



'Trusted friend' embezzles at least \$166,300, pushes Portland company to brink of bankruptcy

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Karen Riddle and Don Riddle, owners of Applied Plastics Machining in Southeast Portland, in the machine shop area of their business. The couple were the victims of an embezzlement plot.

The scheme unraveled one afternoon in the office of a Southeast Portland plastics plant. Karen Riddle was whittling down a stack of paperwork when she came across a check stub to **Doernbecher Children's Hospital**. The medical facility wasn't a client or supplier. The sum was \$238.60.

That night she asked her new husband and the company's owner, Don Riddle, about it. He was dumbfounded. He hadn't donated to Doernbecher, he told her. She insisted he had and would fetch the stub to prove it. But when she later dived into the "D" folder in the file cabinet, the piece of paper was gone.

Trouble, they soon found out, lurked within.

They discovered the company was being embezzled by their bookkeeper, a trusted family friend, in an all-too-familiar tale. Small companies account for one-third of business fraud, according to the **Association of Certified Fraud Examiners** in Texas. Few firms recoup their losses. Many are forced to fold.

The embezzlement pushed **Applied Plastics Machining** to the brink of bankruptcy. But it didn't crumble and die. Instead, the Southeast Portland manufacturer survived thanks to the sweat and perseverance of its owners. Today, Don Riddle, 67, still puts in long hours and has no idea when he'll be able to retire. Karen Riddle, 58, works full days, too.

Their experience is a cautionary tale for businesses that don't take precautions to prevent theft. Their story also shows that even when embezzlers are caught, the wheels of justice rarely bail businesses out.

Businesses have to do that on their own.

But the theft did bring a silver lining: The Riddles have more love, humor and perspective than they did before they started digging out of the financial hole.

Starting out, building a business

Don Riddle, who grew up in Southeast Portland, created his own company in 1972 at age 27.

The business, initially a heating and air conditioning company, struggled at first. But by 1977, it was flourishing making parts and other items from plastic.

Riddle's first wife handled the books while he ran the plant. They had five employees in 1990 when they hired Vicky Ackerman to help out in the office.

Ackerman was 20 and a family friend. They had gotten to know her at holiday and other celebrations. She was smart, pretty and fun.

She didn't provide a résumé, and they didn't run a background check.

"In those days, we were so small," Don Riddle said. "We didn't worry too much about that."

A lively presence in the office, Ackerman put her typing and people skills to good use as the company grew, adding customers and employees.

In 1995, Riddle got divorced. He gave Ackerman, who proved to be a competent and well-liked employee, responsibility for the books two years later.

Suddenly, she had a company credit card, check writing duties and authority over the books.

Almost as suddenly, money started disappearing.

Company takes a turn for the worse

Riddle had no idea that Ackerman was stealing from the company to boost her lifestyle. She swiped cash, wrote checks and used the company card for herself and her family. She paid personal credit card bills, made house payments, bought a fancy motorcycle and a boat. One weekend, she and her husband flew to New York for a Mets game.

Small business anti-fraud tips

Adopt a code of conduct.

Check references and run criminal and personal background checks, looking at education, credit history, employment.

Train employees in fraud prevention.

Get bank statements that show front/back of checks.

Have one person reconcile bank statements against checks and ledger, another deposit checks, a third do payroll and payables.

As her income rose, the company started to sink, and Riddle couldn't figure out why.

"It seemed to be going swimmingly, then all of a sudden the company started to run short of money," he said.

He figured the company was suffering a growth spurt and that revenue would eventually catch up with expenses. He was also distracted. He'd fallen in love with a pretty, vivacious woman who lived in Eugene.

In 1999 they married, and Karen Riddle moved to Portland with her two boys. Bored with staying home, that summer she volunteered to work in the office.

The reception was glacial. Ackerman didn't give Karen Riddle a chair, making her sit on the floor. She and other office staff played tricks on Riddle, stealing the time clock and accusing her of taking it. When the check stub to Doernbecher disappeared, Karen Riddle wondered about her sanity.

"You start questioning yourself," she said. "Do I need to see my doctor? Is there something wrong with me?"

She brushed away her self-doubts and decided to investigate. The couple took a QuickBooks class, had an office worker print out the ledger and took it home to study.

They discovered the company was deeply in debt.

They returned to the empty office late that night to retrieve the bank statements. Several checks were missing.

"We were mortified," said Karen Riddle, "but it just verified what we'd been suspecting."

For days, they crept into work at night, gathered packs of checks, took them home, recorded them and returned them to the office to avoid detection as they built their case.

The showdown came in September 2000. One morning they took Ackerman into a room and laid out sticky notes with the numbers of four missing checks in front of her.

Tell us where the money went, they said and left the room.

A half-hour later, Ackerman walked out with her belongings.

Monthly, match checks against payables and payroll.

Monitor cash till.

Limit number of corporate credit cards; set low limits.

Conduct regular audits.

Take questions/problems to certified fraud examiner.

Source: Katherine Heekin, certified fraud examiner; Association of Certified Fraud Examiners

The Riddles went to the police. Ackerman was convicted in 2001 of felony theft.

She was sentenced to a year in prison, two years post-prison supervision and restitution of \$166,301.04. Ackerman wrote Don Riddle a letter, saying, "I have completely devastated myself and everyone around me. ... Please know that somehow I will make everything up to you, somehow, someday."

She completed her sentence, and the case was closed but the judgment remains unfulfilled.

Ackerman has paid a total of \$1,080 in restitution.

Climbing out of a hole

The Riddles went to a bankruptcy attorney, who told them they didn't have enough assets to distribute. They couldn't declare bankruptcy.

They had to work.

For the next three years, they toiled long days to steer the company straight. They wrote to their suppliers, promising they'd be repaid. They laid off staff. They streamlined the business. Karen Riddle did the books, Don Riddle managed the plant.

Check by check, they paid all their debt.

Today, the company is making money again.

But the betrayal still stings. Don Riddle had treated Ackerman like family, even paying for her honeymoon.

As a close friend, she had the perfect profile to embezzle a small company, according to **Katherine Heekin, a Portland-based certified fraud examiner**. Small-business owners have their guard down around trusted employees. They expect them to be loyal. They don't put double-checking procedures in place. They're lax on supervision.

It's also difficult to recover the money, Heekin said: "Typically, it's been spent."

The Riddles have not given up hope. They're keeping a Multnomah County Court judgment against Ackerman alive, just in case she ever shows assets with the state.

The embezzlement taught them hard lessons: Keep the business small. Keep checks in place. Don't give up control.

In some ways, their lives are better. Their long and difficult recovery bonded them as never before.

"To have a marriage survive this is unbelievable," said Don Riddle.

-- **Lynne Terry**

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