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On the trail of embezzlers

BY STAN SIMPSON

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PHOTO | STEVE LASCHEVER

Glastonbury forensic accountant Stephen Pedneault stands amid the files he scours for irregularities. The one-time police trainee says he enjoys catching those who help themselves to company assets to sustain their own lifestyles.

Images of puzzle pieces are seen throughout the firm's East Hartford evidence room. The company's business card is also in the shape of a puzzle.

“What we do is piece together financial puzzles,” said Pedneault, a 46-year-old father of two. “We take a story and a

Stephen Pedneault wanted to be a cop when he was a scrawny teenager, growing up in East Hartford. His favorite birthday present is still the membership to the town's police explorer's organization that he received when he was 14.

“It was always of interest to me,” Pedneault said. “Just the fascination of being a police officer. And this was a program that lets you get into it early.”

He is a man of many interests — martial artist, EMT, adjunct professor and author. Nearly a quarter century ago, his career took an unexpected turn. The would-be cop and “frustrated federal agent” found another calling, one that would allow him to still engage in police work and nab the bad guys (and gals), but without a uniform, gun and a badge.

Since 2005, Pedneault has owned Forensic Accounting Services LLC in Glastonbury. The sole work of his firm is fraud, forensic auditing and litigation. If you want your taxes done or an annual audit for your organization, Pedneault is not your guy. But if you think someone has embezzled or stolen money, well, you've got his attention.

Pedneault's forte, and what distinguishes “forensic” accountants from regular accountants who reconcile balances and transactions, is following the money when something is askew with an organization's cash flow. While the term “forensic” has become popular with DNA-related stories, Dr. Henry Lee and determining deaths, Pedneault likes to joke: “I don't do bodies. I do numbers.”

couple of pieces of information, and some bank records and we figure out what really happened.”

He manages from 12 to 16 cases, with the help of an assistant. Most of the business is from word-of-mouth referrals. The average fee for Pedneault's services range from \$5,000 to \$10,000. A case can take up to several months to close.

To borrow a line from Wall Street, in Pedneault's industry, greed is also good. “In 24 years, I have never seen as much fraud as I've seen today, especially stealing, embezzling,” Pedneault said. “Embezzling from families, from a spouse, from their employers, from strangers.... It's an emerging field, exploding.”

Medical offices, he says, are among the most frequent targets of embezzlement.

When he contracts with a client, Pedneault says he will look at the books in due time. The first thing he does, and this is where his police training comes in, is conduct an interview. “We start with a pad and paper and say 'tell me who works at the company; what do they do — and tell me what's going on the each person's life'.”

The bulk of his clients simply “want an apology and some of their money back.” The reality, he says, is they “almost never get an apology and (usually) only a fraction of their money back,” if they have fraud insurance. Though some of the suspected embezzlers have gone to prison, the majority, if prosecuted, are punished with a suspended sentence or probation.

The suspects Pedneault confronts are rarely contrite. They have come up, he said, with a plethora of reasons to rationalize their stealing, or they are simply in denial. “Entitlement,” Pedneault said with exasperation. “People are living lives beyond their means, sending kids to schools beyond their means, living in houses beyond their means. Our society in the last five years has got this heightened sense of entitlement. There is no other reason why they're doing it. ... My job isn't to find them guilty or innocent, or to put them in jail. My job is to find all the pieces, put together the facts and illustrate this is what happened. I'm a fact finder.”

In 1989, at the age of 23, the facts of Pedneault's life proved confounding — and then revealing.

He was finishing a degree in accounting at Eastern Connecticut State University, after earning an associate's degree in criminal justice at Manchester Community College. After seven years as a police explorer, Pedneault grew tired of the routine of dealing with barking dogs, intoxicated adults and brawls. He decided on a career with the Secret Service, working on financial crimes. He had been told by recruiters years ago that the feds were looking for graduates with accounting backgrounds.

The Internal Revenue Service recruited Pedneault for a job as a criminal investigator, one that he was hopeful of landing soon after graduation. If hired, Pedneault anticipated a smoother path to a job with the Secret Service. But the Reagan-era government adopted a five-year hiring freeze on government jobs.

“I started looking in the newspapers for an accounting job,” he said.

From 1989 to 2005, he worked for three different accounting firms. By 2005, Pedneault was ready to test the entrepreneurial waters and start his own firm. Before he left his previous employer, Pedneault worked on a New Britain police case, involving embezzlement within a Polish travel agency that was allegedly ripping off Polish immigrants.

“So, I'm (back) in a police station,” Pedneault recalled. “I'm working on a criminal investigation. I'm adding value with a skill set they don't have. I'm integral to this team. They need my resources to help figure this out. And I'm loving being part of the process. It's police work. I knew right then that this was a field that was going to be huge because nobody (at the time) does this.”

He took out a loan against the equity on his house and gave himself six months to get the business flowing.

Eight years later, it's a notation Pedneault doesn't want to erase from his ledger.

Stan Simpson is host of “The Stan Simpson Show” (www.Foxct.com/stan and Saturdays, 6:30 a.m., on FoxCT). His

'Faces in Business' column appears monthly. Know someone who'd make a good subject for 'Faces in Business'?
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