



Frank, Rimerman + Co. LLP certified public accountants

SCCE San Francisco Regional Compliance & Ethics Conference 2022

Case Study: Investigating a Fishy Business

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Presentation Overview

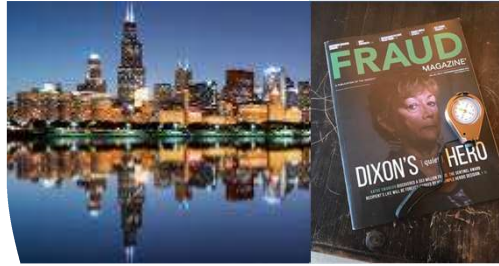
- Introductions
- What is a fraud examination?
- Roles of fraud examiners and lawyers
- Case Study - Lessons learned
- Applying the SoF Diamond to your case
- Q & A



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Steve Morang

- Senior Manager in San Francisco at Frank, Rimerman. Leader of the Fraud & Forensics Practice
- Over twenty years experience in the internal audit, anti-fraud space in various positions
- Adjunct Professor at Golden Gate University on fraud and ethics
- Taken on leadership roles in the ACFE to help develop the profession. President of the San Francisco Chapter of the ACFE, former Chair of the Higher Education Committee and Columnist for Fraud Magazine
- Certified Fraud Examiner (CFE), Certified Internal Auditor (CIA), Certified Compliance Ethics Professional (CCEP), Certification in Risk Management Assurance (CRMA)



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Steven Morang IV

- Senior Associate in San Francisco at boutique consulting firm, Honey Badger Consulting
- Experience in Fraud Investigations, Forensic Accounting and Financial Technology
- CFO of the San Francisco Chapter of the ACFE
- Contributor to Fraud Magazine, CalCPA Magazine and CEP Magazine
- Certified Fraud Examiner (CFE)



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What do we mean by fraud examination, or Fraud Examiner?

- The difference between a forensic accountant and a fraud examiner
- The beginning and the end of the examination
- Skill sets of the fraud examiner
- Limitations on the fraud examiner

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The Roles and Interplay between the fraud examiner and the lawyer

- Understanding the different areas of expertise
- Identifying the overlaps
- Coordinating the project plan
- Communicating with the client
- Collaboration on the final product

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Case Study – Investigating a Fishy Business

- Overview
- First Steps
- Complications (Both legal and investigative)
- Pushing forward investigating, litigating, responding and reporting
- End results

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Case Study – Investigating a Fishy Business

Day 0

- The phone call that something doesn't make sense, but it's probably nothing.

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Case Study – Investigating a Fishy Business

Day 1

- First visit to the office to determine if anything seems “fishy”
- Identification of suspicious documents
- Predication confirmed to allow next steps

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Case Study – Investigating a Fishy Business

Day 2-5

- Secure and gather physical, electronic and other records
- Remove access to all internal and external accounts
- Coordination with legal

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Leveraging Technology in Fraud Investigations

Google Vault – Case Use

- Access to **All** company emails
 - Deleted Emails
 - Deleted Drafts
 - Deleted Attachments
 - Deleted contacts
- Ability to use Textual Analytics
 - Search emails with
 - Attachments
 - Subject/Content
 - People/emails
- Easily Export Data
 - Further Data Analysis



Google Vault

Supported services and data types

Vault supports the following Google Workspace services:

Service	Retention	Hold	Search and export	Supported data types
Gmail	✓	✓	✓	Learn more
Google Drive	✓	✓	✓	Learn more
Google Groups	✓	✓	✓	Learn more
Google Chat	✓	✓	✓	Learn more
Classic Hangouts	Covered by Chat rules	Covered by Chat holds	Use Gmail search and export	Learn more
Google Meet	Covered by Drive rules unless Meet-specific rules are turned on	Covered by Drive holds	Use Drive search and export	Learn more
Google Voice for Google Workspace	✓	✓	✓	Learn more
Google Sites	Covered by Sites rules unless Sites-specific rules are turned off	Covered by Drive holds	Use Drive search and export	Learn more

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Case Study – Investigating a Fishy Business

Day 6-100

- Import and manipulation of key data
- Identification of multiple fraud schemes
- Identification of key players
- Review Records
- Analysis

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Case Study – Investigating a Fishy Business Fraud Schemes Identified

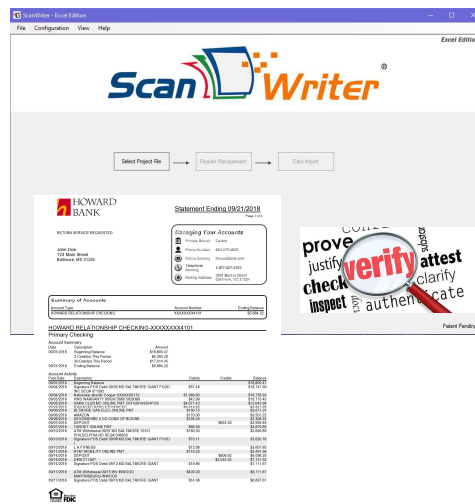
- Unauthorized Checks \ Cash Withdrawals
- Payment of Private Credit Cards
Unauthorized Payroll\Expenses for Friends and Family
- Conflict of Interest with main supplier
(Kickbacks\Money Laundering)

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Leveraging Technology in Fraud Investigations

ScanWriter – Excel Edition

- Digitize Bank Records
 - Cumulative **11 Years** worth of Financial Records
 - Various Banks and Bank Statement Templates
- Capture Essential Data
 - Captured **Check Images** and Extrapolated the Data into a comprehensive Spreadsheet
- Intuitive Data Validation processes
 - Monthly Debits/Credits Totals

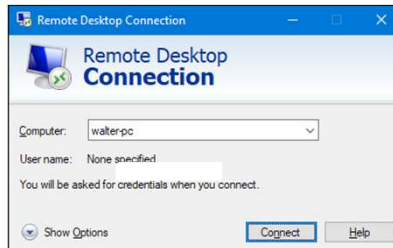


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Leveraging Technology in Fraud Investigations

Remote Desktop –
Case Use

- **Covert** Data Collection
- **Full Access** to Company Workstations and Files/Documents
 - Review accounting software and ledgers



Date	Description	Amount	Category
10/10/2015	ATM Withdrawal	\$1,000.00	Other Expense
10/10/2015	ATM Withdrawal	\$1,000.00	Other Expense
10/10/2015	ATM Withdrawal	\$1,000.00	Other Expense
10/10/2015	ATM Withdrawal	\$1,000.00	Other Expense
10/10/2015	ATM Withdrawal	\$1,000.00	Other Expense
10/10/2015	ATM Withdrawal	\$1,000.00	Other Expense
10/10/2015	ATM Withdrawal	\$1,000.00	Other Expense
10/10/2015	ATM Withdrawal	\$1,000.00	Other Expense
10/10/2015	ATM Withdrawal	\$1,000.00	Other Expense
10/10/2015	ATM Withdrawal	\$1,000.00	Other Expense

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Case Study – Investigating a Fishy Business

Day 101-120

- Calculation of damages
- Written and verbal reporting
- Work together with legal counsel
- Recommendation on potential next steps

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Case Study – Investigating a Fishy Business

Fraud Schemes Identified

- Unauthorized Checks \ Cash Withdrawals - \$3,000,000
- Payment of Private Credit Cards - \$1,200,000
- Unauthorized Payroll\Expenses for Friends and Family - \$300,000
- Conflict of Interest with main supplier (Kickbacks\Money Laundering) - Unknown

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Understanding the psychology of the case

The Seduction of Fraud® Diamond

Opportunity
(existing or created)

Temptation
(with or without
Pressure)

Entitlement
(no justification or
rationalization
needed)

Boldness

This is the ability of the perpetrator to act in a manner that is considerably more courageous and/or considerably more confident than an average person.

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Case Study – Investigating a Fishy Business

Red Flags \ Control Weaknesses

- No segregation of duties
- No independent bank account reconciliation
- No reconciliation of credit card payments
- Accounting software open and audit trail non-existent
- Close relationships with employees, bank managers and key vendors
- Unexplainable reduction in profits and increase in COGS
- Prior history of dishonest behavior

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Wrap-up / Q & A

Questions ?



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Thank you!

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