THE NATHAN MUELLER FRAUD SCHEME:  
A PERSONAL TOUCH WITH DETECTION AND PREVENTION STRATEGIES

Nathan Mueller was an accountant for a division of a multinational insurance company. Over a period of four years he embezzled $8.45 million from the company. In this session, a forensic accounting professor discusses how the fraud was hidden, recounts the remarkable events that led to its detection, and outlines the prevention steps that could have prevented this fraud in the first place. This session will also discuss the detection steps, including the use of forensic analytics that could have detected the fraud long before it reached the $8 million mark.

You will learn how to:

- Recognize internal control weaknesses that could be exploited by accounting personnel.
- Adopt effective fraud prevention strategies.
- Implement effective fraud detection strategies, including forensic analytics.

MARK NIGRINI, CA  
Professor  
West Virginia University  
Morgantown, WV

Mark J. Nigrini teaches managerial accounting and forensic accounting. His current research involves advanced theoretical work on Benford’s Law and the legal process surrounding fraud convictions. Nigrini is the author of *Forensic Analytics* (Wiley, 2011), which describes tests to detect fraud, errors, estimates, and biases in financial data. Nigrini is also the author of *Benford’s Law* and *Losing the War Against Fraud*. His work has been featured in national media including *The Financial Times*, *The New York Times*, and *The Wall Street Journal*, and he has published papers on Benford’s Law in accounting academic journals, scientific journals, pure mathematics journals, and professional publications.

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The Journal of Accountancy and the CPA Insider
Our article, “Lessons from an $8 Million Fraud” (by Mark J. Nigrini and Nathan J. Mueller), was published in the August 2014 issue of the Journal of Accountancy. In the article, Nathan Mueller describes his fraud scheme in his own words, what made it possible, what contributed to the pressures to carry out the scheme, how the scheme was discovered after four years, and the consequences for him of the scheme. The article can be accessed and read here: http://journalofaccountancy.com/issues/2014/aug.html.

On August 4, 2014, Nathan Mueller published a shorter solo-authored article on his fraud titled, “Why Stealing $8M Wasn’t Worth It” in the CPA Insider. Nathan’s short answer is “no.” This insightful article can be accessed and read here: www.cpa2biz.com/Content/media/newsletters/cpainsider/cpainsider140804.jsp

The Global Conference Sessions
My sessions at the ACFE Global Conference will cover:
- How I made contact with Nathan (Nate) Mueller
- How we made contact with the Journal of Accountancy
- Some events and milestones along the way to getting published in the Journal of Accountancy
- A summary of the fraud scheme
- A summary of the preventive and detective controls and validity checks that could have prevented or detected the scheme
- Some events that have taken place since our article was published
- Some relevant photos and documents from the scheme

Introduction
I was introduced to Nate by two different people who knew him in two completely different ways. The first
introduction came from Ryan Homa who was the controller of Robinson Metals in De Pere, Wisconsin.

Ryan was also incarcerated in the Duluth Federal Prison because he had embezzled some $1.3 million from that company. Ryan and Nate were friends, and Ryan was one of the people that introduced me to Nate.

Nate and I wrote the article while he was incarcerated in the Duluth Federal Prison. We used the U.S. Mail and the CorrLinks email system. We have never met in person, nor have we spoken by telephone, nor have I watched Nate’s videos on the ACFE website. I have also not given Nate any gift which naturally includes no deposits of any sort into his BOP commissary account.
On September 23, 2013, Nate sent his narrative to me in an envelope from the Duluth facility. The narrative was a reasonably detailed 24-page account of his fraud scheme. The cover letter is shown below:

9/23/13

Hi Mark:

Well, here it is. This is my first stab at describing my crime and some of the things going on in my life as a result of what I did. It is pretty basic, but I feel like it is a good start. From here, I could turn this into an article, a book or a teaching tool. It was a fun exercise to write this down and some of my family and friends are reading some of these details for the first time so it was definitely worth the effort. I hope you find it interesting and informative. I look forward to any feedback you might have after reading it.

Thanks,
Nate

To familiarize myself with the narrative, I went through parts of the document in my graduate auditing class over a period of three weeks. We went over the details of the case, the lack of controls, and how it all unraveled at the end. My students had some questions, and I would send the
questions to Nate and he would promptly answer all the questions. He never, ever said that a question was “too personal” or anything like that. One student asked me in class how much Nate was earning by way of a salary. This question came about when we were talking about the pressures to commit a fraud. Nate’s answer is shown below:

My students found the review of the scheme and the insights to be interesting and informative. Their thank you letter took three pages, and the first of the three pages is shown:
To: Mr. Nathan J. Mueller, Duluth, Minnesota.

Date: November 4, 2013.

Thank you for sharing your story with our class.

Keri A.

Thank you for sharing your story with our class. I think you'll make a good speaker.

Fiona P.

Thank you for sharing your story!

Jeremy S.

Thank you for sharing your story with our class! Jeremy M.

Thank you! ZAK

Thanks! Cody K.

Thank you, Kevin H.

I have truly enjoyed hearing your story.

Brad R

Thank you for sharing your story with us.

Kexin L.
UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

UNITED STATES OF AMERICA,

Plaintiff,

v.

NATHAN JOHN MUELLER,

Defendant.

THE UNITED STATES GRAND JURY CHARGES THAT:

COUNT 1
(Mail Fraud)

1. Starting in or about June 2003, in the State and District of Minnesota, defendant Nathan John Mueller, an employee of ING Reinsurance Corporation, devised a scheme and artifice to defraud and to obtain approximately $8,500,000 by means of false representations, by causing his employer to issue about 99 checks payable to entities whose name was similar to the names of entities with whom ING Reinsurance did business.

2. The defendant would obtain these checks, and then deposit some of these checks into bank accounts that he controlled. The defendant then spent the embezzled funds on gambling, cars, travel, jewelry, friends, acquaintances, and extensive entertainment expenses, among other things.

3. The defendant would also mail checks to a credit card company to pay his substantial personal expenses incurred on his personal credit cards.
U.S. v. Nathan John Mueller

4. From about June 2003 through about October 2007, in furtherance of his scheme to defraud ING Reinsurance, the defendant would cause numerous items to be mailed and received from the mails, including credit card payments, and would cause numerous signals to be sent in interstate commerce, including email, wire transfers, and online bank account transfers.

5. To conceal the embezzlement, the defendant made numerous false and misleading entries in ING Reinsurance's books and records.

6. On one occasion, on or about January 23, 2004, in the State and District of Minnesota, the defendant, NATHAN JOHN MUELLER,

having devised the above-described scheme and artifice to defraud and to obtain money or property by means of false pretenses, for the purpose of executing and in order to effect the scheme and artifice to defraud and to obtain money or property, did knowingly cause to be sent, delivered, and moved by the United States Postal Service a payment to AT&T Universal Card, Englewood Cliffs, New Jersey, a credit card company.

7. All in violation of Title 18, United States Code, Section 1341.
UNITED STATES OF AMERICA, Plaintiff,

v. 

NATHAN JOHN MUELLER, Defendant.

The United States, by and through its attorneys, Frank J. Magill, Jr., United States Attorney for the District of Minnesota, and John R. Marti, Assistant United States Attorney, hereby submits this position regarding sentencing.

The government agrees that the advisory guideline range for Mr. Mueller is 97 to 121 months imprisonment. The parties have agreed that the facts as set forth in the pre-sentence investigation report are correct.

For four years Mr. Mueller executed an extensive, sophisticated scheme that defrauded his employer, a financial services company, of about $8.5 million. He concealed his fraud from his employer, his family and his friends. The extent of Mr. Mueller’s deceit is substantial and tragic. Most of the ill-gotten funds were spent on extravagant or corrupt behaviors, including substantial gambling losses, gifts to friends and acquaintances, and adult entertainment.

Contrasted with his behavior in executing this remarkable fraud is Mr. Mueller’s conduct once the scheme collapsed. When
confronted by his employer, Mr. Mueller readily admitted his culpability. At his employer’s request, Mr. Mueller delivered title for cars and other assets to his employer. Later, when contacted by federal law enforcement agents, he again admitted his culpability and submitted to extensive interviews. Mr. Mueller further cooperated by identifying assets to be seized for restitution and forfeiture. Because of Mr. Mueller’s cooperation, the government was able to identify significant assets which are now restrained.

Considering the sentencing factors set forth in 18 U.S.C. § 3553(a), the government believes a sentence within the low end of the guideline range is appropriate. The nature and seriousness of the offense call for substantial punishment. Furthermore, given the turmoil that our country’s financial services sector currently faces, there is a substantial need for substantial punishment to afford adequate deterrence to criminal conduct.

However, given Mr. Mueller’s conduct once confronted, the government believes that a sentence at the low end of the advisory guideline range is sufficient to comply with the purposes of sentencing.

Dated: 10/17/08

Respectfully submitted,

FRANK J. MAGILL, JR.
United States Attorney

s/ John R. Marti
BY: JOHN R. MARTI
Assistant U.S. Attorney
**Defendant Sentencing Memo (extracts)**

Mueller began working for ING Reinsurance (ING) in 1997 in an entry level job. His main responsibilities were account reconciliation and data entry. Over the first four to five years of his employment he was promoted twice within the same department. The promotions resulted in title changes and pay increases, but the job responsibilities were effectively identical.

From the beginning, Mueller was a very hard working, model employee, continually putting in long hours and doing the less than glamorous aspects of the job that he knew the company needed to be successful. It was his hope that his hard work and dedication to the company would result in his upward mobility. However, Mueller began to see very quickly that no amount of “hard work” was going to help him move up the corporate ladder. Over the course of his first three years of employment, Mueller reported that regardless of how hard he felt he worked, his term reviews were always the same. He became very discouraged at seeing others who he felt were poor employees but good social networkers being promoted ahead of him. Eventually, Mueller admits his work began to diminish.

Beginning in 2003, Mueller now admits his life began to spiral out of control. Burdened by personal and professional anxieties and issues that seemed unmanageable at the time, Mueller became extremely depressed and began to drink heavily. Desperate, Mueller saw that there was an opportunity to exploit the accounting systems of ING he had worked with for six years. Mueller saw that he could make check requests with his password and approve the requests with the passwords of others in his office. Mueller reports that it was commonplace within the ING accounting department that people would use other’s passwords to either request or approve check requests in order to cut down on the administrative time it took to do it correctly. Mueller exploited an accounting system that it now appears had many holes.
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Speaker: Wednesday Closing Session, June 17, 2015
This will be the first time that I meet, or speak with, Nathan Mueller in person.

GUEST SPEAKER: CONVICTED FRAUDSTER*

In addition to leaders in the fight against fraud, each year the ACFE Global Fraud Conference invites a convicted fraudster to present during a general session. This unique learning opportunity allows fraud fighters a first-hand look at how the minds of these criminals work, from their motivation to their rationalization. By hearing their story in their own words, and through their eyes, you’ll gain a deeper understanding of how they think and learn to recognize red flags in their behavior.

*Nathan Mueller
Convicted Fraudster

*The ACFE does not compensate convicted fraudsters.