

Caught by CPAs and Cuffed by Law Enforcement, White Collar Crooks Can't Outrun Honest Math

Fraud and abuse costs U.S. organizations more than \$400 billion annually, according to the Association of Certified Fraud Examiners. CPA firms are often at the forefront of discovering these white collar crimes.

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ACCORDING TO U.S. ATTORNEY GENERAL LANNY Breuer, white collar crimes "are extremely serious—they can wreak havoc on investors, threaten the integrity of our markets and financial institutions, and even undermine trust in our political leaders."

The majority of corporate fraud cases involve accounting schemes designed to deceive investors, auditors and analysts about the true financial condition of a corporation. In addition to significant financial losses to investors, corporate fraud has the potential to cause immeasurable damage to the U.S. economy and investor confidence.

In fact, fraud and abuse costs U.S. organizations more than \$400 billion annually, according to the Association of Certified Fraud Examiners. As CPA firms are often at the forefront of discovering these white collar crimes, *COMMERCE* asked 12 forensic accounting experts the following questions:

- How did your CPA firm help a New Jersey client using forensic accounting?
- What problem did you uncover, and how was the issue resolved?



Bederson & Company LLP

By Charles S. Lunden, CPA/CFE, ABV, CFE, CMA, CLU, FLMI, Partner

Two small business owners created a novel scientific approach to solve a problem that many industries face. Their approach found a cost-effective way to deliver a chemical process in an application that crossed multiple industries. They decided to set up a new venture, and sought out new employees to take advantage of their approach. They incorporated, hired a general manager and offered him a small portion of the new venture as sweat equity. After some time, the majority owners decided to change general managers. After termination, the former manager sued his former employer, alleging that his interest was worth a substantial sum. We were called in to examine the relationship between the original business and the new venture. It became evident that there were some costs that had been historically charged to the original business that rightfully belonged to the new venture. When these costs were passed to the proper company, it became evident that the new venture was not worth what the former manager, his attorney and val-

uation expert were claiming. We assisted the company's lawyer and pointed out the flaws in their opponent's valuation of the new venture. The arbitrator agreed, and awarded a fair return to the former general manager.



EisnerAmper LLP

By Hubert Klein, CPA/ABV/CFE, CVA, CFE,

Partner, Litigation Services Group

We were contacted by a law firm with whom we had done work in the past. One of their clients suspected that a consultant they hired to help manage their business had perpetrated a fraud and embezzled money from the company. Our investigation began by reviewing the accounting system computer data files, accounting books and records and related source documents. We quickly discovered that there were irregularities that needed to be investigated further. It appeared the consultant had misappropriated business funds by paying for personal expenses with company funds using several fraud schemes. These included the payment of personal expenses through direct phone debit pays from the business checking account, issuing a series of forged checks for personal purposes and the misuse of a company credit card that this person was able to access. This activity went undetected for over five years. Based on our findings we prepared a report quantifying the irregularities, which was utilized in a legal proceeding. We advised the client how to strengthen their internal control systems to minimize the risk of this happening again. As with most frauds, when appropriate internal controls are in place, they help minimize the risk of fraud.



Friedman LLP

By Robert C. Meier, CPA, CVA, CFE, Partner, Forensic Accounting

Friedman LLP represented the secured lender in a case involving a hotel/property owner (the Debtor) in bankruptcy. Absent the availability of "typical" corporate books and records, Friedman was nonetheless able to conduct an in-depth forensic accounting analysis using Debtor and non-Debtor bank statements, deposit tickets and canceled checks, as well as hotel "night audit" reports. As a result, we discov-

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