

The logo for Astrachan Gunst Thomas features a stylized, swirling blue graphic to the left of the firm's name. The name "astrachan gunst thomas" is written in a lowercase, sans-serif font, with "astrachan" and "gunst" in a lighter blue and "thomas" in a darker blue.

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Desperately Hungry

By: Julie R. Rubin

Who among us hasn't been there? Standing in the kitchen like a child lost at the mall. Searching, searching. What can I eat? Why, just last Tuesday, I found considerable comfort in the heel of a day-old baguette and some chocolate syrup. It wasn't one of my finer moments, it's true, but desperate times call for desperate measures. Just ask Claire Edson.

Claire is the owner of a small private concierge company out of DC. Her company provides personal and professional services for executives on travel, busy people and anyone else willing to pay a premium for the pleasure of having the dry cleaning picked up, a document typed, flight arrangements and dinner reservations made, flowers sent, and shoes taken to the cobbler. Claire had the good fortune to start her company back in the 1980s, the heyday of business expense accounts. She's been around a long time and her savvy business acumen has allowed her to weather her share of economic storms. Until this one. And I'm not talking about the stock market.

It started with Claire noticing that her cash seemed tighter than it ought to be. She kept a watchful eye on her accounts receivable, so it seemed odd that the company was dipping into its line of credit so much. Her bookkeeper, Allison, had been on leave for a week following an emergency appendectomy, so Claire took it upon herself to log onto the company computer records keeping system to try to create the monthly financial report Allison usually provided. That's when the sky opened up and the storm began.

The first thing Claire noticed were checks out of sequence. Not just a number or two off, which might have been the result of a voided check here and there; on a weekly basis, there was always a check hundreds of numbers off sequence. When Claire pulled the canceled checks from the bank statements, she became queasy. The out-of-sequence checks were all made payable to the same two vendors – neither of which Claire had ever heard. When she tallied the sums made payable for two months

alone, the amount was staggering. Simply staggering. Right away, Claire called her CPA. Within a day or two, Claire had opened her books and all the records she could gather to submit to a forensic audit. There was no question Allison had been stealing; the question was how much and for how long.

At the end of the day, the list was long and ugly. Two fictitious vendors, falsified payroll, petty cash, an unauthorized credit card and a forged signature stamp. Plus, Allison had opened a bank account for each of her fictitious vendors and wired money from Claire's corporate account on a regular basis. It was an unmitigated financial disaster. Claire called me not to pursue recovery against Allison (for that she called the State's Attorney's Office), but to help her shut down the corporate structure, so she could make a clean break and start over.

Allison had all but wiped Claire out and, with the signature stamp, Allison had a practice of issuing regular checks (from the back of the checkbook, so, in the event Claire went to get a check, she wouldn't see the carbon and ask any questions) made payable to the fictitious vendors in amounts that were likely to escape attention, but that over time, amounted to a king's ransom. The wire transfers were a sign that Allison had gotten really bold, really desperate, or both. Had Claire examined any one of the bank statements for any month in which Allison had made a wire transfer, it would have leapt off the first page of the statement. Bold. Each of the fictitious vendors had a bank account in its name and the mailing address was Allison's home. Allison, who was also responsible for calling in payroll, had authorized hundreds of hours of pay for herself for time she'd never worked. The credit card, which was discovered only after the bank started issuing collection notices, had been used to lease Allison's new Audi (which Allison had said was a gift from her husband for her fiftieth birthday), and to furnish Allison's daughter's new apartment in Rockville.

Claire's company probably could have weathered the storm had it not been for the A/Rs. Allison's biggest feat was her years' long campaign of theft of Claire's accounts receivable. A client would send a check to pay a bill, Allison would endorse the check with the forged signature stamp bearing Claire's name and either deposit it in one of the fictitious vendor's accounts or into another bogus account that Allison had opened in the name of Claire's company for just that reason. Claire never knew, because all she would see were the monthly receivable reports Allison created. Clients never knew, because Allison marked the account paid. It was so simple. The woman was a sophisticated, experienced thief. Her scheme was complex and multi-faceted, and the only reason she got away with it is because Claire was too busy, too lazy or too trusting to run her company's books the way they ought to have been run.

Allison reconciled the bank accounts, she called in payroll and she had access to the codes to authorize wire transfers. A recipe for disaster. Clues that might have raised Claire's suspicion include the fact that Allison, to guard her secrets, never took a real vacation, she never called in sick, she frequently made it to the office long before

Claire, and stayed late on a regular basis. Claire just thought Allison had a strong work ethic. By the time Claire discovered Allison's theft, the company had barely enough cash in its operating account to make payroll. The company's employee theft insurance coverage maxed out at \$100,000, which was not nearly enough.

I've seen clients lose in business many times over. Business is a creature of risk, so it's not unexpected that I would have counseled several clients over the years through the winding down of their businesses. It happens. But this was different. It made me just plain sick to think of the years of hard work that went into Claire's success, and how Allison had so cunningly and quietly destroyed it. Claire regained her footing following Allison's criminal prosecution (nope, no jail time), but she spent months cleaning up the mess and following the trail of pennies.

Claire was a pro when it came to taking care of others' needs, but neglected her own. Her company had no financial checks and balances, which made her an easy mark. It came out during the criminal case that Allison had begun her scheme two employers ago to build a college account for her children after her husband left her. She got good at it. The easy not-to-do lesson from this is never allow the same person to conduct all major bookkeeping tasks. Another tip: call in your CPA to do a surprise audit once or twice a year.

Whatever steps you take to protect your business, never forget this simple truth: Desperate times call for desperate measures. Never underestimate the power of desperation. Never.