

An Introduction to Bank Records Analysis: Elder Abuse and the College Savings Funds

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ABSTRACT

Bank records analysis is a vital component of many forensic accounting and fraud examination engagements (Albrecht et al. 2019). However, very few published, instructional cases exist to provide students with an opportunity to learn this skill. O'Bryan and Quirin (2020) is a realistic bank records analysis case, but it can be too challenging for an initial, entry-level assignment. This case was designed to fill this void by providing students an introduction to bank records analysis that is not as complicated as O'Bryan and Quirin (2020). The case is based upon an actual situation in which a grandparent appointed his grandson as his durable power of attorney. The grandson abused his fiduciary duty by misappropriating funds the grandfather designated for college funds for two, great-grandchildren. The students' assignment is to trace the missing money through several bank accounts and prepare a report for the local county attorney who will prosecute the case. Students will learn how to trace money through several bank accounts using actual bank records, prepare a succinct report for the prosecutor, cope with a relatively large quantity of source documents, and manage a somewhat unstructured task.

Keywords: Asset Tracing; Forensic Accounting; Bank Records Analysis; Durable Power of Attorney; Elder Abuse

I. INTRODUCTION

You just received a request from a local county attorney to investigate an alleged case of elder abuse. It is a bit disturbing since this will be the third such case you have worked in this relatively small, rural county. Moreover, the allegations follow a common pattern in which a family member is allegedly misappropriating funds from another family member. While your investigation will focus on documentary evidence it is difficult not to get emotional about the underlying context of this engagement.

The Victim

Roger Johnson is an elderly widower living in a small, rural town. His health has gradually declined the past several years and he recognized a need for help with his financial matters. He has children, but they have successful careers in distant places and are not in a position to help their father unless he moved closer to them. Roger did not want to move so he turned to a grandson who lives nearby. Roger appointed his

grandson, Harold, as his durable power of attorney (DPOA) to assist with his financial affairs. As his DPOA, Harold has the legal authority to conduct all of the financial affairs for his grandfather.

When you received the request for assistance in this matter, Roger's health had declined to the point that he had entered the nursing home. He remained mentally capable but was physically unable to perform the daily activities of living to live at home independently. Nursing home care can be very costly, but Roger lived a frugal lifestyle and has an adequate pension and financial resources to meet his obligations.

The Allegations

Harold is under investigation for abusing his fiduciary duty as Roger's DPOA. There are four specific allegations. First, Harold allegedly misappropriated approximately \$9,200 from one of Roger's savings accounts. Second, Harold had access to Roger's checking account and allegedly spent funds from that account for his personal benefit. Third, Roger had long ago paid off the mortgage on his home. Harold allegedly secured a mortgage on Roger's house and used the loan proceeds for his personal benefit. Hearing these allegations you are a bit relieved to learn that the county prosecutor is only asking for your assistance on the fourth allegation.

The final allegation is that Harold misappropriated approximately \$20,000 from one of Roger's certificates of deposit (CD). Harold has been confronted about this allegation, but claims he was only following a directive from Roger. More specifically, Roger allegedly told Harold to use the proceeds from the CD to create a college savings fund for each of Harold's two children, Roger's great-grandchildren.

Local law enforcement was skeptical of Harold's assertion in this matter. An investigator interviewed Roger in the nursing home and found him to be mentally capable. Roger confirmed that he had, in fact, directed Harold to use the funds from the CD to establish college savings funds for his two, great-grandchildren. Roger was emphatic that he wanted to provide those funds to help his great-grandchildren pay for higher education.

The county attorney has subpoenaed the bank records related to Roger's CD and the two college savings funds that were established for the great-grandchildren per Roger's directive. The subpoena for bank records also revealed that Harold and his wife Judy have a joint checking account number 22694122. These financial records are included in Appendix A.

II. ASSIGNMENT

Use the bank records in Appendix A to determine whether Harold complied with Roger's directive. Specifically, did he establish college savings funds for the benefit of the two great-grandchildren? Since the two great-grandchildren are minors it would be anticipated that these funds would have been deposited in accounts designed for minors under the Uniform Transfer to Minors Act (UTMA).

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In this case, the custodian was their mother, Judy. Review the bank records based upon the following assumptions:

- All bank activity related to the CD was conducted by Harold since Roger was in the nursing home and had relinquished control of his financial matters to Harold.
- All bank activity related to the UTMA accounts was conducted by the custodian of the accounts, Judy.
- All cash withdrawals are for the personal benefit of Harold and/or Judy.
- The subpoena for bank records revealed that Harold and his wife Judy have a joint checking account number 22694122.
- All funds transferred to account number 22694122 are for the personal benefit of Harold and/or Judy.
- Any interest earned on the certificate of deposit, or proceeds thereof, would accrue to the designated beneficiaries, the great-grandchildren.
- Appendix A contains redacted copies of actual bank statements which will provide you with a very realistic preview of a fraud examination. Some of this evidence may be a bit unclear, but the items you need for this investigation should all be readable. You may assume that any items that are illegible are immaterial to this case.

Appendix A contains all the information you need to complete the case assignment. Compared to many classroom problems, it is more extensive documentary evidence. The first thing many fraud examiners will do is a high-level review of the documents they have been provided so that they know what evidence they have in their possession. In addition, some effort is often needed to inventory and/or organize the information so that you can be more efficient in locating documents as you proceed with your engagement. Before you begin the case assignment, take some time to review the documents in Appendix A and make a note of what bank account statements are included and on what pages they appear. Knowing what evidence you have and where to find it will be helpful as you proceed with the task at hand.

The Engagement Objective

The objective of this engagement is to determine whether Harold and/or Judy misappropriated any of the funds from Roger's CD that were intended to be used by the great-grandchildren for college. After you have conducted your review of the bank records, your assignment is to prepare a one-page cover letter and accompanying exhibit to convey your results to the prosecutor. Your report should be addressed to: Ms. Jaime Smith, County Attorney, 101 West Broadway Street, Smith Center, KS 66967. The due date provided by your instructor should be the report date and the report should address the following key points:

- If any of the money is missing, where did it go and who benefited from the misappropriation?
- If any of the money is missing, what is the specific dollar amount of the misappropriation?

- Reference key items from the accompanying exhibit, but do not repeat everything contained in the exhibit.
- Your report will form the basic foundation for subsequent courtroom testimony if any is required. Provide a narrative to explain the accompanying exhibit as if you were explaining it to a lay jury.

The accompanying exhibit should be in tabular form to show the movement of money through the various accounts along with the dates those transactions took place. The exhibit should have a descriptive title which is specifically referenced in your narrative report. Each row in the table should correspond to a specific transaction you deem relevant to tracing these missing funds. The left-most column should be the date of each such transaction. Additional columns will be needed for each bank account involved in the movement of funds. The right-most column should be for any funds withdrawn in cash. As you develop your report and exhibit, strive to make them succinct and understandable for a nonfinancial audience such as the prosecutor, judge, or jury.

APPENDIX A: Bank Records for Roger Johnson

III. CASE LEARNING OBJECTIVES AND IMPLEMENTATION GUIDANCE

Bank records analysis is a common component of many forensic accounting and fraud examination engagements (Albrecht et al. 2019). In fact, bank records "...can be integral evidence in almost every fraud case" (Kranacher et al. 2011, p. 208). An IRS-CI training manual suggests, "These records are probably the single most important source of information available to the financial investigator." (Internal Revenue Service 2002, p. 75). Although reference materials are available to assist with this task (e.g., Peterson 2002), there are very few classroom cases that provide students with an opportunity to conduct a bank records analysis. O'Bryan and Quirin (2020) is a realistic bank records analysis case, but it can be too challenging for an initial, entry-level assignment. The documentary evidence in that case is approximately 120 pages and the funds flow through seven bank accounts.

This case fills a void in the literature by providing an introduction to bank records analysis for the novice. This case is not as complicated as O'Bryan and Quirin (2020). It contains 40 pages of bank records and only four bank accounts. The funds flow is straightforward from the certificate of deposit, to the two college savings funds, and then to the account of Harold and Judy or to cash out. This case can be used in the forensic accounting curriculum at the undergraduate or graduate level where instructors want to provide students with a hands-on experience in bank records analysis. It could also be used in an introductory accounting to expose students to forensic accounting at an early stage in the accounting curriculum.

The case is relatively straightforward as the perpetrator did not engage in any sophisticated money movement techniques. However, movement of funds through a total of four accounts should still prove to be a challenging assignment for most students. Furthermore, how to convey these results in an understandable way to a non-financial audience is always a challenge for the financial expert and this case is no

different. How to present this information in the least technical, but accurate and complete manner, is a useful communications assignment for students.

Case Learning Objectives

This case has two primary learning objectives. First, students should develop an ability to trace money through multiple bank accounts or to cash withdrawals. The second objective is closely related to the first. Once students have successfully traced the funds through the various bank accounts, they still have the vitally important task of communicating this information in a concise and effective manner in their written report. The financial expert needs to not only know where the funds went, but he/she also needs to be able to communicate this information to other parties (e.g., prosecutors, judges, juries) who may not have any financial background and/or struggle understanding financial matters.

In addition to the two primary learning objectives, the case also has two secondary learning objectives. Appendix A contains 40 pages of source documents. Students will need to inventory these documents and determine what information is needed to complete the assignment. The learning objective is an enhanced ability to cope with a relatively large amount of documentary evidence compared to the typical classroom assignment. This should ease the transition from the classroom, where information is often very limited, to the workplace, where the litigation and discovery process can sometimes result in an overwhelming quantity of data and documents. For the benefit of the instructor, a table of contents to the documents in Appendix A is included in Table 1.

TABLE 1. Table of Contents to Accompany Appendix A	
Bank Account Description	Pages
Certificate of Deposit 244472	1 – 3
Savings Account 16178337	4 – 21
Savings Account 16178340	22 – 40

Finally, this is a relatively unstructured assignment. The students are given some inputs (i.e., source documents) and the desired output (i.e., report), but no step-by-step directions to accomplish the task. While this may cause a bit of anxiety among some students, it is necessary for them to have this experience as part of the educational process instead of confronting it for the first time in the workplace.

Implementation Guidance

Groups

The authors envision this case to be used as a group assignment, but there is nothing inherent in the case that prevents it from being an individual assignment. In a graduate level course, instructors might choose to make this an individual assignment. In contrast, in an undergraduate forensic accounting course it could be assigned to groups of two to three students. Fraud examination and forensic accounting classes sometimes include students from a variety of majors, instructor-assigned teams that control for these types of student characteristics are encouraged. For example, in a class with both accounting and criminal justice majors, each group should have a mixture of both majors so that each can utilize their unique skill sets to help the group achieve their objective. If the case is used in an introductory accounting class, groups of up to four students may be optimal with the grouping based on class performance. For example, a group of four might be comprised of an A, B, C, and D/F student.

Time Constraints

Depending on how much class time is allocated for this case, it can be completed in two to three weeks of a 16-week semester, perhaps less in a graduate-level class. The volume of bank records requires some time to inventory and obtain an overall understanding of the evidence. Students can then proceed from the macro- to the micro-level tracing of funds through the various bank accounts. Once the bank records analysis is complete, students tend to underestimate the amount of time needed to write a concise, thorough report. Instructors should emphasize that a factually correct answer is a prerequisite for a good report; however, an effective report for litigation purposes must also be concise and understandable for a non-financial audience.

In a graduate level course, this project might be assigned on an individual basis with minimal classroom time to work on the project. A graduate student could reasonably complete the analysis and report writing in approximately four hours.

In the author's undergraduate forensic accounting course, this is a group assignment with the due date set about three weeks from the initial assignment date. This gives the students ample time to learn and ask questions before the due date. The authors would allocate part or all of two, 75-minute class periods for this project. The first would be at the beginning when the assignment is introduced to give the group some time to meet each other face-to-face and make some preliminary decisions about individual responsibilities. The second would be closer to the due date as a means to impose some discipline for them to confront the deadline and ask any final questions.

In an introductory accounting course, the objective may not be as broad as in an upper-level or graduate course. To stimulate interest in the work of a forensic accountant the instructor could make this a group project to be done entirely in one or two class settings. The authors recommend making this a competitive exercise with some sort of reward or prize for the best group. With introductory students the

assignment could be to just do the financial analysis and then the instructor could show and explain the importance of the written report.

Instructor Involvement and Workload

The amount of instructor involvement in this case will vary with the instructor depending upon each instructor's philosophy about students' need to work independently. In addition, undergraduate students might be expected to need more instructor support than would graduate-level students. For the case to be a positive learning experience, students do need to know there is help available from the instructor. Some instructors may wish to provide some guidance along the way and lead the students to a successful conclusion; others may prefer that the students work independently and only approach the instructor for help as a last resort. In both cases, the instructor is available to provide assistance, but the timing and quantity of the assistance will likely vary.

Supplemental Instructions to Students

Appendix B contains supplemental instructions to students that can be utilized as an additional handout to students when the case is assigned. The authors have not included it as part of the case instructions to allow instructors some flexibility if they do not want to follow the same approach. Instructors can use Appendix B as a template and fill in their particular due date, point value, and other items they might want to modify.

In Appendix B, the authors describe their grading philosophy for this case. The equal percentage allocation to the exhibit and report differs from practice in the following respect. In practice, the financial expert would be confident that his or her financial analysis in the exhibit is correct. The narrative report then becomes a vital communication tool to help ensure the prosecuting attorney, defense attorney, judge and lay jury understand the exhibit; the report must summarize the key elements of the case without drowning the reader in technical details. So, in practice, we could argue that the narrative report is the most important part of the engagement. However, for classroom use where we cannot assume the exhibit is correct, the authors believe that an equal allocation of points between the exhibit and report is reasonable.

Appendix B also provides the authors' approach to dealing with individual differences in effort within the group project. The fair and equitable distribution of the workload in group projects is often a problem. The authors' approach is not the only way to resolve this, but it is one that has proven to be effective when using this case and other similar cases in our classes. The authors share the guidance in Appendix B with students when the case is assigned. It is our desire that if students know their individual effort will be measured and reflected in the individual grades, then each student will be more likely to participate fully in the group project. This is an ex-ante attempt to motivate students to do their fair share of the work for this project.

On the due date for the assignment, Appendix C may be used for peer evaluations. Ex-post adjustments can then be made to reward students who were

deemed superior and for those students who chose to do substantially less than their fair share. The individual portion of the grading scheme is therefore an attempt to first motivate students to do their fair share, but second to ensure some sense of fairness in the grades when the inevitable result is that not every student in every group is deemed to have exerted the same amount of effort.

The instructor may wish to provide students additional structure for their report and financial analysis. Appendix D is included as a template for the written report and Appendix E is provided as a template for the financial analysis. These templates are not included in the case so that the instructor can decide whether they want to provide them to their audience.

Evidence of Efficacy

This case was used by one of the authors in his undergraduate fraud examination course during the Fall 2024 semester. The case was assigned as a collaborative assignment with three students per group. Upon completion of the case assignment, students were asked to provide feedback concerning their experiences with the case via completion of an assessment instrument. There were nine students enrolled in the course and all students completed the assignment as well as each question in the assessment instrument. The instrument was structured on a seven-point Likert scale with scores of seven representing positive feedback and scores of one indicating negative feedback. A copy of the assessment instrument and the resulting efficacy data is contained in Table 2.

As shown in Table 2, student feedback can be viewed as very positive across all dimensions. Consistent with the case learning objectives, students reported an increase in understanding the various ways in which funds can be transferred or withdrawn from accounts (mean of 6.33) and also an improved ability to analyze bank account statements for the purpose of tracing funds through multiple accounts (mean of 6.33). Students also reported an increase in understanding of the purpose of a durable power of attorney (mean 5.78) and an improved ability to summarize and present information for litigation purposes (mean 5.44). Students indicated a better ability to deal with unstructured assignments (mean of 5.56), and while to a lesser extent, suggested a heightened interest in pursuing a career in forensic accounting (mean of 5.00).

Emotional Reactions

Instructors should be prepared for some emotional reactions to this case from their students. Some students will be shocked to learn that this is based upon an actual case in which one relative is taking advantage of another relative. Other students may have personal knowledge of such occurrences and this case could rekindle some hostilities. The authors do not have any words that can change what happened in this case or, sadly, what sometimes does occur when a durable power of attorney abuses their position of trust. However, we do want instructors to be prepared for such reactions and give some thought as to how you will handle the classroom dialogue should it arise.

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TABLE 2
Summary of Student Feedback (n = 9)

Please indicate the extent of your agreement with each question by circling a number from 1 (very little) to 7 (very much).	Mean	Median	Std. Dev.
As a result of this case, my understanding of the various ways in which funds can be transferred or withdrawn from bank accounts has increased.	6.33	6.00	0.67
As a result of this case, my ability to analyze bank account statements for the purpose of tracing funds through multiple accounts has improved.	6.33	7.00	1.05
As a result of this case, my understanding of the purpose of a durable power of attorney has increased.	5.78	6.00	1.13
As a result of this case, my ability to succinctly summarize and present information for litigation purposes has improved.	5.44	6.00	1.42
As a result of this case, my ability to manage and analyze large quantities of source documents has improved.	6.00	6.00	1.25
As a result of this case, my ability to deal with an unstructured assignment has improved.	5.56	6.00	1.34
As a result of this case, my interest in pursuing a career related to forensic accounting has increased.	5.00	5.00	1.41
I understood what this case was asking me to do.	6.00	6.00	1.25
This case was a positive learning experience.	6.33	6.00	0.67
This was an interesting case.	7.00	7.00	0.00

The authors approach to such reactions is to invoke the common phrase that “good people sometimes do bad things” and use this as an opportunity to incorporate the fraud triangle into the discussion. In a case such as this the DPOA may be motivated by greed or true financial need (i.e., living paycheck to paycheck, excessive debt). Opportunity looms large for a DPOA because there is often little, if any, oversight or preventative controls over the actions of the DPOA. Often times, the only control is trust.

Finally, there are many rationalizations but the authors will note two they have encountered. First, the DPOA is often the primary caregiver and has not been adequately compensated for their time. They sometimes feel a sense of entitlement to use some of the principal’s funds for their own benefit. Second, the principal’s funds will often be used to pay for long-term care and when those funds are exhausted a government program for the indigent (Medicaid) will pay for their care. The agent may rationalize that they deserve the funds more than the long-term care facility and that the principal will still receive the care they need so no one is harmed by their actions. Obviously, this is not true because the Medicaid program is harmed by their misappropriation.

EPILOGUE

The defendant in the actual case pleaded guilty to the charge of theft of resources with a value greater than \$25,000 but less than \$100,000. He was sentenced to 24 months of probation with an underlying 12-month prison sentence and ordered to pay restitution in the amount of \$88,798. This represented the total for all four allegations cited in the case, including the missing college savings funds. As discussed further in the Teaching Notes, Harold pled guilty and Judy was not prosecuted. The likely reason is that the initial investigation focused on Harold in his role as the DPOA. His role in misusing funds in three other situations and his guilty plea on all four charges likely contributed to his wife Judy not facing charges.

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APPENDIX B

Supplemental Instructions to Students

- 1) The due date for this project is [insert due date].
- 2) At the conclusion of the project, each student will be asked to rate their group members using the following format:

-----0-----	-----1-----	-----2-----	-----3-----
Poor Contributed Little	Below Average Contributor	Did His or Her Fair Share of Work	Did More Than His or Her Fair Share

Depending upon these ratings, not everyone in a group may receive the same grade.

- 3) The case will be worth [insert point value] with 40 percent allocated to the technical accuracy of the exhibit showing the flow of money within the accounts and, ultimately, the amount deemed to have been misappropriated, 40 percent allocated to the quality of written explanation provided in the accompanying narrative report, and 20 percent allocated to individual effort as reflected in the peer evaluations.
- 4) The exhibit and report will be graded first and then adjustments made for individual effort based upon the peer evaluations. The following examples are provided as illustrations of this grading rubric.
 - a) If the peer evaluations reflect that everyone was rated approximately the same, then all group members would get the same individual score and project score.
 - b) If the peer evaluations reflect that one group member was rated high and all others were approximately the same then the superior group member would receive the full 20 percent allocation for individual effort and the remaining members would receive somewhat less than the full allocation.
 - c) If the peer evaluations reflect that one group member was rated superior, one group member was rated poor, and the remaining group members were approximately equal, then the superior group member would receive the full 20 percent allocation, the poor group member might receive none of the points for individual effort, and the remaining group members would receive somewhat less than the full allocation.
- 5) The intent of the allocation for individual effort is to reward students who do more than their fair share of the work in the group project, provide an incentive for all group members to do their share of the work for this project, and to penalize students who may choose to do less than their share of the group project.

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APPENDIX C

Peer Evaluation Form Rater's Name

This evaluation must be completed before your group project score will be recorded. Use the following scale to rate each member of your group, including yourself:

-----0-----	-----1-----	-----2-----	-----3-----
Poor	Below Average	Did His or Her Fair	Did More Than His
Contributed Little	Contributor	Share of Work	or Her Fair Share

Group Member Name	Rating

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APPENDIX D Student Report Template

[Insert name and address of your CPA firm centered at top of the page.]

[Insert due date as provided by your instructor.]

Ms. Jaime Smith
County Attorney
101 West Broadway Street
Smith Center, KS 66967

Dear Ms. Smith:

This report should be structured as a formal business correspondence with at least three paragraphs. The introductory paragraph communicates to the reader the reason, or objective, for your report.

Paragraph two should reference your financial analysis and serves to summarize, or interpret, your findings for a nonfinancial reader. The report should be single-spaced within paragraphs and double-spaced between paragraphs.

An additional paragraph or more may be added if one paragraph is insufficient to communicate your findings. As you write your report, please be mindful of the need to write a concise report that is efficient (i.e., quickly read by a busy person) and effective (i.e., communicates the key findings without repeating everything from your financial analysis).

The last paragraph should recap the total amount of funds, if any, misappropriated and the destination of those funds. It is customary to end with a courtesy note to contact the report writer if the recipient has any questions or needs further assistance in the matter.

Sincerely,

[Insert signature(s) of report writers.]

[Insert the name of your CPA firm consistent with the report header.]

(1) Reference the bank and bank account number for account number 1 and the owner / custodian of said account.	
(2) Reference the bank and bank account number for account number 2 and the owner / custodian of said account.	
(3) Reference the bank and bank account number for account number 3 and the owner(s) of said account.	

IV. TEACHING NOTES

This case is based upon an actual case investigated by one of the authors. The alleged perpetrator moved funds from the certificate of deposit into two UTMA bank accounts plus a cash withdrawal. Initially, it would appear Harold mostly complied with Roger's directive to use the funds for the benefit of the great-grandchildren. The exception would be the initial cash withdrawal. The reason for the cash withdrawal is unknown, but it is assumed those funds were not used for the benefit of the great-grandchildren's education.

To determine whether additional funds were misappropriated students will need to review the two UTMA accounts for approximately one year following their initial funding. A review of those bank statements should lead them to conclude that all of those funds were subsequently withdrawn in cash or transferred to an account owned by Harold and Judy. Although Harold did appear to initially follow Roger's directive, subsequent activity in the UTMA accounts indicates the funds were misappropriated.

Students do not need to understand the intricacies of the banking system to trace these funds as the perpetrator did not use any sophisticated techniques. Perhaps the main thing students will need to understand is that debit and credit rules are reversed from the bank's perspective; hence, a debit represents a withdrawal of funds from an account and a credit represents a deposit of funds to an account. That said, for students who have not worked with bank statements the quantity of documents provided and the movement of funds among accounts will likely provide most students with a useful introduction to bank records analysis.

The use of DPOAs will likely become more common in the United States in the future as baby boomers age with significant financial resources. We expect most students will not be familiar with a DPOA. If a person is unable to conduct their own financial affairs, a DPOA is vital. Absent a DPOA, a court will typically need to oversee an individual's financial transactions. However, as illustrated in this case, appointing a DPOA can also be harmful if the appointed person abuses his/her fiduciary trust. To the extent the instructor deems it appropriate, additional discussion of a DPOA may be desirable.

UTMA Custodian

The custodian of the UTMA accounts was Judy, not Harold. Consequently, activity in those accounts would have been conducted, or authorized, by Judy. Instructors should expect students to inquire as to whether Judy was prosecuted for the misappropriation. Although she likely could have been charged for her part in this scheme, in the actual case she was not prosecuted. The likely reason is that the initial investigation focused on Harold as the DPOA. Harold and Judy had two minor children so potential incarceration for both parents would have created a hardship on the children. We can speculate that a plea agreement was reached between the prosecutor and Harold wherein Judy would not be prosecuted if Harold pled guilty.

There are two issues that instructors may wish to explore in this scenario. The first is prosecutorial discretion. Prosecutors have a wide range of discretion in deciding whether to file charges or who to file charges against. They must consider the totality of the case in making these difficult decisions. Since these are individual human judgements, two prosecutors faced with the same fact set and applying the same law may reach different conclusions. Regardless of how the financial expert may feel, the ultimate decision rests with the prosecutor.

The second issue that may be explored is the distinction between a legal outcome and ethical action. As the old saying goes, just because something is legal does not mean it is right (i.e., ethical). The fact set in this case indicates that Judy, as custodian of the UTMA accounts, would have been the responsible person for all financial transactions in those accounts. The fact that the prosecutor did not charge her with an offense, does not lessen the fact that she violated her fiduciary duty to use those funds for the benefit of the minor children and in accordance with Roger's directive. One can speculate that she may have rationalized that the family's immediate financial need was more important than their long-term funding for college.

Recommended Solution

The recommended solution is presented in Exhibit 1. It contains a cover letter to summarize the findings and a detailed spreadsheet analysis to support these findings. The bank records analysis demonstrates that all of the proceeds from the original CD were either withdrawn in cash (\$1,544.96) or transferred to the account owned by Harold or Judy (\$18,204.37). Per the case assignment instructions, students may assume that funds withdrawn or transferred out of the UTMA accounts was not used for the intended purpose of paying for the great-grandchildren's college education.

Account transfers and cash withdrawals were the method of choice for the perpetrator in this case. The instructor may wish to note that analysis of cancelled checks can often be an important part of a bank records analysis. We omitted cancelled checks from the Appendix because they were not integral to this particular case.

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EXHIBIT 1

Recommended Solution

Southeast Kansas CPAs, PA

500 Main Street

Cato, KS 66711

Assignment Due Date per Instructor

Ms. Jaime Smith
County Attorney
101 West Broadway Street
Smith Center, KS 66967

Dear Ms. Smith:

Per your request, I have reviewed Roger Johnson's Certificate of Deposit Arvest Bank account number 244472. This account was opened on December 14, 2010, and closed on January 26, 2011, yielding proceeds of \$19,744.25. The proceeds were in the form of a Cashier's Check.

Enclosed is an *Exhibit of Analysis of Distribution of Proceeds from Arvest Bank Account Number 244472*. This Exhibit shows the distribution of the proceeds of \$19,744.25 from January 26, 2011, to February 6, 2012.

On January 26, 2011, \$744.25 was withdrawn in cash, and the balance of \$19,000.00 was split equally with \$9,500.00 deposited into an account for Tyler R. Wilson and account for Sabrina A. Wilson. Judy Johnson was the custodian for both accounts. Between January 26, 2011, and February 6, 2012, \$18,204.37 was transferred to Arvest account number 22694122 owned by Harold and/or Judy Johnson. An additional \$800.71 was withdrawn in cash by Judy Johnson. The total amount of \$19,005.08 equals the original deposit of (\$9,500.00 times two) \$19,000.00 plus interest earned of \$5.08.

In summary, the potential misuse of funds is \$18,204.37 transferred to Arvest account number 22694122 plus \$1,544.96 cash withdrawn for a total of \$19,749.33. The difference between this total and the proceeds from cashing out the certificate of deposit is interest earned in the two savings accounts totaling \$5.08.

Sincerely,
Southeast Kansas CPAs, PA

Exhibit #1: Recommended Solution						
Analysis of Distribution of Proceeds from Arvest Bank Account Number 244472						
Date	Item	Amount	Distributed To the Following:			
			Arvest (1)	Arvest (2)	Arvest (3)	Cash
12/14/2010	Deposit	19,753.35				
1/26/2011	Interest Accrued	8.14				
1/26/2011	Penalty - Interest Forfeited	(8.14)				
1/26/2011	Penalty - Principal	(9.10)				
1/26/2011	Withdrawal	(19,744.25)	9,500.00	9,500.00		744.25
2/14/2011	Transfer		(800.00)	(800.00)	1,600.00	
2/28/2011	Transfer		(3,000.00)	(3,000.00)	6,000.00	
3/31/2011	Interest Paid		1.33	1.33		
4/13/2011	Transfer			(200.00)	200.00	
5/24/2011	Transfer		(2,300.00)		2,300.00	
6/8/2011	Transfer		(1,200.00)	(1,200.00)	2,400.00	
6/16/2011	Transfer			(3,597.00)	3,597.00	
6/17/2011	Transfer		(1,582.62)		1,582.62	
6/24/2011	Withdrawal by Judy Johnson		(250.00)	(250.00)		500.00
6/30/2011	Interest Paid		1.04	1.15		
7/27/2011	Transfer		(169.75)	(200.00)	369.75	
9/12/2011	Transfer			(55.00)	55.00	
9/19/2011	Transfer		(50.00)	(50.00)	100.00	
9/30/2011	Interest Paid		0.06	0.07		
12/31/2011	Interest Paid		0.04	0.04		
2/6/2012	Interest Paid		0.01	0.01		
2/6/2012	Account Closed by Judy Johnson		(150.11)	(150.60)		300.71
2/6/2012	Balances	-	-	-	18,204.37	1,544.96
(1) Arvest Account Number 16178340. Owner: Judy Johnson Custodian for Tyler R. Wilson UTMA.						
(2) Arvest Account Number 16178337. Owners Judy Johnson Custodian for Sabrina A. Wilson UTMA.						
(3) Arvest Account Number 22694122. Owner: Harold Johnson or Judy Johnson						