

# Local CPA heads Townsend inquiry

**Joseph Barbagallo says that, as a forensic accountant, "we have to get in the same mind-set as someone who would commit fraud."**

**By KARA FITZPATRICK**  
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Think of him as a detective with an uncanny knack for numbers.

Like a detective, Joseph Barbagallo conducts interviews, studies evidence and analyzes behavior. But, unlike many detectives, he's certified as a public accountant, forensic financial analyst and fraud deterrence analyst.

Barbagallo, a principal of the accounting firm Margolis & Co., is leading the investigation into the alleged misappropriation of more than \$67,000 by former Northampton township Manager Bruce Townsend.

Because the company's investigation into the township's finances is ongoing, Barbagallo said he's unable to comment on the findings. Barbagallo said he was technically hired by the township's attorney, Edward Rudolph, so he falls under attorney-client privilege.

However, the certified public accountant of 25 years was able to shed some light on how he goes about investigating and quantifying fraud — and how his job is more than just making sure the books are balanced.

"The financial area is so complex, so normally people don't understand it," he said. "The challenge for us is to break it down to very simple terms."

As a forensic accountant, "you need to think a little bit differently" from a CPA, Barbagallo said. "We have to get in the same mind-set as someone who would commit fraud."

To do that, Barbagallo studies the system at hand and uncovers opportunities for fraud. "A lot of people who commit fraud are very intelligent; they are able to pick up on an opportunity."

Once in the appropriate mind-set, he conducts interviews with "almost anyone involved in recordkeeping." Like all detectives, Barbagallo said he has perfected his interviewing skills, crucial in uncovering information and, sometimes, eliciting a confession.

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"We look very closely at the way they answer questions," Barbagallo said. For example, someone at fault might find a way to avoid a question, so as not to lie while evading incrimination.

Interviews, a key component in information gathering, can reveal a suspect's financial problems, substance abuse or gambling addiction. Those interviewed can help forensic investigators find out if a potential fraudster has demonstrated a change in lifestyle (for example, a Mercury trade-in for a Mercedes) or has been acting out of the ordinary.

Each financial record and document is reviewed with a fine-tooth comb.

Data mining software, which can detect about 100 potential indications of fraud — anything from off-kilter balances and out-of-sequence checks to weekend transactions — is then put into place.

In addition to using the software, Barbagallo reviews

records, looking at canceled checks, statements and more.

Once the ball is rolling, indications of where fraud was committed start to appear. Putting it all together "is almost like a puzzle," Barbagallo said.

Often, Barbagallo has to testify about his findings in court. That, he said, is his favorite part of the job. "It's the part where I put everything together and really become valuable for the client."

So where does fraud typically take place?

According to Barbagallo, each case varies. "No two engagements are alike," he said. And, just as methods of fraud vary, so does the amount of time — and money — it takes Barbagallo to uncover the mystery. The average forensic audit costs between \$15,000 and \$20,000, he said.

"With some, we're in and out pretty quick," he said, adding that other cases can take months, even years.

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