

Corporate & Due Diligence Investigations

Real Life Case Studies

1 YOUR BUSINESS IS AT RISK!

Kimmons Investigative Services, Inc. has conducted corporate and due diligence investigations around the country for companies small and large. In many cases, management is surprised that something serious was wrong, hiring us only after they see discrepancies in documents or financials that they can't explain.

These short case study examples are to help you to see that problems aren't limited to certain types of business. From manufacturing through retailing and to consulting and professional services, every company has some exposure to risk. This is simply because people do things we don't expect, and often long time trusted employees experience a life or financial event that leads them to deception, fraud or theft in their jobs.

As for due diligence, thorough background checks of proposed hires is very important, especially for management and financial positions. Weeding out potential problems before they're part of the company is a far better policy than solving problems later. There are also many instances where due diligence background investigations of new clients or proposed merger candidates have helped companies to avoid serious future problems. Here are a few overviews of real life case studies.

2 INTERNAL THEFT AT A BARGE COMPANY

This client called us with documented theft, but they needed trained investigators to determine the extent of the problem and how the theft was being conducted. They believed it was in the vendor payment system, and their suspicion was that around \$300,000 was their exposure to date.

After a 45 day investigation, Kimmons Investigators documented more than \$550,000 in theft through the vendor invoice payment system. The facility manager, in concert with several large vendors, was crating large invoices for work on barges. However, the work was never being performed. When the false work invoices were paid, the vendor would kick back a portion to the facility manager.

The investigation involved Subject interviews, document reviews and surveillance. Full confessions were obtained from all parties involved with the proof presented from the investigation. At the request of the Client, Kimmons investigators delivered the documentation to a Federal Law Enforcement Agency, and they instituted their own investigation.

Kimmons Investigative Services, Inc. maintains strong ties with law enforcement, and the quality of our investigative reporting leads to appreciation and attention from these agencies when requested.

3 DUE DILIGENCE INVESTIGATION STOPS AN ACQUISITION

Kimmons Investigative Services, Inc. is often called upon to conduct background checks and investigations of management personnel for acquisitions and mergers. In this case, the acquiring company asked us to investigate key personnel and the potential acquisition company's activities. This is outside the normal financial due diligence conducted by accountants.

It was a wise decision, as the results of the due diligence investigations were revealing. There was ongoing litigation involving the Subject Company that had not been disclosed to the Client. Key employees had also not disclosed potential conflicts of interest that could have created major future problems for our Client.

Even more of a hidden issue was the fact that the CFO of the company to be acquired had a felony criminal conviction, another item not disclosed in the acquisition discussions or documents. With this many issues and a pattern of non-disclosure, the Client decided not to move forward with the acquisition.

4 PERSONAL INJURY LITIGATION INVESTIGATION

Just being in business in our litigious country puts every company, no matter what size, at risk of lawsuits by employees, customers and others. We often work for insurance carriers and their attorneys on personal litigation cases. In a very common situation, Kimmons Investigations was retained by attorneys for an insurance carrier to surveil an alleged injured party. The individual claimed to be totally disabled from an "on the job" injury.

This person claimed that he was not able to walk without assistance. He also said that he was unable to operate a motor vehicle, and claimed that he was experiencing difficulty just getting from inside his home to his front porch without assistance.

Through the surveillance efforts of Kimmons investigators, video footage was obtained of the Subject driving his vehicle on several occasions. He was also recorded on video placing bags of groceries in the vehicle without assistance. In his activities he showed no visible signs of physical injury while under surveillance. The most telling event however was when he repeatedly climbed a ladder while re-roofing his home. He carried roof shingles on his back without assistance.

Due to the documented activities by surveillance investigators, the Subject's claim was greatly reduced and settled for nuisance value.

5 LAW FIRM EMBEZZLEMENT INVESTIGATION

Kimmons Investigative Services, Inc. was hired by a prestigious Houston, TX law firm with discovered discrepancies in their operating balances on financials. They were unsure of the extent of the losses, nor did they know the source of the problem.

After an extensive investigation, Kimmons investigators determined and documented that the legal office manager of the firm was engaged in aggressive embezzlement activities. She was using the law

firm's credit cards to order expensive shoes, purses, gift certificates and other items. She would have them shipped to her home then resell the items on eBay. This was a long term scheme.

As a long term and trusted employee of the firm, she was able to embezzle more than \$200,000 from the firm through her scheme. The employee was confronted and confessed. She was eventually sentenced to prison time, and some of the items were retrieved.

6 IF YOU'RE IN BUSINESS, YOU'RE AT RISK

Call us now for a free consultation of your possible exposure or if you have suspicions of illegal activity.

KIMMONS INVESTIGATIVE SERVICES, INC.

Texas Oldest, Largest & Most Experienced Investigative Firm

3033 Chimney Rock, Suite 200
Houston, TX 77056
United States

Phone: [\(713\) 532-5881](tel:(713)532-5881)

Fax: [\(713\) 266-4002](tel:(713)266-4002)

E-Mail: rob@kimmonsinv.com

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