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The top risk factor for shell companies

By Gerry Zack, CCEP, CFE, CIA

A recent case^[1] reminded me of how easy it is to use shell companies to perpetrate fraud. A former associate general counsel who handled allegations of employee misconduct for a company created fake complaints allegedly filed by actual employees. He also started a fake law firm he secretly controlled—the shell company. He then claimed to have reached settlements for these fake complaints, resulting in payments being made to the phony law firm, which he then used for personal purposes.

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