ETHICAL TRANSGRESSIONS 2024

TALES OF CORRUPTION

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WELCOME

In season two of Tales of Corruption, we investigate five actual scenarios where fraud was committed along with corresponding ethical decision-making models. From cryptocurrency investment schemes to insider trading and extensive timekeeping and startup frauds, you'll learn how these extreme transgressions could have been avoided. Examine the building blocks of a strong ethical culture to ensure you're equipped to identify problems and determine the best course of action.

An ethical decision-making model will be presented in relation to each case. The key to utilizing an ethical decision-making model is appreciating how each model may be useful depending on the circumstances. By better realizing what is needed in a given situation, you can do a better job of choosing the right decision-making model to address necessary issues.

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MEET THE AUTHOR & COURSE HOST

Clare Levison, CPA, CGMA is the owner of Inspired Responsibility, a consulting company dedicated to delivering continuing education via positive messages and meaningful content that inspires change. She strives to help organizations bridge gaps in their current learning with inspiring programs and meaningful agendas that deliver the message, as well as the WHY behind the message, to propel employees from good to best.

Prior to starting Inspired Responsibility, Levison spent more than twenty years in the aerospace and defense industry involved in all aspects of management, project, and financial accounting, as well as government compliance. Levison also authored competitive proposal volumes, with a focus on creating compelling, compliant content and providing cost trend analysis and risk mitigation.

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AT THE END OF THIS COURSE, PARTICIPANTS WILL BE ABLE TO:

- Categorize the elements of pressure, opportunity and rationalization in relation to fraud.
- Recognize the building blocks of a strong ethical culture.
- Define an ethical problem, identify and evaluate solutions, and determine the best course of action.
- Evaluate the filters of policies, legal, universal and self in relation to fraud.
- Recall the AICPA Code of Professional Conduct when faced with ethical dilemmas.

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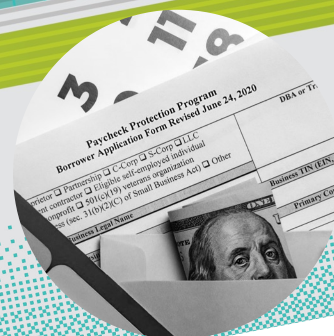
CASE STUDY 1
PPP FRAUD SCHEME



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CASE STUDY 1
PPP FRAUD SCHEME

CASE SUMMARY

❖Case details can be found on page 5 of the course manual.

Robert Benlevi submitted 27 PPP loan applications to four banks between April and June of 2020 seeking a total of $27 million in forgivable PPP loans on behalf of eight companies solely owned by him. Based on these fraudulent loan applications, three of his companies obtained $3 million in PPP funds.

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CASE STUDY 1
PPP FRAUD SCHEME

THE FRAUD TRIANGLE

A tool you can use when exercising decision-making is the fraud triangle. Fraud experts generally agree that three elements need to coalesce for fraud to occur.

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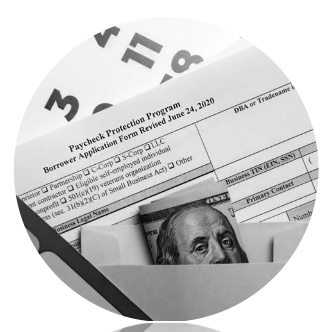
CASE STUDY 1
PPP FRAUD SCHEME

CASE CONCLUSION

On July 19, 2022, Benlevi was sentenced to 135 months, the equivalent of 11 years and three months, in prison for submitting fraudulent applications seeking money from the Paycheck Protection Program (PPP), submitting false statements to a financial institution, and money laundering.



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CASE STUDY 2
AN EXTENSIVE TIMEKEEPING FRAUD

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CASE STUDY 2
AN EXTENSIVE TIMEKEEPING FRAUD

CASE SUMMARY

❖Case details can be found on page 7 of the course manual.

Michelle M. Holt, a former federal employee for the Department of Defense, falsely claimed over 42,000 hours in unauthorized overtime, as well as other amounts of unauthorized holiday leave, sick leave and annual leave, all amounting to losses to the United States of more than $1.4 million. She committed this fraud by making manual retroactive adjustments to protected computer time and attendance systems.

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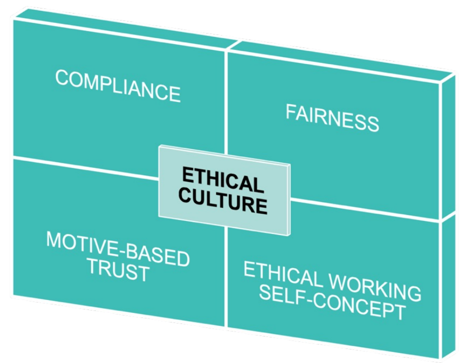
CASE STUDY 2
AN EXTENSIVE TIMEKEEPING FRAUD

SOCIETY OF HUMAN RESOURCES ETHICAL CULTURE MODEL

The SHRM model asserts that an ethical culture rests upon four building blocks:



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CASE STUDY 2
AN EXTENSIVE TIMEKEEPING FRAUD

CASE CONCLUSION

Holt was sentenced to four years in prison for computer fraud and theft of government property and was ordered to pay restitution.

CASE UPDATE

According to the Federal Bureau of Prisons inmate locator, Michelle M. Holt was released from prison on January 13, 2022.

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CASE STUDY 3
CRYPTOCURRENCY INVESTMENT SCHEME

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CASE STUDY 3
CRYPTOCURRENCY INVESTMENT SCHEME

CASE SUMMARY

- Case details can be found on pages 9 - 10 of the course manual.

Glenn Arcaro conspired with others to exploit investor interest in what is believed to be the largest cryptocurrency fraud ever charged criminally. He fraudulently marketed BitConnect's proprietary coin offering and digital currency exchange as a lucrative investment when, in truth, BitConnect operated a classic Ponzi scheme.

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CASE STUDY 3
CRYPTOCURRENCY
INVESTMENT SCHEME

SANTA CLARA UNIVERSITY FRAMEWORK FOR ETHICAL DECISION MAKING

Recognize an ethical issue → Get the facts → Evaluate alternative actions → Make a decision and test it → Act and reflect on the outcome

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CASE STUDY 3
CRYPTOCURRENCY
INVESTMENT SCHEME

CASE CONCLUSION

In September 2021, Arcaro pleaded guilty in federal court for his participation in the massive conspiracy which defrauded investors from the United States and abroad of over $2 billion.

CASE UPDATE

Arcaro was sentenced in September 2022 to 38 months in prison.

On January 12, 2023, a federal district court in San Diego ordered that over $17 million in restitution be distributed to approximately 800 victims from over 40 different countries due to their investment losses in BitConnect, a massive cryptocurrency investment scheme, which defrauded thousands of investors worldwide.

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CASE STUDY 4
INSIDER TRADING

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CASE STUDY 4
INSIDER TRADING

CASE SUMMARY

- Case details can be found on page 13 of the course manual.

Lauren Wood received material non-public information from the CFO of a biopharmaceutical company. Within hours of receiving the insider information, Wood placed an order for the company's stock. After the company made the information public, Wood sold her shares and more than doubled her investment.

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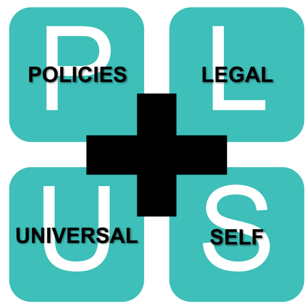
CASE STUDY 4
INSIDER TRADING

THE PLUS MODEL

The Ethics & Compliance Initiative (ECI) is a best-practice community of organizations committed to creating and sustaining high quality ethics and compliance programs. ECI offers a filter that can be used with ethical decision making.



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CASE STUDY 4
INSIDER TRADING

CASE CONCLUSION

According to a plea deal, Wood is pleading guilty to securities fraud/insider trading, which can carry a maximum prison sentence of 20 years and up to a $5 million fine. Her sentencing was scheduled for November 21, 2022. No information on her sentence has been released at this time.

CASE UPDATE

On May 17, 2023, Usama Malik pleaded guilty of an indictment charging him with securities fraud/insider trading.

In September 2023, Malik was sentenced to three years of probation, six months of house arrest, 400 hours of community service and fines totaling $15,000.

Lauren S. Wood was sentenced to three years of probation and ordered to repay $67,000.

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CASE STUDY 5

STARTUP FRAUD

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CASE STUDY 5

STARTUP FRAUD

CASE SUMMARY

❖Case details can be found on pages 16 - 18 of the course manual.

Elizabeth Holmes claimed her blood testing company, Theranos, had developed an analyzer that was able to perform a full range of clinical tests using small blood samples drawn from a finger stick. She made numerous misrepresentations to potential investors about Theranos's financial condition and its future prospects.

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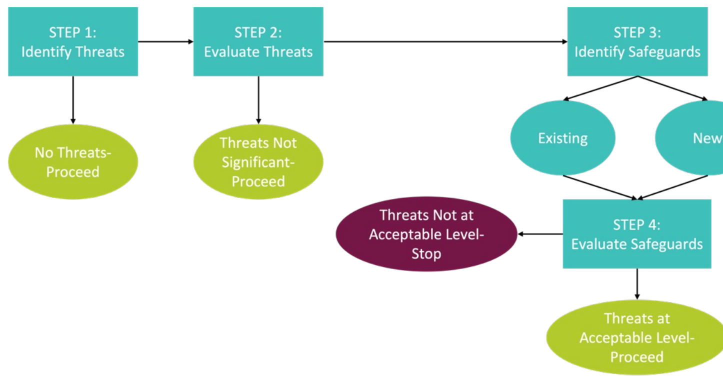
CASE STUDY 5
STARTUP FRAUD

AICPA CONCEPTUAL FRAMEWORK

The AICPA provides a conceptual framework that can be applied when assessing decision-making in a particular situation.



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CASE STUDY 5
STARTUP FRAUD

CASE CONCLUSION

In January 2022, a jury found Holmes guilty of one count of conspiracy and three counts of wire fraud.

CASE UPDATE

Holmes was sentenced on Friday, November 18, 2022 to 135 months (11 years, 3 months) in federal prison for defrauding investors in Theranos, Inc. of hundreds of millions of dollars.

In addition to the prison term, Holmes was sentenced to three years of supervision following release from prison. The parties were instructed to meet and agree on a future date for a hearing to determine the restitution amount to be paid by Holmes. No fine was assessed. Holmes was ordered to surrender on April 27, 2023, to begin serving her prison sentence.

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ETHICAL TRANSGRESSIONS 2024
TALES OF CORRUPTION
CRYPTO SCHEME
FRAUD ALERT
ACCESS
INSIDER TRADING
PASSWORD
DATA BREACH
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