

Handshakes to Handcuffs: A Stricter Trust Paradigm

Fraud and abuse costs U.S. organizations more than \$400 billion annually, according to the Association of Certified Fraud Examiners.

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IN BUSINESS DEALS OF DECADES PAST, TRUST used to be extended with a handshake. Today that gesture is purely symbolic and has been—in most cases—replaced with signed contracts, manager oversight and real-time computer, camera and telecommunications monitoring.

Despite all of these countermeasures, fraud abuse still costs U.S. organizations more than \$400 billion annually, according to the Association of Certified Fraud Examiners. One of the key weapons against this plague on the business community is forensic accounting. The spreadsheet is a white collar criminal's worst nightmare.

The following case studies illustrate how accounting firms are achieving success in helping companies detect and root out fraud and abuse from their own ranks.



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Forensic accounting includes assisting clients in various types of litigation matters including investigations into financial transactions. At the outset of a case, we commonly ask for documents from the adversary that we consider necessary to complete a comprehensive investigation based on our assignment. However, as the investigation progresses, sometimes it is necessary to request additional documents, which the adversary may not want to provide. This is referred to as a “discovery battle.” In one such instance, we assisted a Plaintiff in a litigation matter by doing an investigation into an adversary’s finan-



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cial transactions. Our forensic investigation revealed that the adversary was using a complex tier of companies financially benefiting certain “LLC” members and non-members by making excess distributions to them and, thus, harming other members. In order to determine the extent of the damages to these minority investors, the Plaintiff needed unfettered access to the books and records of numerous third party entities controlled by the adversary. Our report was used by Plaintiff’s counsel to petition the court to obtain access to those records. The court, in turn, issued an order demanding the adversary turn over those records allowing us to further investigate the adversary’s financial transactions for the benefit of our client.