

What Does a Forensic Accountant Do?

By L. Erik Ringoen, CPA, CFF, CIRA

When people think of CPAs, they often assume they are tax preparers, small business advisers, or corporate CFOs. Most don't think about investigations. Forensic accounting is a technical field that requires an inquiring mind, attention to detail, and analytical skills, as well as interpersonal skills and especially strong communication.

The word "forensic" is defined by *Black's Law Dictionary* as used in or suitable for use in courts of law or public debate. Thus, forensic accounting requires a high standard of financial accounting evidence or support that can sustain the scrutiny of a court of law. The forensic accountant's role in litigation is to objectively express an opinion on financial issues in dispute, succinctly and with a sufficiently explained foundation. Most cases never go to court, but the forensic accountant's methodology, case approach, and documentation should be the same in any case and anticipate there will be expert testimony required.

Forensic Accounting Services

Forensic accounting services generally involve an application of the specialized knowledge and investigative skills possessed by CPAs to collect, analyze, and evaluate evidential matter and to interpret and communicate the findings in a courtroom, boardroom, or other legal or administrative venue. Simply put, forensic accountants quantify the financial aspects of matters in dispute. These disputes can take many forms, such as investigating allegations of fraud or other similar matters, evaluating claims for economic damages, assessing damages in partnership/marital disputes, and more. The forensic accountant should be able to simplify complex accounting and financial issues in such a way that nonaccountants can understand the evidence and its implications.

Characteristics of a Forensic Accountant

The five key traits of a forensic accountant are as follows:

- Detail oriented
- Technologically savvy
- Problem solver
- Professionally skeptical
- Excellent communicator

A forensic accountant must be able to analyze voluminous financial data and identify anomalies without overlooking any details. It is the details that can significantly affect the outcome of a case. Forensic accountants must have a good knowledge of technology and software products. Computer technology has transformed business, and along with it transformed financial crime. Forensic accountants need to be skilled in data collection, data analytics, and data visualization. They must have acute problem-solving skills and the ability to suspend judgment, think creatively, and thoroughly examine evidence to support their findings. In addition, they must maintain professional skepticism throughout an engagement. Professional skepticism includes a questioning mind, being alert to conditions that may indicate a fraud or error, and being able to critically assess evidence. Forensic accountants also must have good interpersonal skills to communicate and interact with others, both individually and in groups. Listening, effectively speaking, and strong writing are essential to forensic accountants. Forensic accountants must be able to work collaboratively with outside counsel, client personnel, and other experts to gather evidence, conduct interviews, and report on evidence both in written and oral forms.

Clients of Forensic Accountants

Forensic accountants provide professional services to attorneys (in-house and outside counsel), insurance companies, and business, government, law enforcement, and

individual clients. A forensic accountant is typically hired by counsel on behalf of a client to maintain the privilege of communications. Forensic accountants can be retained to provide consulting services to a client or for expert services, such as an affirmative opinion on the economic issue in dispute or question. If hired as an expert in a case, the forensic accountant is required to adhere to specific state and/or federal laws with respect to completing the engagement and writing a report.

Typical Kinds of Cases

The forensic accountant can assist clients with a variety of financial matters in dispute:

- Calculating economic damages in complex commercial litigation (e.g., partnership/shareholder disputes, marital disputes, breach of contract, tortious interference, product liability)
- Assessing insurance claims (e.g., business interruption, property and casualty, subrogation suits)
- Assessing damages regarding individuals, including personal injury/wrongful death economic damages and discrimination claims
- Conducting fraud investigations (e.g., corruption, asset misappropriation, management/employee fraud, corporate investigations)
- Investigative due diligence

Simply put, forensic accountants assist with all types of financial and accounting matters that are part of a dispute or in question.

What Education, Training, and Experience Is Needed?

A bachelor's or master's degree in accounting is needed as a base education. Obtaining the CPA credential is strongly recommended if one wants to progress to higher levels in the industry. Having two to four

years of financial auditing, tax, banking, or finance experience also provides a good foundation to becoming a forensic accountant. Working with experienced forensic accountants provides the necessary training to hone the technical and writing skills to be a forensic accountant. Experienced forensic accountants can ascend to becoming certified in financial forensics (CFF), a designation from the American Institute of CPAs (AICPA) that recognizes individual specialty and experience in the field. Becoming a certified fraud examiner (CFE) is also a popular certification, especially if the forensic accountant specializes in fraud investigation or internal audit.

Are There Forensic Accounting Standards?

CPAs performing forensic accounting services adhere to AICPA standards for

consulting services, SACS Rule 201 (general standards) and Rule 202 (consulting standards), among others. *Communications in Litigation and Dispute Services* should be in every forensic accountant's library because it is a great resource guide. In addition, Statement on Standards for Forensic Services No. 1 (SSFS 1), effective Jan. 1, 2020, provides authoritative guidance for AICPA members providing litigation and investigative services. Forensic accountants must be aware of and adhere to pertinent laws, rules, and standards, along with being aware of specific case law that governs certain elements of case work in a given case. For example, different states may have specific case law and/or statutes that will directly impact a forensic accountant's damage assessment in a given case.

Objective Communicator

Forensic accountants assist in various types of complex financial and accounting cases, but they also must be skilled at explaining the evidence gathered and their findings to a judge or jury. The forensic accountant must be impartial and objective when sharing the fact story. When hired as an expert, a forensic accountant is not an advocate for any one side; attorneys are advocates for their clients. Forensic accountants are advocates for their opinion. 

L. Erik Ringoen, CPA, CFF, CIRA, is a director with Forensic Resolutions Inc., with offices in Westmont, N.J., and Philadelphia. He can be reached at eringoen@forensicsolutions.com.