | See *composite fraud indicator.* |
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| **SAS No. 99, *Consideration of Fraud in a Financial Statement Audit*** | Statement that requires auditors to design financial statement audits so they have a reasonable chance of detecting misstatements in the financial reports. |
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| **SEMMA** | The five steps of the data mining process: sampling, exploration, modification, modeling, and assessment. |
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| **single-factor fraud indicator** | A composite fraud indicator made up of only one factor; also knows as a *red flag.* |
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| **total fraud costs (TFC)** | Cost calculated as: Prevention Costs + Detection Costs + Correction Costs + Fraud Losses. |