FRAUD MUSEUM

WHERE historical frauds COME TO LIFE

ASSOCIATION OF CERTIFIED FRAUD EXAMINERS
names like Kenneth Lay, Bernie Ebbers and Dennis Kozlowski are synonymous with fraud, but what about Charles Ponzi, Ivar Kreuger and Clarence Hatry? The early pioneers of fraud set the stage for money laundering, forgery, false accounting and investment scams. So how did the frauds of yesterday morph into the sophisticated frauds of today? Take a walk through time to find out.

The ACFE Fraud Museum brings historic frauds to life, from the most famous to the most obscure. From highly recognizable documents like Enron, WorldCom, and Adelphia stock certificates, to unique finds like a check signed by legendary inside trader Ivan Boesky and the charter of the Merchants Vigilance Association founded in 1846, the ACFE Fraud Museum offers something for everyone.

“I’ve always found the lives of fraudsters to be extremely fascinating,” Joseph Wells, CFE, CPA, ACFE Founder and Chairman explains. “While researching my book, ‘Frankensteins of Fraud,’ I came across some interesting characters and subsequently found accompanying memorabilia. I started collecting these pieces and — voilà! — the fraud museum was born.”
Debenture Certificate for 100 Kronor issued by Aktiebolaget Kreuger & Toll of Stockholm, Sweden, March 1929

The notorious fraudster Ivar Kreuger claims the first piece in the Fraud Museum collection. Known as the “Swedish Match King,” Kreuger engaged in a large number of frauds in the early 20th century including embezzlement, the use of shell companies, transferring debt to subsidiaries, and even counterfeiting $142 million worth of Italian bonds. After his schemes began to collapse, Kreuger committed suicide in 1932 leaving a note that said, “I’m too tired to continue.”

Enron Corp. Stock Certificate, 2002

The energy giant that eventually became known as Enron was founded in 1930, but it collapsed completely in 2002 because of a massive accounting fraud. Experts cannot even agree on the total amount, but the cost of the fraud is estimated to exceed $30 billion. The most disturbing result was the human tragedy — tens of thousands of people lost their jobs and their retirement savings.
WorldCom, Inc., headquartered in Clinton, Mississippi, fell victim to an $11 billion accounting scandal that resulted in the company filing bankruptcy in 2002 — the largest bankruptcy in U.S. history at the time. Its CEO, Bernard Ebbers, was convicted of fraud and conspiracy and sentenced to twenty-five years in prison.

Photograph of Clarence Hatry & Associates, 1929

The exhibit also brings lesser-known fraudsters to light like Clarence Hatry. Financial historians generally agree that the infamous stock market crash of 1929 actually began with a chain of events surrounding the bankruptcy of this flamboyant English financier. On Sept. 20, 1929, it was revealed that Hatry had forged $67 million in municipal bonds to cover his debts. As a consequence, many of his shareholders had to fortify themselves by selling their American holdings, creating panic in the market. Less than 30 days later, the stock market crashed, causing the worse financial crisis in U.S. history. Hatry served 15 years in prison for his crimes.
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Yazoo Land Fraud

One of the most unique pieces in the collection illustrates the Yazoo Land Fraud. In 1794, four companies were formed to bribe the Georgia Assembly so it would sell them 20 million acres of land for the sum of $500,000, less than three cents per acre. The sale created a public outcry and was rescinded in 1796. All of the documents relating to the sale were collected in front of the state capitol and “consumed by Holy Fire from Heaven” summoned with the aid of a magnifying glass on Feb. 21, 1796.

Check Signed by Ivan Boesky, April 1975

In the late 1980s, Ivan Boesky’s name became synonymous with insider trading on Wall Street. After being caught, Boesky informed on his fellow traders, including Michael Milken, and received a three-and-a-half year prison sentence and a fine of $100 million.
The South Sea Bubble

One of the first financial statement frauds was perpetrated by the South Sea Company (1711-1727) and nearly bankrupted England. In 1719, the company proposed a scheme by which it would take on the entire national debt of the United Kingdom in exchange for government bonds. By fraudulently hyping the value of the stock, the price rose from £128 per share to over £1,000 before the company collapsed, bringing financial ruin to thousands of investors, including members of Parliament.

Equity Funding Corporation Stock Certificate

Equity Funding Corporation (1960-1974) was a California-based insurance company headed by Stanley Goldblum. Of its $2.2 billion in assets, $800 million were fake, engineered by Goldblum and his staff. The company, which regularly received an unqualified audit, collapsed after a disgruntled employee revealed the scheme to the media. Goldblum served seven years in prison.
Harry Houdini (1874-1926) is still considered one of America’s greatest escape artists. He began his career, however, as a “medium” that claimed to be able to communicate with the dead. But after he became famous, Houdini vilified and exposed others who engaged in this fraudulent practice by showing the tricks of the trade.

French Letter, 1876
An attempt was made to mail this letter from Belfort to Tournus, France on June 17, 1876 with a previously used stamp. Before its delivery, the document was intercepted by the French Postal authorities, who noted in pencil, “timbre réutilisé, Fraude” (stamp reused, fraud).
The Philatelic Fraud Reporter, 1892

The Philatelic Fraud Reporter, published by Guy W. Green of Stromberg, Nebraska, was “devoted exclusively to frauds and their exposure” in stamp-collecting. Each month, the Reporter would publish, by name, those individuals who had been deigned by Mr. Green to have committed “alleged frauds.”

Drawing from The Illustrated London News, November, 1895

Jabez Spencer Balfour (1843-1901), despite humble beginnings, rose to power as a Member of Parliament in England, almost entirely based upon fraud. His empire hinged on real estate, a construction company, and a bank. At the end of each year, Balfour and his cronies decided how much money they needed and the financial statements were adjusted accordingly. The schemes came to an abrupt end when, in 1885, the real estate market went South, driving Balfour into bankruptcy.
Adelphia Corporation Stock Certificate, 2003

Adelphia Corporation was founded in 1972 by John Rigas and quickly became one of the nation’s largest providers of cable television services. However, according to prosecutors, Rigas and his family used the public company as their “private piggy bank,” looting the organization of hundreds of millions of dollars and causing shareholder losses of more than $60 billion. In 2005, Rigas, his two sons, and two other executives were sentenced on several fraud charges to lengthy prison terms.

Merchants Vigilance Association, 1846

This document is the charter of the Merchants Vigilance Association, founded by 25 New York City businessmen on January 1, 1846, “…to investigate and expose Abuses in Trade, to prevent Frauds and punish the Fraudulent…” This vigilante group prepared a “…black book, open to inspection of every member, on which they have already recorded the names of several hundred known swindlers; and are prepared to record others as fast as they are obtained.” The charter implored “…all the respectable merchants of New York…” to join their association — but without success. The Merchants Vigilance Association disappeared from the history books less than two years later.
This was the second and last edition of Frauds and Rackets magazine. According to publisher Jules Warshaw, readers of the first issue “…were rooting for the success of this bold, new concept in publishing.”

And while the magazine railed against various corporate crimes, it also accepted paid advertising from a number of dubious products, such as a “miracle” hair re-growth tonic, a “gasoline atomizer” to double fuel mileage, and an electric “spot reducer” to shed unwanted fat, all of which were subsequently exposed as frauds.
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Brush Up on Your History

Understanding the frauds of yesterday will help you fight the frauds of today. Match wits with history’s most heinous fraudsters and find out how the past impacts the future. In *Frankensteins of Fraud*, Joseph Wells introduces you to ten criminals who represent the worst monsters of twentieth century capitalism. Visit the ACFE Bookstore at www.ACFE.com/shop to purchase your copy.

Touring the Fraud Museum

If you’re in Austin, be sure to stop by The Gregor Building and take a tour of the ACFE Fraud Museum.

You will be warmly welcomed by our friendly staff and tours will be provided from 8:00 a.m. to 5:00 p.m. Central Time, year round, except for major holidays.

You won’t need ties or heels; our official dress policy is casual. If you would like to meet specific staff members while you are here, please call ahead so they can schedule your visit.
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