

A close-up photograph of two hands, one from the left and one from the right, both wearing silver metal handcuffs. The hands are clasped together, with the fingers of each hand gripping the wrist of the other. The background is dark and out of focus.

# Arizona Fraud Cases in the news

## *Schemes and Scams in 2010*

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*Based on news reports, 2010 was a banner year for fraud in the United States. Each year, it is important to examine things that occur in our profession. This article will review some of the fraud cases from 2010 in the State of Arizona.*

One of the biggest fraud stories of the year was mortgage fraud including action taken by the Office of the Attorney General against major banks for their participation in mortgage fraud. On December 17, 2010 *The Arizona Republic* reported that the Arizona Attorney General filed a lawsuit against Bank of America in which the AG's Office accused Bank of America of deceiving homeowners who were trying to obtain mortgage loan modifications. A one-year investigation determined that Bank of America was giving false information to consumers about modifying their mortgages while proceeding with foreclosure proceedings to obtain the collateral for the loan.

Also, *The Arizona Republic* reported that Arizona ranked fourth in the nation in mortgage fraud and that there had been 51 indictments for mortgage fraud and 13 convictions within just three months in Arizona. This included an indictment of a former loan officer who was accused of using straw buyers to take out loans on more than 100 homes in

a fraud that exceeded \$50 million in losses. The very next day, the paper reported yet another mortgage fraud bust in which 36 people were arrested and accused of being responsible for more than \$100 million in fraudulent home loans.

The year would not be complete without an interesting accusation of fraud in the political arena, especially with 2010 being an election year. The Arizona Democratic Party filed a claim of voter fraud against the Arizona Republican Party. Apparently several Republican Party candidates used loopholes in the election laws and recruited individuals to run for office on the Green Party ticket in order to pull votes away from their Democratic Party challengers in several tight state races.

Even the police got into the act in 2010. In November, one former and three current Phoenix Police officers were indicted for pocketing thousands of dollars in an off-duty security scam. Additionally, 25 other Phoenix Police officers were under investigation for participating in this scheme where the officers charged for off-duty security work they either did not perform or that they performed while on duty. One of the officers was accused of pocketing more than \$9,000 in this scam.

Other notable frauds in 2010 included five Mexican nationals who were indicted for their part in a \$470,000 fraudulent gift card scheme; two individuals who were accused of defrauding Little League umpires of more than \$25,000; a Chandler bookkeeper who embezzled \$23,000 from her current employer after being terminated for embezzling \$79,000 from her previous employer; and a Scottsdale doctor who stole more than \$480,000 from Medicare.

Another big fraud scare that made the news during the year was the use of credit card scanning equipment that was placed inside gas pumps and used to record consumers' credit card numbers and zip codes for future fraudulent purchases.

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Even the accounting profession was not immune to fraud last year. In December, the U.S. Attorney's Office charged three Arizona tax preparers of claiming more than \$9.5 million in fraudulent IRS refunds. Allen Goomansen, a Mesa CPA, was sentenced to 18 months in federal prison for his part in a scheme to help individuals avoid paying taxes by preparing fraudulent tax returns. Another Mesa accountant, Gregory Peters, was sentenced to 32 months in prison for his part in a \$589,366 sales tax fraud scheme. Additionally, a Mesa couple was indicted for filing false tax returns and defrauding the IRS out of more than \$7 million in tax revenue.

The fraudsters didn't all get off. The Arizona Attorney General's office had several wins against them in 2010. One of the wins was a settlement in the fraud case against Direct TV. The satellite TV company agreed to pay \$185,000 to Arizona's consumer fraud fund. The charges filed against Direct TV were for deceptive and unfair sales practices. Another win was an \$80,000 settlement with Allstar Moving & Storage; a Chandler-based moving company that routinely added hundreds of dollars to invoices. Basically once the moving company had an individual's possessions, they would demand the additional monies or refuse to deliver the items to the new location. Ad-

ditionally, Allstar misrepresented that the company was bonded and carried adequate insurance. Also, the Attorney General's Office's won a settlement with Pulte Homes for \$1.8 million for fraudulent lending practices.

Despite the wins, it was clear throughout the year that the fraudsters were stealing more money than the government was recovering. In one case I am aware of, a CPA firm had a trusted employee embezzle funds from the family practice. As CPAs, it is important that we assist our clients in gaining knowledge about fraud and the internal controls that can help to prevent or detect fraud in an organization. Having clients add a Certified Forensic Accountant or Certified Fraud Examiner to their list of trusted advisors may become a necessity, rather than a luxury, in the future.

The Arizona Society of CPAs is doing its part to help in the battle against fraud. In addition to the CPE classes on fraud offered by the Society throughout the year, in 2010, the Society established the Forensic & Litigation Steering Committee. The members of this committee include experts in the forensic accounting field and CPAs who are interested in learning more about forensic accounting. The Forensic & Litigation Steering Committee meetings are open to all members of the ASCPA.

**AZ CPA**

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