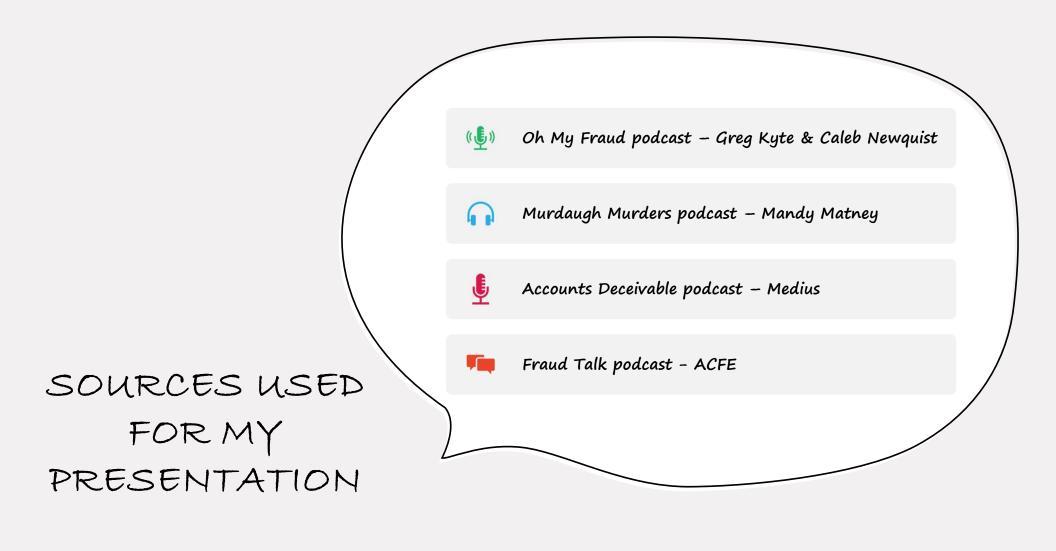
## A Fraud Story Presented By: Amy C. Lewis, CPA

December 18, 2023



#### A VERY, VERY, VERY NICE LADY DID SOME FRAUD

- Claudia was hired as Treasurer of a small town and then elected as tax collector a few years later
- Only accepted cash or check payments no computer until
   2014
- · Manipulated adding machine tapes
- · Did not have a flashy lifestyle
- Town has changed to an appointed tax collector

# THE WORST FAN CLUB PRESIDENT EVER

- Yolanda started a fan club for Selena
- Was then hired to run Selena's boutiques
  - She wasn't giving fans their swag, she wasn't paying bills, she was missing payroll
- Was estimated to have stolen \$30,000 and was fired
- The confrontation caused her to kill Selena

### Lack of segregation of duties allowed Sue to:

- Initiate wire transfers from Koss funds to pay for her Amex cards
- · Issue numerous cashier's checks
- Order employees to post fraudulent entries in the ledger
- · Steal \$390,000 from petty cash
- · Post entries in the ledger with no audit trail

The Koss of Doing Business Payroll for 1,000 customers

Unable to make payroll one day in Sept 2019

Bank accounts had been frozen because of suspicious activity

President of parent company had created a series of fake companies and booked fake receivables between the companies

UNPAYDAY | THE CASE OF MYPAYROLLHR

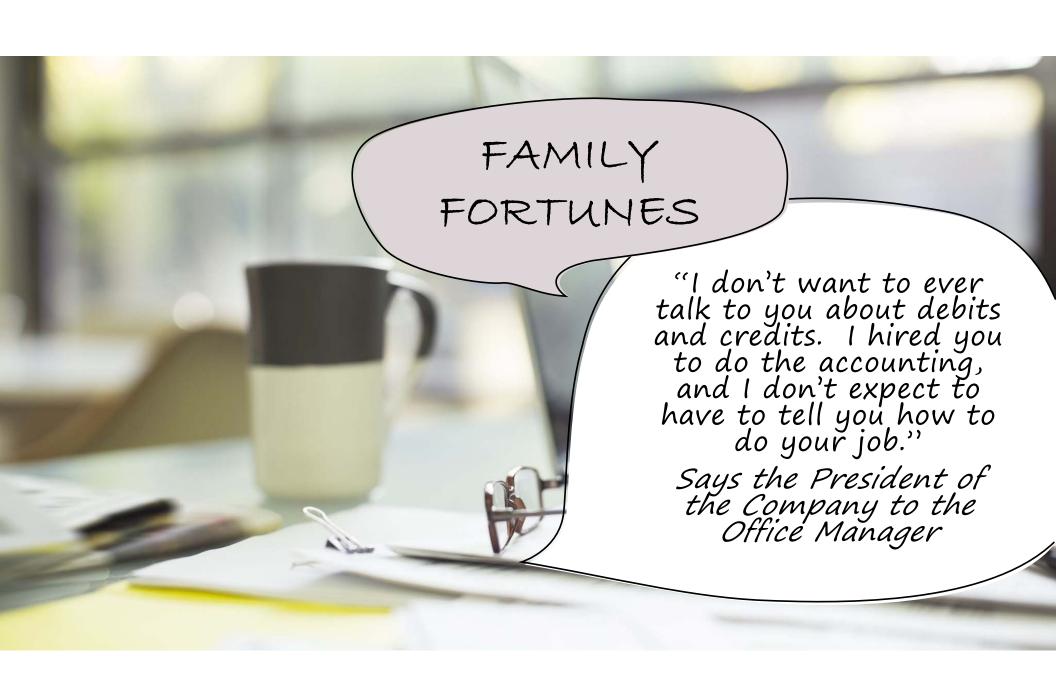


- This is a case where someone outside the company was stealing from the company.
- This case lasted for decades before it was caught.
- Businesses had \$126 million stolen over six years.

#### DEVIL'S IN THE EMAIL

"You are not the perpetrator here, you are the victim."

In a meeting with affordable housing developers, it was determined that funds hadn't been received by the developer, although the nonprofit had made payment





- Large company performed an audit of their entire fleet so that they could establish a good procedure to manage it
- Hired "Charlie" to be the fleet manager
- A year or so later he showed up to work in a \$200,000 Audi – suspicions arose
- An investigation determined that he was stealing money from the auctioneers when the vehicles were disposed

THE TALE
OF THE
PHANTOM
NONPROFIT

- Phases, Inc. a Tennessee nonprofit dedicated to helping women with substance abuse issues
- The founder retired and one of their successful clients was hired to run the organization
- She ghosted the state when they tried to do a site visit
- When they finally arrived, the office had been cleared out
- It appears that state grant funds were misappropriated, but not much evidence to prove
  - She forged a signature on the grant contract

## FRAUD IN YOUR BACKYARD

This podcast discusses fraud at HOA's, but it could be about any small non-profit.

#### Issues identified:

- People aren't accountants, but they are responsible for the books
- People aren't interested in serving on the board, so the same people hold the positions for years upon years
  - Leads to apathy
  - Leads to lack of segregation of duties
- Organizations want to save money, so they have very little insurance
- Very easy for related party transactions to occur

ALEX MURDAUGH

- Accused of stealing more than \$6.2M
- Grand jury returned a 22-count indictment for conspiracy to commit wire fraud and bank fraud; bank fraud; wire fraud; and money laundering
- · Opened two fake bank accounts
- Deposited clients' settlement money into the fake accounts and used it to get cash, pay bills, and pay down loans
- Would tell clients that their settlement amounts were less than they were
- Was able to get law firm employees to bypass normal procedures and send settlement funds directly to Alex, not the firm
- Hired a banker to serve as conservator for numerous personal injury clients and collect large fees

  - √ \$990,000 to Alex Murdaugh
  - Allowed Alex to overdraft his accounts repeatedly

KEY TAKEAWAYS Good people sometimes do bad things.

Look for red flags.

Think outside the box.

Don't be afraid to ask questions. MY
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