

# WICPA Financial Institutions Conference: Accountant Liability Issues

May 13, 2026



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CCA, CRFAC, FABFA



**The Sargent Consulting Group, LLC**

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## Today's Agenda

- Who We Are & What We Do
- Codes of Conduct
- Fraud Triangle
- Case Studies
- Whistle-blowing 101
- Current Cases
- Questions



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## Who We Are & What We Do

The Sargent Consulting Group, LLC is an independent firm providing management advisory and litigation consulting services to attorneys, creditors, individuals, government agencies, management and turnaround advisors. Our firm was formed to meet the needs of a unique client, typically in a state of distress or turmoil.

We recognize our clients depend on consistently accurate, reliable and succinct information. Our unique combination of Accounting, Investigative, Operational and Technical skills deliver solutions to complicated financial problems.

**WE SOLVE PROBLEMS!**

Our Clients

Our Capabilities

Our Team

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# Our Clients

- Attorneys
- Creditors
- Government Agencies
- Individuals
- Management




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# Our Capabilities

- Business Valuations
- Economic Damages
- Expert Witness Services
- Financial Investigations
- Forensic Accounting



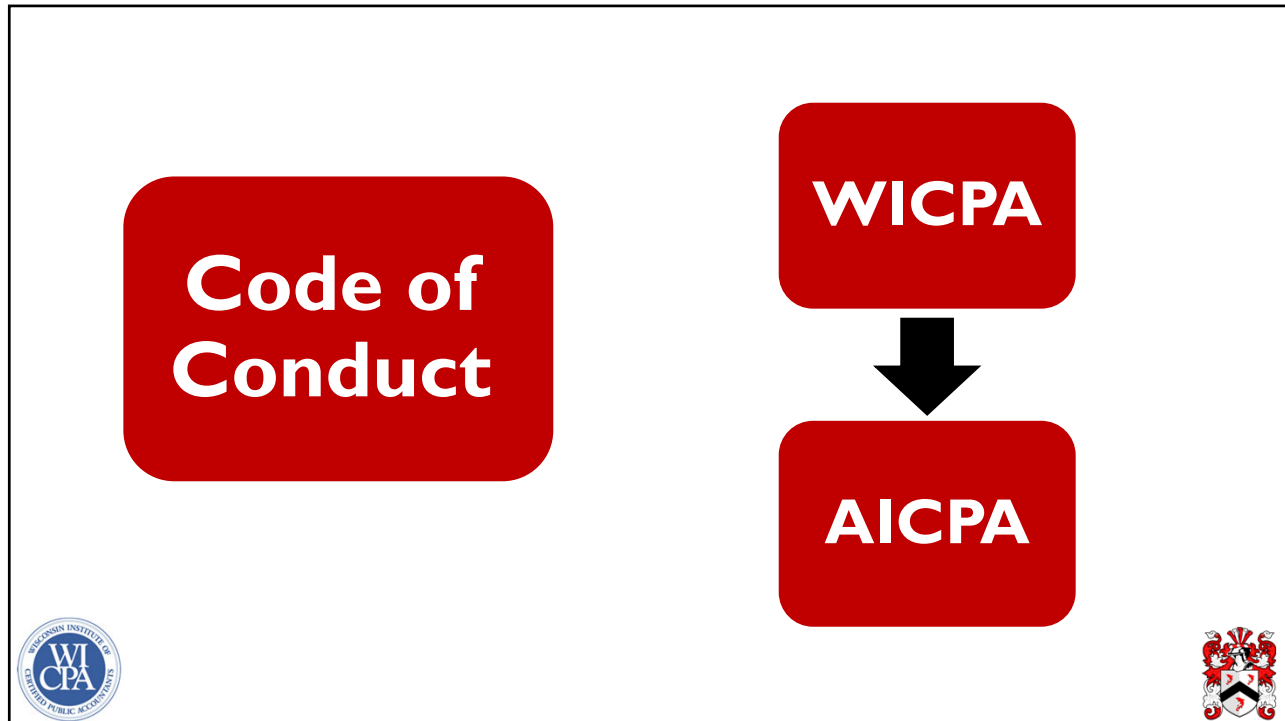
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# Our Team

- Chicago/Denver/Detroit
- Our Credentials:
  - CPA
  - ABV
  - CCA
  - CFE
  - CFF
  - CFS
  - CIRA
  - CRFAC
  - CVA
  - MBA/MSA





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**Wisconsin Administrative Code  
Accounting Examining Board  
Accy 1.101 - Professional conduct**

- (1) The board adopts by reference the "Code of Professional Conduct" published by the American Institute of Certified Public Accountants, effective as of December 15, 2014, except that references to "member" are replaced by "a person licensed to practice as a certified public accountant."
- (2) All definitions included in the American Institute of Certified Public Accountants' Code of Professional Conduct shall apply only within that document.



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## AICPA's Code of Professional Conduct

Applies to AICPA members professionally holding themselves out as a CPA, whether performing attest or non-attest services. The code contains 6 principles, which SARGENT uses to ensure that we are holding ourselves & our work to the highest standard. SARGENT also uses these principles in our investigations to evaluate other accountant's potential lack of independence.

### Responsibilities Principle - 0.300.020

- Members should exercise sensitive professional and moral judgements in all their activities.
- Members of the [AICPA] have responsibilities to all those who use their professional services.

### Public Interest Principle - 0.300.030

- Members should accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate a commitment to professionalism.

### Integrity Principle - 0.300.040

- Members should perform all professional responsibilities with the highest sense of integrity.
- Integrity is measured in terms of what is right and just. In the absence of specific rules, standards, or guidance or in the face of conflicting opinions, a member should test decisions and deeds by asking: "Am I doing what a person of integrity would do? Have I retained my integrity?" Integrity requires a member to observe both the form and the spirit of technical and ethical standards; circumvention of those standards constitutes subordination of judgment.



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## AICPA's Code of Professional Conduct

### Objectivity & Independence Principle - 0.300.050

- A member should maintain objectivity and be free of conflicts of interest in discharging professional responsibilities. A member in public practice should be independent in fact and appearance when providing auditing and other attestation services.

### Due Care Principle - 0.300.060

- A member should observe the profession's technical and ethical standards, strive continually to improve competence and the quality of services, and discharge professional responsibility to the best of the member's ability.
- It imposes the obligation to perform professional services to the best of a member's ability, with concern for the best interest of those for whom the services are performed.

### Scope & Nature of Services Provided Principle - 0.300.070

- A member in public practice should observe the Principles of the Code of Professional Conduct in determining the scope and nature of services to be provided.
- In order to accomplish this, members should:
  - Practice in firms that have in place internal quality control procedures to ensure that services are competently delivered and adequately supervised.
  - Determine, in their individual judgments, whether the scope and nature of other services provided to an audit client would create a conflict of interest in the performance of the audit function for that client.
  - Assess, in their individual judgments, whether an activity is consistent with their role as professionals.



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## SARGENT Case Studies

This section features a red background with the title 'SARGENT Case Studies' in white. Below the title are three gray rounded rectangular boxes containing the following text: 'Lipstick on a Pig', 'Many Small Mistakes or One Big Mistake?', and 'More Tales From the Front: Current Cases'. The Wisconsin Institute of Certified Public Accountants logo is in the bottom left, and a crest is in the bottom right.

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**Lipstick  
on a  
Pig**




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## **Ratio Analysis Raises Red Flag**

- Family owned business was acquired by a mid-size company, which had itself been acquired by a global, publicly traded company.
- Through ratio analysis, new parent company identified signs of a potential fraud.
- "Days Sales Outstanding" was significantly higher than any other subsidiary, and growing.
- Preliminary conclusion: Revenue Recognition Fraud
- SARGENT brought in to review cash, payables, and disbursements and ensure that the fraud was accounting-only






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## SARGENT On the Case

- Spent four days on site and conducted 12 interviews
- Performed background investigations on 14 individuals
- Worked with a private investigator to learn even more about the Controller
- Imaged computer hard drives
- Reviewed thousands of emails
- Searched vendor list for "ghost vendors"
- SARGENT learned that the controller's spouse was a mail carrier, so we checked employee and vendor addresses to their delivery route








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## Findings: the Human Element

- SARGENT learned that when the family business was first bought by the mid-sized business, costs were cut and many employees were terminated
- After getting purchased again, by an even larger company, the controller feared another round of terminations, and began inflating credit sales to appear more profitable and potentially save employee jobs
- While SARGENT did note controls deficiencies in the cash disbursement process, SARGENT was unable to definitively identify any misappropriated funds
- No one profited directly from this fraud

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**Many Small  
Mistakes  
or  
One Big  
Mistake?**



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## **Small Mistakes Grow Over Time**

- Michigan Public Accountant
- Held himself out as CPA
- 1980's: Moved from public to industry
- Didn't keep up with CPE and let license lapse
- 2000's: Returned to public from industry
- Was asked by tax client to testify as expert witness
- Held himself out as CPA
- Potentially career ending
- Could face civil and **CRIMINAL** liability
- Know the rules!



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## MICHIGAN OCCUPATIONAL CODE (EXCERPT)

### Act 299 of 1980

#### 339.735 Violation as felony; penalty; enforcement.

##### Sec. 735.

(1) A person who violates section 723(1) through (4) is guilty of a felony punishable by a fine of not more than \$25,000.00, or imprisonment for not more than 5 years, or both.

(2) The attorney general or the prosecuting attorney of a county may bring an action in a court of competent jurisdiction to enforce this section and section 601.



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## MICHIGAN OCCUPATIONAL CODE (EXCERPT)

### Act 299 of 1980

339.723 Use of title, terms, or abbreviations indicating person is certified public accountant; prohibited conduct; display or uttering of certain instrument or device as prima facie evidence that person caused or procured display; use of certain designations in connection with firm name; violation; fine; investigation and enforcement.

##### Sec. 723.

(1) **Each individual having complied with the requirements described in section 720(1)(b) shall be known as a certified public accountant** and any other person shall not use that title or the abbreviation "CPA" or any other word, words, letters, or figures to indicate that the person using them is a certified public accountant unless the use is specifically approved by the board. Use of the terms "certified accountant", "chartered accountant", "public accountant", and "registered accountant" and the abbreviations "C.A.", "P.A.", and "R.A." is specifically prohibited as being prima facie misleading to the public.

(2) Except as provided in section 724, **a person shall not engage in the practice of public accounting either in the person's own name, under an assumed name, or as a member of a firm or as an employee, unless the person holds a Michigan license as a certified public accountant** issued under this article or is practicing public accounting in this state pursuant to section 727a.

(3) Unless use of a term is specifically approved by the board, the display or uttering by a person of a card, sign, advertisement, directory listing, or other printed, engraved, or written instrument or device bearing a person's name in conjunction with a title described in subsection (1) shall be prima facie evidence that the person whose name is so displayed caused or procured the display or uttering of the card, sign, advertisement, directory listing, or other printed, engraved, or written instrument or device. Evidence of the commission of a single act prohibited by this section is sufficient to justify an injunction or a conviction without evidence of a general course of conduct.

(4) Each licensed firm may use the designation "certified public accountants" in connection with the firm name, except that a licensed firm having only 1 member may use only the designation "certified public accountant". An unlicensed firm shall not use the designation "certified public accountants", "certified accountants", "chartered accountants", "public accountants", or "registered accountants" or the abbreviation "C.P.A.", "CPA", "CPAs", "C.A.", "P.A.", or "R.A." in connection with the firm name unless the firm is licensed under the laws of another licensing jurisdiction and is permitted to practice in this state without obtaining a license as described in section 728.

(5) A person that violates this section or a rule or order promulgated or issued under or related to this section is liable for an administrative fine payable to the department of not more than \$25,000.00 per violation.

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# Big Mistake: Help Client Commit Tax Fraud

- Illinois Public Accountant
- Devised scheme to move losses from unsuccessful business to successful business
- Cycled money through "Management Fees" to reduce tax liability
- Testified at deposition that tax avoidance scheme was his idea
- Did not realize potential liability/exposure
- Know the rules!



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Analysis of \$100,000 Transfers between Business Owner, Healthy Entity and Unhealthy Entity, Inc.  
For the Period May 9, 2024 through May 30, 2024

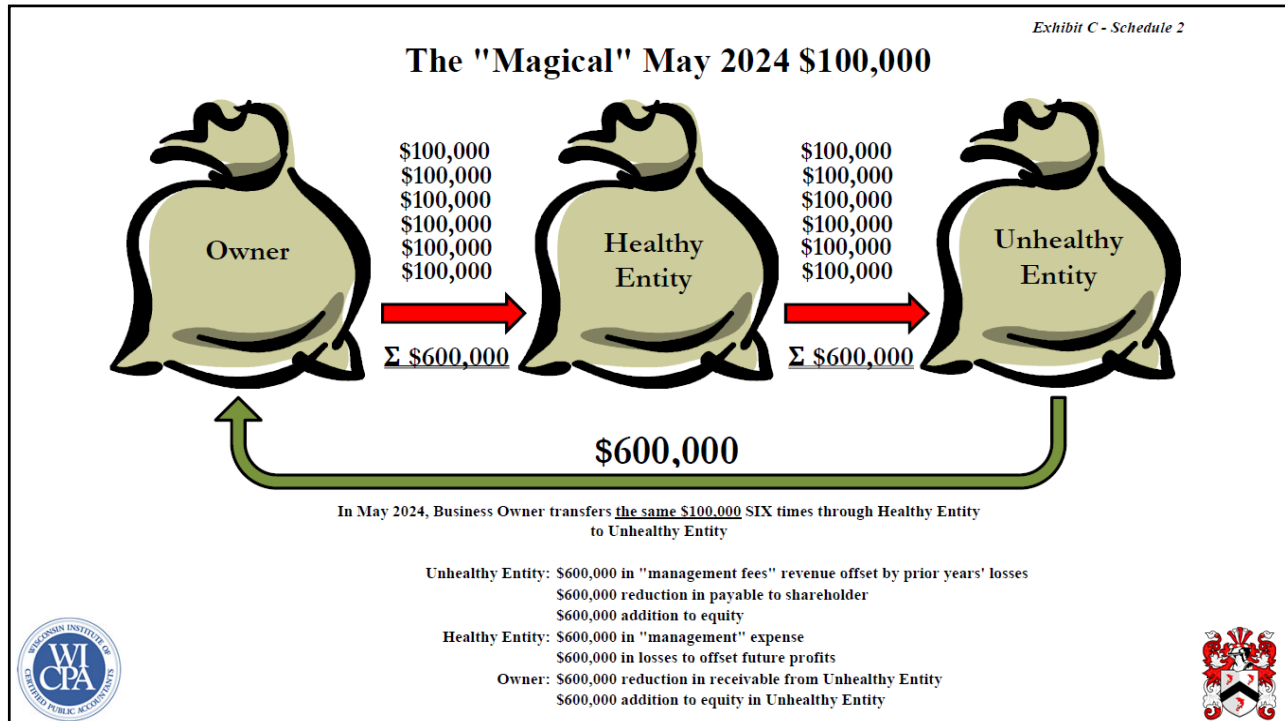
*Exhibit C - Schedule 2*

Date	Transaction Description	Bank Account			
		-1234 Business Owner	-5555 Business Owner	-6783 Healthy Entity	-9989 Unhealthy Entity
<b>Transfer #1</b>					
09-May-24	Check: Business Owner to Healthy Entity	\$ (100,000)	\$ -	\$ 100,000	\$ -
10-May-24	Transfer: Healthy Entity to Unhealthy Entity	-	-	(100,000)	100,000
11-May-24	Transfer: Unhealthy Entity to Business Owner	-	100,000	-	(100,000)
<b>Transfer #2</b>					
11-May-24	Check: Business Owner to Healthy Entity	\$ -	\$ (100,000)	\$ 100,000	\$ -
14-May-24	Transfer: Healthy Entity to Unhealthy Entity	-	-	(100,000)	100,000
15-May-24	Transfer: Unhealthy Entity to Business Owner	-	100,000	-	(100,000)
<b>Transfer #3</b>					
15-May-24	Check: Business Owner to Healthy Entity	\$ -	\$ (100,000)	\$ 100,000	\$ -
17-May-24	Transfer: Healthy Entity to Unhealthy Entity	-	-	(100,000)	100,000
17-May-24	Transfer: Unhealthy Entity to Business Owner	-	100,000	-	(100,000)
<b>Transfer #4</b>					
18-May-24	Check: Business Owner to Healthy Entity	\$ -	\$ (100,000)	\$ 100,000 <sup>(1)</sup>	\$ -
21-May-24	Transfer: Healthy Entity to Unhealthy Entity	-	-	(100,000)	100,000
21-May-24	Transfer: Unhealthy Entity to Business Owner	-	100,000	-	(100,000)
<b>Transfer #5</b>					
22-May-24	Check: Business Owner to Healthy Entity	\$ -	\$ (100,000)	\$ 100,000	\$ -
23-May-24	Transfer: Healthy Entity to Unhealthy Entity	-	-	(100,000)	100,000
23-May-24	Transfer: Unhealthy Entity to Business Owner	-	100,000	-	(100,000)
<b>Transfer #6</b>					
24-May-24	Check: Business Owner to Healthy Entity	\$ -	\$ (100,000)	\$ 100,000	\$ -
29-May-24	Transfer: Healthy Entity to Unhealthy Entity	-	-	(100,000)	100,000
30-May-24	Transfer: Unhealthy Entity to Business Owner	-	100,000	-	(100,000)

**Notes:**  
1.) \$100,414 deposited into Healthy Entity's bank account




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## Whistle Blowing 101

- Accountants like to keep their head down, get work done and go home
- "Bury their head in the sand"
- Important note: you are not the average accountant/bookkeeper!
- We find out about frauds through whistle-blowers



**Reason Why Accountants Don't Speak Up**

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## Reasons Why Accountants Don't Speak Up

- Job security
- Retaliation
- Company culture
- Desire to be liked




**The reason we hear most often:  
“No one asked me!”**



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**More Tales  
From the  
Front:**


**Current  
Cases**



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**Oh, The Things We See...**

- 30 Year CPA and “Friend”
- Not For Profit Outside Accounting Firm
- Mom, CPA, Really Loves her Son
- Poor Widow Claims EVERYTHING as an Expense
- “I’ll be Right Back, Need a Bathroom Break”

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**Questions?**

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[www.SargentConsultingGroup.com](http://www.SargentConsultingGroup.com)

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## Question 1

Which of the following credentials can provide a knowledge and experience base for investigative work?

- A. Certified Public Accountant
- B. Certified Fraud Examiner
- C. Certified Forensic Accountant
- D. All of the Above



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## Question 2

What entity promulgates the Code of Conduct for CPAs in Wisconsin?

- A. WICPA
- B. ACFE
- C. EIEIO
- D. AICPA



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## Question 3

If a CPA “cooks the books” at an entity, but for the sole purpose of saving jobs and families, will courts issue a Get Out of Jail Free Card?

- A. True
- B. False



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## Question 4

Which is NOT a key Doctrine of the IRS?

- A. Form Over Substance
- B. Business Purpose
- C. Fallenness of Man
- D. Economic Substance



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# Question 5

Have you ever advised a client to commit tax fraud?

- A. Yes
- B. Absolutely!
- C. Only When Asked
- D. Never

