

BOOK REVIEW



Expert Fraud Investigation: A Step-by-Step Guide

by Tracy L. Coenen, MBA, CPA, CFE
Wiley, 2009, 220 pages
\$44 hardcover, \$35.20 Kindle edition

Reviewed by Michael Goldman, MBA, CPA, CVA, CFE, CFF

I really like this book. I am a certified fraud examiner, and have been a sole practitioner practicing in this area since 1996. I read a few books and many articles on fraud every year. Most writings on this topic tend to fall into one of two categories: (a) a dry collection of one-size-fits-all checklists and flowcharts, which understates the importance of the investigator's experience, intuition, skepticism, powers of deduction, curiosity, and creativity in fraud investigation; or (b) a very broad survey of the topic, lacking details and examples, that is too superficial to be practical.

Tracy Coenen avoids both of those traps. On page 43 she states that "each fraud investigation is different, and there is not necessarily a work program or outline that can be followed." That is a major theme of her book.

In a logically structured presentation, Coenen walks through all of the major types of fraud and discusses the thought process that an investigator should use when trying to detect each of them. The discussions of each thought

process is typically aided by five to 15 bullet points—not excessive lists by any means—that the investigator should make sure to consider.

She maintains an engaging, conversational tone throughout the book, with just enough detail and war stories to illustrate the procedures and techniques that she presents. You can feel the depth and breadth of her fraud investigation experience as you read this book.

Coenen is a forensic accountant and fraud investigator, and the principal of Sequence, Inc. (www.sequence-inc.com). She has investigated hundreds of frauds in a variety of industries, including cases of embezzlement, financial statement fraud, investment fraud, and insurance fraud. She has served as an expert witness in cases involving damage calculations, commercial contract disputes, shareholder disputes, and criminal defense. She is the author of *Essentials of Corporate Fraud* (Wiley, 2008), and writes the "Fraud Files" for the *Wisconsin Law Journal*. She also writes the Fraud Files blog (www.sequence-inc.com/fraudfiles).

Chapter Summaries

Expert Fraud Investigation starts out with three chapters describing the beginning of the cycle: finding fraud, beginning the investigation, and managing the case. These are useful not only for the investigator; attorneys or corporate managers hiring a fraud investigator will also benefit from the delineation of the thought processes and approaches that the investigator should be taking.

Chapters four through six provide a general overview of how to conduct a fraud investigation: searching for fraud, sources of information, and investigative techniques. I was initially disappointed with the latter two of these chapters because they didn't include the long, detailed lists of information sources that I always like to find. I eventually realized that most of the detailed lists I find in fraud books tend to be outdated by the time I get them because technology, the providers of information, and the regulations regarding what can or cannot be disclosed are constantly changing—so that they may be out of date by the time they are listed. What this book does is give a good overview and some discussion of the thought processes to use when approaching an information search.

Chapters seven through ten discuss specific types of fraud and specific investigative steps usually taken to detect them. They cover asset misappropriation schemes, financial statement frauds, corruption schemes, and external frauds such as Ponzi schemes and insurance fraud. The book then concludes with chapters on reporting and litigation, and other issues such as how to market a fraud investigation practice.

A key item that I look for in professional literature is war stories. As a sole practitioner, I soak up every chance I get to learn how others in my profession apply the theory, principles, and techniques that I am fairly familiar with to types of cases that I'm not so familiar with. If too many war stories dominate a book, they make it feel like a glorified profile of the author. Not enough war stories, though, can leave you wondering how what you just read applies in the real world. *Expert Fraud Investigation* contains a nice mixture of brief war stories from the author's own experience and brief summaries of famous cases that anyone interested in fraud may have heard something about. It makes for a comfortable read.

Continued on Page 38...

Are You Wearing A Blindfold When It Comes To Valuing Equipment?

Now, More Than Ever Before...

You NEED To Substantiate
Equipment Values



You are wearing a blindfold and ignoring equipment values if you guess, rely on the word of the owner, a non-certified person who may have a hidden agenda (auctioneer or dealer), or a depreciation schedule! All of these methods may skew a valuation, they are inaccurate, unsubstantiated, and filled with liability.

Why wear a blindfold when there is a solution? Earn the professional designation of Certified Machinery & Equipment Appraiser (CMEA). You'll then be able to deliver equipment values that are irrefutable, defensible, accurate, and substantiated to withstand scrutiny.

Find out today how you can earn the CMEA professional designation. Or, call us for a CMEA near you!



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The first shocking number here is 37.4 words per sentence average, which is way too many. Mind you, not every sentence should be 12 words long. That would produce choppy reports. A mix of simple sentences along with longer, more complex sentences will usually produce a nice balance.

The Flesch Reading Ease score rates text on a 100-point scale. The higher the score, the easier it is to understand the text. Microsoft says you should aspire to a 60 or 70. Our test paragraph scored 16.1, which makes it harder to read than the Harvard Law Review (typically in the low 30s).

When the Flesch-Kincaid Grade Level score goes over 12 (meaning a high school graduate would understand it), you are pushing into complex territory. The Grade Level here

Readability Statistics	
Counts	
Words	219
Characters	1229
Paragraphs	3
Sentences	12
Averages	
Sentences per Paragraph	4.0
Words per Sentence	18.2
Characters per Word	5.4
Readability	
Passive Sentences	16%
Flesch Reading Ease	29.9
Flesch-Kincaid Grade Level	13.6

is 18.2, which is at PhD level—in other words, it is practically unreadable for even above-average readers. For average readers, a good score would be 8 (meaning an eighth-grader would understand it). For educated readers such as judges, lawyers, and other financial analysts, you can aim for 12, but if you want a business owner to understand it, you can't assume a college education.

Below are the readability statistics for the rewrite. The words-per-sentence average fell from about 37 to 18. Reading Ease improved from 16 to 30. And the Grade Level fell from roughly PhD to bachelor's degree.

Practice

I recommend reading the two books that I referenced in the footnote on page 36. There are many others, but those are the books I found useful. Practice writing simply. Take one of your reports in Word format, and check your readability scores. Look for complex sentences and paragraphs, and pretentious words. Apply the lessons you studied.

By the way, the readability scores for this article (not including the sample economics paragraphs and my bio) are:

- Reading Ease: 52.6
- Grade Level: 9.5 VE



David N. Wood, CPA/ABV, CVA, is a valuation analyst and founder of Wood Forensic / Valuation Services in Mt. Vernon, IL (www.woodvaluation.com). He developed and instructs an eight-hour NACVA Consultants' Training Institute course, "Exceptional Report Writing Skills and Practice Management Tips." Wood is chairman of the Editorial Board of The Value Examiner, and a member of NACVA's Ethics Oversight Board.

Book Review

Continued from page 35...

Expert Fraud Investigation presents its topic comprehensively, but without redundancy or overkill: Coenen hits each idea once and moves on. I don't consider this to be an innovative text or a landmark in the field, but it is probably a book I will pick up and read a few more times when I need a refresher in the bigger picture of fraud investigation.

This book is a good read for fraud investigators with all levels of experience, for judges and lawyers who deal with expert witnesses or consultants in fraud cases, and

for corporate managers fearful that they may need a fraud investigation at their own company. VE

Michael Goldman, MBA, CPA, CVA, CFE, CFF, is principal of Michael Goldman and Associates, LLC, in Deerfield, IL, which focuses on matters relating to fraud, valuation, and insolvency. He is a member of the Editorial Board of The Value Examiner.