

ACC02

Cooking the Books: Unveiling Fraudulent Accounting Practices and Navigating the Legal Investigation Process

Sheri Betzer, Amy Cardillo

Metropolitan State University of Denver, Denver, CO, USA

Abstract

Case Summary

The following is an actual payroll case. Names and some information have been changed to protect identities.

The case involves alleged payroll fraud involving “Wisely” debit cards. The government (prosecution) alleges that James South (“South”), among others, have used their positions and lack of internal controls at their place of employment to gain access to monies through Wisely cards that exceeded their approved, normal pay. The alleged scam includes gaining unapproved Wisely cards in South’s own name and / or in the names of former employees.

Overview: Ron Davis (“Davis”), recently appointed as Site Manager at Cornerstar Logistics, discovered a payroll scheme involving several employees. The distribution center had transitioned from a paper-based to a computer-based payroll system called Apex. Davis, responsible for monitoring the new system, found discrepancies, but before further investigation could occur, he was murdered.

This case points to a complex payroll scam involving multiple individuals, with potential misappropriation of funds through establishment of ghost employees and/or manipulation of hours for current employees. Further investigation is required to substantiate these claims and determine the extent of the fraudulent activities within Cornerstar Logistics.

Case Assignment:

The class will be divided into groups. The goal is to objectively organize and analyze the documents/data provided in the Appendices. Once organized and evaluated, the groups will review all of the analyses and debate the strengths and weaknesses of the prosecution and defense cases. Additionally, each group will provide a written paper describing their procedures, theories, and results.

Conference Track

Accounting