

MALPRACTICE SETTLEMENT REDUCES \$2 MILLION CLAIM TO \$50,000

[Marnie Gucciard, CPA/CFE, CFE](#) and [Craig L. Greene, CPA/CFE, CFE](#) of [McGovern & Greene LLP](#) (M&G) provided expert consulting services to a Chicago law firm in support of their defense of a malpractice claim against a Chicago CPA firm. As a direct result of Gucciard and Greene's analyses, the attorneys approached mediation from a position of strength and negotiated a settlement of only \$50,000 with the Plaintiffs, less than 1% of the original claim of more than \$2 Million.

The Plaintiffs purchased a manufacturing business with plants in the United States, Canada and Scotland. They later filed suit against the former owners claiming damages due to breaches of the Stock Purchase Agreement, its representations and warranties; and against the CPA firm that had audited the company's most recent financial statements at the time of the purchase. The Allegations against the CPA firm cited the failure of its auditors to comply with Generally Accepted Auditing Standards; U.S. Generally Accepted Accounting Principles; and the applicable standards of care. The alleged damages exceeded \$2 Million and were derived mostly from claims of fraudulently overvalued assets, including receivables, inventory and fixed assets that the auditors should have identified.

M&G was brought in to assess the strength of the case against the auditors. After a thorough and detailed review of both the Defendant's and successor auditor work papers, and the accounting and audit documentation provided by the Plaintiffs, Gucciard and Greene concluded that the auditing work papers and associated accounting records did not support the Plaintiff's claims. M&G advised the accounting firm's attorneys that the auditors had met both professional standards and standard of care and that the Plaintiffs' claims were baseless. The attorneys, now equipped with this vital information, were able to negotiate a favorable resolution in mediation.

McGovern & Greene LLP is a CPA firm which specializes in forensic accounting, litigation services and fraud examination with office locations in Chicago, Las Vegas and Atlanta.