Forensic accounting a growing niche field

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In 2011, the American Institute of CPAs (AICPA) conducted a survey to evaluate trends within the Forensic and Valuation Services (FVS) practice area.

The vast majority of participating forensic accounting professionals reported significantly increasing demand for their services in recent years. They also forecast greater demand in the next two to five years accompanied by an uptick in litigation and regulatory enforcement during the same period.

In 2008, responding to the increased activity and growing demand for services, the AICPA launched a program by which a professional accountant can earn a Certified in Financial Forensics (CFF) credential.

“We had done a lot of research to establish the market demand for the credential,” said Elaine Leggett, AICPA technical manager member for the FVS Services Committee. “Since then, we have seen nothing but growth even during the downturn in the economy.”

According to the AICPA, “forensic accounting services generally involve the application of specialized knowledge and investigative skills possessed by CPAs to collect, analyze and evaluate evidential matter and to interpret and communicate findings in the courtroom, boardroom or other legal/administrative venue.”

More often than not, clients who require forensic accounting services are legal firms and businesses drawn from a wide spectrum of industry categories.

“We’ve seen growth in all areas of forensics, especially in computer forensics, which is being driven, obviously, by the increasing use of technology and concerns about cyber security,” Leggett said.

Growing market

The metro Atlanta area is a prime market for forensic accounting experts owing to a heavy concentration of banking and financial services, headquarters of national and international businesses, incubator academic institutions, and an entrepreneur-friendly environment that supports high-tech and telecommunications enterprises, plus commercial and residential real estate development.

“The more business activity you see, the more disputes you will have,” said Howard Zandman, a CPA and partner at Habif, Arogeti & Wynne LLP.

Zandman’s résumé includes more than 35 years of experience in forensic accounting litigation support and dispute resolution on behalf of attorneys, insurance companies, individuals and corporations.
He has also served as an expert witness in a number of federal and state jurisdictions.

“People tend to only associate forensic accounting with fraud and internal investigations, and with high-profile cases like Enron and WorldCom, but it actually encompasses every aspect of investigative accounting work,” Zandman said.

More than half of the respondents to the AICPA survey predicted an increase in demand for outside consultants versus in-house personnel during the next two to five years from companies attempting to prevent or detect fraud.

In the valuations arena, recent significant activity increases were reported in shareholder/partner disputes, contractual disputes, family law, and gift and estate disputes, while the forecast called for more of the same in the next two to five years alongside bankruptcy, insolvency and reorganization cases.

According to Zandman, whenever one side is trying to outmaneuver the other by relying on ledgers, numbers, and interpretation of technical information and esoteric language, “you can’t have a checklist type of approach.”

“If you want to find the right answer to determine damages or discover who-done-it in a fraud investigation, you have to keep an open mind,” he said.

To students contemplating a career or a seasoned accountant thinking about getting into the forensic field, Zandman recommended expanding the scope of the educational process and seeking experience beyond the requisite exposure to debits and credits.

“I think you need some extra training in specialty areas, such as auditing and tax compliance, to fully understand the way a business operates,” Zandman said.

**An exciting field**

Most accounting programs at colleges and universities in Georgia include courses in forensic practice areas, such as fraud prevention, detection and response to financial statement misrepresentation; economic damages calculations; bankruptcy, insolvency and reorganization; and computer forensic analysis.

Georgia Southern University is one of the few schools in the country offering an advanced degree with its Master of Accounting with Concentration in Forensic Accounting.

“It’s an exciting field with lots of war stories to be told, which is why students find the subject so appealing,” said Madeline A. Domino, assistant professor at Georgia State University’s School of Accountancy at the J. Mack Robinson College of Business.

Domino characterized forensic accounting as “somewhat of a niche” because it requires multidisciplinary expertise that crosses the realms of accounting, criminal investigation, regulatory legislation and judicial litigation. Forensic accountants are expected to understand the way small and large enterprises operate, prepare valuations in commercial and civil disputes, and provide insight into the darker side of business.

“The FBI and Justice Department are looking for forensic accountants because the reach of the profession has spread to areas such as money laundering and even terrorism cases,” Domino said.
With the economy continuing to struggle in many areas, incidents of fraud and other forms of financial malfeasance are unlikely to diminish, which means forensic accounting will remain a growth segment, at least for now.

“No matter what segment of the economy you or your company is in, the pressure to succeed and meet numbers is there,” Leggett said. “People in dire situations will see the potential for fraud and do it for personal reasons.”

**Forensic accounting trends**
- 83 percent of survey respondents anticipated greater demand for computer forensic investigations in the next two to five years, with the mean anticipated increase at 20 percent.
- 53 percent expected more pre-packaged bankruptcies in the next two to five years.
- Among economic damages engagements, the highest number of respondents expected greater demand involving breaches of contract, business torts and intellectual property.
- About 85 percent saw an equal or greater number of divorce cases handled in the past year.
- Regarding engagements involving financial statement misrepresentation, CPAs thought the most prevalent issues in the near future would be revenue recognition and valuation of assets carried at fair value.

Source: The AICPA 2011 Forensic and Valuation Services (FVS) Trend Survey