



# MSSCPA

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## FORENSIC ACCOUNTING- BRINGING EXCITEMENT TO ACCOUNTANTS LIVES

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Recent headlines from two online news organizations featured the following reports: From *Business Report* (Friday, May 9, 2003): "KPMG to do forensic audit on Bridgestone. Our independent non-executive directors in particular have insisted that a full investigation be conducted to ensure that everything is smoothed out and we don't have any backlash going forward". From *Local London* (Friday, May 9, 2003): "A unique new scheme creating a

squad of expert accountants and making them special constables was unveiled this week at New Scotland Yard. The initiative will enable the Special Constabulary to draw on forensic accounting skills of qualified professional accountants when investigating major financial crime."

With headlines like these, the lowly accountant may soon achieve the recognition enjoyed by Sherlock Holmes, probably the most famous forensic practitioner, who was a forensic chemist. Certainly the WorldCom and Enron debacles have brought the forensic accountant to the forefront of the accounting world.

From web-sites of firms offering forensic services I found the following definitions of forensic accounting:

- The integration of accounting, auditing and investigative skills yields the specialty known as Forensic Accounting.
- Forensic Accounting is the application of a specialized body of knowledge to economic transaction analysis and reporting, suitable to the purpose(s) of establishing accountability and/or valuation, often in a court of law or administrative proceeding.
- Forensic Accounting is the application of transaction reconstruction methodology to legal issues.

None of these three definitions cover the entire breadth of services that could be classified as Forensic Accounting. Although a lot of forensic work involves assimilating, analyzing, interpreting, and communicating financial transactions to a trier of fact (Judge or Jury), other users such as boards of directors have increasingly found these services beneficial.

Before we even knew what forensic accounting was, our firm provided many of these type

services as special engagements for attorneys, clients and courts. One of our larger engagements over the years has been to review financial statements monthly for the Board of Directors of one of our clients to make sure that Management is not abusing accruals and estimates to distort income. Last year approximately 15% of our gross billings were attributable to forensic activity. With the downturn in the economy, especially in the Mississippi Delta, this additional opportunity has been a great shot in the arm for our firm.

Additional credentials are essential to forensic work. You may want to consider obtaining certification as a CVA (Certified Valuation Analyst), CFFA (Certified Forensic Financial Analyst), CFE (Certified Fraud Examiner), or Cr.FA (Certified Fraud Accountant). If you are considering forensic work in the litigation arena these additional credentials add substantial weight to how your reports will be received by the legal community.

Forensic Accounting will increasingly affect every practicing CPA. Even if you don't do any forensic work, a Forensic Accountant in litigation or other investigative proceedings could review your engagements. For more information on Forensic Accounting you may want to visit the following websites: National Association of Certified Valuation Analysts ([www.nacva.com](http://www.nacva.com)), American College of Forensic Examiners ([www.acfe.com](http://www.acfe.com)), Association of Certified Fraud Examiners ([www.cfenet.com](http://www.cfenet.com)).

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