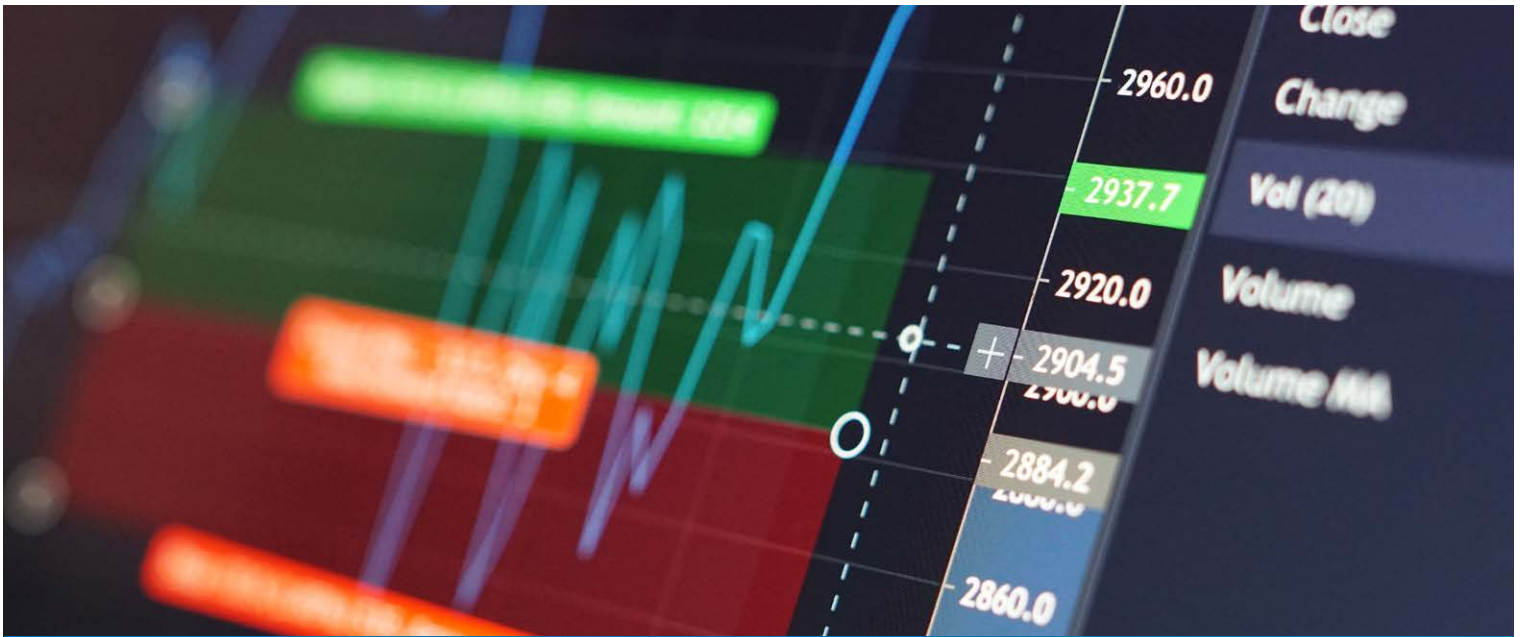




Insights: Top Disputes & Investigations

Forensic Accounting
& Advisory Services





Forensic Accounting & Advisory Services

Accounting policies and practices are routinely subjected to scrutiny by regulators, law enforcement officials, business counterparties and whistleblowers. We expect that COVID-19 will bring an additional set of challenges for companies, including new forms of scrutiny. According to the SEC, the pandemic may raise risks to investors because it exposes pre-existing accounting or disclosure improprieties, leads issuers to engage in improper conduct, or permits companies to disguise previously undisclosed problems.

We stand ready to help. We specialize in forensic accounting investigations, financial record reconstruction, interview techniques, computer forensics and electronic data retrieval, enterprise-wide complex data modeling and analysis, quantifying damages, providing expert witness testimony at trial, and designing and implementing robust internal controls. Our professionals are among the industry's top practitioners and include former "Big Four" audit firm partners, former prosecutors, law enforcement officials and regulators from key agencies, including the SEC, the Financial Accounting Standards Board and the Public Company Accounting Oversight Board.

In this section, of our **2020 Insights: Top Disputes & Investigations**, we highlight our work helping clients resolve disputes on major Forensic Accounting & Advisory Services projects.



Investigating Fraudulent Digital Marketing Campaigns

A large national advertising and marketing services company acquired an entity focused on executing digital marketing campaigns for customers. After allegations that the digital marketing campaign results presented by the acquired entity were not being reported accurately to customers, we were retained – along with outside counsel – to conduct an internal investigation.

We assembled a multi-faceted team to assist the Audit Committee and outside counsel:

- FTI’s technology professionals collected, processed, and hosted the electronic evidence and coordinated the electronic data review so that outside counsel could efficiently and effectively review and identify the relevant electronic communications and documents.
- FTI’s forensic accounting experts reviewed business records underlying the marketing campaign transactions and participated (with outside counsel) in interviews of company personnel.
- FTI’s data analytics professionals evaluated the underlying systems of the acquired entity and the voluminous electronic data related to the subsidiary’s marketing campaigns to independently assess the accuracy of the results that the subsidiary reported to its customers.
- FTI business intelligence professionals conducted background research on the acquired entity’s co-founders and related parties.
- FTI’s strategic communications professionals assisted the company and counsel with devising a communications plan to notify impacted customers, inform employees and respond to media inquiries.
- FTI’s technical accountants worked with the company to assess financial reporting impacts, including contingent liabilities, materiality, and internal control implications.

Once the fraud was exposed, the parent company self-reported to government regulators, shut down the acquired entity, initiated legal action against the subsidiary’s co-founders and took steps to protect its reputation.

Subject Matter Experts



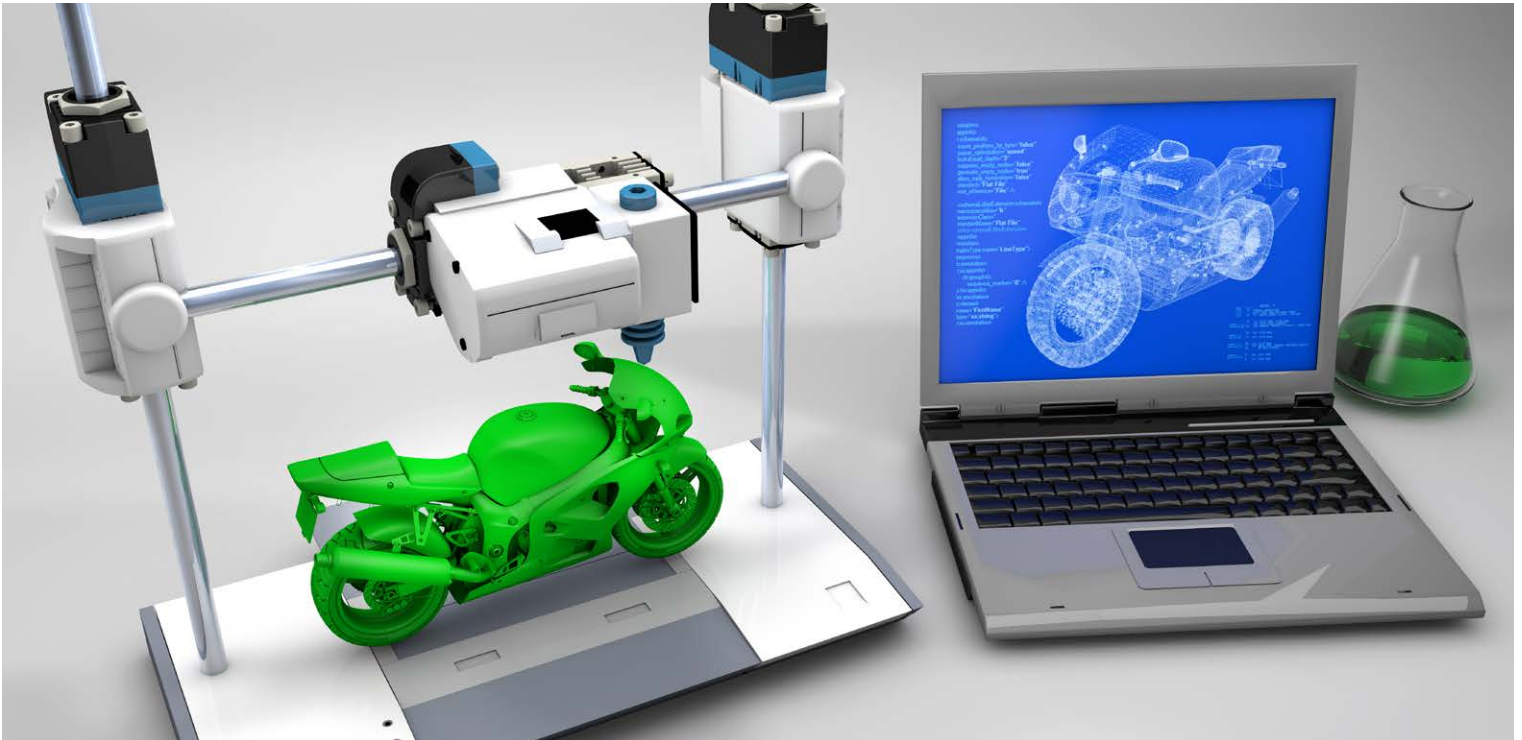
Edward Westerman
Senior Managing Director



Jeanne Gee
Managing Director



Jeff Rhodes
Managing Director



Mattel Investigation: Investigating a Whistleblower Complaint

Mattel is a leading global children’s entertainment company that specializes in the design and production of toys and consumer products. Recently, it received a whistleblower letter questioning whether there were accounting errors in its financial statements and whether Mattel’s outside auditor was independent. The Audit Committee for Mattel retained FTI Consulting and O’Melveny & Myers (as independent counsel) to investigate these allegations.

The Audit Committee, together with independent counsel and forensic accountants from FTI Consulting thoroughly investigated the allegations in the whistleblower letter. The investigation identified failures to properly consider and disclose errors to the then-Chief Executive Officer and Audit Committee once they become known, and also found violations of the auditor independence rules. The investigation found other allegations made by the whistleblower to be unfounded or immaterial.

As a result of the investigation, Mattel’s Audit Committee determined that the reported net loss of \$603.3 million for a previously reported quarter was understated by \$109 million due to an error in calculating its tax valuation allowance and there were material weaknesses in its internal control over financial reporting. The current CEO agreed with the Audit Committee’s conclusions and agreed to implement remedial measures to Mattel’s financial controls and auditor independence.

Subject Matter Experts



Ed Westerman
Senior Managing Director



Brett Kumm
Senior Managing Director



Chris Brown
Senior Managing Director



Logan Stultz
Senior Director



Investigation of Reported Accounting Irregularities at a U.S. Registrant

The Audit Committee of a global manufacturer of consumer products received several anonymous complaints alleging inappropriate sales transactions with a third-party vendor. We were retained as the independent forensic accounting advisor to assess these complaints.

We worked closely with outside counsel to interview witnesses and to review and analyze the relevant accounting data and information from disparate systems, including email and text communications, to identify and understand the facts and circumstances surrounding the alleged inappropriate sales transactions. As the investigation continued, we were also asked to review a parallel set of allegations surrounding inappropriate expense reimbursements to certain company employees and payments from third parties.

We conducted a thorough review of the Company's accounting data and documentation and were able to quickly isolate the allegations to a small number of select transactions. Based on the information obtained through the course of the investigation, the Audit Committee and the Company concluded a restatement was necessary. Following this determination, FTI Consulting assisted counsel in reporting the results of the investigation to the Company's auditors, U.S. regulators, and other regulatory bodies outside of the U.S.

Subject Matter Experts



Ed Westerman
Senior Managing Director



Nicole Wells
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Brett Kumm
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FTI Consulting is an independent global business advisory firm dedicated to helping organizations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centers throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities.

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