

# A Real-Life Forensic Accountant



The \$150 million plus movie about Christian Wolff in *The Accountant* is not so far-fetched as it might seem. Played by Ben Affleck, Christian Wolff is called in to investigate the possible cooked books of a state-of-the-art robotics company.

By Scott P. McHone, CPA, PhD

In fact, the scheme at the robotics company was to engage in “wrong-way” earnings management as the company planned to go public. This involves taking out money by skimming and re-laundering the money back into the organization to pump up earnings in the future.

## Crazy Eddle Fraud

Sam Antar, convicted fraudster and CFO of Crazy Eddie, indicates these three steps for skimming money and inserting the money back into the business before and after going public. He calls it “The Panama Pump” – money laundering to increase revenues and reported profits:



- 1) 1969-1979: Skimming and under-reporting income (tax fraud) prior to the big plan to go public.
- 2) 1980-1984: Gradually reducing skimming by re-inserting cash to increase profit growth in preparation for the initial public offering (i.e., committing securities fraud by “going legit”).
- 3) 1984-1987: As a public company, overstating income and inserting cash to help insiders dump stock at inflated prices using a variety of fraudulent tricks.

## Huge Need for Forensic Accountants

There is a huge current and future need for the interesting profession of forensic accounting. You do not need to be such a whiz with numbers as Christian Wolff, but you do need to be

skeptical, persistent, and an excellent interviewer. Computer software can help you be a Christian Wolff to find the red flags and uncover the fraud.

There is, of course, fraud in private industry, but I believe there is a higher percentage of fraud in governmental programs. Dr. Larry Crumbley and I believe there might be as much as \$3 trillion of total fraud in the U.S. each year. There is a real need for the suspicious forensic accountant. With a new administration in Washington, D.C., there probably will be more emphasis on reducing fraud and abuse in governmental programs.

### **Red Collar Crime**

Just as in *The Accountant* movie, there can be some excitement, thrills, and danger in forensic accounting work. White collar crime can lead to red collar crime – violence, injury, and death. Just like the experience of forensic accountant Calvin Joyner (Kevin Hart) in the movie *Central Intelligence*, who tracked offshore accounts for an auction and is shot by Bob Stone (Dwayne Johnson - The Rock) to save his life, forensic accounting can be exciting. Professor Richard Brody says red collar crime is more prevalent than expected. Fraudsters may become violent to cover their crime.

There have been at least thirty homicide crimes where a white-collar criminal killed or hired someone to kill a person who discovered a fraud. Houses and offices can be burned to destroy evidence. There has been at least one episode on *Law & Order: Special Victims Unit* about red collar crime.

### **What Is Forensic Accounting?**

So what is forensic accounting? The classical definition is an accounting engagement that results from disputes or litigation. “Forensic” means suitable for use in court and it is to that standard and potential outcome that forensic accountants generally must work.

But forensic accounting is so much more. Here are just some areas where forensic accountants can serve and be useful:

- Forensic accountants are used in many situations as a preventative measure and to help reduce errors and waste. Even during times when businesses are not doing as well, the need for forensic accounting will continue to be in demand in addition to traditional accounting services such as preparing financial statements, tax returns, etc.
- Many companies are using tools such as Six Sigma and Lean Management to help identify and reduce known errors and reduce the chance of the occurrence of unknown errors. Having a forensic accountant or two on the team increases the chances of having a successful engagement. The mindset of a forensic accountant is to find and prevent errors and irregularities.

- With the increases in technology we have seen more cyber-based crimes and the need for cyber security. A forensic accountant with an information technology background is a useful tool to help reduce risk in these areas. Equipped forensic accountants can utilize software tools to analyze large amounts of data in a fraction of the time it would take to do manually.
- Another area of work for forensic accountants is in the medical field. Healthcare fraud is increasing and so is waste. Having a forensic accounting background is valuable for healthcare auditors and individuals who are entrusted with the custodianship of these resources.

### **Consider Becoming a Certified Forensic Accountant**

I am the Executive Director of the American Board of Forensic Accounting (ABFA). To be a full-fledged forensic accountant, you need a certification. The ABFA was established in 1993 and was the first “broad based” forensic accounting board in the United States. Over the years the ABFA has been blessed to work with many forensic accountants, board members, and great members at large. Members include top accounting firms, governments and employees, educators, and individual practitioners.

The first credential issued by the ABFA was the Certified Forensic Accountant (CRFAC). Now the ABFA has multiple credentials and designations and world-class training programs. The Forensic Accounting Review course (FAR) is the first part of a series of courses offered by the ABFA. This program features Dr. Larry Crumbley as the instructor and designer, along with a great team of educators and professionals.

Here are some highlights of the Forensic Accounting Review (FAR):

- For Individuals - The FAR provides accountants with a cost-effective and convenient opportunity to develop valuable skill sets, create increased earning opportunities, and offers a pathway toward certification in Forensic Accounting.
- For CPA Firms - The FAR provides accountants and auditors with special skill sets to perform forensic accounting engagements and expand the firm’s services to the public and increase revenue streams. Forensic accounting is the fastest growing segment of the accounting profession and one of the most profitable and popular.
- For Government - The FAR provides accountants, auditors, and investigators with skill sets to identify waste and inefficiencies and proactively address fraudulent activities. ABFA’s Forensic Accounting Certification builds department reputation, saves taxpayer dollars, and increases public trust.

- For Schools - The FAR provides accounting programs with advanced learning opportunities developed by a team of prestigious forensic accountants and educators, preparing students for the workplace and making them stronger employment candidates.
- For Businesses - The FAR provides accountants with skill sets to identify waste and inefficiencies and proactively address fraudulent activities. ABFA's Forensic Accounting Certification builds company reputation and customer trust.

Forensic accountants are helpful in detecting and preventing fraud and is a great tool for law enforcement and auditing. Forensic accountants consult with attorneys and testify in courtrooms.

Who needs forensic accounting training? The answer is every accountant, auditor, and investigator who works with money and assets.

### **The Future Is Bright**

Forensic accounting is one of the fastest growing and highest paid professions in the area of accounting and auditing. Here is some financial information about forensic accounting:

- Forensic accountants earn more per year.
- Growth industry: practitioners have experienced rapid growth and expect more demand in the future.
- Firms offering forensic accounting services have billable rates for these services that are much higher than for their traditional accounting, tax, and auditing services.

### **Conclusion**

The American Board of Forensic Accounting provides education, training, and certification in the field of forensic accounting. Forensic accounting has become very popular during the past ten years. The "broad based knowledge" of forensic accounting is beneficial to all accountants, auditors, and investigators. Forensic accounting is the fastest growing segment in the accounting profession, and the American Board of Forensic Accounting is assisting in the development of forensic accountants in the United States and around the world.

Do you have the skills, temperament, and courage to be a forensic accountant? Do you wish to solve puzzles? If so, become a forensic accountant. Join the ABFA today at [www.abfa.us](http://www.abfa.us)