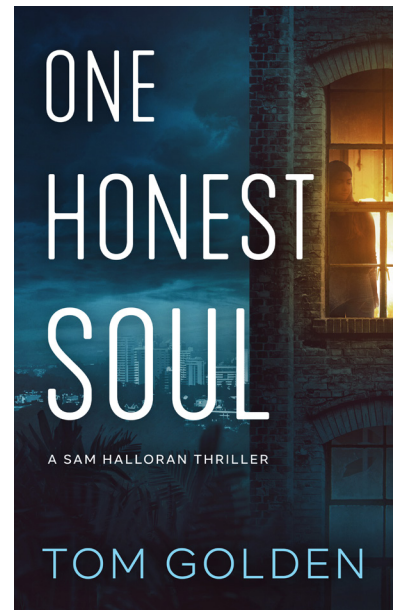


# GOLDEN OPPORTUNITIES

**Tom Golden's latest thriller is not only entertaining but it's also a handy case study of a fraud investigation. The veteran fraud investigator and forensic accountant talks to *Fraud Magazine* about what he's learned, how the ACFE made all the difference to his illustrious career and why we need more CFEs.**

**By Paul Kilby**



**T**om Golden's latest novel, "One Honest Soul," has all the ingredients of a fast-paced thriller as protagonist Sam Halloran, a skilled but fallible fraud investigator, probes wrongdoing at a distillery plant in Guatemala in his quest to bring its psychopathic manager and drug kingpin Javier Mendoza to justice.

The title of the novel comes from the notion that in almost every fraud investigation there's always at least one brave person willing to step forward and blow the whistle on wrongdoing. The investigator's skill comes in creating the right environment to encourage that person to bear their soul.

Golden, like his alter ego in his books, knows a thing or two about how to pull the threads that successfully unravel a fraud case after leading PwC's Chicago forensic accounting investigation practice for 12 years. His career has taken him all over the world and, in many ways, it runs parallel to the growth of the ACFE, where he learned many of the tricks of the trade.

The novel is not only entertaining, but it's based on a real-life investigation and serves as a handy how-to manual for seasoned and aspiring fraud investigators. Along with shootouts and other action-packed scenes, Golden introduces his readers to scams like ghost employees, re-aging receivables and inflating invoices while also showing how investigators can find that reluctant whistleblower.

"I have fraud examiners write me saying they have been fraud examiners for 15 years and had never thought of the possibility about really looking hard for that one honest soul and they are going to change their whole investigative strategy," Golden tells *Fraud Magazine*.

Golden credits much of his success to the ACFE, not to mention the ebullient personality of a natural salesperson, which has helped him in investigations and in opening doors for new career opportunities.

After trying his hand at sales straight out of college, a young Golden decided that his skills could be put to better use at one of the Big Eight accounting firms, which in the late '70s were venturing into consulting. Golden ignored advice from people in the field that none of the firms would ever hire him. He earned an MBA and a CPA and then landed a job at what was then Coopers & Lybrand, later to become PwC.

By 1991, Golden had talked his way into establishing his own practice at PwC. He had no staff and no clients, but he thought there was an unmet need for a practice focused exclusively on financial crime investigation. The office managing partner had given him a chance of a lifetime, but he only had one year to succeed

or face possible dismissal. The pressure was on.

Five years earlier Golden busted open a big fraud case in his first public company audit at Coopers and had gotten a taste for digging into and uncovering financial accounting wrongdoing. He'd spied an opportunity.

"I was thinking two things. One was this is a hell of a lot more fun than doing audits and number two, I could talk people into buying into a service that was not being filled by auditors," he says.



## FIRST ENCOUNTERS WITH THE ACFE

Golden realized he had no practical fraud investigative experience beyond his earlier fraud discovery as an auditor. While visiting the Chicago office he met a former Chicago detective, who introduced him to the ACFE, a new association focused on fraud, which Dr. Joseph T. Wells, CFE, CPA, a former FBI special agent, had founded in 1988. "I said I had never heard about them, but this is fascinating. Tell me more," he remembers.

The former detective gave him a brochure and Golden signed up for his first ACFE class — interviewing techniques

taught by Jim Ratley — then-program director of ACFE training and education programs and later president and CEO of the association. Golden was hooked.

Ratley, an ex-vice cop for the Dallas police department, skillfully wove his war stories into lessons. "When he started talking about admission-seeking interviews, he really got my attention," says Golden. "I had been interviewing just for facts in the course of an audit, but he was telling me that I could get a suspect to confess to the crime. I kept learning more and more about these techniques and I loved them."

He soon got to know Ratley and Dr. Wells, quickly saw them as kindred spirits and drew parallels between what they were doing and his fledgling practice.

"Here were two guys who were so willing to share what worked, what didn't work and the mistakes they made, and the more I listened to them, the more I thought about my own practice," says Golden.

"Joe had a keen business perception to take this wild crazy idea and turn it into a very profitable business that provided a service to a market that didn't even know it needed it, and I was doing the same thing on a smaller scale. I just decided early on that I was going to attach my caboose to that steam engine and ride along with them."

Indeed, as the ACFE grew, so did Golden's forensic accounting practice. In 1996, PwC invited Golden to join the partnership and transfer to lead the Chicago investigations practice. By 2008, that business was PwC's second largest practice in the U.S., with nearly 40 professional staff, including four partners who focused exclusively on financial crime investigation.

Over that period, Golden also continued to take fraud classes, served on the ACFE Board of Regents, co-authored "A Guide to Forensic Accounting Investigation," and regularly spoke at the ACFE Annual Global Fraud Conference and local chapters. (See "A Guide to Forensic Accounting Investigation, Second Edition," ACFE, [tinyurl.com/4e28jnv9](http://tinyurl.com/4e28jnv9).)



## LEARNING INTERVIEWING TECHNIQUES AT THE ACFE

During his time as a fraud investigator, Tom Golden often hearkened back to his first ACFE classes with Jim Ratley and how much he learned about interviewing suspects.

"That one course Jim Ratley taught me went so far," he says. "It is about getting close to people, and then when you have the opportunity to talk to them, you know how to talk to them."

Getting an admission from a perpetrator is often vital when handling financial crimes because it's so difficult for a prosecutor to prove intent at trial, he says.

"Get the confession and there's no trial, just a sentencing hearing," Golden says. "And it makes all the difference if you want the FBI to take on the case. When you walk into their office and you have key admissions, and sometimes the confession, they roll out the red carpet."

When the State of Michigan took Golden out of retirement once again in 2015 to probe media reports about fraud and corruption at the Detroit Building Authority, he managed to confirm evidence of bid-rigging through obtaining a confession from the deputy director of the Detroit Building Authority, Golden's principle contact in his investigation. He resigned his position three weeks later.

As he did in the Detroit public schools investigation, Golden again recommended a referral to the FBI which state officials agreed to. (See "Detroit demolition documents suggesting bid-rigging get FBI interview," by Joe Guillen, Detroit Free Press, March 9, 2018, [tinyurl.com/yps4msyy](http://tinyurl.com/yps4msyy).)

"I build my entire plan of investigation around wanting to do the admission-seeking interview at the end because it is so valuable on so many fronts," he says.

Proficiency in extracting information from possible fraudsters involves putting them at ease and making them believe that they're above suspicion, which lays the groundwork for a successful interview, Golden says. "If you do it right, they'll never see it coming," he says.

More often than not, white-collar criminals feel guilty, and under the right conditions want to open up about what they did, he says.

"I come into the room and set myself up like Jim Ratley taught me, and put myself between my target and the door," says Golden describing an admission-seeking interview. "I can't hold him against his will, but when I start accusing him, and he wants to end the interview and leave, he's got to walk around me, and it is going to be really uncomfortable."

## NEW HORIZONS AND MENTORING

Golden, now retired, draws on his fraud investigator experiences for the plots of his novels. “One Honest Soul” is his second novel, and he’s working on his third, which is sure to be inspired by past investigations.

Even during post-retirement Golden continued working high-profile investigations. In 2012, the State of Michigan engaged him to investigate allegations of corruption and bribery at the Education Achievement Authority (EAA), a state-formed agency created to oversee Detroit’s most troubled schools. Contrary to expectations, Golden and his team found so much fraud and corruption that he convinced state officials to refer the matter to the FBI. Federal officials later charged 12 Detroit principals with running a massive bribery scam. (See “Feds: 12 Detroit principals stole \$1M in kickback scheme,” by Tresa Baldas, Kat Stafford, Kathleen Gray and Ann Zaniewski, Detroit Free Press, March 29, 2016, [tinyurl.com/jvpmwf9a](http://tinyurl.com/jvpmwf9a).)

Golden continues to mentor aspiring CFEs and other professionals — many through the ACFE Mentoring Program. (See [connect.ACFE.com/mentoring](http://connect.ACFE.com/mentoring).) He’s helped launch many careers. Indeed, the current leader of PwC’s U.S. investigations & forensic practice, which sits within PwC’s cyber, risk and regulatory platform, is Ryan D. Murphy, a CPA and CFE whom Golden hired shortly after college, trained and mentored. (See “Forensics. Emerge Strong from Disruption,” PwC, [tinyurl.com/w5rn8x34](http://tinyurl.com/w5rn8x34).)

Gbemisola “Gbemi” Adebesein, CFE, CPA, a senior audit associate at PwC Nigeria, also credits Golden for helping her career and in various aspects of her life. She saw Golden’s profile on the mentoring forum and thought he’d be a perfect match for her.

“He’s basically teaching you how to fish and not just giving you fish,” she says.

“I remember him saying that he’s in the car with me, but I’m the one driving, and he’s there to direct and help whenever.”

Golden tells his mentees to be daring when looking to advance their careers. “The problem is that many people stay in their comfort zones,” he says. “I tell them that if you stay in your comfort zones, you will never become the best version of yourself.”

Lily Luna, CFE, CPA, is a strategy and



planning officer at the Food and Agriculture Organization (FAO) of the United Nations in Italy, where she helps its headquarters and country offices prepare fraud prevention plans. She says Golden helped her become more confident in her abilities and pushed her to step outside her comfort zone.

After working as the international administrative officer at the FAO Latin American regional office in Chile, Luna wanted to return to the organization’s headquarters in Italy to pursue new opportunities and challenges. But she struggled to make herself “more visible,” and feared that she

might be stuck in the same role. “Tom told me I had to make myself more marketable in case a position did come up,” she says. “He helped me with my strategy, how to speak up with confidence and deepen work relationships.”

Golden encouraged Luna to keep prepping for the CFE Exam despite the difficulties she was having in juggling remote work with her children’s online education. Those efforts paid off, and timing was fortunate. The organization’s HQ enterprise risk management (ERM) was expanding its team, and the CFE credential proved to be an asset as risk management includes fraud prevention.

“I was thrilled when they asked me to join the ERM team at HQ” she says. “When I was preparing for the CFE, I did not know where it could lead me. But now I am working with fraud prevention on a global basis and I am very proud to be a fraud fighter.”

## PEOPLE SKILLS AND THE ART OF BREAKING A CASE

Those people skills that Golden tries to instill in his mentees may be simple but they’re effective, not only for career advancement but in fraud investigations too. Golden, a natural salesperson whose first job was selling cigarettes for RJ Reynolds, knows that being likeable can make all the difference as he learned when he broke his first big fraud case at Coopers. It’s a story Golden has told hundreds of times and was the inspiration of his first novel, “Sunday Night Fears,” but it’s worth retelling.

At the time, he was a 32-year-old novice in the field — old for somebody just starting out in that profession — and few of his colleagues thought he’d last in a profession where some of the partners were already Golden’s age. A year and a half after joining Coopers, Golden was assigned his first public company audit, but he knew his shortcomings. He’d had little experience in auditing but was tasked

(Continued on page 47)



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## ADVICE FOR ASPIRING CFES

Tom Golden's career as a fraud investigator has taken many twists and turns, and his books have inspired more than a few to want to follow in his footsteps. Below he provides some practical pointers for aspiring CFES.

### 1. **Learn to present your case.**

Work hard at becoming an exceptional speaker. Whether it's a jury, a company's board or a room full of hundreds of people, CFES need to know how to present their cases eloquently and convincingly. "You can be absolutely sure a fraud has occurred, but if you can't convince a judge, an audit committee member or a partner, you are nowhere," says Golden.

"That means being technically competent by delivering the relevant facts but also in a way that helps an audience determine how those facts should be interpreted," he says.

Golden often refers his mentees to Toastmasters International ([toastmasters.org](http://toastmasters.org)), a nonprofit organization that teaches public speaking and leadership skills.

"Public speaking is one of those things people are scared of, but it really helped me build my confidence," says Brenda Padilla, CFE, one of Golden's mentees and a senior internal auditor at Cook Children's Health Care Systems in Fort Worth, Texas.


### 2. **Learn the craft.**

Golden says ACFE training is where he began his journey. "Like a gym membership, use ACFE resources regularly," he says. "You need to engage, learn, participate, challenge your thinking and expand your network of fraud professionals."

### 3. **Master human relations.**

Dale Carnegie's book, "How to Win Friends & Influence People," was required reading for his practice's new staff members and it still is for his mentees.

Golden puts great store in social skills not only to advance a career but also to gather evidence, whether it's through formal interviews or just befriending people. "He has given me tips such as be interested in other people, be a good listener, etc.," says Padilla. "They don't teach you how important that is in college."





with auditing the largest asset on the company's balance sheet — lease contracts receivables.

"But as I used to tell my staff and now tell my mentees, we all have shortcomings, but don't focus on them. Play to your strengths."

One of Golden's assets is his gregariousness, an innate ability to engage with people and be liked. By getting to know everyone in the office where he was conducting the audit, Golden learned much more than the typical auditor who goes straight to his desk and starts looking at the numbers.

"I would befriend the lowliest clerks," he recalls. Lowly to some, but Golden knew better. "I would walk into somebody's cubicle and instead of just getting right to the business of this preset meeting, I would start the conversation with something they would be more interested in than debits and credits."

Golden soon discovered that all lease agreements had to first be approved by the CFO before being entered into the system by the lease contracts manager. "That was a red flag if ever I had seen one," said Golden. That was the start of it.

Golden soon began to extend his audit procedures well beyond what had been given to him. Staying late and working weekends in his now clandestine investigation, he came across a folder containing a pile of letters from the company's clients complaining about its products and services and demanding that their contracts be terminated. The problem was that the company hadn't canceled those contracts, which remained on the books but weren't collectible. (See "The Fraud Examiners," by Dr. Joseph T. Wells, CFE, CPA *Journal of Accountancy*, October 2003, [tinyurl.com/4r2n79na](http://tinyurl.com/4r2n79na).)

After solidifying the facts and putting together an evidence package, Golden knew he was on to something. He realized

he had to speak up now before the company released its earnings results that Friday.

A few days before the earnings release, Golden rang his boss at 2 a.m. and insisted he look that very night at what he'd found. The senior partner wasn't pleased, but he came to the office, shut the door behind him and an hour later emerged acknowledging a serious fraud was afoot. The company delayed its earnings release and notified the U.S. Securities and Exchange Commission (SEC) as it



watched its market value plummet. Eventually, the company went under, selling its assets for just pennies on the dollar. The SEC also sanctioned the CEO and CFO from working for a public company over the next five years.

Had it not been for Golden's people skills enabling him to form trusting relationships with some of the company's employees, he may never have uncovered the clues that led him to the fraudulent activity. Certainly, prior audits had failed to find any wrongdoing.

Golden spent the next year or so working with the SEC and the FBI as a lead witness against the company. "It was then that I started learning a lot about financial fraud and the litigation process," he says.

## GROWING NEED FOR CFES

To build his practice, Golden initially focused on recruiting auditors/CPAs because the CFE credential was less well known in the early 1990s. But as his practice grew there were more resources such as managers and ACFE training. "It was then I insisted that all professional staff would have to get a CFE, or they wouldn't get promoted to manager," he says. "That was a requirement."

Accounting scandals at Enron and WorldCom in the early 2000s made the need for CFE-credentialed professionals even more urgent amid the broad realization that wrongdoing is often bubbling beneath the corporate world's slick veneer. This is when forensic accounting and fraud examination got a huge lift, says Golden. (The two skills are related but different in their focus and the types of professionals involved. Forensic accounting can be anything related to a court-ordered adjudication process to include civil litigation such as damages lawsuits. In contrast, a broader array of professionals, including accountants, can conduct fraud examinations, which focus exclusively on anti-fraud matters. (See "The Fraud Examiners," by Dr. Joseph T. Wells, CFE, CPA, *Journal of Accountancy*, Oct 1, 2003, [tinyurl.com/m7sckdn9](http://tinyurl.com/m7sckdn9).)

Golden explains that auditors aren't required to detect fraud — material or otherwise. That's not the purpose of an audit performed under Generally Accepted Accounting Principles (GAAP). Materiality is the key principle in differentiating the purpose of the audit and the role of the fraud examiner. Golden, who's been both a financial statement auditor and



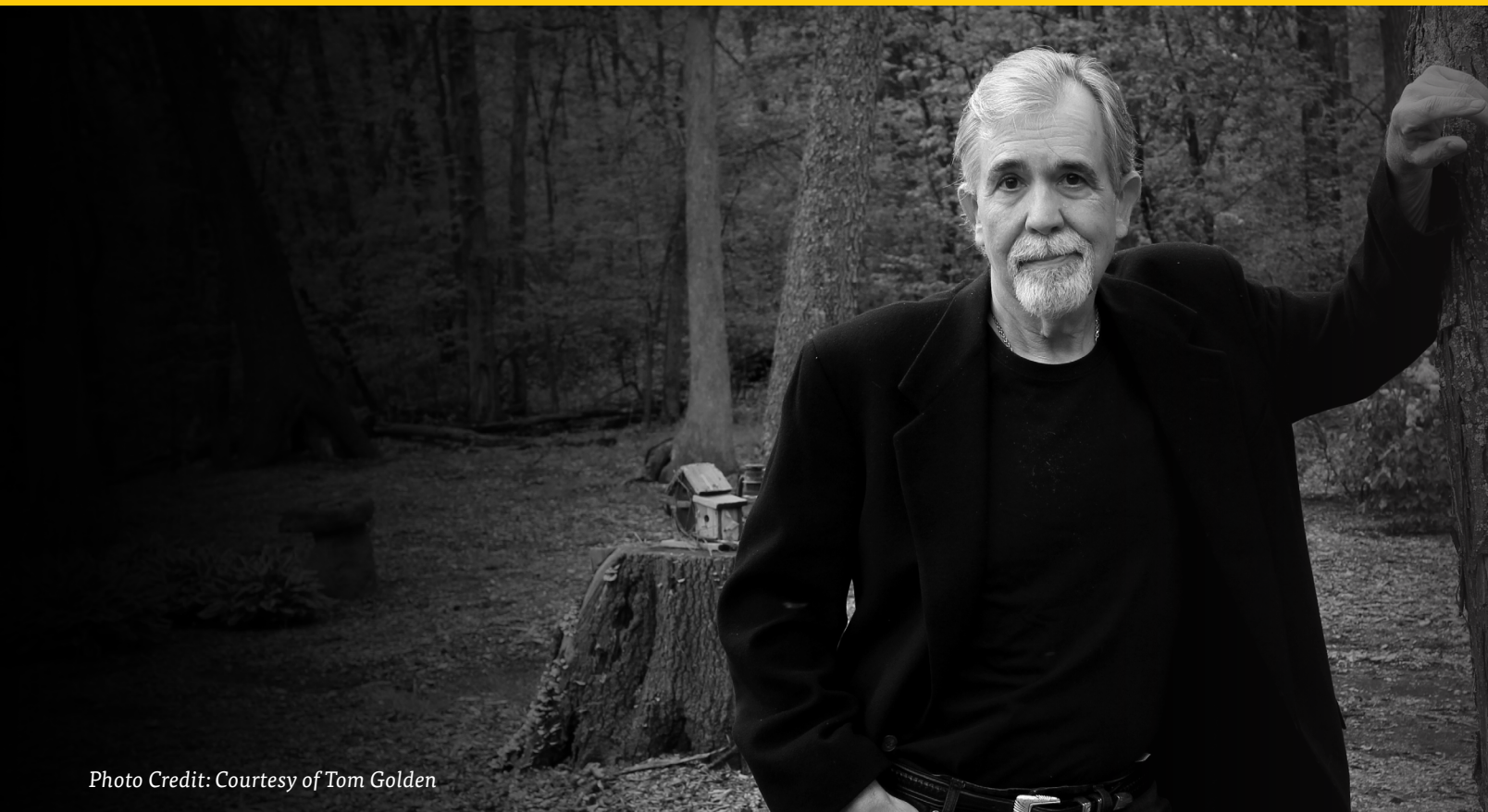


Photo Credit: Courtesy of Tom Golden

a fraud examiner, tells of numerous instances where some of his largest fraud engagements began with the discovery of irregularities that were immaterial to the company's financial statements.

Determining if a misstatement is material depends on whether the dollar amount is large enough to influence an investor or anyone else to act upon it. While immaterial misstatements may come about through fraud, auditors needn't search beyond those initial parameters. "Nor should they," says Golden, "as the costs of an audit would be prohibitive."

"Auditors have this narrow corridor in which they perform a very valuable service," he says. "Just the fact that audits are conducted introduces monitoring which is an important deterrence element that will likely prevent most frauds — but there is always a possibility that a devious officer has the desire and ability to override controls, and you end up with a WorldCom or Enron."

The difference between what the public would expect an auditor to do and what they're trained and required to do is called

the expectations gap — a phenomenon that Golden brings up in his latest novel.

Enter the CFE who's engaged, often by outside counsel, to investigate specific allegations of some anomaly in the financial transactions of an organization. It could be, for example, an anonymous letter from a disgruntled employee that sets the stage for Sam Halloran's fraud investigation in "One Honest Soul." Or it could be the discovery that a manager has cheated on his expenses or perhaps he's compelled employees to do some work on his house.

"Obviously that is something the company needs to look into, but should that get the auditor's attention? Heck no," says Golden. There's simply no cost benefit to requiring financial statement auditors to investigate and resolve such matters, he says.

However, for the fraud examiner they offer clues about a person's character and could provide insights into the possibility of fraud on a bigger scale. "Say this was perpetrated by the division manager, who has access to the books and all facets of the division," says Golden. "You want to

look at everything that guy touches. That is how a fraud examiner thinks and plans."

Golden says there are still two areas that need be addressed regarding fraud investigations. First, C-Suite executives and boards need to be educated about when to consult with fraud experts. Second, there's an insufficient number of fraud examiners adequately trained and experienced to handle the demand.

Despite scandals like Enron, many people still fail to see the need to fill that gap largely because revelations about fraud often occur behind closed doors and never see the light of day, he says. "I would say that around 85% of my fraud cases never became public because it was embarrassing for the board, and it could hurt the company's stock price," he adds.

"That can leave an executive who perpetrated a fraud untouched because of nondisclosure agreements negotiated between the fraudulent executive and the company's lawyers," he says.

"Once finalized, the fraudster simply secures another comparable job without fear that his prior acts will be disclosed. He

**ACCOUNTING SCANDALS AT ENRON AND WORLD.COM IN THE EARLY 2000S MADE THE NEED FOR CFE-CREDENTIALLED PROFESSIONALS EVEN MORE URGENT AMID THE BROAD REALIZATION THAT WRONGDOING IS OFTEN BUBBLING BENEATH THE CORPORATE WORLD'S SLICK VENEER. THIS IS WHEN FORENSIC ACCOUNTING AND FRAUD EXAMINATION GOT A HUGE LIFT.**

is then free to perpetrate the same crime for a new victim completely unaware of his fraudulent past.”

After years of tracking down fraudsters, Golden expresses little surprise when he hears about a big fraud case. He's only amazed that it was made public. “Fraud is everywhere,” he says. “It's just a matter of degree and most of them never see the light of day. And because of that, the public doesn't realize how big a problem this is.”

Fraud cases, however, do make great fodder for the plots of his novels, and Golden says that he'll continue to draw on his experiences to write more. “Most novelists will tell you that the hardest thing about writing is coming up with the plot line, and I already have that,” he says. “I just add all the drama and thrills that make it difficult to put down. It is fun, and I really enjoy it, and it's instructive for fraud examiners.” ■ **FM**

**Paul Kilby** is editor-in-chief of *Fraud Magazine*. Contact him at [pkilby@ACFE.com](mailto:pkilby@ACFE.com).



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