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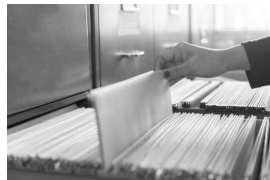
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Falsifying Business Records: Federal Regulations and State Laws

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Federal law does not explicitly criminalize falsifying business records, but the act is criminalized under several federal regulations. Additionally, many states consider it a crime and sometimes prosecute it with other crimes, such as grand larceny or insurance fraud. In New York, falsifying business records is not an uncommon charge and can be either a misdemeanor or a felony, depending on the circumstances. The aggravating circumstance occurs when the “intent to defraud includes an intent to commit another crime or to aid or conceal the commission thereof.” One example of this is changing a record to cover larceny.

Often with fraud cases, the intent to defraud can be a harder element to prove over

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unintended error. Moreover, New York law also provides for an affirmative defense for clerks, bookkeepers or other employees who merely executed the orders of their supervisors without personal benefit to themselves. Intent to defraud in the case of falsifying business records means:

- Making or causing a false entry in the business records of an enterprise; or
- Altering, erasing, obliterating, deleting, removing or destroying a true entry in the business records of an enterprise; or
- Preventing the making of a true entry or causing the omission of one in the business records of an enterprise.

One well-publicized case involving falsifying business records in the first degree is that of Tyco International former leadership. In 2005, Leo Dennis Kozlowski and Mark Swartz, CEO and CFO respectively, directed others to falsify Tyco's books to conceal their secret compensation. They managed this by offsetting the costs through various means, such as relocating a loan forgiveness against the gain from an unrelated IPO of a Tyco subsidiary, against an unrelated gain realized on the disposal of a Tyco subsidiary, and against an unrelated gain on the sale of common stock of a Tyco subsidiary. The latter two included executive compensation that was never disclosed and contrary to the requirements of the federal securities laws. Kozlowski and Swartz were sentenced to terms of 8 1/3 to 25 years and fined \$134 million for their roles in the Tyco fraud.

Another infamous New York case involving falsifying business records belongs to Steven Croman, a notorious "Bernie Madoff of landlords" and real estate mogul. In 2017,

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Croman owned more than 150 buildings in Manhattan and pleaded guilty to grand larceny, fraudulently refinancing \$45 million worth of loans and committing tax fraud; Croman served one year in jail, and as part of his guilty plea, he also agreed to a \$5 million tax settlement. Rarely are landlords sentenced to jail for infractions, which underscores the severity of Croman's crimes.

However, New York has also prosecuted the felony in many smaller ways. In two unrelated cases, women were indicted for fraud for using or selling phony coronavirus vaccination cards. Another case involved a Hurricane Sandy relief worker submitting fake applications for over \$200,000 worth of disaster money and used for personal expenses. A few cases addressed falsified information in a Department of Corrections use of force report forms when correction officers covered up assaults on an inmate, while other cases include a false arrest over parking and deliberate misinformation on a food stamp application.

Fraud examiners understand the importance of recognizing falsified business documents: Documents that should match, but don't, should be investigated. CFEs should remain especially observant when it comes to analyzing manual records. Handwriting on its own is not necessarily a red flag, as many organizations may have need to manually fill out forms, but handwriting may indicate a batch or bulk processing of items that should have been completed over a different timeframe. Other potential red flags may include missing source documents, unusual amount of out-of-sequence check numbers or duplicate invoice numbers.

Falsified business documents can be an indication of a larger fraud, even if the

falsification is considered small. Just an adjustment to the wording of an entry or the difference of timing can cause changes that misrepresent an organization’s position. Even with the best intent, falsifying does more harm than good. Business documents and records serve a purpose and must be kept accurately.

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The section on steve croman...he was harassing citywide rent control and rent stabilized apt along with any victim he can pick to get a chance to put a eviction on his tenant. 2018 cnbc tv

American greed was missed mention.
The commercial of this tv show is on
YouTube. Disobey dhcr order, court
order, filing false data to become legal
document into eviction cases etc is
normal. The party responsible for this
20+ years of citywide tenant harassment
is nys dept of licensing who continue
award business license to each building
he buys and dhcr freely allow him to
harass tenant with falsify business
document and false claim into dhcr and
dhcr do nothing about it and refuse
recognition when reported you dhcr.
On top of that court also is allow freely
letting croman input falsify data to
become legal document and use court
funding money to play his game.



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