Executive Assistant Embezzles $1 Million from Hewlett Packard; as yet, SEC Doesn’t Care

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Surely you remember the SEC’s case against Polycom from this spring. In it, the SEC alleged that Polycom CEO Andrew Miller had “created hundreds of false expense reports with bogus business descriptions for his personal use of company dollars to pay for meals, entertainment, and gifts.” It’s hard to tell exactly how much is at issue in that case, but the complaint says “Miller obtained . . . at least $190,000 [in perks] that were not disclosed to investors.” In addition to charging Miller in federal court, the SEC brought an administrative case against Polycom itself, partly for having inadequate internal controls over Miller’s expenses.

I thought about the Polycom matter late last month when I read about Holli Dawn Coulman, an executive assistant from Hewlett Packard, being sentenced to prison for 21 months after embezzling almost $1 million from the company. Here’s what the Justice Department’s press release says:

The fraud was possible as Coulman was entrusted with a number of American Express corporate credit cards as a result of her position at HP. These credit cards were to be used solely for authorized and approved business expenses. Coulman, however, used the cards to support an extravagant and luxurious lifestyle, including spending: (1) in excess of $100,000 at the La Costa Resort Spa; (2) more than $43,000 at the Lodge at Pebble Beach and Casa Palmero at Pebble Beach; (3) thousands of dollars in airfare for trips to Hawaii and Europe; (4) thousands of dollars purchasing items at the Apple Store; (5) more than $33,000 in BTO Sports motocross gear; and (6) thousands of dollars in charges to Neiman Marcus and Nordstroms. In addition, Coulman admitted using the company credit cards to pay for more than $350,000 in expenses accrued by her brother’s custom painting business in Colorado.

Now, I don’t wish ill upon Hewlett Packard. And I’m quite sympathetic to the position of a company being defrauded by one of its own employees. That is, it’s not a lot of fun to be the victim of a crime and then be charged with violations yourself. And, to be fair to HP, Coulman took some steps to conceal her thefts of all of those spa treatments and motocross gear.

Again to the press release:

Coulman went to great lengths to cover up her theft of company funds. Among other things, she intercepted e-mails sent from HP program administrators that questioned her various personal expenditures. After intercepting the incriminating e-mails, Coulman would often delete them before they could be reviewed by her boss, a senior vice president. Occasionally, Coulman would fabricate responses indicating that the expenses had been authorized by her boss, even going so far as to submit fabricated supporting documentation, receipts, and invoices.

On the other hand, as far as criminal schemes go, we’re not exactly talking Ocean’s Eleven-level planning here. If the press release is to be believed, HP accounting staff (1) saw $33,000 in charges for BTO Sports motocross gear, (2) thought that was weird, (3) emailed Coulman’s boss about it, knowing Coulman probably had access to those emails, (4) didn’t get a response, and (5) said, “Meh.” Also: fabricated receipts and invoices? Even if
Coulman produced the most impossibly pristine fake receipts for $100,000 in purchases from the La Costa Resort Spa, how could that be enough? Some person needed to ask another person – maybe in person, but at least over the phone – what on Earth was going on with these expenses, and what they were for. Put another way, if your typical procedures aren’t getting sufficient answers, think about what you need to do to get those answers. It doesn’t look like anybody ever did that at Hewlett Packard.

Which brings me back to Polycom. Obviously that case was different given that Miller is the company’s CEO and therefore brings a number of questions related to executive compensation. But as to the company’s internal controls under Section 13(b)(2)(B) of the Exchange Act, it seems like Hewlett Packard has some issues! Coulman spent almost $1 million of the company’s money on pretty stupid things, and I bet HP’s investors would rather have it. I can’t tell that the SEC is investigating, but wouldn’t be shocked if another press release from the Commission appeared in the near future.

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