

1 of 1 DOCUMENT

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STEALING FROM THE BOSS; EMBEZZLEMENT HARDEST ON SMALL COMPANIES; BREACH OF TRUST

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When she was hired last June as an office manager at Sherwood Inspection in South Windsor, Candace Brainard was facing charges of embezzling \$40,000 from a previous employer in Rocky Hill.

David Sherwood learned of those earlier charges only this month, three weeks after police arrested Brainard and accused her of looting \$12,000 from Sherwood over the six months she worked there.

Brainard, 43, of Hebron, now has felony larceny and forgery cases pending in Superior Court in New Britain and Manchester.

"I had no idea. I wish I had," Sherwood said Friday. "Our losses are probably more than \$12,000 because we've been uncovering more stuff. We're missing a \$3,000 piece of equipment, which she said she sent out for testing. This is really hard on us."

The allegations provide a classic example of employee theft, a widespread, often devastating crime that sapped nearly \$1 trillion from the nation's businesses in 2008, about 7 percent of all business revenue, according to a report from the Association of Certified Fraud Examiners.

As the economy worsens and more people face deepening debt, it seems logical to fear that embezzlement might tempt more workers.

But this type of theft is a constant in good times and bad, experts say, and there's no clear indication so far during this recession of a spike in people embezzling from their employers.

"It may be on the increase in the next few months, but this crime is hard to detect quickly. Usually it's been going for months or even years before a business realizes it," said Mary Rose Palmese, a veteran prosecutor in New Britain Superior Court.

Craig Butterworth of the National White Collar Crime Center in Virginia concurs. He said any significant increases won't become apparent until later this year.

EASY PICKINGS

Many small businesses, the type of companies that suffer the deepest wounds from embezzlers, don't have safeguards in place, such as unscheduled audits, until they've lost substantial sums.

"It's far easier to steal large amounts of money through embezzling than by holding up a bank," said **Constance Bagley**, a business management and ethics professor at Yale University School of Management. The stealing runs from a few hundred dollars skimmed from cooked books to the staggering \$100 million that Yasuyoshi Kato confessed he stole during

the 1990s while working as chief financial officer for Day-Lee Foods Inc., a meat processor in Santa Fe, N.M.

Recent cases in Connecticut federal and state courts include a Tolland man convicted for stealing \$5.3 million from his employer, a Monroe fire department treasurer sentenced for embezzling \$160,000 and a paralegal who admitted she stole \$1.7 million from a South Windsor law firm.

"There's an aspect to it that is more disturbing than just theft," said John Massameno, a senior state prosecutor assigned to Brainard's older case. "Theft is bad, but embezzlement is a breach of trust. Often we're not able to prove the full extent of the stealing. It's calculated and a very damaging crime and very complex."

Small-business owners often don't see through the embezzler's complex web of fake accounts, diverted phone calls and forged signatures for months and even years. Some don't take relatively simple steps to avoid being victimized. Sherwood acknowledged he had not done a background check on Brainard. He learned of the alleged theft only after a courtesy call from a credit card company about a suspicious \$300 check.

"In the future," Sherwood said. "Everyone we hire is getting a background check."

His experience raises the question of whether businesses would benefit from a public list of convicted embezzlers, similar to the Megan's List of convicted sex offenders.

"I think that's a great idea," said Denise Lunden, president of Software Marketing Associates, where Brainard worked until her first arrest in 2007. Brainard is accused of writing 40 checks to herself for a total of \$17,000 and pilfering \$33,250 from the petty cash fund at Software Marketing. "You really have no way of knowing about a person's past. They can hide it," Lunden said. "Maybe there's a name change, so you can't find the person. A judge might order someone to tell everything to a prospective employer, but just because a judge orders it doesn't mean it will be done."

The smaller the embezzler's company, the more likely the thefts will ruin the business, according to the Association of Certified Fraud Examiners. Its 70-page study on nearly 1,000 case studies of workplace theft nationwide noted that the median loss suffered by businesses with fewer than 100 employees was \$200,000, higher than the median loss in any other study category, including the largest corporations. "It's a crime of opportunity by people charged with the responsibility of handling money for someone else," New Britain Police Sgt. Robert Martin said of the employee theft cases he specialized in investigating when he was a detective.

Most employees caught stealing at work have been at it for months, mainly because the thefts are concealed. Employee theft can last for months or years before a business owner realizes any money has been taken, according to the Association of Certified Fraud Examiners in its 2008 report on occupational fraud.

BREACH OF TRUST

Such thieves exploit what Sam Antar - a key player in the multimillion-dollar looting of his family's "Crazy Eddie" chain in the 1980s - calls a "wall of false integrity."

"When you gain the confidence of people around you, they don't look too deeply," Antar said in a recent telephone interview from his New York City office, where he runs a white collar fraud blog and has a website - www.whitecollarfraud.com - to warn people about "fraudsters" like himself.

Antar, the former chief financial officer of Crazy Eddie Inc., became a key government witness in criminal and civil prosecutions of a scam that cost investors millions and killed many jobs. He said he makes no excuses for his criminal conduct and deserves no praise for his cooperation with prosecutors. What he wants, Antar said, is to make people aware of white collar fraud.

"People don't like to think they have to worry about being cheated," he said. "They like to trust, to have unexamined acceptance. And it's always the most trusted person who steals."

That's what happened at Connecticut Cap & Seal Company in New Britain.

Office manager Lori Wadman had worked for four years in her part-time job when owner Joseph Lavendier first began to suspect something was wrong. A vendor called, looking for long-overdue payments. Wadman, who'd insisted she'd paid the bills, had been forwarding company calls to her personal cellphone. But one call got through to Lavendier.

Then he learned that the state Department of Labor was asking about missed payments for unemployment. So Lavendier called his company's accountant to talk and was told, "By the way, that last check you wrote me bounced and you still owe me for 2005," Lavendier said.

"I had a sick feeling," he said. "I didn't want to believe it at first."

He confronted Wadman and she left. The police became involved. Lavendier said Wadman likely stole \$200,000, maybe more, from him from 2002 to 2006.

Last October, Wadman, 44, of Southington, became a convicted felon. She pleaded guilty to first-degree larceny, second-degree larceny and second-degree forgery for stealing from Lavendier, her own mother and a Southington charity established in memory of a girl killed in a car crash involving Wadman's daughter.

"She gained my trust," Lavendier said of the employee who nearly sank his company. "At the end, I didn't have enough money to make payroll for two weeks. I was fortunate. She missed a big check that came in from a customer."

He has yet to see a penny of the \$65,000 a judge ordered Wadman to repay him, Lavendier said. The state set that amount because investigators could only prove that figure beyond doubt.

A few years ago, when he still trusted Wadman, Lavendier recalled, she invited him to attend a fancy birthday party she was giving a family member at a harborside restaurant in New Haven.

"It was a nice party, dinner for 80, 100 people," Lavendier said. "I remember thinking at the time that it cost a lot and that her husband must be doing well. But you know, maybe I paid for it."

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