



Forensic Accounting

Overview

PCC was retained by a law firm, on behalf of its client (a financial institution), to perform an independent investigation of its directors' travel and living expenses paid for the year of in question.

Approach & Methodology

- Entered all expenses incurred by the directors or paid for on behalf of the directors into a database
- Reviewed all expenses for accuracy, reasonableness and compliance to policy
- Reviewed corresponding receipts for compliance to policy
- Performed a reconciliation of the database of expenses to the general ledger
- Reviewed expense reimbursements made by directors
- Reviewed relevant tax issues
- Researched other financial institutions for a comparison of expense ratios
- Prepared a summary report detailing findings and exceptions
- Recommended modifications to the policy to enhance the necessary controls
- Presented the summary report and recommendation to the Board of Directors and the Massachusetts Bank Examiners Office
- Provided corrective action, including a workshop to train the directors on the new policies and procedures with emphasis on proper record keeping.

Benefits

PCC identified unusual use and abuse of cash funds without proper documentation by the directors of the financial institution. The large, detailed database created by PCC was able to sort transactions allowing PCC to prepare reports which detailed the exceptions to policy. Upon completion of the three month follow-up audit, it was revealed that there was an substantial decrease in travel and living expenses and significant improvements in the documentation of expenses. PCC successfully created and implemented new accounting procedures and policy for proper control.