



# A force for good

Forensic accounting is a fascinating field that rewards ethical behavior, says ABFA executive director Scott McHone

**A**sk Scott McHone, executive director of the American Board of Forensic Accounting (ABFA), what he likes most about forensic accounting and his answer might surprise you. It's the feel-good factor that floats his boat rather than the problem-solving challenge or the (very good) money.

'What I enjoy about forensic accounting is that ethical behavior is rewarded,' he explains. 'Contrast that with preparing tax returns, where there's always pressure on the tax accountant to lower the tax bill and possibly even do something that they're not supposed to do. Even in companies, CEOs are always pushing on the CFOs and the controllers to make the financial statements look as good as possible.'

Forensic accountants are often thought of as financial detectives. Their work can involve anything from investigating fraud and financial irregularities, quantifying losses for insurance claims, and valuing businesses, through to assessing damages arising from breach of contract, assessing the work of other professionals in professional negligence cases, and helping to recover the proceeds of serious crime. They can also play a role in data protection and preventing cyber attacks. Just like police detectives, forensic accountants often have to give evidence in court.

## Where it all started

McHone himself got into forensic accounting back in the 1980s, when little was known about the area. While studying for his CPA qualification, he took a job as an internal auditor working for the Kern County government in California. His role involved auditing the county departments and court system, looking for accounting errors and irregularities. One of his assignments was to undertake an evidence management check, which included a review of how the courts handled drug evidence. During this process, he discovered that bags of drug evidence were not always stored securely. On one occasion, a couple of kilograms of cocaine even mysteriously disappeared – only to turn up again a few days later. 'The concern was that

individuals could be stealing the evidence and substituting it with something that looked like the evidence,' he says.

In 1990, McHone decided to start his own business. He soon landed a large federal government auditing contract with the Department of Housing and Urban Development (HUD). The role required McHone to visit refurbishment projects in some of the roughest districts in Los Angeles – areas that were characterised by drug abuse, gangs, and violence. It was his job to establish whether HUD funding was being used for its designated purposes – which turned out not to be the case.

'I discovered that items such as refrigerators, sinks, stoves, and toilets were being purchased and paid for by the federal government, but not making it to the projects,' he reveals. 'When I was working in those districts, I often heard gunshots, especially towards the evening hours. But as a result of the forensic accounting work that took place, fraud was uncovered, which allowed tenants to start receiving the furnishings and repairs they needed.'

Fast forward a few decades and gunshots are no longer something that McHone hears as a matter of course, nor is he required to track down missing bags of cocaine anymore. Now the executive director of ABFA, he focuses instead on developing and reviewing the board's educational content and undertaking strategic planning. He also does a lot of public speaking and lecturing at universities.

### ABFA and ACCA

McHone believes that the partnership between ABFA and ACCA is underpinned by common values: a commitment to ethics and quality, a belief in being current and relevant, and a focus on education and training.

He argues that ACCA members can benefit professionally from developing expertise in forensic accounting, since the demand for forensic accountants is growing at a time when more traditional accounting roles are starting to be lost to the trend towards automation. Then, of course, there are the financial benefits to consider.

'It is the highest-paying niche in accounting – by far,' McHone explains. 'Individuals who have a forensic accounting background, or who are performing some kind of forensic accounting task, are earning 5%-10% more than their peers. It's not uncommon to see partners in forensic accounting earning \$400 an hour, or even higher.'

## All about ABFA

Founded in 1993, the American Board of Forensic Accounting aims to equip forensic accountants with a broad-based knowledge of the practice area. It does this by educating them, and testing their abilities and skills with a view to providing certification. Although ABFA is a US body, its membership is international. 'Our mission is to teach as many people as we possibly can about forensic accounting,' says McHone. 'We've taken the whole body of forensic accounting knowledge and incorporated it into one substantial course. So ABFA plays a big role in educating not only the United States, but the world, in forensic accounting.'

Currently, ABFA is working with ACCA chapters in the US to connect the memberships of the two bodies.

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The healthcare sector offers significant opportunities for forensic accountants to make a difference today, according to McHone. While official statistics estimate that the rate of Medicare fraud in the US is 8%-10%, McHone believes it is at least 15%. If this level of fraud could be reduced, more money would be available to help people who are currently uninsured.

Cybersecurity and forensic audits (evaluations of an organization's financial information for use as

evidence in court) also have the potential to be major growth areas. 'Forensic accountants already need to have a base-level knowledge of cybersecurity,' says McHone. 'And perhaps in future, publicly traded companies, and maybe even governments, will be required to have a forensic audit in addition to their normal financial statement audit.'

McHone says that his biggest professional challenge is raising awareness about forensic accounting, which is somewhat puzzling given it's a line of work that has so much to recommend it.

'Even today, few accountants are familiar with forensic accounting and what it encompasses,' he explains. 'When people think about forensic accounting, the first thing they think about is usually fraud, but there's a lot more to forensic accounting than that. That's why we need to get as many people as possible to learn forensic accounting.'

Sally Percy, journalist