

Forensic Accountants: Why, When and How to Hire Them

Nothing makes a person angrier than the thought of being cheated, robbed or otherwise financially hurt by the actions of another. Many civil lawsuits arise out of this basic desire to reclaim what one perceives he or she has unjustly lost, but it's not always easy to define or measure the financial loss. Although it is often the job of an attorney to prove or disprove liability, the important task of investigating and quantifying the financial loss normally requires the expertise of a forensic accountant. Given their important role in resolving so many different types of disputes, it seems worthwhile to answer a few basic questions.

What is a forensic accountant?

Forensic accountants are professionals who use a unique blend of education and experience to apply accounting, financial analysis and investigative skills to uncover truth, assist in financial investigations and ultimately provide a credible analysis that may be relied upon in court or mediation. Forensic accountants are regularly retained by attorneys, insurers, companies and creditors to engage in investigative accounting and/or the calculation of economic or financial damages. Such analyses typically involve a written report, but may also include the delivery of expert witness testimony in depositions, mediation and/or trial settings.

When could I or my clients benefit from the services of a forensic accountant?

Because of the unique blend of education, skills and personality required, their expertise is relied upon in a wide variety of situations.

Commercial Damages: Most commonly, forensic accountants are asked to provide expert witness opinions regarding lost profits and or unjust enrichment. They do so within the context of complex commercial litigation matters involving disputes such as breach of contract, fraud, product liability, wrongful competition, construction claims and intellectual property infringement.

Personal Injury Claims: In these cases, the forensic accountant's role is to investigate the injured party's financial or economic damages resulting from a loss of earnings or loss of household services. Medical malpractice, wrongful termination and wrongful death cases often require similar analyses and typically culminate in a written report and expert witness testimony.

Shareholders and Partnership Disputes: Forensic accountants are often asked to perform a detailed analysis of accounting records to identify, trace and quantify the compensation, benefits or distributions received by shareholders or partners.

Commercial Insurance Claims: Examples of these types of assignments include business interruption, property losses and employee dishonesty (fidelity) claims. After a careful review of the policy to investigate coverage issues and the appropriate method of calculating the loss, the forensic accountant is then able to investigate and analyse the insured's financial situation to provide a reliable and independent assessment of the loss due under the policy. In this capacity, the forensic accountant may be hired by the insurance company or by the insured.

Business/Employee Fraud Investigations: These engagements can involve tracing funds, asset identification and recovery, forensic intelligence gathering, suspect interviews and due diligence reviews.

Matrimonial Disputes: These cases often require a forensic accountant to trace, locate and value

assets in order to ensure an equitable division of funds between divorcing parties or to determine the income available for child support.

At what point should I hire a forensic accountant?

Early is better. Don't be the client that waits until the last minute, only to find your expert has already been retained by the opposing party.

By waiting, you also forego the valuable services your expert can provide during discovery by identifying needed documents or preparing you to depose a witness or opposing expert. Such service early in the process can actually save you or your client money by making the discovery process more effective.

It is always best to retain your expert too soon rather than too late.

What should I look for?

A capable forensic accountant should have the following skills and characteristics: strong knowledge of accounting and financial analysis, curiosity, discretion, sound professional judgment and an ability to listen effectively and communicate clearly.

A good forensic accountant must also be able to consider alternatives, scrutinise the fine details and at the same time see the big picture.

In summary

From the analysis of financial data in a commercial damages matter to the identification of assets in a marital dissolution or a fraud investigation, forensic accounting experts assist the attorney, insurance company, business owner and trier-of-fact by providing reliable, independent assessments of financial information in a wide variety of scenarios.

Retaining your expert early enables you and your expert the time necessary to learn the facts of your case, which can aid in discovery and the identification of possible strengths and weaknesses of your case.

Select an expert with solid accounting, financial analysis and communication skills and you'll not only have an invaluable partner capable of investigating and quantifying financial loss, but one who can effectively and persuasively present his or her findings to a judge, jury or mediator.

Arrowfish Consulting — Forensic Accounting Services

Arrowfish Consulting is a national firm capable of handling a wide array of services due to the rich diversity of experience and stellar backgrounds of its experts.

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