

# Real Cases Highlight Forensic Accounting Techniques

## *The New Forensics: Investigating Corporate Fraud and the Theft of Intellectual Property*

By Joe Anastasi  
John Wiley & Sons, Inc., 2004

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A team of dedicated accountants combined old-fashioned investigative methods with the capabilities of a large relational database to find and sort through reams of files and recover almost \$1 billion in funds deposited by individuals who died in concentration camps.

“I need you to step away from your computer please.” Thus begins Joe Anastasi’s highly readable book on forensic accounting in the information age. Although this information-packed book deals with some highly technical subject matter, Anastasi is not a “techie.” Details of investigations into computer crime are presented in a fashion that is well within the grasp of the average reader.

*The New Forensics* tells the story of the investigation of Morgan Fay — it is a fictitious company name, although many readers will be able to guess who it is — interspersed with recounts of other forensic investigations. Along the way, readers learn about “slack space,” “swap files,” caches on computer hard drives, as well as methods for breaking into password-protected files.

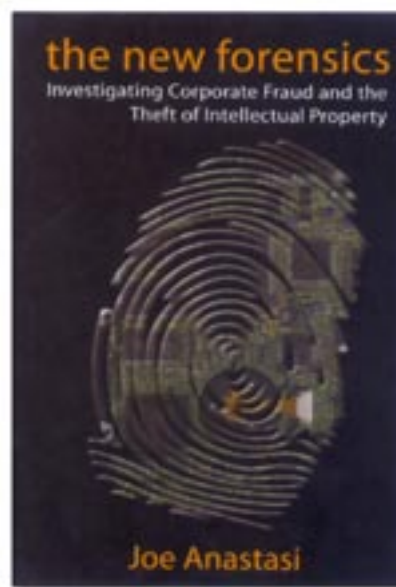
Numerous interwoven cases are presented to highlight specific forensic techniques. Thus, readers learn that the FBI broke into Nicodemo “Little Nicky” Scarfo’s computer by using a keystroke logger program to capture passwords used on the former Philadelphia mob boss’s machine. Apparently the FBI can e-mail this program, which then installs itself automatically on a targeted computer and reports all keystrokes typed. Unlike viruses, the program is installed even if the user does not open the e-mail attachment.

Two of the stories present easy-to-understand condensations of the Enron and WorldCom fiascos. WorldCom cooked its books by making adjusting journal entries — \$500 million here, \$100 million there, all using nice round

numbers. Unfortunately for WorldCom, Benford’s Law states that zeros are unlikely digits in the results of large transactions. The odds of a transaction sum ending in three zeros are 1 in 999. For example, everyone understands intuitively that a report of 64,000 attendees at a Rose Bowl game is an estimate. Those who read this book will be able to quote Benford’s Law in support of this intuitive knowledge.

*The New Forensics* also contains a report on the investigative team that searched for dormant accounts left by Holocaust

victims in Swiss banks. A team of dedicated accountants combined old-fashioned investigative methods with the capabilities of a large relational database to find and sort through reams of files and recover almost \$1 billion in funds deposited by individuals who died in concentration camps. These funds have been placed in escrow to pay claims from lawful heirs. In Switzerland, unclaimed funds are the property of the bank.



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The concluding chapters discuss forensic accounting techniques used by the U.S. intelligence community. In response to “some unnamed U.S. government agency’s need to capture all cell phone traffic everywhere and keep it, forever,” Raytheon’s Strategic Systems Division developed Silent Runner, a search program that can deduce the subject of an intercepted communication. This program, which can be licensed for corporate use, moves far beyond Boolean keyword searching. The program can be used to find evidence of secret messages embedded in digital images or, in a more mundane use, to sort digital music files into categories by type automatically.

One need not plow through *The New Forensics*; it is highly suitable for nighttime relaxing reading. With that said, the editing is a bit rough. The book jumps abruptly from case to case without transition or explanation. At times, readers may find themselves thinking, “Well, this is very interesting, but how did I get here?” Even so, they should read on. They will eventually discover how the author clarifies a previously discussed investigative technique. In spite of these somewhat disconcerting abrupt transitions, *The New Forensics* somehow manages to hold together. While it is not a textbook on computer forensic accounting, it is highly informative for those who

are not computer geeks. Anastasi is the global leader of Deloitte & Touche’s Forensic Investigations practice. In this book, he leaves readers with an overall question: although many people were involved in fraud in many of the cases he discusses, why were there so few whistleblowers? Often, no one came forward. TMA members who have experienced fraud in their casework will join Anastasi in wondering why, in case after case, the fraud was out in the open and everyone played along. [CR](#)

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