



## FORENSIC ACCOUNTING CASE EXAMPLES

Schneider Downs Consulting has investigated forensic accounting and fraud matters in a wide variety of industries, from check tampering at a local, small business to Ponzi schemes involving tens of millions of dollars and financial statement fraud involving hundreds of millions of dollars. Here's a review of some more detailed examples:

### Energy & Resources

- Based on communications of a former employee, oil and gas company commenced investigation for alleged kickbacks to a manager. We interviewed relevant personnel and identified potential weaknesses in the purchasing process and provided the company with detailed recommendations for improved controls to mitigate the risks identified.
- We provided forensic accounting services to a shareholder regarding the financial condition of an oil and gas exploration and production company. As part of our work, we reviewed bank statements, accounts payable records, cash flow projections, general ledger detail, related party transactions, credit card expenditures, payroll, etc. to determine cause of cash flow issues. The investigation uncovered numerous violations of bank agreements, as well as the misuse of investor funds.

### Financial Services

- As part of a litigation related to the defalcation of trust assets, we performed an analysis of trust accounting statements, bank statements, and credit card statements to determine the disposition of trust assets and the relationship of authorized and unauthorized transactions between the various accounts. Our analysis covered a period of seven years and helped to support a settlement in the case between the beneficiary and custodian of the trust.
- We were engaged by a bank to conduct a forensic investigation regarding the financial records of a loan customer and transactions among a number of related entities. Many of the other related entities were not legitimate companies and created to facilitate fraud in numerous ways on a variety of parties. We identified indications of a significant check kiting scheme and other fraudulent activity.

### Higher Education

- After a university received report that faculty member was falsifying expense reports associated with travel, we assisted the university finance department in the investigation of the allegations. We reviewed and analyzed expense reports, travel schedules and supporting documentation.
- It was discovered that a former university athletic equipment manager was misappropriating athletic equipment and re-selling. We were engaged by the university in order to determine the loss incurred by the university. We also reviewed the university athletic department's inventory procurement and management processes and controls and provided various findings and recommendations for improvement.

## Not-for-Profit

- We performed a forensic investigation of an educational service entity's cash balance, bank reconciliations, fund balance, miscellaneous expense and adjusting journal entries to determine the actual overall cash balance. We identified many unsupported journal entries made by previous employees that had gone unchallenged. We investigated the nature and origin of the unsupported entries. We also completed a detailed cash proof of the current fiscal year revenue and expense activity and reconciled the overall cash balance.
- After an organization's comptroller retired, it was discovered for several years that the not-for-profit had not filed payroll tax returns and had not paid the IRS for payroll taxes withheld. We performed a forensic investigation of the unpaid payroll tax liabilities, potential unauthorized cash disbursements and misuse of restricted funds. As part of the investigation, we assisted federal and state prosecutors as criminal charges were pursued against the former employee. We also assisted in the development of new financial reporting policies and internal control procedures.
- We performed a forensic investigation regarding the financial condition at a not-for-profit, with a focus on credit card and bank account activity. We detailed a significant amount of credit card purchases made by the CEO unrelated to the organization's mission, with a focus on travel-related expenses. We provided various findings and recommendations for the Board of Directors to improve effectiveness of operations, reliability of financial reporting and overall governance. The CEO ultimately resigned and reached a settlement with the organization by repaying questionable expenditures.

## Professional Services

- An engineering company engaged counsel in response to Grand Jury Subpoena regarding allegations of over-billing several of its governmental customers made by one of its managing directors. We were engaged to analyze the billing process and revenue cycle of the company, including billing rates, manual adjustments to bills and write-offs in order to assist the company in its response to the Grand Jury investigation. Based on our analysis, we identified numerous areas of concern and made recommendations for potential improvements in internal controls, billing process and revenue cycle.
- When an attorney from a regional law firm passed away unexpectedly, we represented the attorney's estate in reconstructing unpaid amounts due from the law firm under the terms of the attorney's employment agreement. We analyzed the law firm's detailed cash receipts and deposit records due to the unreliability of the accounting records. Our analysis allowed the estate and the law firm to settle the dispute on mutually favorable terms.

## Real Estate

- We were retained to analyze financial damages experienced by investors in a real estate development company that turned out to be a Ponzi scheme. We performed a detailed tracing of millions of dollars transferred in and out of the investment group as a part of the Ponzi scheme. Through our analysis, we identified amounts deposited by investors, amounts loaned for real estate, distributions to investors and withdrawals by the owner to fund his lifestyle.

## Transportation

- We were engaged by a transportation company to conduct a forensic investigation related to the billing activity of a specific vendor. We analyzed millions of dollars of costs by various categories charged by the vendor and subcontractors. We determined that billings by this vendor increased dramatically over a five-year period and the vendor was unable to produce detailed time records and supporting documentation for the time and materials contract. Based on our investigation, the transportation company filed suit against the vendor for overcharging.

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