



Lecture [by white collar criminal at University of Cincinnati] explores means to prevent fraud

By: [Andrew Welsh](#)

May 15, 2006

A fraud investigator and an ex-con artist met to speak on May 12, but it wasn't in a courtroom.

William F. McGovern, who handled insider trading, market timing and other fraud cases as an enforcer for the Securities and Exchange Commission, spoke about fraud investigation and enforcement. Mark Morze spoke about his experience as the mastermind behind the ZZZZ Best fraud.

The lecture took place in Lindner Hall at the University of Cincinnati.

Using his fake company, Morze successfully tricked accountants and auditors into believing that he was doing large, multimillion-dollar insurance restorations in the 1980s.

The Fraud Symposium began at 1 p.m. with McGovern discussing investigative techniques and tools, corporate culture, the Securities and Exchange Commission practices and recent cases of financial fraud. Of the latter, he spoke about cases involving Time Warner, Coca-Cola and Tyson Foods.

"I just felt too far removed from real life and real problems," McGovern said in reference to his time at Temple Law School in Pennsylvania. Throughout law school he

was always thinking about what he needed to do to become a prosecutor, he said.

In his lecture, McGovern stressed the importance of approaches to investigation and reviewing documents to tie together with witnesses in cases of financial fraud.

"There are huge career opportunities in accounting," he said with emphasis for his audience of university students.

After a question and answer session with McGovern, followed by a short break, Morze was introduced, starting his portion of the lecture.

"Every accountant has fewer dollars in his pocket because of me," Morze said. Despite the serious nature of his speech, Morze kept



Mark Morze
CFO of ZZZZ Best
White Collar Criminal
(added into article)

the atmosphere light-hearted with jokes and witticisms. He offered to extend the question and answer session so long as someone would recommend a bar or club where he could get a drink and talk after the lecture.

With master's degrees in both physics and history from UCLA, Morze specialized in creating fraudulent documents during the 1980s. He said he has never taken any accounting or business classes, but an old Apple computer, Wite-Out and an X-Acto knife were all he needed to fool every auditor he ever worked with.

Before Morze turned himself in, the ZZZZ Best carpet cleaning company was doing \$400 million worth of restorations in buildings that did not exist. Morze said that he created over 27,000 fake documents and that "auditors never saw even one original document."

During the symposium, he displayed a sample forged invoice [see next page] for a \$7 million restoration project of a nonexistent 16 story building. This document found its way through seven different audits and 106 certified public accountants without being recognized as fraudulent.

"Unless you see, feel, touch and smell, you just don't know," Morze said about the fictional buildings that were supposedly being restored by ZZZZ Best. "I didn't outsmart anybody... all I have to do is convince you to be manipulated," he said.

Morze's fraud ended abruptly when a journalist discovered his company was a fake. When the newspaper came out and

proclaimed the ZZZZ Best fraud, Morze said he went to the FBI and turned himself in that afternoon.

He was sentenced to five years in prison and had all of his assets seized.

"Prison, bad place," Morze said, making light of his five-year prison sentence. "Don't go. In prison they issue you a 300-pound roommate who thinks you're cute as a button."

As he drew to the close of his presentation, Morze said that prison is a life-changing experience for white-collar criminals.

"There's really nobody who goes back to doing fraud after they get out," he said. "Going to prison was one of the best things that ever happened to me."

Life lessons aside, Morze said that while in prison he read over 700 books and taught 84 men how to read.

"You needed to make an appointment to see me while I was in prison," Morze said.

After serving his time in prison, Morze began working with the Federal Reserve and various CPA firms to improve their fraud investigation practices. He is also on the board of directors of several companies and teaches fraud detection and ethics at Pepperdine University.

"If you want to build a better hen house, don't ask the hen, ask the fox," he said, regarding his new profession in which he helps businesses and the government safeguard against con artists.

ZZZ BEST

CARPET AND FURNITURE CLEANING COMPANY
1551 CAMINO DEL RIO - SOUTH, SUITE 104, SAN DIEGO, CA 92108 • (619) 892-1991
7040 DARBY AVE., SUITE 208, RESEDA, CA 91335 • (818) 344-7615
2219 THOUSAND OAKS BLVD., THOUSAND OAKS, CA 91360 • (805) 495-6652
7208 SOUTH EUCLID, SUITE 106, ANAHEIM, CA 92801 • (714) 491-2577
8483 CALLE REAL, GOLETA, CA 93117 • (805) 683-4140

for Minkow
to Barry Minkow
CA

No 18886

WORK ORDER CONTRA
CHECKS PAYABLE TO
ZZZZ BEST OR
BARRY MINKOW

CUSTOMER'S NAME
ADDRESS
CITY & ZIP

Interstate Appraisal Services
5430 Van Nuys Blvd. Suite #308
Van Nuys, Ca 91401
Bus: 785-9021
Res:

Age of Carpet 3+/3+/2+/3+
Age of Upholstery 3+
Date 4-8
Cash Check MC BA
Cleaner's Name B/M

Attention: Tom Padgett RE- Sacramento, Ca.

QUANTITY	THE FOLLOWING ARTICLES ARE TO BE CLEANED SUBJECT TO THE PRICES STATED HEREON AND THE CONDITIONS STATED BELOW	PRICE PER	ESTIMATE	AMOUNT
	CARPET CLEANING WATER DAMAGE / FLOOD DAMAGE			
1	REPAIRS FURNITURE MOVING (emergency)	62,425.00		62,425.00
2	UPHOLSTERY FURNITURE CLEANING AND REPAIR (all)	563,750.00		563,750.00
3	PRE-CONDITIONING STORE ALL FURNITURE DURING REMODELING	147,175.00		147,175.00
4	DUPONT TEFLON NEW UNDERLAYMENT (sub floor) & PLANK	1,023,078.15		1,023,078.15
5	MISC FLOORING INCLUDES CARPET/VINYL/TILE/LINOLEUM	1,819,579.70		1,819,579.70
6	SANITIZER PADDING ALSO INCLUDED CEILING TILES AND (T-111) PLUS SPRAYING	933,828.00		933,828.00
7	SHAMPOO CROWN MOLDINGS/BASEBOARDS, FLOOR CASING	1,021,042.75		1,021,042.75
	SUPERVISION/MANAGEMENT RENTAL OF SPECIAL EQUIPMENT	1,145,250.00		1,145,250.00
	SUB TOTAL			6,716,128.60
	SALES TAX			301,122.50
	ADJUSTMENTS			
	TOTAL			7,017,251.10

NOTE: FLOORS MAY BE SLIPPERY WHEN WET. 379,000 cost of 22 sq ft floor

NOTE: GUARANTEE DOES NOT APPLY—PAYMENT DUE EVEN IF FABRIC DOES NOT CLEAN. THE CUSTOMER HAS BEEN INFORMED OF CAUSE OF EXTREMELY POOR CONDITION OF FABRIC THAT IT PROBABLY WILL NOT CLEAN AND REES NONETHELESS TO PAYING OVER COSTS FOR ZZZZ BEST TRYING ITS BEST TO TRY AND CLEAN FABRIC.

CONDITIONS ZZZZ BEST agrees to perform the service indicated in a proper and workmanlike manner, using equipment and detergents standard for the cleaning industry. The customer agrees that ZZZZ BEST shall not be liable for the failure to REMOVE STAINS nor for any DISCOLORATION from non water fast dyes or beading threads, nor for any CHANGE IN COLOR of the fabric regardless of the cause nor CHANGES IN TEXTURE OR SHADING that may appear either before or after cleaning, nor for SHRINKAGE, opening of peated seams, or FADING OF FABRICS which may appear in the process of cleaning. FRAYING of fabric areas of normal wear will not be a responsibility of ZZZZ BEST. All fabrics cleaned only at customer's risk. ZZZZ BEST will accept liability for conditions existing prior to cleaning. Nor will ZZZZ BEST be responsible for any damage to fabrics cleaned.

Upon inspecting the articles to be cleaned, the store's representative pointed out to me the following
BECAUSE BUILDING WAS UNDER-WATER THERE IS SEVERE PLUMBING AND SEWAGE BACK-UP THROUGHOUT, ELEVEN STORIES WERE COMPLETELY DAMAGED. COMPLETE GERMICIDAL AND ANTI-BACTERIAL RINSE THROUGHOUT. NEW CARPET/FLOORING INSTALLED WHERE NEEDED.

I have been advised that the above visible conditions cannot be corrected by cleaning and I hereby give my permission to clean furniture and/or carpeting having full knowledge of the visible conditions of the furniture and/or carpeting prior to cleaning. The signature of the customer constitutes acknowledgment of the contract and the acceptance of the conditions stated above.

4-13 1986
DATE

[Signature]
CUSTOMER'S SIGNATURE

Our Customers: Servicemen are required to have work slips signed, this is done to protect you, the Servicemen and ourselves and to enable us to give you absolute satisfactory service. You are respectfully requested to examine this contract before the servicemen leave the house, and if you find everything satisfactory, okay this ticket. If service is unsatisfactory, in any way, please phone our office immediately.

As Above work has been satisfactorily completed
ESTIMATED COMPLETION AUGUST 29th 1986
CUSTOMER'S SIGNATURE

We wish to thank you for your valued patronage and trust we may have the pleasure of serving you in the future should the need arise.

Capitol Bank contract for fake insurance restoration construction job by ZZZZ Best (inserted)