

**Forensic Accounting Case Study Series – sponsored by Deloitte FAS LLP and the Deloitte Foundation  
Asset Misappropriation Fraud - Darpa Company  
Case No. 2-6**

**PLEASE READ CAREFULLY!!!**

**Overview:**

Given that first year associates are required to exhibit a certain level of analytical skills, the case has been developed to test the students' ability to analyze data, discover anomalies, and prepare for potential interviews.

At the request of the Darpa's General Counsel, Deloitte's Business Intelligence Services and Discovery teams have compiled background information, conducted preliminary asset tracing, and collected financial statement and company email data to support your investigation. The Analytics team has further synthesized Darpa's financial data. This information has been designed to get students thinking of how information gathered helps in SOLVING THE PUZZLE!!

**Business Intelligence** - Teams provide objective background information on individuals and entities in the context of M&A and third-party due diligence, litigation support, and asset searching/tracing in business investigations.

**Discovery** – Teams assist clients through a full spectrum of transactional services including collection, processing, hosting, and analytics of structured and unstructured data.

**Forensic Analytics** - Forensic analytics leverages analytical techniques and technology as well as extensive forensic subject matter expertise to detect, monitor, and predict instances of fraud, non-compliance and unusual events.

**Deliverable:**

Report: Each student is expected to submit the following documents;

- A one to two-page Summary of Findings Report that provides responses to questions presented in the case.
- 1-3 slide PowerPoint presentation of key observations, next steps, and recommendations for the General Counsel based on information from interviews and supporting documents.

Formatting: Font Style (Arial), Font Size (12), and Line Spacing (1 - 1.5).

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**Company Overview:**

Darpa Company (“Darpa” or “the Company”), based in San Francisco, California, helps other corporations sell and market their pharmaceutical products.

**Scenario:**

The General Counsel of Darpa has been given an anonymous tip shown below:

**PRIVILEGED AND CONFIDENTIAL**

**Employee Complaint Form**

I have noticed that one of our employees has been acting odd recently. It feels like there is a fraud being committed in our finance department.

As you can see the complaint provides very limited information although is a serious allegation. The General Counsel has hired your team to investigate who has been committing the alleged fraud, how it is being committed, and the impact it is having on the company. Members from the BIS, Analytics, and Discovery teams have done some work to support evidence gathering for to support the case.

**Roles:**

1. Darpa General Counsel – Professor/Teaching Assistant or Facilitator
2. Forensic Investigations team – Students
3. Darpa Employees (Joe, Anne, and Bill) - Facilitators

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**Case Outline** *(suggested times per section provided)*

- **Part I (10 minutes) - Review case and scenario**
- **Part II (5 minutes) – Meeting with General Counsel**
- **Part III (15 – 25 minutes) – Review documents and prepare for first interview and any data/document requests for Darpa employees.**
- **Part IV (10 minutes) – Interview with Anne, Joe, and Bill**
- **Part V (15 minutes) – Review additional documents provided. Prepare for second meeting with General Counsel to present your findings.**

**Background:**

Using the information below and in the appendix, you must prepare for interviews with various people from Darpa’s Accounting and Finance department as well as the General Counsel who has engaged your team to uncover who the fraudster may be. The information in the appendix is as follows:

1. Whistleblower tip sent to General Counsel
2. Background on Darpa Company and its employees in the Accounting & Finance Department

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Provided below is background information on some of the employees who could be involved with the fraud:

<b><i>Joe Scott – Chief Financial Officer</i></b>	
Background	Joe is the CFO and has been with Darpa for the last 5 years. He is a highly respected executive who started working at Darpa after working at Gamorr Inc. for 29 years. Joe is an approved signor for checks equal to or greater than \$50,000.00 Employees at the company like Joe’s laissez-faire management style and his friendly demeanor.
Personal History	Joe has been married for 30 years and has 5 children with 3 currently in college.

<b><i>Anne Smith – Controller</i></b>	
Background	Anne is the Controller and she has been working at the Darpa Company for 17 years since joining right of college. She has the longest tenure and experience at Darpa Company and has worked with the previous two CFOs.
Personal History	Anne has been married to her high school sweetheart for almost 15 years and they will be celebrating their anniversary in about a month. She has no children.

<b><i>Bill Warner – Accounting Manager</i></b>	
Background	Bill Warner is the Accounting Manager and has been working at the Darpa Company for 10 years. He is known for his good work ethic and love of math. Bill rarely makes a mistakes and people have learned not to mess with his financial statements without his permission for fear of his wrath.
Personal History	Bill is single with few friends at the company. Furthermore, Bill recently has not been talking with colleagues and seeks solitude. Many attribute this to him having some medical issues.

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**Assignment:**

Please complete the tasks and provide answers to the following questions below as you prepare for a formal in-person meeting with one of the three employees.

**Tasks/Questions**

- Prepare for a kickoff meeting with Darpa Company General Counsel, who has engaged your team to investigate a whistleblower allegation.
- Prepare for information gathering interviews with the Darpa employees
- Review and analyze any documentation your team receives from Darpa Company

**Summary of Findings:**

1. What questions do you have for the General Counsel that you would want to know about the allegation and/or the company? What documents would you like to request that would be helpful for this investigation, if any?
2. What red flags did you discover while reviewing financial statements and supporting documents?
3. What investigative skills/knowledge/other technical expertise would be needed to resolve a case like this?
4. Using all the information gathered from your financial statement analysis and any additional documents, prepare a summary of your findings and proposed next steps for the General Counsel to take in regard to the alleged fraud.
5. Who would you interview a second time, and why?