

Summary of Paper: [Measuring Accounting Fraud and Irregularities Using Public and Private Enforcement](#)

What is this Study About?

This study addresses the intersection of public and private enforcement in detecting accounting fraud and irregularities, contrasting the effectiveness and outcomes of actions taken by the Securities and Exchange Commission (SEC) and securities class actions (SCAs). The researchers evaluate the legal standards, processes, and impacts of both enforcement mechanisms on accounting fraud measurement and implications for future research designs.

What are the major findings of the study?

Incorporating both public and private enforcement actions provides a more comprehensive and accurate measure of accounting fraud. The researchers identified significant false positives and negatives when relying solely on traditional datasets like Audit Analytics for fraud detection. They propose a fraud prediction model to enhance future research accuracy. Importantly, the findings suggest that relying exclusively on one form of enforcement may lead to biased research outcomes due to underrepresentation of fraud cases.

Why is the study important?

Both public and private enforcement are critical in understanding the full scope of accounting fraud. By highlighting the limitations of existing fraud proxies and proposing more inclusive methods, the researchers aim to refine research methodologies, reduce errors in fraud detection, and enhance the reliability of studies on accounting fraud. This contributes significantly to the literature on financial reporting quality and legal enforcement, offering actionable insights for academics, practitioners, and regulators.