



Fraud & Forensic Accounting

SCHEMES, INVESTIGATIVE TECHNIQUES
AND PREVENTION/DETECTION



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INTRODUCTION



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INTRODUCTION

- Monetary fraud and financial misconduct are common occurrences in today's economic environment
- Various types of fraud
- ACFE *Report to the Nations on Occupational Fraud and Abuse*



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INTRODUCTION

- Chapter I: Overview of Fraud
- Chapter II: Understanding Fraud Techniques and Scams
- Chapter III: Forensic Accounting and Fraud Engagements
- Chapter IV: Prevention and Detection
- Chapter V: Practical Examples
- Conclusion and Closing Thoughts



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OVERVIEW OF FRAUD



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OVERVIEW OF FRAUD

- **Defining fraud – no simple or limited definition exists**
- **Generally, as applied in law, is defined by federal and state legislatures and courts**
- **Common denominator in all fraud – some element of dishonesty or deceit**



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OVERVIEW OF FRAUD

- **Two essential elements of fraud:**
 - *Deceit or intention to deceive, and*
 - *Either actual injury or possible injury, or an intent to expose some person either to actual injury or to risk of possible injury, by means of deceit.*



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OVERVIEW OF FRAUD

- **Difficult and complex to prove the intent**
- **Also necessary to quantify and prove the true amount of harm caused by the misrepresentation**
- **Legal community must determine that fraud has occurred; experts can be utilized to provide supporting evidence**



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OVERVIEW OF FRAUD – OCCUPATIONAL FRAUD

- **Occupational malfeasance/crime = white collar crime**
- **Broadly includes most nonviolent crimes committed in commercial settings for financial gain to the person(s) committing the act(s)**
- **Referred to as “financial frauds and crimes”**



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OVERVIEW OF FRAUD – OCCUPATIONAL FRAUD

- **Two reasons for business to be likely target of fraud:**
 - *Lack of financial internal controls*
 - *Overreliance on trust of long-term employees*
- **Smaller businesses are most-frequently victimized and suffer the largest proportionate and “real dollar” losses**



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OVERVIEW OF FRAUD – OCCUPATIONAL FRAUD

- **Common indicators of possible employee fraud:**
 - *Employee’s standard of living*
 - *Employee’s sudden need for cash*
 - *Employee’s work habits*
 - *Employee’s attitudes*
 - *Employee’s responses to inquiries*
 - *Employee’s relationships with customers/vendors*
 - *Excessive employee control*



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UNDERSTANDING FRAUD TECHNIQUES AND SCHEMES



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FRAUD TECHNIQUES AND SCHEMES

- **Three common categories of fraud (ACFE)**
 - *Financial Statement Fraud*
 - *Asset Misappropriation*
 - *Corruption*



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FRAUD TECHNIQUES AND SCHEMES

- **Asset Misappropriation**
 - *Most common (90%) with smallest losses (\$120,000)*
- **Corruption**
 - *Present in one-third of cases; median losses = \$250,000*
- **Financial Statement Fraud**
 - *Least common (8%) but largest losses (\$1M)*



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FRAUD TECHNIQUES AND SCHEMES

- **Financial Statement Fraud**
 - *Deliberate misrepresentation of financial information via intentional misstatements or omissions*
 - *Improve and/or smooth financial results*
 - *Committed by misstating assets and revenues and/or liabilities and expenses*
 - *Sometimes used to cover up embezzlement within the organization or may be driven by bonus or other incentives*
 - *Often does not directly benefit perpetrator*



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FRAUD TECHNIQUES AND SCHEMES

- **Financial Statement Fraud – Possible Motivations**
 - *Financing*
 - *Meeting ownership expectations*
 - *Performance bonuses*
 - *Attracting additional investment and/or potential sale*



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FRAUD TECHNIQUES AND SCHEMES

- **Financial Statement Fraud – Examples**
 - *Understating or overstating reserves*
 - *Prematurely recognizing revenue*
 - *Recording fictitious sales and receivables*
 - *Capitalizing rather than expensing costs*
 - *Concealing or failing to disclose liabilities*
 - *Manipulating margins*



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FRAUD TECHNIQUES AND SCHEMES

- **Financial Statement Fraud – General Safeguards**
 - *Reduce situational pressures*
 - *Reduce opportunity*
 - *Exhibit integrity from the top*
 - *Analyze income statement relationships and fluctuations*



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FRAUD TECHNIQUES AND SCHEMES

- **Asset Misappropriation – Skimming**
 - *“The illegal practice of taking money from cash receipts for personal use.”*
 - *Slang term for taking cash or assets out of the business or organization before they are entered into the company’s records of account*
 - *Can involve theft of revenues, receivables and/or refunds*



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FRAUD TECHNIQUES AND SCHEMES

- **Asset Misappropriation – Skimming**
 - *Revenues are most popular target for skimming*
 - *Smaller, cash-based businesses most vulnerable*
 - *Difficult to trace because no records exist (off books)*



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FRAUD TECHNIQUES AND SCHEMES

- **Asset Misappropriation – Skimming**
 - *Receivables can also be targeted*
 - *“intercepting” the customer’s payment before it is deposited into the bank and credited to the customer’s account*
 - *Customer’s account not reduced for amount of payment, so theft more easily identified; manipulation of company’s books necessary to cover the missing funds – “lapping”*



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FRAUD TECHNIQUES AND SCHEMES

- **Asset Misappropriation – Skimming**
 - *Refund skims are less common*
 - *Intercepting amounts due to the company for overpayment to vendors, tax authorities, etc.*
 - *If the organization has failed to record overpayments due on its books and records, such refunds can easily slip from notice and escape detection permanently*



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FRAUD TECHNIQUES AND SCHEMES

- **Asset Misappropriation – On Book vs. Off Book Fraud**
 - *Many types of direct and indirect evidence and forensic techniques can be used to identify “on book” fraud*
 - *To substantiate “off book” fraud, proof must be developed circumstantially*



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FRAUD TECHNIQUES AND SCHEMES

- **Asset Misappropriation – Employee Larceny/Theft**
 - *Misdirection of assets and supplies held by the company*
 - *Most often theft of equipment, inventory, supplies and cash*
 - *Can be concealed through a variety of normal day-to-day business activities, subject only to the creativity of the thief*



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FRAUD TECHNIQUES AND SCHEMES

- **Asset Misappropriation – Other Schemes**
 - *Any misuse of a corporate asset (not only theft)*
 - Acquiring assets not necessary for the business
 - Purchasing overpriced assets, often with related parties
 - Bargain asset dispositions, often with related parties



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FRAUD TECHNIQUES AND SCHEMES

- **Asset Misappropriation – Intellectual Asset Theft & Misuse**
 - *Includes employee theft, unauthorized disclosure, misuse, infringement and indiscriminate handling of intangible assets including technical know how, trademarks, product formulations, and internally developed and purchased software*



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FRAUD TECHNIQUES AND SCHEMES

- **Asset Misappropriation – Fraudulent Disbursements**
 - *Invoicing and billing schemes*
 - *Check tampering*
 - *False expense reports*
 - *Ghost employees*



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FRAUD TECHNIQUES AND SCHEMES

- **Asset Misappropriation – Check Kiting**
 - *Form of check fraud, taking into account the advantage of the “float” that occurs in checking account transfers*
 - *Allows the perpetrator to make use of “non-existent” funds in a checking or other banking account*
 - *Most serious type: circular kiting involving multiple accounts at multiple banks*



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FRAUD TECHNIQUES AND SCHEMES

- **Corruption**
 - *Generally associated with bribery (the giving or receiving anything of value to influence an official act)*
 - *Often involves collusion between employees and vendor, and can also occur outside of the organization*



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FRAUD TECHNIQUES AND SCHEMES

- **Corruption**
 - *Difficult to prevent/detect because it occurs outside of the accounting records – internal controls may be insufficient*
 - *Best deterrent is a knowledgeable and active owner*
 - *Competitive bidding and multiple people involved in purchasing can also effectively prevent corruption*



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FORENSIC ACCOUNTING AND FRAUD ENGAGEMENTS



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FORENSIC ACCOUNTING & FRAUD ENGAGEMENTS

- Terms:
 - *Forensic*
 - *Accountant*
 - *Forensic Accounting*
 - *Fraud Examination*



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FORENSIC ACCOUNTING & FRAUD ENGAGEMENTS

- **Fraud Examination** – a methodology for resolving fraud allegations from inception to disposition. More specifically, fraud examination involves obtaining evidence and testifying to findings, and assisting in the detection and prevention of fraud (ACFE)
 - *Most fraud examinations involve forensic accounting, but not all forensic accounting is fraud examination*



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FORENSIC ACCOUNTING & FRAUD ENGAGEMENTS

- **Difference in Approach: Forensic vs. Audit Engagement**
 - *Auditor's responsibility is to express an opinion on financial statements based on an audit*
 - Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
 - Audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation



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FORENSIC ACCOUNTING & FRAUD ENGAGEMENTS

▪ **Difference in Approach: Forensic vs. Audit Engagement**

– *A forensic accountant’s scope tends to be more-specific and focused; procedures are generally more exhaustive; the goal is often to defend and/or refute in an advocacy arena rather than to express an opinion.*

- Forensic accountants look to analyze data, form a hypothesis, test the hypothesis, and refine and amend the hypothesis according to results



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FORENSIC ACCOUNTING & FRAUD ENGAGEMENTS

Item	Audit	Forensic Engagements
Frequency	Recurring Audits are performed on a regular and recurring basis.	Non-Recurring Forensic engagements are not recurring. They are only conducted when deemed necessary.
Scope	Financial Statements An audit's scope is limited to the client's financial statements.	Specific Identified Issues A forensic engagement's scope tends to be more specific and focused, while utilizing exhaustive procedures.
Objective	Opinion An auditor's responsibility is to express an opinion on financial statements based on an audit.	Identify, Clarify, Prove, Quantify The goal of forensic engagements tends to be to defend or refute an advocacy arena rather than to express an opinion.
Environment	Routine The audit process is completed in a very routine nature.	Non-routine/Adversarial Forensic engagements goal is to affix blame which makes them adversarial in nature.
Approach	Support Opinion Audits include examining evidence, on a test basis, supporting the amounts and disclosures in the financial statements.	Resolve Issue Forensic engagements analyze data, formulate a hypothesis, test their hypothesis, and refine and amend their hypothesis in order to affix blame.



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FORENSIC ACCOUNTING & FRAUD ENGAGEMENTS

▪ **Auditor's Responsibility**

– *Auditor's responsibilities are laid out in the professional standards published by the AICPA*

- AU §110 – *Responsibilities of the Independent Auditor*
- AU §316 – *Consideration of Fraud in a Financial Statement Audit*



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FORENSIC ACCOUNTING & FRAUD ENGAGEMENTS

▪ **Management's Responsibility**

– *Responsible for the design and implementation of programs and controls to prevent and detect fraud and to inform auditor about all known or suspected fraud affecting the company involving*

- Management
- Employees who have significant roles in internal control
- Others where the fraud could have a material effect



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FORENSIC ACCOUNTING & FRAUD ENGAGEMENTS

■ **Management's Responsibility**

- *Responsibilities include informing auditor of allegations of fraud or suspected fraud affecting the company received in communications from employees, former employees, regulators, or others*
- *Also responsible for identifying and ensuring that the entity complies with applicable laws and regulations*



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FORENSIC ACCOUNTING & FRAUD ENGAGEMENTS

■ **Fraud and Forensic Procedures**

- *CPA performing forensic or fraud services may employ analytical procedures in order to identify potential issues*
 - Once the issues are identified, the detailed work performed tends to be substantially more-comprehensive than in an audit
 - Objective is not subject to the concept of materiality, but is routed in proving and/or specifically quantifying amounts
 - Scope of work is customized for the specific engagement



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FORENSIC ACCOUNTING & FRAUD ENGAGEMENTS

▪ **Fraud and Forensic Procedures**

- *CPAs also utilize evaluations of internal control within the organization to identify areas vulnerable to fraud*
 - Review of documented control procedures
 - Interviews with management, staff and employees who directly handle the financial obligations of the organization
 - Testing of various controls to determine if they are followed, and how effective they are



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FORENSIC ACCOUNTING & FRAUD ENGAGEMENTS

▪ **Fraud and Forensic Procedures**

- *Primary purpose of a CPA engaged for forensic or fraud services is to gather evidence*
 - Obtained and maintained in various forms
 - Used in constructing a case to support or refute a specific claim



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FORENSIC ACCOUNTING & FRAUD ENGAGEMENTS

- **Selecting a CPA to Perform Forensic and Fraud Services**
 - *Purpose must be considered; determine the specific need*
 - Expert witness – someone that can be counted on to make a case, as well as be credible to the trier of fact
 - Counsel – someone with the intelligence to locate the truth and create a case on paper
 - Preventative – as consultants who assist companies in being proactive and to implement preventative measures which deter fraud from occurring



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FORENSIC ACCOUNTING & FRAUD ENGAGEMENTS

- **Certifications**
 - *Certified Public Accountant (CPA)*
 - *Certified Fraud Examiner (CFE)*
 - *Certified in Fraud and Financial Forensics (CFF – AICPA)*



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PREVENTION AND DETECTION



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PREVENTION AND DETECTION

- **The presence of anti-fraud controls is notably correlated with significant decreases in the cost and duration of occupational fraud schemes**
- **Largely, because of fewer anti-fraud controls, occupational fraud is a more significant threat to small businesses**
- **In 81% of cases, the fraudster displayed one or more behavioral red flags that are often associated with fraudulent conduct**
- **Nearly half of victim organizations do not recover any losses that they suffer due to fraud**



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PREVENTION AND DETECTION

- **Fraud Triangle**

- *3 factors present in a situation where fraud occurs*
 - Opportunity (situation that enables fraud to occur)
 - Motive (reason for committing fraud)
 - Rationalization (justification for the fraudster to commit fraud)
- *A company must strive to minimize the opportunities available for an individual to perpetrate fraud*



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PREVENTION AND DETECTION

- **Internal Control**

- *Process effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with laws and regulations*
- *All internal control structures should focus on segregation of duties*



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PREVENTION AND DETECTION

- **Risk Assessment**
 - *Evaluating an organization's current situation*
 - *Determining where fraud could possibly occur*
 - *Identifying controls that could or already do mitigate the risk of fraud*



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PREVENTION AND DETECTION

- **COSO Internal Control Framework**
 - *Control environment*
 - *Risk assessment*
 - *Control activities*
 - *Information and communication*
 - *Monitoring*



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PREVENTION AND DETECTION

- **Implementing Controls**
 - *Tone at the top of an organization is paramount*
 - *Controls should be clearly understood by personnel, and personnel need sufficient time to perform the controls*
 - *All personnel should have an avenue for expressing concerns and/or potential issues*



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PREVENTION AND DETECTION

- **Implementing Controls**
 - *Quality of both the design and effectiveness of a control environment should be periodically monitored and updated*
 - *Custody of an asset should be segregated from recording related transactions, which should be segregated from authorization of a transaction*



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PREVENTION AND DETECTION

- **Implementing Controls**

- *The perception of detection can be powerful and can be accomplished in various ways, including:*

- Management oversight
- Internal audit, including an element of surprise
- Hotlines providing the opportunity for employees to report known/suspected issues, along with whistleblower protection
- An active audit committee



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PREVENTION AND DETECTION

- **Correlation between Fraud Occurrence & Controls**

- *Larger companies more likely to have controls in place*

- *Dangerous to rely to much on active, knowledgeable owner*

- *ACFE Fraud Prevention Checklist*

- *CPA firm can serve as a consultant to help improve controls without too much additional cost to organization*



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PRACTICAL EXAMPLES



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PRACTICAL EXAMPLES

- **Le-Nature's, Inc.**
 - *Largest case, in terms of dollars defrauded, in Western District of Pennsylvania*



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PRACTICAL EXAMPLES

- **Le-Nature's, Inc. – Background**
 - *Privately-held beverage and bottling company originally formed in January 1992*
 - *Raised capital funds of approximately \$28 million*
 - *August, 2003, at a meeting held with Company's auditors, Le-Nature's CFO, CAO and VP of Administration voiced concerns about the accuracy of Le-Nature's sales figures, and all resigned the next day*



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PRACTICAL EXAMPLES

- **Le-Nature's, Inc. – Background**
 - *CEO maintained almost absolute control over Company's detailed financial records and denied the CFO access to documentation supporting the Company's general ledger*
 - *Company's auditors said they could NOT be associated with any financial statements until the allegations in the resignation letters were investigated by independent counsel*



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PRACTICAL EXAMPLES

- **Le-Nature's, Inc. – Background**

- *In 2003, a special committee of “nonemployee” directors was approved by the Le-Nature’s Board of Directors*

- Engaged a law firm to investigate the circumstances that led to the resignations
- Counsel engaged an accounting firm as a financial expert related to the special investigation of certain transactions



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PRACTICAL EXAMPLES

- **Le-Nature's, Inc. – Background**

- *Counsel advised that it did NOT discover any misconduct of the CEO and issued a report to the special committee*

- No evidence of fraud or malfeasance with respect to any of the transactions reviewed by it
- No evidence which suggests that transactions identified by former employees as being of concern had not been properly reported on Le-Nature's financial statements



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PRACTICAL EXAMPLES

- **Le-Nature's, Inc. – Background**
 - *Lender began providing funds to the Company and continued through the date of the Bankruptcy petition*
 - *Lender's financial due diligence, as well as ongoing monitoring of loan performance, failed to identify any of the fraudulent schemes uncovered by the forensic examination*



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PRACTICAL EXAMPLES

- **Le-Nature's, Inc. – Background**
 - *In late 2006, certain minority shareholders were advised by a commercial equipment financing company that a substantial amount of equipment financing proceeds had been diverted pursuant to falsified documents allegedly provided by Company management*
 - *Company went into bankruptcy under Chapter 11*



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PRACTICAL EXAMPLES

- **Le-Nature's, Inc. – Background**
 - *CEO of Le-Nature's, along with assistance of four other parties (collectively the "Defendants"), devised and intended to devise a scheme and artifice to "defraud and to obtain money and property by means of false and fraudulent pretenses, representations and promises, well knowing that the pretenses, representations and promises would be and were false and fraudulent.*



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PRACTICAL EXAMPLES

- **Le-Nature's, Inc. – Background**
 - *The Defendants participated in a scheme to defraud, in which false accounting and financial information was used on a global scale in a variety of devices or methods, to secure funding for the Company from third parties*
 - *During this time, the fraud was not recognized by any of the CPA firms auditing the financial statements*



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PRACTICAL EXAMPLES

- **Le-Nature's, Inc. – Schemes**
 - *Company management significantly inflated sales revenue, accounts receivable, inventory, deposits on equipment and equipment*
 - *Management operated Le-Nature's in a Ponzi-like manner*



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PRACTICAL EXAMPLES

- **Le-Nature's, Inc. – Schemes**
 - *Company debt increased from \$39 million in 2000 to \$382.4 million as of June 30, 2006, an 880% increase*
 - *Total future minimum lease payments for the Company's operating lease obligations increased from \$15.5 million in 2000 to \$393.4 million by June 30, 2006, a 2438% increase*
 - *Company management received diverted equipment financing proceeds in excess of \$125 million*



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PRACTICAL EXAMPLES

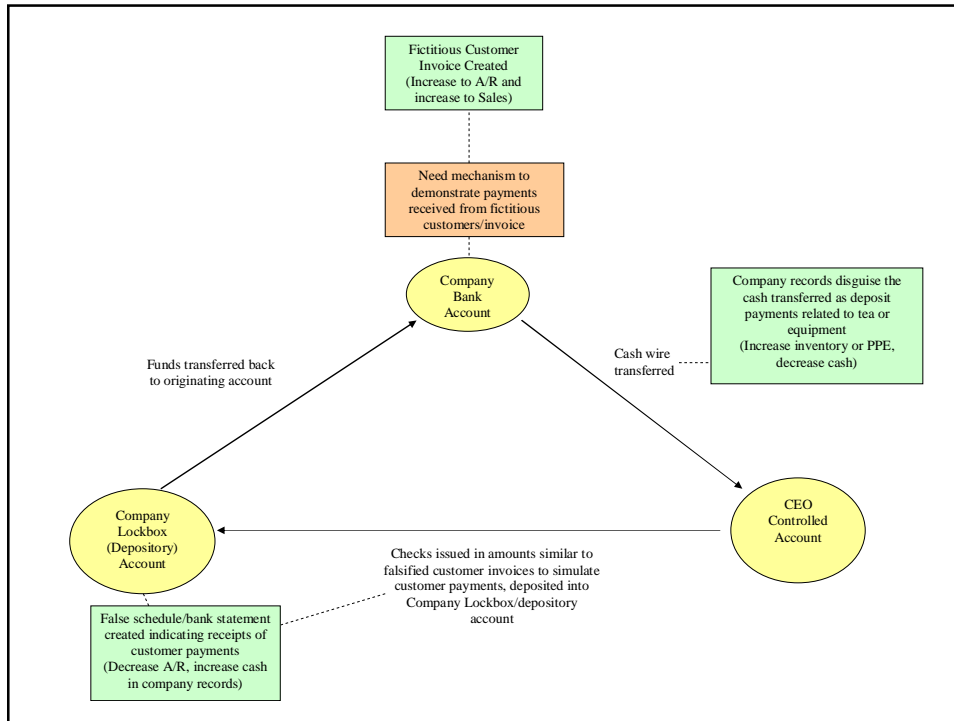
- **Le-Nature's, Inc. – Schemes**
 - *Management used two different accounting systems to conceal the fraud*
 - *Forensic accountant conducted extensive analysis of the inflows and outflows of cash, utilizing verifiable records and documentation*
 - Determined that the Company spent \$2.78 on operating costs for every \$1.07 it generated through operations



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PRACTICAL EXAMPLES

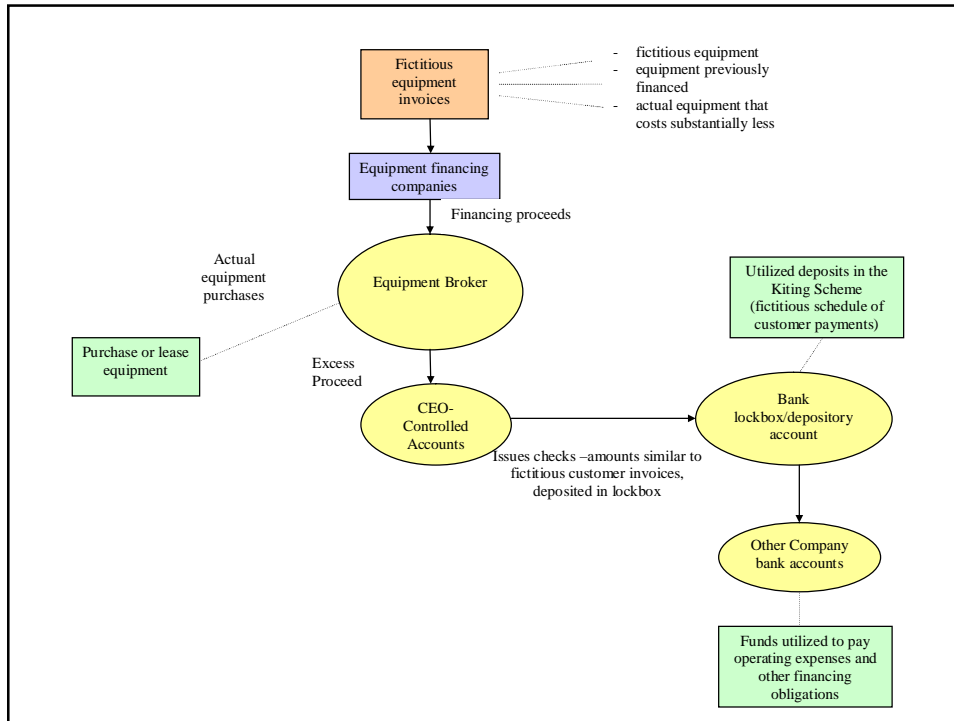
- **Le-Nature's, Inc. – Kiting Scheme**
 - *Prior to July 2002, the massive inflation of sales, accounts receivable, customer receipts, deposits and inventory was largely accomplished using a kiting-like activity between the Company's bank accounts and accounts controlled by the Company's CEO*
 - *Transactions were used to inflate sales and assets with little or no impact to the Company's net cash balances*



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PRACTICAL EXAMPLES

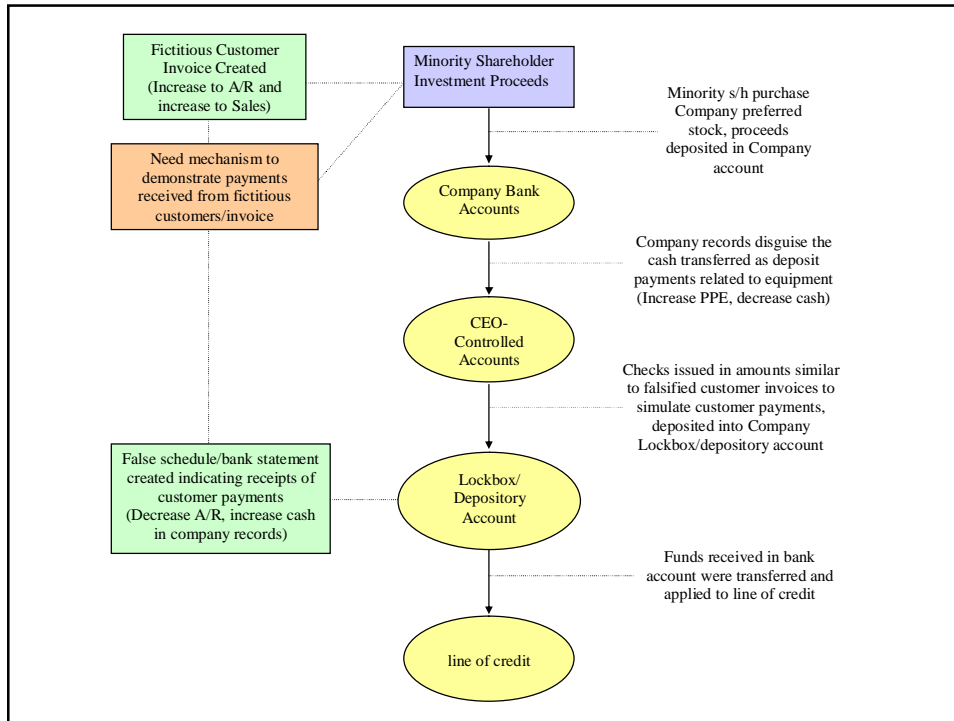
- **Le-Nature's, Inc. – Equipment Leasing Scheme**
 - *Variation of the kiting scheme that included equipment transactions involving an equipment broker*
 - *Company received funds from the equipment broker, which were treated as customer receipts for purchases of Company products, as opposed to financing proceeds expected by lenders to be used to purchase equipment from third parties*



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PRACTICAL EXAMPLES

- **Le-Nature's, Inc. – Minority Shareholders Scheme**
 - *Another variation included the circulation of funds received from minority shareholders in connection with their equity investments*
 - *As a result of this variation, sales and assets were inflated, and fictitious customer payments were recorded and applied to fictitious accounts receivable, to provide the illusion of actual customer payments*



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PRACTICAL EXAMPLES

- **Le-Nature's, Inc. – Schemes**
 - *After July 2002, Company management ceased circular kiting*
 - *Rather, Company management relied on the falsification of bank account statements and related documentation*
 - This approach enabled management to accomplish the same result, but on a larger scale
 - This method began shortly after the kiting scheme ceased and continued through June 2006



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PRACTICAL EXAMPLES

- **Le-Nature's, Inc. – Concluding Thoughts**
 - *Forensic investigation uncovered at least \$37.6 million of net funds diverted during analysis period*
 - *Bookkeeper (no college or accounting degree) provide crucial information for prosecution*



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PRACTICAL EXAMPLES

- **Le-Nature's, Inc. – Concluding Thoughts**
 - *All common characteristics of Ponzi schemes were present*
 - Reliance on outside funding;
 - Use of new funding to pay old obligations;
 - Need for an ever-increasing supply of new funding; and
 - Absence of a profitable product, investment or service sufficient to pay promised obligations.



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PRACTICAL EXAMPLES

- **Regional Manufacturer – Background**
 - *Beginning in 2002, our Firm was engaged to audit a regional manufacturer with annual revenues in excess of \$10M*
 - *The business had recently discovered \$1.35M in fraud that had been perpetrated by its long-time, well-respected and trusted CFO over a 10-year period*



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PRACTICAL EXAMPLES

- **Regional Manufacturer – Schemes**
 - *Fraud had started with misappropriation of petty cash (\$112,000 over 10 years)*
 - *Then branched out to personal charges on a company credit card (\$42,000 over five years)*



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PRACTICAL EXAMPLES

▪ **Regional Manufacturer – Schemes**

– *Fraud grew rapidly in depth and breadth as follows:*

- Use of company checks for personal expenses (\$57,000)
- Misappropriation of accounts receivable via use of a fictitious collection agency (\$29,000)
- Misappropriation of a cash account designated for employee morale events/efforts (\$202,000)
- Electronic transfer of funds to personal investment accounts (\$590,000)



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PRACTICAL EXAMPLES

▪ **Regional Manufacturer – Schemes**

– *In addition to the real cash outflows, the company also incurred \$318,000 of interest and penalties resulting from the fraud*

– *Owner became suspicious when the business continuously reported income, but became unable to satisfy liabilities in a timely manner*

- CFO was fraudulently overstating inventory in order to show the profits that the owner expected



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PRACTICAL EXAMPLES

- **Regional Manufacturer – Concluding Thoughts**
 - *Owner recovered a portion of the losses through insurance*
 - *CFO moved out of state and initially suffered minimal consequences; however, he was ultimately prosecuted and served jail time*
 - *Shortly after the fraud was identified, the Company implemented additional (relatively simple) controls*
 - These controls likely could have prevented much of the fraud



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PRACTICAL EXAMPLES

- **Baierl Acura – Background**
 - *Controller pleaded guilty to embezzlement of \$10.2 million from the dealership over more than 6 years*
 - *According to documents filed in federal court, controller electronically transferred large amounts of money from Baierl's payroll account to her personal bank accounts*
 - *Over 800 occasions between December 2004 and July 2011*



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PRACTICAL EXAMPLES

- **Baierl Acura – Schemes**
 - *Bank statements were altered to cover fraudulent transfers*
 - *Falsified bank statements given to outside accountants that were reviewing the dealership's books and records*
 - *To offset the losses, Controller also falsely inflated the general ledger vehicle inventory account balance and added previously-sold vehicles into the dealership's inventory computer database*



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PRACTICAL EXAMPLES

- **Baierl Acura – Concluding Thoughts**
 - *The Company was only able to recover a portion (10%) of the financial loss (\$1 million)*
 - *As a result of this fraud, the automotive group is changing its accounting processes (oversight checks and balances) to prevent future occurrences of fraud*



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CONCLUSION AND PRACTICAL CONSIDERATIONS



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CONCLUSIONS AND PRACTICAL CONSIDERATIONS

- **Understanding occupational financial fraud is critical to helping clients of both law firms and accounting firms to survive subversive employee actions**
- **Hopefully, this greater awareness will lead to more-effective management decisions and the implementation of sufficient financial internal controls to mitigate a great portion of the risk posed by occupational fraud**



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CONCLUSIONS AND PRACTICAL CONSIDERATIONS

- **Financial internal controls can play a big part in reducing the opportunity for employees to commit fraud**
- **It is critical that all companies and organizations periodically undergo a financial internal control “physical”**
 - *Allows for experienced professionals to evaluate weaknesses*
 - *Once identified, the appropriate modifications and changes can be made to ensure that the fraud risk is minimized*



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CONCLUSIONS AND PRACTICAL CONSIDERATIONS

- **Audits can be too expensive for smaller companies, but the cost of such occasional periodic reviews of internal controls can easily be justified**
 - *Prevention of a single occurrence of occupational fraud can save the equity owners and other stakeholders hundreds of thousands of dollars*



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CONCLUSIONS AND PRACTICAL CONSIDERATIONS

- **GYF maintains a high level of expertise in accounting and asset protection control strategies and has broad experience in evaluating financial internal controls**
- **We also have experience in searching and locating the fraud, if it is indeed present**



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CONCLUSIONS AND PRACTICAL CONSIDERATIONS

- **In cases where it is already verified that the fraud has occurred, GYF can assist counsel in quantifying the fraud and gathering sufficient evidence to assist in efforts to move the case forward and remediate the negative effects of the fraud occurrence**
- **We have also worked on the side of defense counsel, when the information presented for admission to evidence by government experts is suspect in relevancy, or is simply difficult to navigate, given the breadth of the allegations against the client**



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THANK YOU!