

The “Forensic” Factor



When asked what I do for a living, I usually respond “Problem Solver.”

Not only does that initiate further discussion, it avoids the misinterpretation that inevitably follows if I say “Forensic Accountant.” When accountant is attached to the term forensic, most think fraud-buster or auditor. While those skills play a role in my profession, they don’t tell the whole story.

“Forensic” comes from the Latin word *forensis*, meaning forum. During the time of the Romans, a criminal charge meant presenting the case before a group of public individuals. Both the person accused of the crime and the accuser would give speeches based on their side of the story. The individual with the best argumentation and delivery would determine the outcome of the case. In other words, the person with the best forensic skills would win.¹

The term forensic has evolved in modern times to represent investigative skills in fields from science to accounting. The forensic or “investigative” skill set adds value in litigation support assignments,

¹ Wikipedia

insurance claims, and fraud investigations, the intent being to present a well-documented case, with persuasive conclusions usually related to the quantum of financial damages.

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Forensic Skill Set

Skills that set a forensic accountant apart from the traditional accountant are developed with a combination of education and experience. Education typically includes the Chartered Accountant designation (CA) with a specialization in Investigative and Forensic Accounting (CA•IFA). The specialty designation was first awarded in 2000 to a select group of CAs demonstrating expertise in the field, following a rigorous certification process.

Of course CAs have specialized in Investigative and Forensic Accounting long before the establishment of the certification of the field. It seemed a natural transition for those with

an investigative mindset to venture beyond the traditional role of financial statement preparation and auditing.

An investigative mindset is the building block for a successful forensic accountant. At each stage of the investigation, from collection of data to analysis and evaluation of the information, a degree of professional skepticism will ensure a reasoned and thorough completion of the task. That skepticism leads to the discovery of discrepancies and anomalies; their explanation in the context of the specifics of the case is what clients are looking for.

Role of the Forensic Accountant

Investigative and forensic accounting specialists assist clients in high-risk situations. They integrate investigative techniques with accounting and business skills to solve complex financial challenges: determine damages, assess claims, resolve financial disputes, and identify fraud. With a thorough knowledge of accounting principles, business operations, and the legal system, they also often act as expert witnesses. Forensic accountants will query documents, uncover inconsistencies, and clearly communicate the issues to their clients.

As today’s financial landscape continues to grow in complexity,

the effective coordination of the right resources to address a dispute or quantify a loss is all the more important. Cooperation of client personnel with legal advisors, insurance representatives, and accounting professionals will contribute to optimal solutions.

The forensic accountant can provide valuable assistance throughout the process, including the following.

- Identification of requisite supporting documentation
- Interviewing of relevant parties
- Preparation of indepth analysis of relevant loss issues
- Industry or market analysis
- Assessment of recovery options in the event of financial loss
- Reporting, on a timely basis, with conclusions that are clear, logical, and succinct
- Critique of other experts' reports;
- Assistance in settlement negotiations
- Assistance at mediation/appraisal
- Expert testimony at arbitration/trial

Evaluation of a Forensic Accountant

To ensure your relationship with a forensic accountant produces the results you expect, keep in mind the following points when evaluating the expert.

- It is important to verify that the accountant has the appropriate experience for the type of engagement. For example, if the dispute is between the client and its insurer following a business interruption loss, the accountant ought to have a thorough understanding of business-interruption insurance wordings and common claims-related issues.
- Experience in the relevant business sector in which the company operates will typically result in a more thorough and efficient investigation.

- A CA•IFA designation will demonstrate the individual has the requisite education and experience in investigative and forensic accounting.
- Also, strive to develop a long-term working relationship. When each party understands the role and expertise of the other—along with an understanding of the industry, policies, and investigation priorities, the relationship is mutually productive.

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You can then expect to receive benefits such as these.

- Efficient advice within the context of the dispute
- Access to a wider range of experience than you may have on staff
- Professional, independent reports

The Result

Eventually, in a dispute, both parties are provided access to the same information to construct their case. "The winner is the chef who takes the same ingredients as everyone else and produces the best results."² Don't leave your dispute in the hands of a short-order cook. Choose a forensic accountant with the education and the experience you need to produce the best result for you. ▲

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² Edward de Bono