

# Forensic Accounting Emerges as a Hot Field

By PETER VOGT

Forensic accountants could be called the "bloodhounds" of the accounting profession -- the nose-to-the-ground financial investigators who sniff out complex fraud plots and other fiscal shenanigans that often go undetected by the other "breeds" within the accounting field.

The watchdogs of the profession are the regular accountants -- the external auditors who work for major CPA firms, says D. Larry Crumbley, KPMG professor of accounting at Louisiana State University in Baton Rouge. Internal auditors are like seeing-eye dogs while managerial accountants -- those who work within organizations -- are like mixed breeds. But forensic accountants are bloodhounds, he says, "because they're the detectives who go behind the records to look for forged documents, cooked books and other irregularities."

These days, there's never been a better time to become an accounting bloodhound. In fact, forensic accounting is both a hot job and a relatively secure one. Trade newspaper Accounting Today reports that nearly 40% of the top 100 accounting firms in the country are expanding their forensics and fraud-detection services, due in large part to the types of financial misconduct that brought down companies like Enron Corp. and WorldCom Inc. and caused scandals and huge write-downs at others, such as Tyco International Ltd. and Adelphia Communications Corp.

Meantime, Crumbley points out, former U.S. Securities and Exchange Commission Chairman Harvey Pitt -- three months before his departure in February -- proposed requiring all public companies to undergo periodic forensic audits by organizations other than their regular auditing firms. (The SEC's new chairman, William H. Donaldson, "hasn't broached that subject yet," a spokesman says.)

If this proposal became rule -- and Crumbley emphasizes the word "if" -- "then that would require tremendous numbers of people," he concludes. "Overnight, there would be a need for thousands and thousands of people who have knowledge of forensic-accounting techniques."

That's on top of the thousands of forensic-accounting professionals who already work for law firms, financial organizations, insurance companies, government agencies like the Federal Bureau of Investigation and the Internal Revenue Service, and private forensic-accounting and consulting firms. Indeed, the Association of Certified Fraud Examiners -- one of the leading professional organizations for fraud-prevention and detection professionals -- has more than 27,000 members, all of whom hold the association's "Certified Fraud Examiner" (CFE) designation.

## Litigation and Investigation

Broadly speaking, the term "forensic" means "used in legal proceedings." Thus, one of the two subspecialties within the forensic accounting field is *litigation support*.

Forensic accountants who work in litigation support might dig into, for example, the financial records of a husband and wife who are divorcing to determine whether either have any financial assets they're hiding (and thus not splitting with their soon-to-be ex-spouse). Often these forensic accountants are called upon to testify in court proceedings as expert witnesses, sometimes to prove financial misconduct has occurred, and sometimes to show that it has not.

Other forensic accountants work in an *investigative accounting* capacity, uncovering elaborate fraud or theft schemes or instances of company leaders "cooking the books" -- a criminal offense -- in order to show higher profits, lower losses, or both in an attempt to please shareholders and other prospective investors.

"We've always had accounting scandals, even as far back as the 1930s, but the prevalence of accounting scandals recently has brought the whole investigative-accounting concept to light," says Sandra Augustine, chair of the Economic Crime Investigation undergraduate program at Hilbert College in Hamburg, N.Y. "When I went to school, the word 'fraud' wasn't even mentioned. But times have changed, and now we need more people who can uncover these kinds of activities."

The field requires "a basic understanding of financial records and accounting -- there's no getting around that," says Ken Neumann, a principal in the Chicago office of RGL, a global forensic-accounting and consulting firm based in Englewood, Colo. So majoring in accounting is a wise move, Neumann says, though a case can also be made for an academic background in economics or finance -- particularly if those programs include extensive accounting coursework. Adding criminal justice and law-related courses to the mix is even better.

At least 16 American colleges and universities now offer courses in forensic accounting or fraud detection, according to the American College of Forensic Examiners International, a professional association in Springfield, Mo. A few of those institutions -- including Hilbert, Louisiana State, and North Dakota State University in Fargo -- offer several courses or, in the case of Hilbert, a full-fledged program emphasizing forensic accounting and fraud detection.

But a sound academic background is only part of what you'll need to succeed in the field. Don't expect to hide away in a cubicle all day, poring over financial statements and never talking to anyone. You will be expected to work effectively and interact with professionals in various fields. If you lack sound oral and written communication skills, this may not be the career for you, says RGL staff accountant Elizabeth Grewenig.

"Because our work is expressed so often through depositions, mediations or even trials, verbal skills are key," says Grewenig, a 2002 graduate of Purdue University in West Lafayette, Ind., who majored in accounting. "Many accounting students think they don't really need to focus on their communication skills, since accountants are often thought to be introverted. But if you want to progress in this field, you're going to have to be able to talk to people."

You'll also need strong analytical and investigation skills, a knack for interviewing people to gather information, a dose of healthy skepticism, and what one Hilbert student calls "investigatory intuitiveness."

"You need the ability to recognize a particular thing during an investigation that leads you in another direction without much thought," says Jaime Preston, a senior at Hilbert who is currently completing a co-op assignment in the IRS's Criminal Investigation division in Buffalo, N.Y. He will move into a full-time, permanent job as a special agent when he graduates in May.

A witness's seemingly innocuous remark about another person might suggest to you that the two are in collusion, Preston explains. Even though the witness didn't intend to lead investigators to the other person, this "one minor statement -- where you just have a feeling about it and you decide to pursue it with a few simple questions -- actually could shed light on what's really happening," Preston says.

### **Good Money and More**

In this field you'll typically follow the money trail, and you can expect to make pretty good money yourself. This is particularly the case after you gain some professional experience and acquire key credentials like a CPA (Certified Public Accountant), CFE (Certified Fraud Examiner), or Cr.FA (Certified Forensic Accountant) -- which, depending on the credential, typically requires two or more years of on-the-job experience and passing an extensive certification exam.

You'll probably start out earning between \$25,000 and \$40,000 a year, says Augustine. But after three or four years in the field, she says, you could make \$70,000 to \$80,000 a year. And at the highest levels, particularly in the private sector, forensic accountants can easily command \$125,000 to \$150,000 annually.

Augustine notes that your starting salary will likely be higher if you've completed a forensic-accounting or fraud-related internship while in school or shortly thereafter. It might be part of a specialized forensic-accounting program like the one at Hilbert or, more likely, through a generalist accounting program offered by most U.S. colleges.

But there's another form of "pay" you'll receive as well: the excitement of solving sometimes complicated financial mysteries and the resulting satisfaction of helping to protect justice on scales large and small. "It's a great field," says Neumann. "Sometimes people can't understand how a forensic accountant can enjoy the work and the numbers, but I like to let the numbers talk, and teach people to see -- in layman's terms -- what those numbers mean. That's what makes it fun."

-- Mr. Vogt, a career counselor and writer in Minneapolis, is president of [Career Planning Resource](#), which specializes in working with college students and recent graduates.