

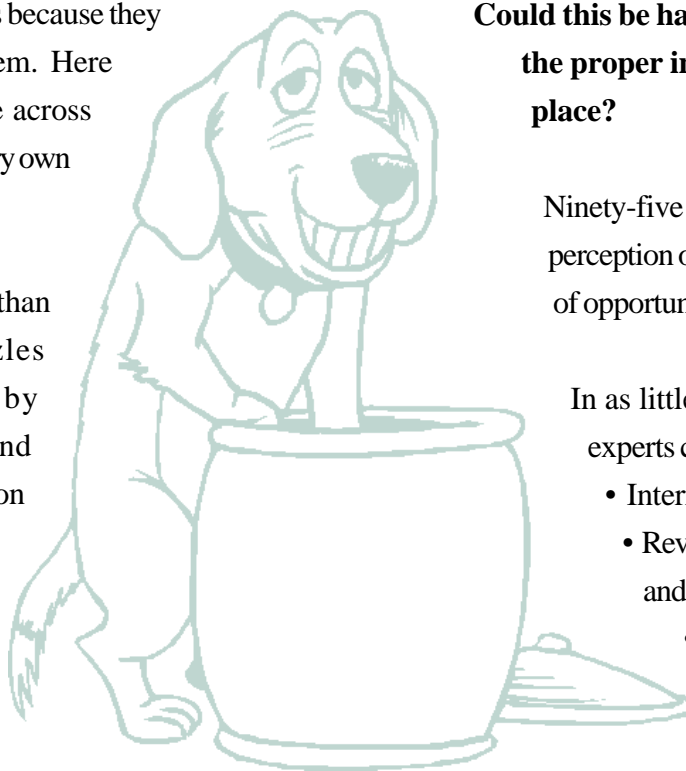
Fraud Alert !

Did you know?

Fraud and abuse costs U.S. organizations more than **\$400 billion annually**... the average organization loses more than **\$9 per day per employee** to fraud... the most costly abuses occur in organizations with less than 100 employees?

There are businesses in town, large and small, who have lost several thousands of dollars in profits because they thought it could never happen to them. Here are a few cases that we have come across that could be happening within your very own organizations.

- Bookkeeper in a shop with less than fifteen employees embezzles \$130,000 over two years by duplicating payroll checks and forging the owner's signature on checks. She had worked for this employer for more than ten years.
- Employee opens business mail and takes check payments to a bank where he has set up a company with a similar name.
- Employee pays all personal expenses through business by combining them with similar payees of the business, such as PG&E and cell phone bills. Combined with paid credit cards, losses to the business total over \$1,200 per month.
- While the owners believed tax payments were being made, the funds were actually being deposited to the employee's account. On top of the fraud losses, the company was responsible for penalties and interest for IRS delinquencies.



Most of these occurred in small businesses. Many were committed by long-term employees. Almost all were committed by employees who were described as “hardworking, trustworthy, key employees.” In some cases these were people who found themselves in a desperate situation, saw an opportunity, and acted with the intention that they would pay it back.

Could this be happening to you? Do you have the proper internal accounting controls in place?

Ninety-five percent of fraud prevention is the perception of a control environment – the lack of opportunity.

In as little as a morning, the firm's fraud experts can examine your:

- Internal controls,
- Review your accounting environment, and
- Identify risk areas.

From this simple analysis the firm can offer your business solutions to help safeguard your business. No one can guarantee you won't be a victim, but we can even the playing field for you!

Don't wait for this problem to find you. Have your businesses' accounting controls reviewed. For more information, contact Marie Ebersbacher, CPA and Certified Fraud Examiner at (661) 324-4971 or (888)565-1040.

BUSINESS COMBINATIONS & GOODWILL

In late June, members of the Financial Accounting Standards Board (FASB) voted unanimously to adopt two new accounting standards: Statement No. 141, Business Combinations, and Statement No. 142, Goodwill and Other Intangible Assets. The first standard may affect companies that are involved in mergers or acquisitions because it eliminates the pooling-of-interests method of accounting, effective for business combinations initiated after June 30, 2001. The second standard will eliminate the amortization of goodwill for accounting purposes (including goodwill recorded in past acquisitions) and substitute an impairment approach, effective for fiscal years beginning after December 15, 2001 (on January 1, 2002, for calendar year businesses).

The American Institute of Certified Public Accountants officially recognizes FASB as an authority for Generally Accepted Accounting Principles (GAAP). The standards that FASB sets are viewed as essential to creditors, investors, and others who need to rely on credible and comparable financial information.

Changing Rules

Previously, mergers and acquisitions often qualified for a pooling-of-interests approach in which the book values of the two companies' assets and liabilities were simply combined. In contrast, the purchase method of accounting requires that the acquiring company record as goodwill any excess of the purchase price over the fair values assigned to assets acquired and liabilities assumed in the transaction.

Under the new accounting standard, this goodwill will not be amortized but instead must be written off only when it is "impaired"; that is, when the fair value of the goodwill has fallen. Companies will be required to test the value of goodwill at least once a year. Write-downs will generally be required to reflect any decreases in fair value.

Implications

The new impairment test will require regular valuations of companies and their assets and liabilities. As part of this analysis, future cash flows may need to be estimated and their present value calculated.

Elimination of the pooling method will force companies to account for any premium paid in a business combination. In negotiating a purchase price, management will want to consider the potential impact of recording goodwill for both financial reporting and tax purposes.

Previously, companies with goodwill on their books could easily predict their amortization expense over future years. Now those companies will have to deal with the unpredictability of goodwill impairment write-offs.

Note that the new goodwill accounting standard will not change the tax amortization of goodwill (generally over 15 years). Thus, annual tax payments by companies currently amortizing goodwill should not be affected because of the new accounting standard.

Companies that were recently involved or plan to be involved in a merger or acquisition need to consider these new developments. Please contact us for further information and assistance.



Do you have money sitting with the State of California and not realize it?

We recently found more than \$120,000 for many of our clients. How do you find out if you have "**Unclaimed Funds**" ? Search the State Controller's Unclaimed Property Bulletin Board system at the following web site <https://scoweb.sco.ca.gov/scoucp/inquiry/index.html>. The search is simple...once you are at the Controller's internet site, enter your name or business' name as prompted. If a match or multiple matches exist, the system will display them and you may print a claim form for each match. Submit your claim form, along with proof of identification to Controller of California, Bureau of Unclaimed Property, P.O. Box 942850, Sacramento, CA 94250-5873. If you feel you may have other accounts that did not appear in your search you may call the State Controller's office at (800) 992-4647 (California residents), (916) 323-2827 (out-of-state).