Marquet International
Managing Business Risks Through Strategic Intelligence

THE 2010 MARQUET REPORT ON EMBEZZLEMENT

A WHITE COLLAR FRAUD
STUDY OF MAJOR EMBEZZLEMENT
CASES ACTIVE IN THE U.S. IN 2010

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ABOUT THE REPORT

The 2010 Marquet Report on Embezzlement is our third annual white collar fraud study on major embezzlement cases in the United States. Our goal with *The 2010 Marquet Report on Embezzlement* is to identify key trends of major embezzlement cases active during 2010 and to draw some conclusions based upon an aggregation of analysis from prior years' reports, including nearly 1,100 cases studied. By definition, those cases included in *The 2010 Marquet Report on Embezzlement* involve employee theft schemes which succeeded in misappropriating $100,000 or more from organizations in the US that came to light during the 2010 calendar year – that is, those cases in which an arrest, charge, indictment, criminal Information, civil complaint, plea, sentencing or other significant event occurred which revealed the existence of the scheme to the public. We did not include cases in this study that have already been included in our prior studies.

The 2010 Marquet Report on Embezzlement is an analysis of 485 specific cases, an increase of nearly 17% over the prior years' study, which analyzed 415 cases. It should be noted that we included seven cases in the 2010 study which were thefts of just under $100,000, since we felt they were statistically significant. As always, to the extent available, we compiled and reviewed objective data originating from the public domain on each case included in the study. We note also that some of the cases analyzed are currently active in legal proceedings wherein the accused perpetrators have not yet been the subject of a final adjudication. *The 2010 Marquet Report on Embezzlement* includes data from those cases in which we have a high degree of confidence in the accuracy of the information. Further, specific research efforts have been made to update and augment our prior years' data, improving the accuracy of our cumulative analysis covering the years 2008 – 2010.

The 2010 Marquet Report on Embezzlement includes detailed analysis on several broad categories related to the white collar fraud phenomenon of employee theft:

- Characteristics of the Schemes
- Characteristics of the Perpetrators
- Characteristics of the Victim Organizations
- Judicial Consequences

Under the category of *Characteristics of the Schemes,* we conducted an analysis of the magnitude of the theft, the duration of the scheme, the primary methodology of the scheme and whether a given scheme was accomplished by a sole perpetrator or by a conspiracy. As for the *Characteristics of the Perpetrators*, we analyzed their age, gender, position held within the victim organization, apparent motivating factors, and whether they had prior criminal histories. We also analyzed *Characteristics of the Victim Organization,* including industry classification and geographic locale. Finally, we looked at the sentencing of perpetrators in an effort to develop any statistically relevant conclusions under the heading, *Judicial Consequences*.

SUMMARY OF FINDINGS

Highlights of the 2010 Study

2010 was a banner year for employee theft in the United States. We identified, researched and analyzed the details of 485 major embezzlement cases in 2010, a 17% increase in cases over 2009. As noted in last year's report, we believe that employee misconduct and internal corporate fraud will continue to be a problem as the U.S. economy struggles and unemployment hovers at levels nearing 10%. Nevertheless, we recognize that a poor economy is not the only driver for employee theft and indeed, our studies suggest that there is always an ambient level of corporate fraud which oscillates in cycles like many other natural phenomena.

The following statistics are highlights based upon our analysis in *The 2010 Marquet Report on Embezzlement*:

- The average loss was just under $1 million; the median loss was $350,000.
- The average embezzler in this study stole $17,656 per month from their employer
- 64 percent of the incidents involved female perpetrators.
- Male perpetrators, on average, embezzled significantly more than females.
- The average scheme lasted more than 4 ½ years.
- The most common embezzlement scheme involved the issuance of forged or unauthorized company checks.
- Nearly 87 percent of the cases involved individual perpetrators.
- Two-thirds of the incidents were committed by employees who held finance/ bookkeeping & accounting positions.
- The average adjusted age of perpetrators at the commencement of their embezzlement was 43*.
- 50 – 59 year olds caused the greatest losses.
- The Financial Services industry suffered the greatest losses due to major embezzlements.
- Non-profits and religious organizations combined accounted for more than 11 percent of all the incidents.
- West Virginia had the highest loss ratio followed by South Dakota, Vermont and New Mexico.**
- Most major embezzlers appear to have been motivated by a desire to live a relatively more lavish lifestyle, rather than by financial woes.
- About 6 percent of the cases involve perpetrators who reportedly had gambling problems.
- 4 percent of the cases involved perpetrators who had a prior criminal history.
- The average prison sentence was just under four years for convicted major embezzlers.

* The "average adjusted age" is the average age of the perpetrators in the study minus the average duration of the schemes in the study to represent the approximate age at which the average embezzler commenced his or her illicit activities.

** The "loss ratio" is defined as the ratio of the percent of total losses for a given state to the percent of Gross Domestic Product that state contributes to overall GDP.

Aggregated 3 Year Conclusions

Looking at the three years' data we have compiled on major embezzlements in the US between 2008 and 2010, which includes 1,076 cases, we believe we can reasonably come to the following conclusions, consistent with our prior analysis:

- Women are more likely to be major embezzlers than men (62.7% vs. 36.3%).
- Men embezzle significantly more than women, on average ($1,811,380 vs. $845,517).
- Major embezzlers on average begin their schemes in their early 40s (42.6).
- 40 – 49 year olds caused the greatest overall losses while 50 – 59 year olds had the highest average theft by age category ($1.52 million).
- By a significant margin, major embezzlers are most likely to be individuals who hold bookkeeping or finance positions within organizations (63.4% of all cases).
- The Financial Services industry suffers the greatest losses from major embezzlements (nearly 23% of all losses).
- The Energy sector has the highest average loss ($4.7 million)
- On average, major embezzlement schemes last about 4½ years.
- California (17.3%), Florida (11.3%) and New York (10.6%) are the states that have experienced the greatest losses from major embezzlements. Together they represent nearly 40 percent of losses due to major embezzlements for the entire US.
- The vast majority of major embezzlements are caused by sole perpetrators (85.6%).
- Gambling is a clear motivating factor in driving some major embezzlement cases.
- About 5 percent of major embezzlers have prior criminal histories.

It is no surprise that the majority of embezzlers hold bookkeeping/finance/accounting positions. As the saying goes, "that is where the money is." At 63.4% of all cases, it outstrips the 2nd and 3rd place categories by a wide margin (Managers – 14.8% and Executives – 13.5%). The same holds true for the financial services industry being the most common victim – that is where the money is... Nor is it a surprise that three of the largest states, California, Florida and New York, experienced the largest losses. However, Texas (4.3%) is noticeably absent from the list.

CHARACTERISTICS OF THE SCHEMES

Magnitude of the Misappropriation

The 2010 Marquet Report on Embezzlement includes 485 major cases of embezzlement, with total reported losses of $472,619,000, up more than 13% over the $417,632,000 loss total we reported for 2009. The average loss per case was just under one million dollars at $974,472, slightly less than the average for 2009. However, the median loss was $350,000, also slightly less than our 2009 study. There were fully 108 cases out of the 485 in this years' study that were thefts of $1 million or more (compared to 93 in the 2009 study).

The largest employee theft case included in *The 2010 Marquet Report on Embezzlement* was for $42.6 million; the smallest was $92,365. The $42.6 million embezzlement is the case involving 58 year old Melissa G. King, who handled union finances misappropriated massive amounts of funds from union benefit accounts over a seven year period from the Sandhogs Union (Local 147 of the Laborers' International Union of North America, whose members dig tunnels for trains and water in New York). She reportedly spent the stolen funds to support a lavish lifestyle and to finance several outside businesses in which she had an interest.

The ten cases in *The 2010 Marquet Report on Embezzlement* with the greatest thefts are the following:

Name	Victim Organization	Amount
Melissa G. King	Sandhogs' Union Local 147	$42,608,232
Arnold Mullen	Paul and Phyllis Fireman Foundation	$25,000,000
Nancy Saldana Moreno	Davis-Lynch Inc.	$15,000,000
Donna White	John W. Stone Oil Distributor LLC	$12,700,000
Charles Antonucci, Sr.	US TARP Program	$11,200,000
Terry Scott Welch	Wachovia Bank	$11,200,000
Douglas Ross Zuber	Harvard Investments, Inc.	$11,000,000
Bernie D. Metz	Center Valley Federal Credit Union	$ 8,989,484
Lori Lockman Julian	William C. Webb Co.	$ 7,345,050
Chris Orsaris	Major Automotive Companies	$ 7,000,000

The average of the largest 10 thefts in 2010 is $15.2 million as compared with $13.7 million in 2009 and $25.8 million in 2008.

Duration of the Scheme

The approximate duration of the scheme was determined in 437 of the 485 cases in the study. It should be noted that in a number of instances, prosecutors only prosecuted perpetrators going back in time to the statute of limitations, thereby omitting some of the actual losses from the case. Nevertheless, we tabulated the known durations, rounded to the nearest tenth of a year and determined the following for 2010:

Average duration:	4.6 years (or 55.5 months)
Median duration:	4.0 years
Longest duration:	20 years

These findings are consistent with both our 2008 and 2009 studies. We note also that the average embezzler in *The 2010 Marquet Report on Embezzlement* stole $17,565 per month (the average theft divided by the average duration, in months).

The embezzlement case with the longest reported duration involved 62-year old Arnold Mullen, the former longtime personal investment advisor for Reebok founder Paul Fireman and his philanthropic foundation. Over a period of at least 20 years, Mullen skimmed large amounts of monies from the Fireman accounts by making unauthorized electronic transfers, among other means. Mullen's embezzlement was not only the longest in our 2010 study, but also the second largest theft at an estimated $25 million. Mullen had worked for Fireman for 24 years before his scheme was uncovered and civil and criminal actions brought. For his part, Mullen, who plead guilty to five counts of grand theft in a plea agreement, was sentenced to only 5 ½ years in prison.

Methodology of the Schemes

New to *The 2010 Marquet Report on Embezzlement* is an analysis of the principal methodology of the theft schemes undertaken. As such, we attempted to determine the primary methodology for each scheme in the study and broke them down into a number of general categories. It should be noted that many cases involved more than one method of theft. Nevertheless, we selected what we believed to be the principal embezzlement method for the purpose of this report. The embezzlement method categories include:

- Bogus loan schemes
- Credit card/account fraud
- Forged/unauthorized checks
- Fraudulent reimbursement schemes
- Inventory/equipment theft
- Payroll shenanigans
- Petty cash theft
- Theft from tax or benefit accounts
- Theft/conversion of cash receipts
- Unauthorized electronic funds transfers
- Vendor fraud schemes

Bogus loan schemes include cases in which fraudulent loans are created or authorized by the perpetrator from which funds are taken for their own benefit. Credit card/account fraud cases involve the fraudulent or unauthorized creation and/or use of company credit card or credit accounts. Forged/unauthorized check cases are those in which company checks are forged or issued without authorization for the benefit of the perpetrator. Fraudulent reimbursement schemes include expense report fraud and other cases in which a bogus submission for reimbursement is made by the perpetrator. Payroll shenanigan cases include all forms of manipulation of the payroll systems in order for the perpetrator to draw additional income. Theft from tax or benefit accounts include cases in which the perpetrator manipulates company accounts meant to pay corporate taxes or employee benefits to siphon these funds off for themselves. Theft/conversion of cash receipt cases involve the simple taking of cash or checks meant for company receipts and pocketing or converting them for one's own benefit. Vendor fraud cases include those where either a bogus vendor is created by the perpetrator to misappropriate monies or a real vendor colludes with the perpetrator to siphon funds from the company.

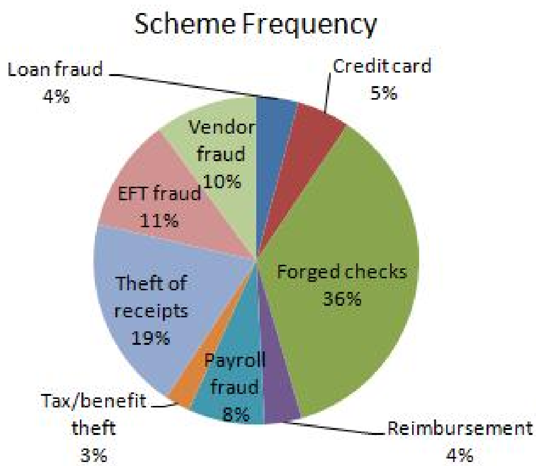
Our analysis revealed the following breakdown between the schemes:

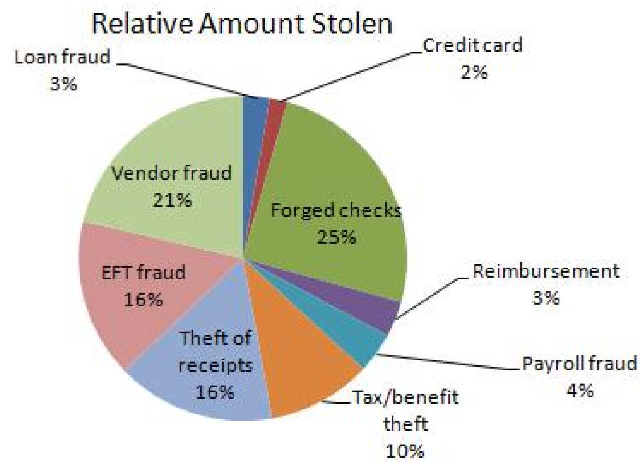
Embezzlement Scheme	Raw #	% of total cases	Amount stolen	% of total stolen
Bogus loan scheme	18	4.1%	11,583,000	2.6%
Credit card/account abuse	23	5.3%	7,809,500	1.7%
Forged/unauthorized checks	157	35.9%	113,185,000	24.9%
Fraudulent reimbursement scheme	16	3.7%	15,876,000	3.6%
Inventory/equipment theft/conversion	1	0.2%	1,220,000	0.3%
Payroll shenanigans	33	7.6%	17,944,500	4.0%
Petty cash theft	1	0.2%	163,000	0.0%
Theft from tax or benefit accounts	11	2.5%	45,612,500	10.2%
Theft/conversion of cash receipts	84	19.2%	69,750,000	15.6%
Unauthorized electronic transfers	49	11.2%	70,724,000	15.8%
Vendor fraud scheme	44	10.1%	94,816,500	21.2%

Based upon this analysis, we see that the most common form of embezzlement, by a significant margin, is the forgery or unauthorized use of company checks for one's own benefit. Nearly 36 percent of all major embezzlement cases in this study were principally the result of this type of scheme. The next three most common forms of embezzlement were theft/conversion of cash receipts (19.2%), unauthorized electronic transfers of funds (11.2%) and vendor fraud schemes (10.1%).

Interestingly, it is the last category, vendor fraud schemes, which appears to be one of the most "effective" methods of embezzlement, as it accounts for more than twice its percentage in losses. The other effective method is theft from benefit or company tax accounts which accounts for four times its percentage in losses.

Below are side by side pie charts illustrating the breakdown in frequency and the relative amount stolen for the various schemes (omitted are theft of inventory/equipment and petty cash theft):





Was the scheme the act of a sole perpetrator or a conspiracy?

We were able to determine with relative confidence in 484 of 485 cases in the study whether the embezzlement was the work of a lone perpetrator or a conspiracy of individuals. The table below illustrates the relative breakdown between solo and conspiracy cases and compares the relative losses for each category:

Solo vs. Conspiracy	Conspiracy	Solo	Totals
Raw number	65	419	484
Percentage of sample	13.4%	86.6%	100.0%
Gross loss per category	$108,308,000	$364,211,000	$472,519,000
Percentage of sample	22.9%	77.1%	100.0%

These results are very consistent with our 2009 report on the percentage split between solo and conspiracy cases. However, conspiracy cases accounted for a disproportionally higher loss than solo cases, which is what we would expect. On the other hand, as we noted in last years' report, we would expect that solo perpetrators would have a lower probability of being revealed compared to conspiracies.

CHARACTERISTICS OF THE PERPETRATORS

Age of the Perpetrator

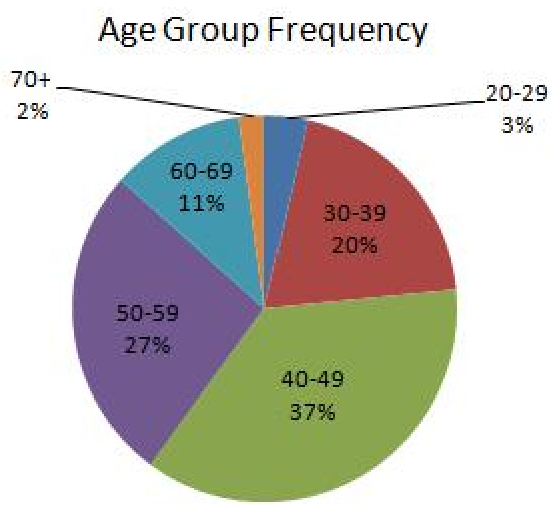
The age of the perpetrator was known with reasonable accuracy in 478 of the 485 cases in our 2010 survey. Based on the available data, the average age of the perpetrator in 2010 was 47.5 years – a full year older than what we found in our 2009 analysis. The median age was 47, also a year older than the 2009 study. The average adjusted age, which is the average age minus the average duration, was 43. This finding fits nicely between the 42 result from 2009 study and 44 from our 2008 study.

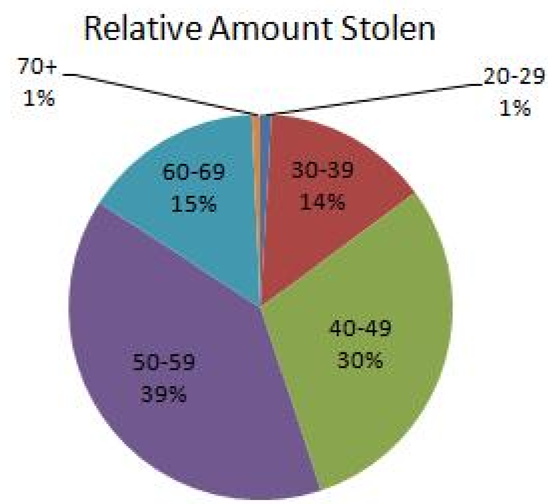
The age group breakdowns are as follows:

Age Group:	20-29	30-39	40-49	50-59	60-69	70+	Totals
Raw number:	17	95	175	127	54	10	478
% of sample:	3.6%	19.9%	36.6%	26.6%	11.3%	2.1%	100%
Gross loss:*	4,350	65,467	141,453	184,165	71,168	3,351	469,955
% of sample:	0.9%	13.9%	30.1%	39.2%	15.1%	0.7%	100%
Ave. loss:	$255,865	$689,128	$808,306	$1,450,120	$1,317,935	$335,162	$983,171

* in thousands of dollars

Below are side by side pie charts illustrating the frequency and relative amount stolen by each age group:





As we can see from the charts, the 40 – 49 age group accounted for greatest number of cases. However, the 50 – 59 age group accounted for the greatest losses and the highest average theft.

Some other interesting facts include the following:

- Oldest in the sample: 78
- Youngest in the sample: 22
- Average male age: 50
- Average female age: 46

Gender of the Perpetrator

The gender of 481 perpetrators is known in the 485 cases in our 2010 study. Of those, 173 were male and 308 were female. That is, 36 percent were male and 64 percent were female. This is consistent with our prior findings, albeit, a slightly higher percentage of females. Nevertheless, the average loss from males was nearly $1.2 million compared to 872,000 for females. This difference is not quite as stark a contrast as in last years' study, but it is still illustrative of our findings that while women are more major embezzlers, men tend to steal more, on average.

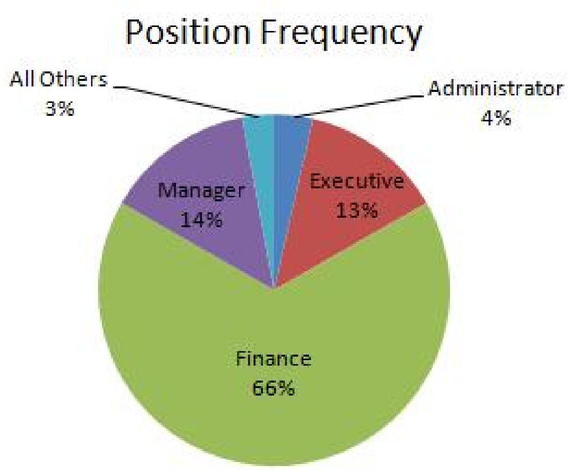
Position Held by the Perpetrator

For the purposes of this study, we used 8 broad job classifications held by the perpetrators. These categories include: Administrator; Executive; Finance & Accounting; Human Resources; Information Technology; Manager; Sales; and Vendor. We were able to classify 478 of the perpetrators' positions in the survey in these categories. Note that the Finance & Accounting position includes everything from CFOs to "bookkeepers" and bank tellers or similar fiduciary positions. The Executive category includes very senior level executives, including owners, CEOs and Presidents. Managers are mid-level personnel, not principally involved in finance or sales – usually operational positions. The others are self explanatory. A breakdown of the jobs and the corresponding losses as well as respective percentages of the whole, is set forth below:

Position:	Admin	HR	IT	Exec	Finance	Manage	Sales	Vendor	Totals
Raw number:	17	4	4	63	318	66	5	1	478
% of sample:	3.6%	0.8%	0.8%	13.2%	66.5%	13.8%	1.0%	0.2%	100%
Gross loss:	10,584	793	2,485	77,631	318,264	54,618	1,740	458	466,573
% of sample:	2.3%	0.2%	0.5%	16.6%	68.2%	11.7%	0.4%	0.1%	100%

* in thousands of dollars

Below are side by side pie charts illustrating the frequency and relative amount stolen by each employee position:



As these charts demonstrate, finance positions (bookkeeping/accounting/finance) accounted for more than two-thirds of all the embezzlement incidents and a slightly higher percentage of the total losses in the study. In other words, as we have noted in our previous reports, those individuals with their hands on the purse strings are much more likely to be perpetrators of employee theft schemes. We note that nearly 80 percent of the finance personnel in the study were women, perhaps accounting for why they represent a disproportionately higher number of embezzlers. Executives and Managers were the only other categories of significance, with Administrators coming in a distant fourth.

Apparent Motivation

New also to *The 2010 Marquet Report on Embezzlement* is an analysis of the apparent motivation of the perpetrators in their embezzlement cases. This characteristic was the most subjective element analyzed in this report. Nevertheless, based upon media and law enforcement descriptions of the circumstances, we were able to hazard a very educated guess in 100 of the 485 cases in the 2010 study. In some cases, there appeared to be more than one motivating factor – in which case we selected the one we believed was the overarching factor. We placed these motivating factors into five categories, including:

- Financial problems
- Gambling problem/addiction
- Desire to live lavishly
- Substance abuse
- Support a personal business

Cases where financial need appeared to be a key motivating factor include those with personal or family medical problems. As in our prior studies, we identified those cases where a gambling problem or addiction was evident. In some cases, the perpetrator's apparent motivating factor was to support or initiate a personal or family business. The breakdown in the study was as follows:

Motivation	Financial	Gambling	Lifestyle	Subst. Abuse	Support Biz	Total
Number/%:	4	27	60	2	7	100

In the overwhelming number of cases, greed or the desire to live a relatively more lavish lifestyle appears to be the key motivating factor for major embezzlers – not to alleviate personal financial problems, as some might expect. Nevertheless, gambling continues to appear to be a factor for many embezzlers. In some cases, the gambling problem was also part of an overall extravagant lifestyle. We identified 27 cases that clearly involved gambling, which is about 6 percent of the overall study (the same as in our 2008 study and slightly less than the 7 percent in our 2009 study). However, it represents nearly one third of all the cases where a motivating factor was identified. Most of the gambling cases occurred in states where casinos and/or Indian gaming facilities are permitted.

Did the perpetrator have a prior history of criminal activity?

While we do not believe we have complete data, we were able to determine that 19 perpetrators in the sample of 478 were known to have engaged in prior criminal activity. This represents 4.0 percent of the sample. The finding is less than last year's study (5.3 percent), but greater than that of our 2008 report (3 percent).

We have noted in our prior reports that we believe this number to be undercounted and estimate the true number to be between 5 and 10 percent. This is due to the fact that information on prior criminal activity is not always available as well as the fact that not all criminal matters are prosecuted. While these numbers have remained consistently low, we still recommend conducting background investigations in order to root out known bad actors.

In any case, we note the following additional statistics:

- 84% of prior criminals held finance positions
- 84% of prior criminals were solo embezzlers
- 74% of prior criminals were female
- 44% of prior criminals employed a forged/unauthorized check scheme
- 22% of prior criminals employed a vendor fraud scheme

It is interesting to note that one of the preferred methods of embezzlers with a prior criminal history is the classic vendor fraud scheme. In any case, as noted in our prior reports, we are not sure that these findings are statistically significant, given that they are based upon only 19 cases. The aggregation of multiple year data will allow for better future analysis.

CHARACTERISTICS OF THE VICTIM ORGANIZATIONS

Industry Category of Victim Organization

As with our prior reports, we used simple industry classifications for the victim organizations identified in the survey. The classifications used in our 2010 survey included the following: apparel; automotive; construction; defense; education; energy; entertainment; financial services; food & agriculture; gaming; government agencies/ municipalities; healthcare; hospitality; insurance; labor unions; manufacturing; natural resources; non-profit (secular); professional services; publishing; real estate; religious organizations; restaurant; retail; sports & leisure; technology; telecom; trade services; transportation/freight; and utilities.

An analysis of losses incurred by industry reveals the following 12 industries which experienced the greatest gross losses, along with their respective average theft:

Industry	# Cases	% of Cases	$ Gross Loss	% of total	Average Loss
Financial services	56	11.6%	85,520,000	18.2%	1,527,143
Government	69	14.3%	48,202,000	10.2%	698,580
Labor union	12	2.5%	46,449,000	9.9%	3,870,750
Energy	8	1.7%	40,600,000	8.6%	5,075,000
Real estate	25	5.2%	39,750,000	8.4%	1,590,000
Manufacturing	25	5.2%	29,184,000	6.2%	1,167,360
Prof. services	29	6.0%	24,100,000	5.1%	831,034
Education	28	5.8%	23,782,000	5.0%	849,357
Construction	27	5.6%	15,626,000	3.3%	578,741
Automotive	19	3.9%	15,168,000	3.2%	798,316
Healthcare	37	7.7%	15,159,000	3.2%	409,703
Religious orgs	25	5.2%	12,392,000	2.6%	495,680
Non-profit (secular)	26	5.4%	11,486,000	2.4%	441,769

As this chart demonstrates, the financial services industry, not including insurance companies, experienced the greatest losses in 2010 from major embezzlement schemes. Government agencies/municipalities and labor unions also suffered greatly. Once again, the financial services and government agencies/municipalities categories had the highest number of major embezzlement incidents. This has been true for each year of our study, 2008 – 2010. In any event, in the 2010 study, if we lump insurance and financial services under the finance category, the total losses approach 20% of overall losses which is also consistent with our prior reports. As with our 2009 report, the energy sector in 2010 had the highest average loss per embezzlement case – topping a staggering $5 million average loss for the 8 cases we identified.

Non-profits and religious organizations combined account for nearly 11 percent of all incidents, consistent with both our 2008 and 2009 reports, but with only 5 percent of the total losses, down from last year. These types of organizations will always be vulnerable to employee theft as long as they continue to have weak business and cash controls.

Geographic Location of the Embezzlement

We identified the states with the highest number of major embezzlement cases as well as the largest gross losses and determined the percentage of overall losses for these states (see charts below). We also include a chart that identifies those states with the highest loss ratio. To do this, we determined the percent Gross Domestic Product (GDP) that each state contributes to the overall US GDP using 2008 US Department of Commerce numbers. This is known as the Gross State Product (GSP). We assume that the GSP percentages accurately represent the relative economic activity for each state. As such, our theory is that for each state, we would expect both its percent of overall incidents as well as its percent of overall losses to be close to its relative GSP as a percent of overall GDP.

The 10 states with the highest number of major embezzlement cases from our 2010 study are as follows:

State	# cases	% of all cases
CA	44	9.1%
MI	30	6.2%
VA	26	5.4%
NY	24	5.0%
TX	22	4.5%
MO	21	4.3%
PA	20	4.1%
NC	19	3.9%
FL	18	3.7%
OH	18	3.7%

The 10 states with the highest losses from major embezzlement cases from our 2010 study are as follows:

State	Gross loss	% of all losses
NY	$75,653,000	16.0%
FL	$49,307,000	10.5%
TX	$38,182,000	8.1%
CA	$34,049,000	7.2%
NC	$18,748,000	4.0%
LA	$17,140,000	3.6%
NJ	$15,671,000	3.3%
IL	$14,517,000	3.1%
VA	$13,877,000	2.9%
AZ	$13,326,000	2.8%

In the table below, we compare the 10 states with the highest overall ratio of the percent of total losses to the percent GDP for each of these states. This ratio, which we call the state's "Loss Ratio," provides us with a variance factor for each state. Our theory is that those states with loss ratios greater than one (1.0) are states that have a higher propensity to experience losses from major embezzlement cases than we would expect.

State	Cases	% Cases	Losses	% Losses	% GDP	Loss Ratio
WV	8	1.65%	12,927,000	2.7%	0.40%	6.85
SD	4	0.83%	5,984,000	1.3%	0.23%	5.51
VT	7	1.45%	3,005,000	0.6%	0.17%	3.75
NM	6	1.24%	9,254,000	2.0%	0.53%	3.70
LA	10	2.07%	17,140,000	3.6%	1.50%	2.42
MS	12	2.48%	5,848,000	1.2%	0.61%	2.03
FL	18	3.72%	49,307,000	10.5%	5.15%	2.03
NY	24	4.96%	75,653,000	16.0%	7.92%	2.02
RI	4	0.83%	2,887,000	0.6%	0.32%	1.91
MO	21	4.34%	12,523,000	2.7%	1.59%	1.67

While some of these results are skewed by a single large case of defalcation, there are certain states which have consistently appeared on this list in the past three years. These include Vermont, South Dakota, Florida, Oklahoma and New York.

JUDICIAL CONSEQUENCES

Sentencing Analysis

We researched the prison terms for perpetrators who had been sentenced, if they were given any, in an effort to determine whether any valid conclusions could be drawn. In this analysis, we made no distinction between federal and state sentences, although clearly that would be a factor and a valid item for future reports. However, this being our first shot at this, as well as the fact that we did not have complete information for all of the cases in the study, we wanted to keep the analysis as simple as possible. Where sentence ranges were given, such as 3-5 years, we averaged them out, knowing that few actually serve the maximum term and many only serve the minimum.

We were able to determine the prison sentences in 166 of the 485 cases analyzed in *The 2010 Marquet Report on Embezzlement*. The prison terms ranged from none given to 30 years (360 months). The average prison sentence was 46.4 months or just under 4 years, for an average embezzlement of just under $1 million. For those cases that we had duration data, the average length of prison time was 46.6 months (3.9 years) for an average embezzlement period of 59 months (4.9 years). One bookkeeper-embezzler in Kansas was given no prison term after having stolen more than $300,000 from her employer over a period of 4 ½ years. On the other hand, a bookkeeper-embezzler in Idaho was given 14 years in prison for embezzling $270,000 from her employer. This demonstrates the wide disparity that exists in the sentencing arena. Nevertheless, we broke down the average sentences for various theft levels, as outlined in the chart below:

Embezzlement Range	Ave. Sentence in Months (years)
$ 93,000 - $199,000	20.1 (1.68)
$200,000 - $499,000	40.4 (3.37)
$500,000 - $999,000	56.8 (4.73)
$1 mill. - $1.99 mill.	77.4 (6.45)
$2 million +	75.8 (6.32)

This chart demonstrates that the average prison sentence increases with the magnitude of the theft, at least until the $1 million mark, and then the sentences attenuate. This may be due to maximum sentencing guidelines. Some positive things to note in this analysis is the fact that these white collar criminals are generally getting prison terms – only 9 percent got no prison time – and all of them get restitution orders and probationary periods.

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About Marquet International, Ltd.

Marquet International, Ltd. is a boutique investigative, litigation support and due diligence firm based in Boston, Massachusetts. Led by longtime industry expert Christopher T. Marquet, the firm is routinely engaged by corporations and their counsel to assist with internal investigations, corporate fraud and allegations of employee misconduct. Marquet International is also regularly retained to conduct thorough due diligence inquiries on key individuals in business entities and corporate transactions. Our interest in embezzlement cases was piqued after the launch of our *Fraud Talk* blog, wherein we regularly document active cases of employee misconduct and white collar fraud cases, including major embezzlements of more than $100,000. We hope this series of reports provides insight into this type of corporate fraud. If you have questions or comments, we welcome feedback at info@marquetinternational.com.

About the Author

Christopher T. Marquet started his career in the investigative, security consulting and litigation support industry in the summer of 1983 when he joined Kroll Associates after graduating from Dartmouth College. He spent nearly 19 years at Kroll in a variety of staff, consulting and executive positions, culminating as the head of Kroll's office in Boston. In 2002, he co-founded Citigate Global Intelligence with a group of other former Kroll executives and ultimately founded Marquet International, Ltd., at the beginning of 2006.

During his lengthy career, Mr. Marquet has been involved in thousands of business intelligence, investigative, litigation support, and security consulting projects around the world. These matters have been diverse and include, but are not limited to, the following: due diligence; general litigation support; investigations into intellectual property theft; environmental disputes; fraud investigations; workplace violence; and employee misconduct; hostile takeovers and proxy battles; competitive intelligence; corporate security; executive protection; crisis management; and insurance disputes.

Mr. Marquet has authored numerous articles and white papers, including *The Marquet Report on Embezzlement; Investigating Employee Misconduct*; *Resume Fraud: The Top 10 Lies*; *Small Businesses Face Greatest Risk for Fraud & Embezzlement; Green Energy Investment Scams: Do Your Due Diligence; Ethics in Investigations*; *Ponzi Schemers, Embezzlers and Fraudsters, Oh My!*; *Integrity Hotlines: Getting the Inside Word on Fraud, Waste & Abuse; Managing Global Security Concerns: Practical Considerations; Anticipating Workplace Violence Can Reduce the Threat; Do You Know Who You Are Hiring?; Post 9/11 & Enron Due Diligence Must Dig Deeper; and Executive Air Travel Security Guidelines.* Mr. Marquet also lectures regularly on many of these and other topics as well.

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