

# Forensic Accounting



## Tools for Financial Exploitation Investigations

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CPAs & BUSINESS ADVISORS

# Presentation Disclaimer

These seminar materials are intended to provide the seminar participants with guidance in employee theft/fraud and related ethical matters. The materials do not constitute, and should not be treated as professional advice regarding the use of any particular forensic technique or related consequences associated with any forensic technique.

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# Agenda

- Background
- Definitions/Forensic Accountants & Exploitation Investigations
- Investigation Process
  - Identifying Assets
  - Obtaining & Inventorying Records
  - Examining Financial Records
  - Documenting Findings
- Case Examples
- Takeaways



# Background

- **Eide Bailly LLP**

- Top 25 CPA firm in the nation (Est. 1917)
- 54,000 clients, 1,600 professionals, 26 offices in 12 states

- **Forensic Services**

- Financial investigations
- Computer forensics
- Economic damage calculations
- Employment background checks

For more information visit: [forensics.eidebailly.com](https://forensics.eidebailly.com)



# Background

- Jason Olson
  - Forensic Accounting Partner
    - Specializes in fraud investigations and internal controls examinations
    - Over 10 years of experience
  - Certified Public Accountant (CPA)
  - Certified in Financial Forensics (CFF)
  - Certified Fraud Examiner (CFE)
  - Certified Forensic Interviewer (CFI)



# Definitions

- *Elder abuse* – any knowing, intention, or negligent act by a caregiver or any other person that causes harm or a serious risk of harm to a vulnerable adult
- *Financial exploitation* – when a person misuses or takes the assets of a vulnerable adult her his/her own personal benefit

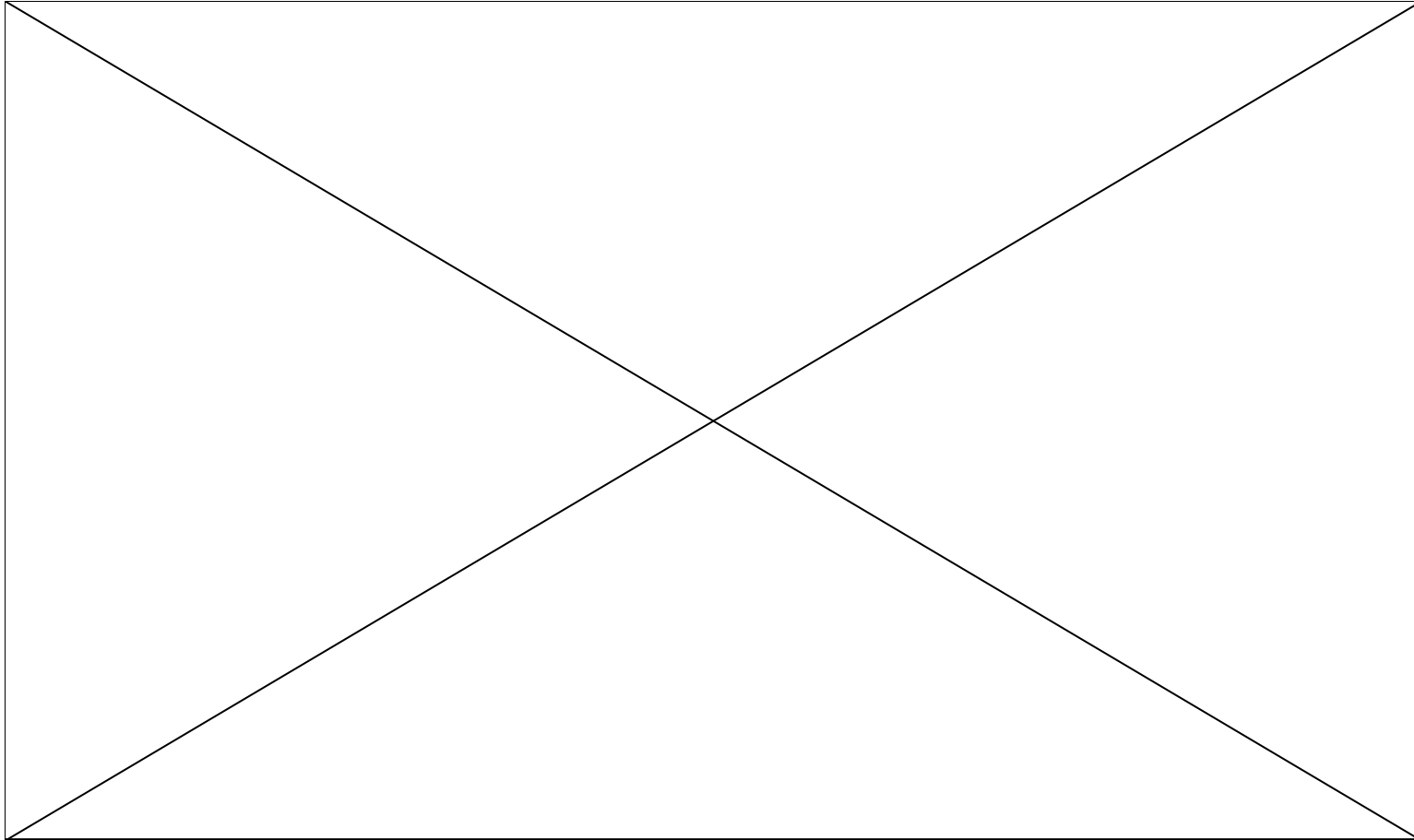


# Definitions

- *Forensic accounting* - an attempt to piece together or **reconstruct a past event or events using financial information** where that reconstruction is likely **to be used in some judicial proceeding**



# Financial Exploitation Video





# Statistics

- Population of potential victims is growing
  - 2009 – 39.6 million people aged 65+
    - 12.9% of the US population
  - Estimated 2030 – 72.1 million people aged 65+
    - Estimated to be 19% of the US population
- Estimated 2009 annual financial loss by victims of elder financial exploitation were \$2.9 billion



# Vulnerability

- Many seniors have substantial assets
  - Sizeable nest eggs
  - Homes that are paid for and have appreciated significantly over time
- Social Security and disability payments are unique
  - Steady, recurring flow of funds to misappropriate
  - Economic conditions and recessions don't affect Social Security income



# Forensic Accountants & Exploitation Investigations

- What types of cases do we handle?
  - Fraud detection and investigation
  - Financial exploitation
  - Litigation support
  - Economic damage calculations
- What types of agencies have we assisted?
  - Cities
  - Sheriff's offices
  - County Attorney's offices
  - County Human Service Offices
  - BCI (ND)/BCA (MN)



# Forensic Accountants & Exploitation Investigations

- When are our services requested?
  - Limited time/staffing issues
  - Big cases/numerous financial accounts (use of FIS)
  - In need of an expert
- How does one go about hiring us?
  - Contact us
    - We will let you know what information we need, get an engagement letter put together and request the records we need
    - Yearly contracts with some counties



# Investigation Process

Identify the Assets

Obtain & Inventory  
Records

Examine Financial  
Records

Document Findings



# Identifying Assets

- Identify all assets of the vulnerable adult
  - Gathering of the evidence
- How do you identify the assets?
  - Real estate
    - County tax records, closing documents, etc.
  - Financial accounts
    - Bank, investment, retirement, etc.
  - Loan Applications and Financial Statements
  - Tax Returns



# Identifying Assets

- How do you identify the assets?  
(continued)
  - Safe deposit boxes
  - Insurance policies
  - Previous employer
    - HR documentation
  - Items at home
    - Cash, collectibles, jewelry, vehicles, etc.
  - Search of computer
    - .csv, .qbb, .qdf, .qif, .xls, .xlsx., etc.



# Identifying Assets

- Determine what documents the vulnerable adult signed to place assets in someone else's control
  - POA, signature cards
- Verify names on financial accounts
  - Signature cards
- Interview vulnerable adult, witnesses and perpetrator if possible
  - Preservation of testimony (audio/video tape)





# Obtaining Records

- Obtain electronically if possible
  - Save statements as .PDF file to computer from online banking, etc.
  - Download electronic transactions to database if possible (i.e. bank transactions to Excel)
- Scan paper records
  - Make sure the pages are straight/legible
- Organize by:
  - Account
  - Date order - oldest to newest



# Obtaining Records - Bank Accounts

Primary account number: 0123456789 ■ April 7, 2009 - May 6, 2009 ■ Page 2 of 4



## Wells Fargo Complete Advantage Checking

### Activity summary

Beginning balance on 04/07	\$1,105.22
Deposits/Additions	1,481.10
Withdrawals/Subtractions	- 429.49
<b>Ending balance on 05/06</b>	<b>\$2,156.83</b>

### Overdraft Protection

Your account is linked to the following for Overdraft Protection:

- Savings - 0123456789
- Credit Card - 0000 0000 0000 9999
- Line of Credit - 0123456789 9999

Account number: 0123456789

HENRY WELLS  
WILLIAM FARGO

California present terms and conditions apply

For Direct Deposit and Automatic Payments use  
Routing Number (RTN): 121042882

■ The annual rental fee of \$45.00 for Safe Deposit Box Number WFNOR0000123456 **will be charged to this account** on or about 06/01/2009.

### Interest summary

Interest paid this statement	\$11.10
Average collected balance	\$7,561.98
Annual percentage yield earned	0.05%
Interest earned this statement period	\$1.25
Interest paid this year	\$101.24

### Wells Fargo Exclusive Rewards®

Total points available as of 04/07/2009	18,946
Points earned in the month of February	732
Points redeemed in the month of February	100

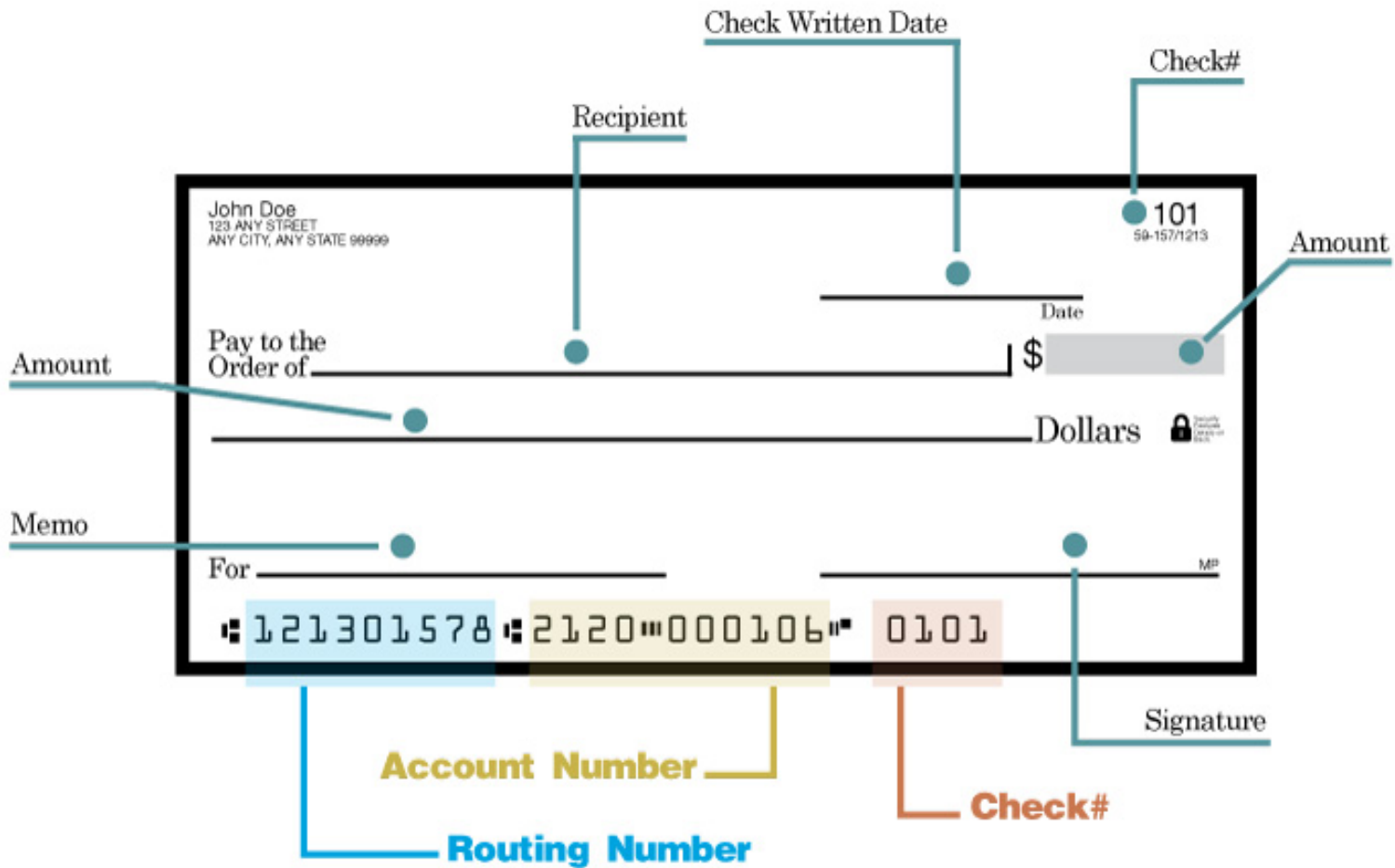
Get your cash rewards on your balance and redeem rewards on  
Wells Fargo Rewards card calling 1-800-246-2534

### Transaction history

Date	Check Number	Description	Deposits/ Additions	Withdrawals/ Subtractions	Ending daily balance
04/11		Check Crd Purchase 1901 0409 040904090409 Heights CA 2635450074555 18 1040000555		31.25	
04/11		Galco Pymt 031019 104000058DA		62.00	991.97
04/12		ATM Withdrawal - 04/11 Mech ID A20402 1528 E Berkeley Chase Citrus Heights CA 4402		100.00	



# Obtaining Records - Bank Accounts





# Obtaining Records - Bank Accounts

The diagram shows a check form with the following fields and labels:

- NAME**  
ADDRESS  
CITY, STATE ZIP
- DATE** \_\_\_\_\_  
DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL
- \_\_\_\_\_  
SIGN HERE FOR CASH RECEIVED (IF REQUIRED)
- BANK NAME**  
ADDRESS  
CITY, STATE ZIP
- AMOUNT** (indicated by a vertical label on the right)
- CHECK OR TOTAL FROM OTHER SIDE** (indicated by an arrow pointing to the right)
- SUB-TOTAL** (indicated by an arrow pointing to the right)
- LESS CASH RECEIVED** (indicated by an arrow pointing to the right)
- \$** (indicated by a vertical label on the left of the amount field)

At the bottom, the MICR line is shown: **⑆0 1 2 3 4 5 6 7 8 ⑆** and **0 1 2 3 4 5 6 7 8 9 0 1 2 3 ⑆**. Brackets below these lines identify them as **Bank Routing Number** and **Bank Account Number** respectively.



# Obtaining Records - Bank Accounts

## Deposited Item Details

[?](#) Help

Deposit to CHECKING XXXXXX1234

Deposit Date	Description	Amount	Status
05/11/20XX	ATM CHECK DEPOSIT - 321 MAIN ST, CA12345	\$1,500.00	Posted 05/11/XX

### Deposit Item (1 of 1)

Item #	Bank	Account #	Check #	Amount
05/11/XX	WELLS FARGO BK NA	XXXXXXXX6789	Not Available	\$1,500.00

- Zoom +   - Light / Dark +   - Contrast +   ↶ Rotate ↷   [Default](#)

Henry Wells  
3215 Main St.  
Anytown, CA 12345

Date 05/11/XX   11-95/1210  
281

21XX

Pay to the order of Carl White \$ 1,500.00

One thousand five hundred and no/100 Dollars

For \_\_\_\_\_ Wells Wells



# Obtaining Records - Tax Returns

**SCHEDULE B**  
(Form 1040A or 1040)

Department of the Treasury  
Internal Revenue Service (IRS)

## Interest and Ordinary Dividends

▶ Attach to Form 1040A or 1040.

▶ Information about Schedule B (Form 1040A or 1040) and its instructions is at [www.irs.gov/scheduleb](http://www.irs.gov/scheduleb).

OMB No. 1545-0047

**2013**

Attachment  
Sequence No. 08

Name(s) shown on return

Your social security number

### Part I Interest

- 1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see instructions on back and list this interest first. Also, show that buyer's social security number and address ▶

(See instructions on back and the instructions for Form 1040A, or Form 1040, line 8a.)

**Note.** If you received a Form 1099-INT, Form 1099-DIV, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

- 2 Add the amounts on line 1 . . . . .
- 3 Excludable interest on series EE and I U.S. savings bonds issued after 1980. Attach Form 8815. . . . .
- 4 Subtract line 3 from line 2. Enter the result here and on Form 1040A, or Form 1040, line 8a . . . . . ▶

**Note.** If line 4 is over \$1,500, you must complete Part III.

### Part II Ordinary Dividends

(See instructions on back and the instructions for Form 1040A, or Form 1040, line 9a.)

- 5 List name of payer ▶

Amount	
1	
2	
3	
4	
Amount	
5	



# Obtaining Records - Tax Returns

**SCHEDULE D  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service (99)

**Capital Gains and Losses**

▶ Attach to Form 1040 or Form 1040NR.  
▶ Information about Schedule D and its separate instructions is at [www.irs.gov/form1040](http://www.irs.gov/form1040).  
▶ Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.

OMB No. 1545-0074

**2013**  
Attachment  
Sequence No. 12

Name(s) shown on return

Your social security number

**Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less**

See instructions for how to figure the amounts to enter on the lines below.  
This form may be easier to complete if you round off cents to whole dollars.

	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
<b>1a</b> Totals for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 1b . . . . .				
<b>1b</b> Totals for all transactions reported on Form(s) 8949 with <b>Box A</b> checked . . . . .				
<b>2</b> Totals for all transactions reported on Form(s) 8949 with <b>Box B</b> checked . . . . .				
<b>3</b> Totals for all transactions reported on Form(s) 8949 with <b>Box C</b> checked . . . . .				
<b>4</b> Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824 . . . . .				<b>4</b>
<b>5</b> Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 . . . . .				<b>5</b>
<b>6</b> Short-term capital loss carryover. Enter the amount, if any, from line 8 of your <b>Capital Loss Carryover Worksheet</b> in the instructions . . . . .				<b>6</b> ( )
<b>7</b> <b>Net short-term capital gain or (loss)</b> . Combine lines 1a through 6 in column (h). If you have any long-term capital gains or losses, go to Part II below. Otherwise, go to Part III on the back . . . . .				<b>7</b>

**Part II Long-Term Capital Gains and Losses—Assets Held More Than One Year**

See instructions for how to figure the amounts to enter on the lines below.  
This form may be easier to complete if you round off cents to whole dollars.

(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part II, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
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# Obtaining Records - Tax Returns

Form **4506-T**  
(Rev. September 2013)  
Department of the Treasury  
Internal Revenue Service

## Request for Transcript of Tax Return

► Request may be rejected if the form is incomplete or illegible.

OMB No. 1545-1872

**Tip.** Use Form 4506-T to order a transcript or other return information free of charge. See the product list below. You can quickly request transcripts by using our automated self-help service tools. Please visit us at [IRS.gov](http://IRS.gov) and click on "Order a Return or Account Transcript" or call 1-800-908-9946. If you need a copy of your return, use **Form 4506, Request for Copy of Tax Return**. There is a fee to get a copy of your return.

<b>1a</b> Name shown on tax return. If a joint return, enter the name shown first.	<b>1b</b> First social security number on tax return, individual taxpayer identification number, or employer identification number (see instructions)
<b>2a</b> If a joint return, enter spouse's name shown on tax return.	<b>2b</b> Second social security number or individual taxpayer identification number if joint tax return
<b>3</b> Current name, address (including apt., room, or suite no.), city, state, and ZIP code (see instructions)	
<b>4</b> Previous address shown on the last return filed if different from line 3 (see instructions)	
<b>5</b> If the transcript or tax information is to be mailed to a third party (such as a mortgage company), enter the third party's name, address, and telephone number.	

**Caution.** If the tax transcript is being mailed to a third party, ensure that you have filled in lines 6 through 9 before signing. Sign and date the form once you have filled in these lines. Completing these steps helps to protect your privacy. Once the IRS discloses your tax transcript to the third party listed on line 5, the IRS has no control over what the third party does with the information. If you would like to limit the third party's authority to disclose your transcript information, you can specify this limitation in your written agreement with the third party.

- 6 Transcript requested.** Enter the tax form number here (1040, 1065, 1120, etc.) and check the appropriate box below. Enter only one tax form number per request. ► \_\_\_\_\_
- a Return Transcript,** which includes most of the line items of a tax return as filed with the IRS. A tax return transcript does not reflect changes made to the account after the return is processed. Transcripts are only available for the following returns: Form 1040 series, Form 1065, Form 1120, Form 1120A, Form 1120H, Form 1120L, and Form 1120S. Return transcripts are available for the current year. —



# Obtaining Records - Credit Reports

## AnnualCreditReport.com

The only source for your free credit reports. Authorized by Federal law.

Home

All about credit reports

Request yours now!

What to look for

Protect your identity

Frequently asked questions

Contact us

## Spot identity theft early. Review your credit reports.

Suspicious activity or accounts you don't recognize can be signs of identity theft. Review your credit reports to catch problems early.

[Learn more about Identity Theft](#)



PAUSE ||

SPOT IDENTITY THEFT

GOOD CREDIT

DON'T BE FOOLED

MORE THAN A SCORE

NOT LIKE THE OTHERS

### Your credit reports matter.

- Credit reports may affect your mortgage rates, credit card approvals, apartment requests, or even your job application.
- Reviewing credit reports helps you catch signs of identity theft early.

[Request your free credit reports](#)

### FREE Credit Reports. Federal law allows you to:

- Get a free copy of your credit report every 12 months from each credit reporting company.
- Ensure that the information on all of your credit reports is correct and up to date.

### BROUGHT TO YOU BY



# Inventorying Records

Bank Name	Account No.	Type	Beginning Date	Balance	Ending Date	Balance	Comments
US Bank	1234	Checking	1/1/2011	\$550,000.00	12/31/2014	\$55,000.00	Missing March 2012



# Examining Financial Records

- Bank/investment account records
  - Statements
  - Cancelled checks
  - Deposit tickets/deposited items
- What do you look for?
  - Patterns of unusual spending for vulnerable adult
  - Signatures and forged signatures
  - Purchases that do not make sense
  - Checks to cash (endorsements on back of checks)
  - Compare and contrast (spending before/after allegation)
  - Unknown accounts
  - Withdrawals/ATM withdrawals



# Examining Financial Records

- Loan documentation
  - Detailed loan statements documenting loan disbursements and payments
  - Source documentation related to loan disbursements
    - Maybe advanced into a related checking account or disbursed through a cashier's check(s)
- What to look for?
  - What was the purpose of the loan(s)?
  - Were the loan proceeds used as intended?
  - How were payments being made and by whom?



# Examining Financial Records

- Credit Cards
  - Statements
  - Supporting receipts (if available)
- What to look for?
  - Patterns of unusual spending for vulnerable adult
  - Purchases that do not make sense for the vulnerable adult
  - Cash advances or ATM/cash withdrawals
  - Compare and contrast (spending before/after allegation)



# Examining Financial Records

- Compare and contrast between spending from the perpetrator's financial accounts versus vulnerable adult's accounts to which the perpetrator has access to
  - I.e. - No gas/grocery purchases from perpetrator's accounts, however numerous gas/grocery purchases from vulnerable adult's accounts



# Documenting Findings

- Use of Microsoft Excel (or similar) to quantify type, frequency and dollar amount of fraudulent transactions
  - Consider using tables and graphs to depict fraudulent transactions
    - Visual objects are worth a thousand words
    - Seek out online training in Excel/with pivot tables

	A	B	C
1			
2			
3			
4			
5			
6			
7			
8			





# Documenting Findings

Date	Account Name & No.	Transaction /Check No.	Transaction Description	Memo	Debit Amount	Credit Amount
6/18/2015	US Bank Checking No. 1234	5678	Liz Johnson	Reimbursement	\$550.00	
6/19/2015	US Bank Checking No. 1234	-	Deposit	Liz Johnson		\$500.00
6/20/2015	US Bank Checking No. 1234	-	US Bank Visa	1234 5678 9101 1121	4,328.79	



# Documenting Findings

- Narrative/report of the case and the facts identified (who, what, when, where, why and how)
  - Include charts and/or graphs when possible to summarize the financial data
- Workpapers reflecting the suspect financial transactions
- Copies of the actual financial documents to substantiate the work papers

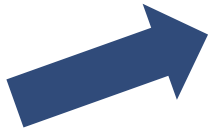


# Documenting Findings

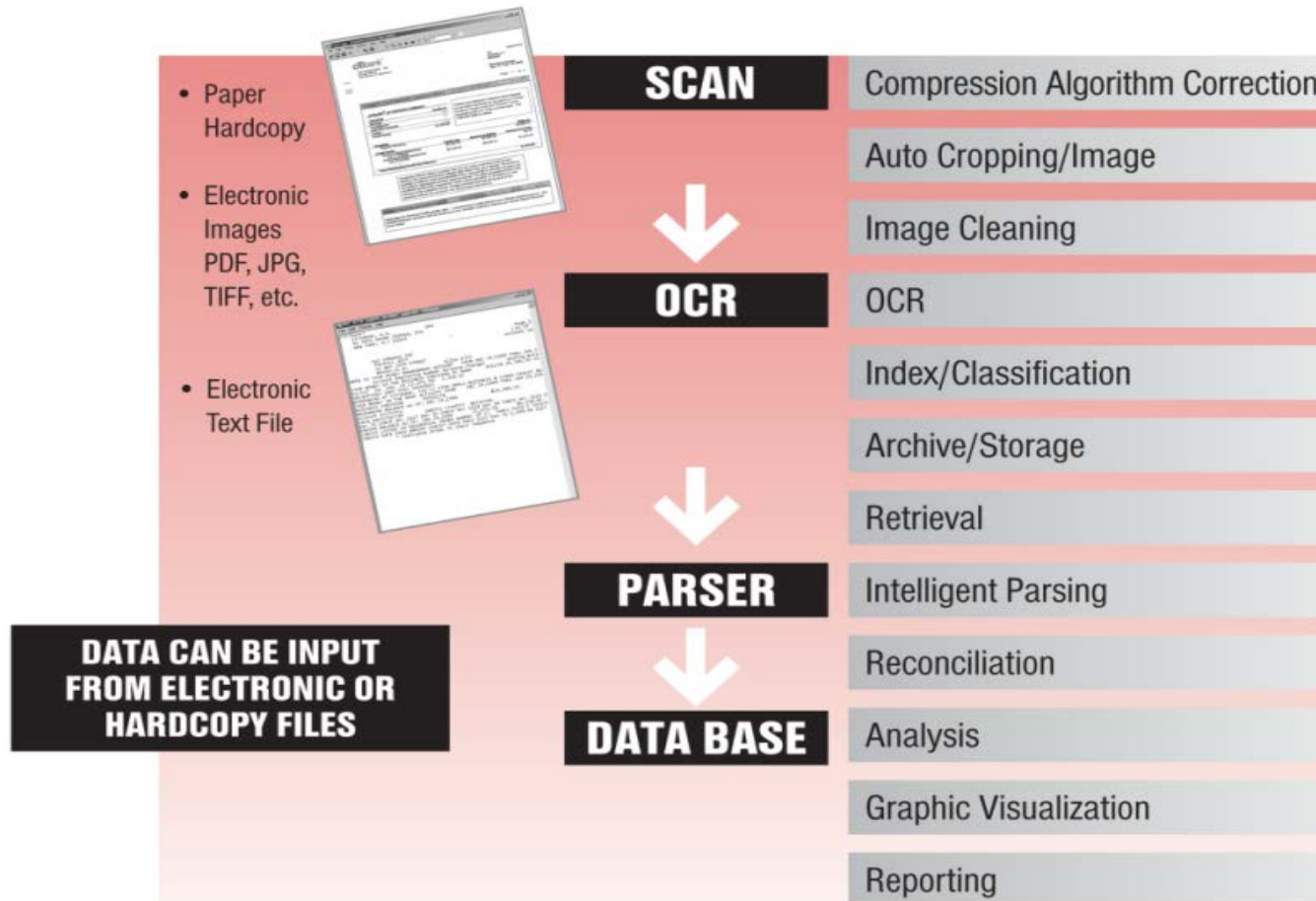
- It is important to have as much information clearly documented and substantiated as possible
  - Victim testimony may not be reliable or possible
    - Age
    - Health
    - Mental capacity
    - Death
  - Victim may be unwilling to testify
    - Embarrassment
    - Fear of being perceived as unable to care for themselves



# Investigation Process – “Old Method”



# Investigation Process – “New Method”



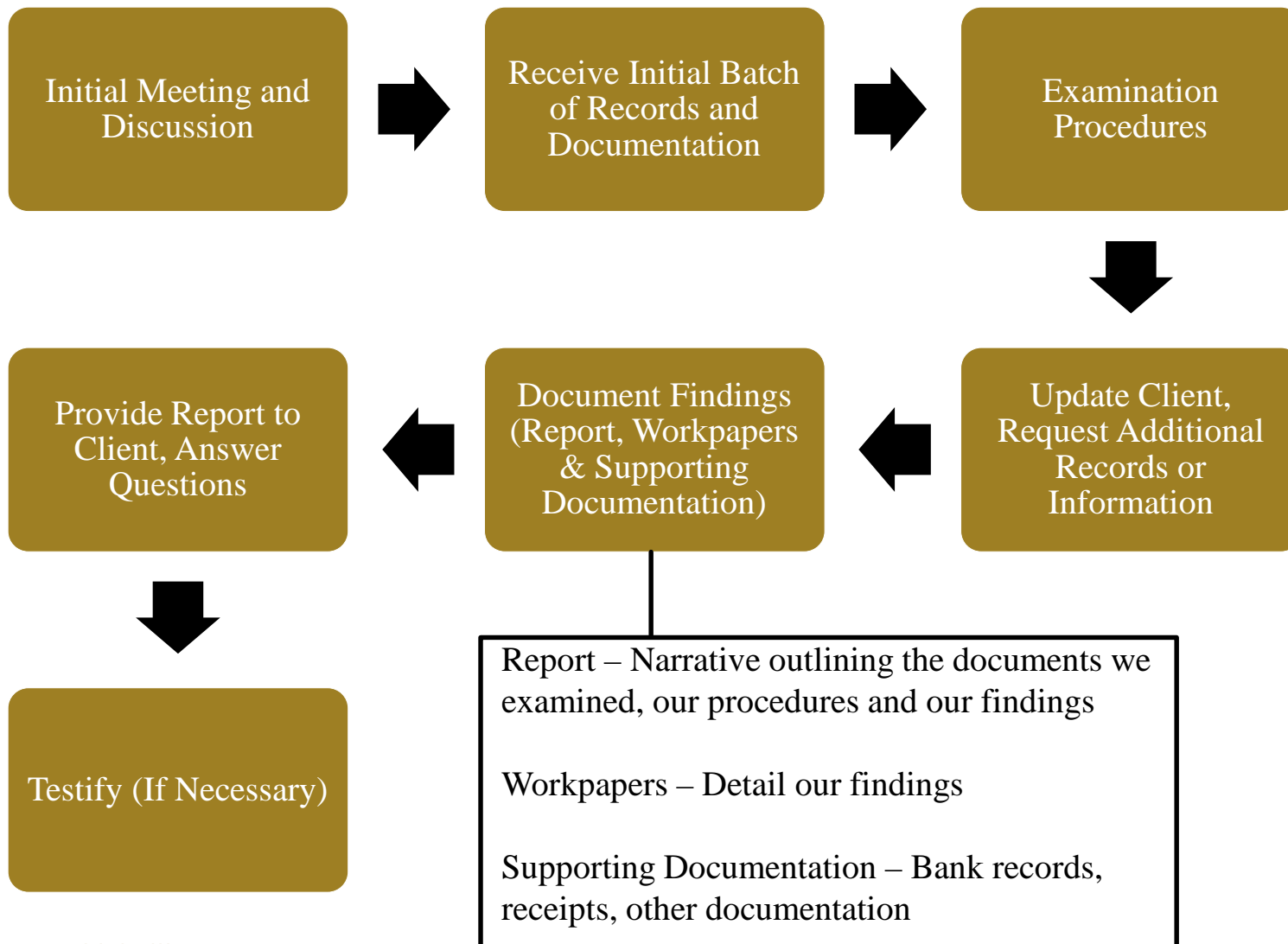
# Investigation Process – “New Method”

- Keep in mind.....issues that affect FIS
  - Poor copy/scan quality (if you can't read it, the software can't either )
  - Markups such as check marks, certain highlighters, pen crossing out numbers, dates, etc.

WELLS FARGO		WELLS FARGO	
VISA		Account Number	Ending in 6994
		00000000000000000000	00000000000000000000
<b>Transactions</b>			
Trans	Date	Description	Amount
<b>Purchases</b>			
08/02	08/02	2443 JEK8 210001	10.72
08/04	08/04	041078 0000000000	32.32
08/04	08/04	041078 0000000000	9.75
08/06	08/06	240501K2 000000	54.08
08/06	08/06	041078 0000000000	40.99
08/12	08/12	041078 0000000000	48.79
08/14	08/14	041078 0000000000	25.44
08/15	08/15	041078 0000000000	6.00



# Summary of Our Process



# Case Examples





# Takeaways

- Identify assets through a variety of methods
- Start “following the money” – obtain documentation and examine the transactions
- Summarize your investigation by preparing a report with supporting workpapers and original source documents
- Forensic accountants can assist you!



# Questions?

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