



Scoundrels Chronicle

“Tales, Tips and Humor about Fraud”

September 2011

Volume 5, Issue 2

About Scoundrels Chronicle

Scoundrels Chronicle is an occasional newsletter about fraud. It's about the people who cause nearly \$3 trillion in fraud losses around the globe every year. It's about the means and motives of fraudsters and about the things that you can do to thwart them. Scoundrels Chronicle is intended to raise your awareness, provide you with tools to protect yourself and maybe even make you smile.

[John Tonsick CPA, CFE](#)



Fraud Tales

“Stormy Weather.....”

Mother Nature has made 2011 a very tough year: earthquakes, tsunamis, wild fires, tornadoes, hurricanes and flooding. Sadly, when disaster strikes, Human Nature takes over and the fraudsters go to work. A recent article from Reuters Money talks about how “storm chasers” work and what you can do to keep yourself from becoming a victim [here](#).

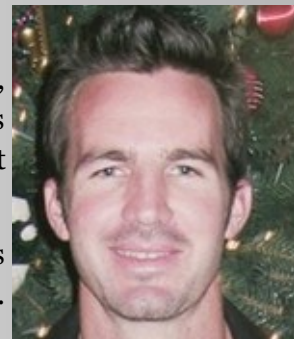
“A Bit Too Close to Home”

In my experience, white collar criminals are generally not violent, preferring instead to rely on their guile, wit and charm. Sadly, that's not always true. This fraud tale means a bit more to me than most. It took an ugly, violent turn and it comes from my own case file.

Almost immediately after being hired as Vice President of Business Development, Edward Shin set about betraying his company's trust. Using knowledge and technology acquired from his new employer, Shin established a competing business that drained customers and revenue from the fast growing company.

Shin's employer engaged me to conduct a forensic examination. In October of 2009, Shin and his partner, Christopher Smith, were charged with embezzlement. The charges were dropped against Smith, but Shin pleaded guilty. He was ordered to pay restitution and serve three years probation to avoid prison.

Normally that would be the end of the story, but not this time. On Sunday, August 28th, Edward Shin was arrested at the Los Angeles International Airport as he attempted to board a flight to Canada.



Christopher Smith



© Courtesy of Orange County District

Edward Shin

Continued on Page Two

Scoundrels Chronicle

Continued from Page One

After 6 hours of interrogation, Shin confessed to killing his former partner, Christopher Smith. Assuming the identity of his now dead partner, Shin sent a series of emails to Smith's family in Oregon. For the next 7 months he gave them updates on an extended vacation he was taking around the world. In December of 2010, the emails stopped and the Smith family filed a missing persons report. Christina Ng, of ABC News, has the story [here](#).

“Farewell to Cliff Robertson, a fine actor and a courageous whistleblower”

The passing of Cliff Robertson on September 10th immediately brought to mind a scandalous fraud that rocked Hollywood and Wall Street in 1977. After receiving an IRS demand for taxes on a \$10,000 payment from Columbia Pictures, Roberts grew concerned; it seems he never received the check. After looking into the matter, it was learned that David Begelman, then president of Columbia Pictures, had forged Robertson's name to the check and cashed it. Ignoring pressure to remain quiet, Robertson called the police. It was then learned that Begelman had cashed checks written to Robertson and two others totaling \$40,000. Begelman had also embezzled an



additional \$23,000 from Columbia by padding his expense reports. Seems rather gluttonous for a guy who was making the then princely sum of \$300,000 a year.

The amount embezzled seems trivial by today's standards. What makes this a great story is the cast of characters and subsequent events. Indicted for forgery and theft, Begelman was sentenced to 3 years of community service; it was later reduced to one. In spite of his conviction, Begelman became the CEO and President of MGM just 3 years later. Cliff Robertson, who received very few roles in the 1980's, claimed he'd been blacklisted for being a "whistle-blower".

It turns out that Begelman's behavior at Columbia wasn't the only black mark on his record. His bio listed him as a Yale graduate and a graduate of Yale Law School; Yale never heard of him. Judy Garland, who was managed by Begelman, sued him for allegedly stealing hundreds of thousands of dollars from her. Having financial difficulties of her own, Garland allegedly settled for royalties Begelman was holding because of the suit.

Though he paid a price for being a whistle-blower, Cliff Robertson ultimately fared much better than the man who defrauded him. Later in life, Begelman formed Gladden Entertainment in partnership with Bruce McNall. The company filed bankruptcy in 1994 after defaulting on \$4.1 million in debts owed to actors, writers and directors. In 1995, Begelman committed suicide at the Century Plaza Hotel in Los Angeles. By the way, it seems birds of a feather do flock together. Bruce McNall, who also owned the LA Kings, confessed to defrauding six banks out of \$236 million and served nearly 6 years in prison.

David McClintick turned this story into the 1982 best-seller "Indecent Exposure". If you're interested, there's a terrific 1995 Vanity Fare article that tells the whole story [here](#).

Continued on Page Three

Scoundrels Chronicle

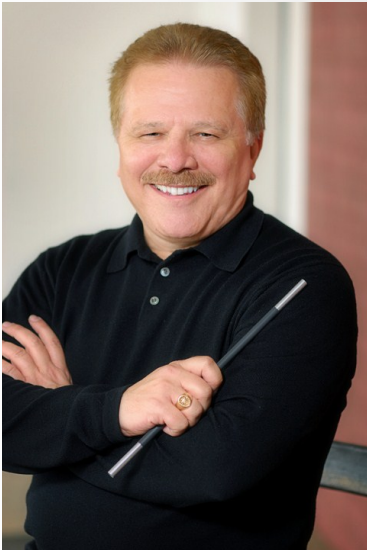
The Tip

Perpetrating a fraud can be hard work. Fraudsters often need to be on the job every day to circumvent internal controls or to keep someone from stumbling upon what they do. Consequently, they often don't take vacation and tend to be very protective of their work. "No one can do this but me; they'll just make a mess of it." They often appear to be your most devoted employees; arriving early, staying late, working weekends.

Here's the tip: Require everyone to take vacation and rotate job assignments from time to time. You might be surprised at what you'll find.

What's Happening?

Speaking Engagements



- September 22, 2011—Tustin Santa Ana Rotary Club #852 at the Tustin Ranch Golf Club
- October 18, 2011—Greater Harbor Area Employee Advisory Council, The Grand in Long Beach
- October 25, 2011—The Cal Society of CPA's, The Lakes Golf Course in El Segundo
- October 27, 2011— Financial Executives International, the Grand in Long Beach
- 11/15—Project Management Institute, California Inland Empire, Antonio's Ristorante Italiano, Rancho Cucamonga

Want John to speak to your organization? See John speak [here](#).

We've moved! — As of September 1st, our offices are located at:

18000 Studebaker, Suite 700

Cerritos, CA 90703

Fraud? We can help.

- Anti-Fraud Programs
- Internal Fraud Investigations
- Fraud Awareness Training
- Internal Control Training
- Expert Testimony
- Keynote Presentations



Visit our website at www.FraudSol.com

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