



## Catching Fraudsters with their Hands in the Till



**PARKER**  
COLLEGE OF BUSINESS  
GEORGIA SOUTHERN UNIVERSITY




**Presented by:**  
*Thomas Buckhoff, Ph.D., CPA/CFF, CFE*  
**2023 ANNUAL GAINS CONFERENCE**

1

*All frauds cannot be prevented*

- In a perfect world, all frauds would be prevented.
- We don't live in a perfect world.
- We must learn how to investigate fraud.





*The perfect world of Andy, Barney, and Opie*

2

### General Principles of Fraud Investigation



- Fraud is hidden
  - Do not express opinions re: the existence of fraud.
- Reverse proof
  - Examine both sides of issue.
- Guilt or innocence
  - Report facts, courts determine guilt or innocence.

3

### Phases of a fraud investigation



1. Understand controls over cash flows
2. Identify weaknesses
3. Generate fraud theories
4. Collect and evaluate evidence
5. Estimate losses
6. Report findings
7. Assist in filing charges and/or claims

4

### Fraud Theory Approach


- Analyze available data
  - e.g. documents, statements, etc.
- Create a hypothesis
  - Assume “worst case” scenario
- Test the hypothesis
  - Compare collected evidence to hypothesis
- Refine the hypothesis

5

### Case #1: The Village

- Ron, Karen, and Jerry collectively invest over \$2 million in an apartment complex.
- Ron, the general partner, manages the apartments.
- After three years, the complex is losing money, despite 95% occupancy.



6

Village Properties, LLP Income Statement For year ending December 31, 2020		
	Amount	%
Gross rents received	\$ 1,415,694	100%
Less Expenses:		
Advertising	\$ 22,644	2%
Bank/finance charges	8,244	1%
Depreciation	148,905	11%
Insurance	32,955	2%
Interest	304,452	22%
Legal/accounting fees	20,160	1%
Management fees	136,560	10%
Miscellaneous expenses	45,276	3%
Repairs and maintenance	385,476	27%
Snow removal/Lawn care	32,511	2%
Taxes	124,812	9%
Utilities	238,455	17%
Total Expenses	1,500,450	106%
<b>Net Profit/(Loss)</b>	<b>\$ (84,756)</b>	<b>-6%</b>

7

### Fraud Theories




**Fraudster:**  
Manager of apartment complex

**Fraud theories:**

1. Charged stolen funds to repairs and maintenance expense
2. Pocketed coins from laundromat

**Fraud facilitator:**  
Lack of controls

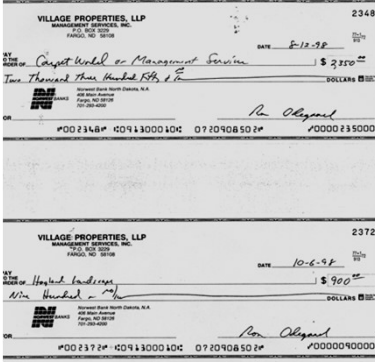
**Fraud loss:** >\$200,000

8

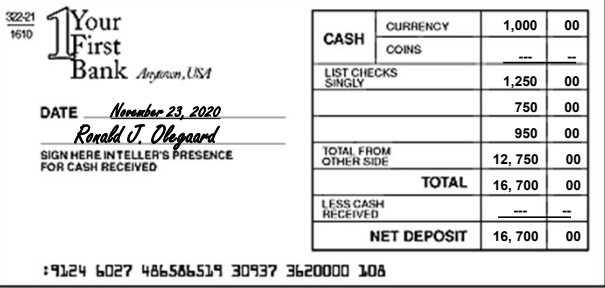
### Evidence

Apartment manager financed part of the construction costs of his new home with employer's funds.



9

### Evidence: Deposit tickets





CASH	CURRENCY	1,000	00
	COINS	---	--
LIST CHECKS SINGLY		1,250	00
		750	00
		950	00
TOTAL FROM OTHER SIDE		12,750	00
<b>TOTAL</b>		<b>16,700</b>	<b>00</b>
LESS CASH RECEIVED		---	--
<b>NET DEPOSIT</b>		<b>16,700</b>	<b>00</b>

10

### Engagement Resolution


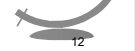
- Manager paid \$60,000 cash to owners plus forfeited his 30% ownership in the properties.
- Owners did not press charges.
- The next year profits increased by more than \$160,000.

11

### Computer-Assisted Investigation Techniques

- Match employee and vendor addresses
- List checks above a certain amount
- Search for duplicate payments
- Search for unusual patterns
- Search for fictitious vendors

12



### Completing the Investigation

- Preparing written reports
- Obtaining restitution and/or filing charges
- Admission statements



19

19

### Assist in obtaining restitution

- Reach out-of-court settlement
- File insurance claim
- Provide litigation support in filing:
  - Civil lawsuit
  - Criminal charges



20

20

### Written Admission Statements

- Expedite insurance claims
- Facilitate prosecution, civil litigation, and out-of-court settlements
- Prevent wrongful termination and defamation lawsuits



21

21

### Who has the first question?

Oh, Oh!  
Pick me!



22

22

### **Forensic Solutions, LLC**

Forensic accounting and litigation support services

**Thomas Buckhoff, Ph.D., CPA/CFF, CFE**  
**130 Hazelwood Drive**  
**Statesboro, GA 30458**  
**Phone: (912) 486-0809**  
**tbuckhoff@gmail.com**

[linkedin.com/pub/thomas-buckhoff/20/465/277](https://www.linkedin.com/pub/thomas-buckhoff/20/465/277)



23

23