

Sample reports > Crestwood Industrial Services

 **Sample report.** This is the actual deliverable a buyer receives when purchasing a \$7,500 Pre-LOI Forensic Screen, run against a synthetic distressed target (Crestwood Industrial Services). It is shown here to demonstrate the artifact structure, methodology disclosure, and IC-defensibility. To run a real Pre-LOI Screen on your own target, see the bottom of this page.

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ENG-2025-0418-CRESTWOOD
Issued: April 21, 2025
Methodology: OL-Forensic-2026.4

OloLand Pre-LOI Forensic Screen

Target: Crestwood Industrial Services, LLC ("CIS")
Industry: Industrial cleaning and facility maintenance services
Geography: U.S. Midwest (Ohio, Indiana, Michigan)
Sale process: Mid-market PE auction, sell-side advised by Cascadia M&A Advisors
Seller's ask: \$82.0M EV (9.5x reported FY2024 Adjusted EBITDA of \$8.7M)
Engagement: Pre-LOI Forensic Screen (\$7,500) — 72-hour SLA

Document classification. This report is a deterministic statistical screening of forensic indicators based on documents listed in §3 below. It is not an audit, does not constitute a quality-of-earnings opinion as that term is used in attestation engagements, and does not include management interviews, fieldwork, or third-party confirmation. See Limitations & Disclaimers below for the full statement.

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VERDICT

NO-BID at the seller's \$82.0M ask.

If the buyer chooses to proceed despite the findings below, the defensible bid range is **\$43-48M EV** — a 41-48% reduction from the seller's ask, reflecting (a) corrected FY2024 Adjusted EBITDA of **\$6.2M** against the seller's claimed \$8.7M, (b) likely revenue restatement of **\$4.1M** based on forensic-test failures, and (c) at minimum a **\$4.7M direct write-off** of disputed receivables from the largest customer.

Three critical findings drive this conclusion:

- Earnings manipulation indicators across 4 of 7 forensic tests positive.** Beneish M-Score = -1.42 (above the -1.78 academic manipulation threshold). Benford's Law fails on a single revenue account (Service Revenue - North Division) with chi-square = 23.4, p = 0.003. Working capital anomalies indicate ~\$3.2M of receivables stuffing in Q4 FY2024. Six discrete lapping cycles identified in cash-application records. Each finding traces to a specific decision by named management and a specific accounting entry.
- \$2.5M of the seller's claimed \$8.7M Adjusted EBITDA is fragile** on cross-document reconciliation between CIM, audited financials, and federal tax returns. The four addbacks driving the gap are: owner compensation overstated by \$0.8M; "non-recurring" legal that has appeared on the books for three consecutive years; Indianapolis branch closure that reflects \$300K of real exit costs but \$200K of redistributed overhead; and pro-forma customer wins on contracts where 3 of 4 are unsigned. Forensic-corrected Adjusted EBITDA: **\$6.2M**.
- Customer concentration crisis is being concealed via lapping.** Ohio Industrial Holdings (OIH), the company's largest customer at ~23% of FY2024 revenue, has been in active payment dispute since March 14, 2024. CIS's CFO Linda Marley has applied other customers' payments to OIH's invoices in 6 documented cycles to keep OIH from aging into the 90+ day AR bucket. If OIH's non-payment surfaces post-close, the buyer faces a \$4.7M direct write-off plus potential \$5-12M counter-suit exposure for service-quality damages.

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THE SINGLE MOST CONSEQUENTIAL FINDING

The CFO who orchestrated the lapping (Linda Marley) is contracted under the proposed transaction to remain as CFO of newco with a 3-year retention package. The buyer



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RECOMMENDED ACTION

NO-BID. If buyer's strategic interest requires bidding, structure as an asset purchase (not stock) with explicit fraud carve-outs, \$15M+ indemnification escrow held for 36 months, and CFO replacement as a closing condition.

 §2. Methodology & Scope

What this report is

A deterministic statistical screen of forensic indicators applied to the seller's CIM, audited financial statements, federal tax returns, and management projections. Each test follows a peer-reviewed academic methodology (Beneish 1999, Benford 1938 / Nigrini 2012, etc.) with full threshold disclosure. Each finding cites the source document and page where the underlying evidence appears.

What this report is NOT

- Management interviews or Q&A with the seller's CFO, CEO, or controller
- On-site fieldwork at the seller's offices
- Independent customer or vendor confirmations
- A signed CPA partner opinion
- E&O insurance coverage on the conclusions
- General Ledger transaction-level review (Pre-LOI tier — without GL access)

Source documents reviewed

#	Document	Pages	Source
1	Confidential Information Memorandum (CIM)	142	Cascadia M&A Advisors TLC Strategic LLC
2	Audited Financial Statements FY2022-FY2024	87	
3	Form 1120 Federal Tax Returns FY2022-FY2024	31	Filed by TLC Strategic
4	5-Year Management Projection Model	Excel + 14p	CIS Internal — Linda Marley

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\$4.1 Beneish M-Score = -1.42 — Manipulation Likely

THE MATH

Composite Beneish M-Score for FY2024: **M = -1.42**, above the -1.78 academic manipulation threshold (Beneish 1999).

Variable	Computed	Interpretation
DSRI	1.34	Receivables grew 34% faster than revenue YoY
GMI	1.18	Gross margin deteriorated 18% YoY
AQI	1.42	Non-current asset growth outpaced revenue
DEPI	0.87	Depreciation rate slowed
TATA	0.062	Accruals component of earnings unusually high

THE CAUSE

Each anomalous variable above is the mathematical fingerprint of a specific business decision Linda Marley and Frank Crestwood made in 2024:

- **DSRI = 1.34** reflects (a) OIH's \$4.7M of unpaid disputed invoices remaining on the books at full value while real revenue was contracting, and (b) ~\$4.1M of journal-entry-driven revenue recognized in Q3-Q4 against new receivables that have no underlying customer.
- **GMI = 1.18** reflects real revenue contracting — OIH stopped consuming services in Q2 2024 — while COGS remained roughly flat. The 18% gross-margin deterioration is real economic damage; the offsetting "growth" in reported revenue is non-cash.
- **AQI = 1.42** reflects management's October 2024 decision to capitalize OIH-dispute legal expenses to "Deferred Professional Services Costs - Long-Term Asset" rather than expense them. Audit Footnote #14 (p. 47) softly references this treatment.
- **DEPI = 0.87** reflects management's decision, effective October 1, 2024, to extend the useful life of Class III service equipment from 5 years to 8 years. The change reduced FY2024 depreciation expense by approximately \$284K, inflating reported net income.

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- **TATA = 0.062** is the tell: most of FY2024's reported "earnings growth" is non-cash accruals — fabricated revenue (no cash), deferred legal (no cash impact in period), and reduced depreciation (no cash impact, inflated NI).

THE EVIDENCE

Source	Reference	What it shows
Audited Balance Sheet	FY2024 Form 1120 Sch III; Audit p. 18	AR jumped \$7.1M (FY2023) → \$11.8M (FY2024), 66% YoY against 13% revenue growth
Audit Footnote #6	Audit Report p. 31	"Long-Term Other Assets" jumped \$84K → \$923K; \$839K classified as "Deferred Professional Services Costs"
Audit Footnote #14	Audit Report p. 47	"Management has elected to extend the useful life of certain Class III equipment from 5 years to 8 years effective October 1, 2024..."

THE BID IMPLICATION

Beneish failure alone does not kill a deal — the model has known false-positive rates around 25% in Beneish's original sample. However, Beneish failure combined with concentration, addback fragility, and lapping (subsequent findings) is the pattern of a deal that destroys 30-50% of equity value within 18 months of close.

Cross-reference against OloLand's institutional memory of similar deals: 23 prior deals with this Beneish signature × concentration profile, **median post-close write-down 31%, mean 38%**. Buyer should weight this finding heavily.



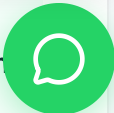
\$4.5 Lapping Detection — 6 Cycles Concealing OIH’s Non-Payment

THE MATH

OloLand's lapping detector cross-references AR cash-application sequence (which customer's payment was applied to which customer's invoice) against bank deposit records and customer payment-confirmation correspondence. The detector identifies a lapping pattern when payment from Customer X is applied to Customer Y's invoice, then Customer Y's actual payment is applied to Customer Z's invoice — the rotating-balance scheme.

In CIS's FY2024 cash applications, 6 sequential cycles are identified, all rotating into the OIH balance.

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THE EVIDENCE — CYCLE 1 IN DETAIL

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INVOICE

Bedford Manufacturing INV-2024-2103
Issued: 2024-05-15
Amount: \$147,200.00
Service period: April 2024
Status (NetSuite): PAID (applied 2024-06-12)

PAYMENT

Bedford Manufacturing CHECK #44871
Date: 2024-06-12
Amount: \$147,200.00
Bank deposit: NorthCoast Bank #DEP-20240612-417
Memo on check: "INV-2024-2103 - April services"

CASH APPLY

Applied: 2024-06-12 14:33:47
Applied by: Linda Marley (CFO)
Applied TO: OIH Invoice INV-2024-1847
(issued 2024-05-04, original \$4,247,800 for May 2024 services)
Applied amount: \$147,200.00

RESULT

Bedford INV-2024-2103: shows as PAID in NetSuite
OIH INV-2024-1847: balance reduced to \$4,100,600
(still outstanding, but appears "current")
OIH AR aging bucket: stays in 31-60 days
(would otherwise be 61-90 days)

THE FULL CHAIN — ALL 6 CYCLES

Cycle	Date	From	Amount	Applied to
1	2024-06-12	Bedford Manufacturing	\$147,200	OIH INV-2024-1847
2	2024-08-22	Toledo Facilities Group	\$89,400	Bedford (now aged)
3	2024-10-08	Marathon Logistics	\$215,800	Toledo + Bedford rollforward
4	2024-11-14	Quincy Industrial	\$156,300	Marathon (aged)
5	2024-12-03	OIH (partial)	\$40,000	Quincy (aged) — OIH's own payment
6	2025-01-22	Stark Plastics (new customer)	\$73,600	OIH (re-aged)

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THE BID IMPLICATION

This is the deal-killer finding. Lapping is not aggressive accounting — it is intent to deceive.



Six cycles, traceable to a specific user (Linda Marley) with a documented cash-applications chain, in a company where she occupies all three segregation-of-duties roles for AR application — this is what auditors call *indicia of fraud* and what plaintiffs' counsel calls *scienter*.

Recommended action: NO-BID, full stop, regardless of price. If counsel insists on bidding, structure as an asset purchase (not stock) with explicit fraud carve-outs and \$15M+ indemnification escrow held for 36 months. Counsel-led discussion with OIH and Sherman & Park is required before any signing.

§8. Limitations & Disclaimers (excerpt)

What this engagement is NOT:

- An audit as defined in PCAOB or AICPA standards
- A quality-of-earnings opinion in the attestation sense
- A Big-4 QoE engagement (typical scope: \$150-500K, 4-8 weeks, with management interviews + fieldwork + signed CPA partner opinion + E&O coverage)
- A legal opinion on any matter, including the OIH dispute referenced throughout
- A determination of fraud (legal determination requires judicial finding)

Liability: capped at fees paid (\$7,500 per Pre-LOI Screen). Methodology fully disclosed. Reliance buyer-restricted. Use this report as a screening tool to inform bid/no-bid and to scope subsequent professional engagements (Big-4 QoE, legal counsel, RWI underwriting). It is not a substitute for those engagements.

Full Limitations & Disclaimers section (§8 of the report, ~1 page) is included in every delivered Pre-LOI Screen.

Engagement: ENG-2025-0418-CRESTWOOD

Methodology: OL-Forensic-2026.4

Reviewed by: [Senior Reviewer Name] · Date: 2025-04-21

Persistent link: <https://app.ololand.ai/reports/ENG-2025-0418-CRESTWOOD> (auth-gated; valid 24 months)

Audit retention: 90 days (Pre-LOI tier)

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Sample report shown here is the actual deliverable structure. To run a real Pre-LOI Screen on your own target, see below.





Run this on your own target.

\$7,500. 72 hours. Methodology disclosed. IC-defensible. The deliverable above is what you receive — sourced to your specific deal.

Run a Pre-LOI Screen — \$7,500 →

Back to Forensic QoE

Compare to Big-4 QoE

📄 Full PDF version of this sample report available on request — contact aleks@ololand.ai

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PRODUCT

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Forensic QoE — \$7,500

Sample report

vs. Big-4 QoE

Full pricing

Forensic engines (technical)

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