



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.

YOU WANT THE TRUTH? YOU CAN'T HANDLE THE TRUTH!



Robert W. Holtzbauer, CPA
Partner, Cremers, Holtzbauer
& Nearmyer, P.C.

I don't mean to be a name dropper, but the work we do as forensic accountants often reminds me of the heated court scene from the 1992 movie *A Few Good Men*. The one where a tough Marine officer (Jack Nicholson) is trying to cover up an investigation that (pre-Oprah couch bouncing) Tom Cruise and Demi Moore are pursuing. Nicholson, succumbing to the pressure of defending his lies against mounting facts, goes into a defensive mode, and ultimately cracks under the pressure of the truth, exploding with his famous quote: "You want the truth? You can't handle the truth!"

Okay, maybe I don't look like Tom Cruise. And maybe the action in the movie is a little more dramatic than the typical forensic accounting case. But forensic accountants are hired to find the truth – whether that be by piecing together the puzzle of the actual economic loss during a disaster or investigating a potential case of fraud. We'll touch on economic loss more in our next article. But in recent years, investigating fraud has unfortunately become a regular service for clients.

From the Billfold to the Books

Fraud doesn't usually just jump out

at you. People who are committing fraud have usually developed a plan, sometimes spanning years. They don't expect to get caught because they have access to or control of some point along the business system between the "billfold and the books". And often, the longer the fraud has been going on, the more difficult it is to uncover because it has been absorbed into the regular everyday financial results of the company.

In most cases of fraud, it's the business owner who suspects something and brings it to our attention. They have suspicions, but just can't identify who, where, how or even if the fraud is taking place. It's our job as forensic accountants to find if and how the fraud is happening.

Any successful fraud investigation starts with gathering as much information as possible. We learn about the business processes the company has in place and the people who have access. By understanding these processes, we can identify weak areas in the system that might pose as an opportunity for somebody. We look at purchasing, relationships with vendors, sales recording systems, the process the company uses to pay bills and a number of other things. This often provides some good leads, but it isn't until we start talking to employees that we learn what's really happening.

CREMERS, HOLTZBAUER & NEARMYER, P.C.

6200 AURORA AVENUE
SUITE 600W
URBANDALE, IA 50322-2871

PHONE 515.274.4804

FAX 515.274.4807

E-MAIL info@chncpa.com

www.chncpa.com

Experienced forensic accountants can be a huge asset in these cases. Our experience and training help us project confidence and expertise that can help make the case easier to understand for the court and the jury.

The Art of Interrogation

Interrogation might sound more like something performed at GITMO army base in Cuba than in a company office. It's probably not a word typically associated with accounting, but as forensic accountants, we've been trained by experts in the field of interviewing and interrogation. We use this training to identify deception when talking to employees.

Surprisingly, it's not what a person says that helps identify deception, but rather what they don't say. Ninety-five percent of what we use to determine someone's believability comes from what we sense subconsciously – not what someone says. By reading and understanding these non-verbal cues, we're able to sort the truth from deception. What kinds of cues do we look for? Here are just a few examples:

Voice pitch. A person's voice tends to become higher under stress.

Perspiring. Physical and mental stress both cause a person to perspire.

Frequent swallowing. Under stress, the mouth often becomes very dry.

Eyes. Rapid blinking or eye movement signals a buildup of stress. Looking to the left generally signals a person is accessing their memory.

Looking to the right generally signals the person is trying to put their thoughts into words. Looking down signals a lie.

Repetition of the Question

If someone repeats questions on a regular basis, they are likely not being

truthful, but are instead trying to buy time to devise a better answer.

Just because you've identified somebody as being deceptive does not necessarily mean they committed the fraud. Oftentimes employees are embarrassed because their mistakes are what allowed the fraud to take place. They try to cover up their mistakes because they fear the risk of losing their job. The trick for the forensic accountant is to identify the motives for why somebody would be deceptive – and to identify potential motives for committing the fraud. Gambling problems, divorce or other personal financial hardships are common motives.

When Things Get Ugly

While the main objective in interviewing and interrogating people in fraud cases is to get them to provide truthful information, these cases sometimes just need to be solved in court. Expert witness testimony in these cases can be the factor that decides if a fraudulent employee gets away with their fraud or not. Too often, experts that are put on the stand either do not know enough about the specific facts of a case and are exposed by an attorney – or they are nervous about being “in the spotlight” and demonstrate some of the same characteristics of deception that we talked about before. Jurors may take in these signals subconsciously and form their opinions based on what the expert's body language is saying instead of their actual testimonial.

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.

