



values

Values is an informational newsletter for attorneys who assist clients in answering valuation questions and claims adjusters who work to pay the proper amount of a claim.

Experience Pays.

Knowing where to look and what to look for is what an experienced forensic accountant offers to clients. It sometimes takes someone willing to dig below the surface to get the right answers in an insurance or legal claim.

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Let's See What's Hiding Behind Door Number One

Back in the 1960s and 70s, you might remember a popular game show hosted by Monte Hall called "Let's Make a Deal". The idea behind the game was for Hall to offer a prize to contestants in the audience. Then, they were offered the opportunity to trade their prize for something behind one of the doors on stage. The contestant didn't know what was behind each door, but knew that there was probably something better behind one of them and something worse, a "zonk" behind another one.

The suspense of the show revolved around "should the contestant take the prize, or trade for what was behind door number 3".

Often we find ourselves playing the same role as the contestant, guessing what's behind door number three...

"Should we file jointly or separately?", "Should we buy or rent?", "Should I take this write off this year or next?"

The short answer is usually a qualified "it depends". You might think the world of CPAS and forensic accountants would be a simple black-or-white, yes-or-no, up-or-down type world, where answers were obvious. Not true.

People hire us to help them determine "what's behind the door." Sometimes those answers are easy. Sometimes they're not. Knowing how to find the right keys to open the right doors is the job of a good forensic accountant.

Here's a real life example:

In 99.9% of all cases, it is more expensive for a couple to file their taxes separately than it is to file

them jointly. Sure there are legitimate reasons and circumstances that might make sense (i.e., a couple may be separated, but not yet divorced). But, when someone is doing something one way, and everyone else is doing it another, it's usually a warning sign - and a reason to "check behind that door".

That's exactly how we were able to uncover a case of insurance and social security fraud.

The Case of the Disappearing Income

A man was injured in a parking lot fender bender. It was a fairly routine, minor accident, with just a few bumps and bruises. At least that was the case, until he filed an insurance claim for lost income, claiming several hundred thousand dollars of lost income stemming from his claim that he was unable to work in his real estate business as a result of the accident. He claimed that, because he was no longer able to drive or sit at his desk for any length of time, he also had to liquidate some of his properties in order to pay continuing living expenses - also at a loss.

Not Your Typical Accountant.

As forensic accountants, we're experienced in areas like interrogation and investigation techniques that can be used to learn more about a case and help take the investigation below surface level.

We're Your Partners.

As forensic accountants, we regularly work with attorneys and insurance companies to help determine actual economic loss.

Our initial investigation looked at ten years of his tax returns. They seemed to support his claim. His income declined in correlation with the timing of the accident. But in the investigation, there were other flags that drove us to look behind more doors. The case happened when someone between 65 and 70 was limited on how much income they could earn before "paying back" a portion of their social security benefits. The timing seemed too much of a coincident.

We also learned that the man had a wife who also worked in real estate sales. That wasn't uncommon, but the fact that they had been filing their returns separately was at least a little odd. Deeper investigation helped us determine that the wife was not a highly active agent, but that her listings and sales had greatly increased during the most recent year.

What's Behind Door Number 3... 4... 5... 6

As we reviewed tax documents more closely, we uncovered a number of additional details that, by themselves might not stand out, but together, made us more suspicious.

- He recently bought and claimed as a second residence, a motor home that we discovered had been driven several times between Iowa and Arizona since the accident. This

seemed odd for someone claiming he couldn't sit for extended periods of time.

- Correspondence in his tax files indicated that he had been having problems paying his mortgage on time months before the accident took place.
- Review of several months of real estate listings and sales, as well as interviews with some of their homeowner clients seemed to indicate that he was relisting and re-documenting his own sales under his spouse's name, thus avoiding the appearance of generating income under his own name.

In the end, the accident just happened to be an unrelated incident that fell into the right facts and circumstances that were developing with this married couple trying to maximize social security benefits by reporting income in a manner which was not correct, but still in the same household. Without looking behind some of the other doors, a large insurance check may have gone to this person.

As my father always told me, if it sounds too good to be true and no one else is doing it, look again for the real reason. It may be a good juicy story.

Can We Help You?

Dale Cremers, Bob Holtzbauer and Roger Nearmyer have experience to help you address questions about forensic accounting. Please call for more information at 515-274-4804 or e-mail us at info@chncpa.com.

