

Forensic accountants connect pieces of fraud puzzle

By Adrian Burns

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Where there's a dollar, there's deception potential.

And when it comes to getting to the bottom of who's hiding assets, stealing money or cooking the books, a growing segment of the accounting industry is on the scene.

Unlike typical accountants, who might audit a company's books or help with tax issues, the industry's detectives - known as forensic accountants - are charged with identifying fraud, not just catching mistakes.

"A traditional auditor looks at what is presented and verifies it; we tend to go a couple steps deeper. We've got to be extra skeptical," said Heinz Ickert, a shareholder with Rea & Associates Inc., a Columbus-based firm that offers forensic accounting services.

Although fraud is not new, most agree the field of forensic science is expanding rapidly, mainly due to increased corporate regulation, tougher enforcement and a greater awareness of fraud prevention.

"The growth is tremendous, and the reason is that we finally discovered if we take proactive action we can try to stop some of this," said Larry Crumbley, editor of the Louisiana State University-based Journal of Forensic Accounting.

Crumbley said he estimates the cost of fraud in the U.S. is about \$1 trillion per year.

Fraud takes many forms

The work of a forensic accountant often includes either putting measures in place to prevent fraud, or painstakingly sorting through financial records to identify theft, secretive diversions of assets, regulatory non-compliance or number-manipulation.

Ickert's practice mainly focuses on embezzlement, such as employees stealing money, and on fraud in domestic relations, such as when one spouse hides assets from the other, he said. Domestic disputes often come up during divorces, and it's often the wife who wants her share of the assets, but isn't quite sure what the husband has stashed away, Ickert said.

"The husband may have a privately held business, and she has no idea what it's worth and even less of an idea what the husband makes," he said.

In other cases, one business partner suspects the other is taking more than his or her fair share, Ickert said.

Others work in high finance, such as David Axelrod, an attorney who was recently added to the ranks of [Deloitte Financial Advisory Services LLP](#)'s Forensic & Dispute Services practice. Axelrod, based in Columbus, helps clients with issues related to electronic document management and money laundering, but the practice also has

numerous other services, such as health-care fraud services and a computer program that spots accounting inconsistencies.

Although Deloitte works with major public companies, it doesn't rule out the occasional divorce case, said Axelrod, who was hired in response to increased demand for fraud-related services.

Stiffer regulations such as the 2002 Sarbanes-Oxley Act, which deals with corporate financial responsibility, accounting guidelines and auditing, and other new regulations, such as those put in place by the USA Patriot Act of 2001, have forced many companies to beef up their accounting and fraud detection, Axelrod said.

Big penalties

The consequences for allowing corporate fraud to occur have also become more severe, Axelrod said.

The \$400 million fine levied by federal regulators against Fannie Mae is a recent example. The May 23 settlement stemmed from findings by federal regulators that the housing lender improperly inflated earnings so the company's senior executives got bigger bonuses.

The growth in demand for accountants who can ferret out such improprieties has attracted the attention of local universities.

[Franklin University](#), for instance, is planning to start a forensic accounting bachelor's degree program in September and will also offer a minor in fraud examination. The accounting program will get into number crunching, while the minor will teach students to identify fraudulent behavior, she said.

"It's in response to the numbers of accountants that are going to be needed in internal and external auditing and fraud examination," said Robyn Hulsart, a Franklin accounting professor helping to set up the program.

Ohio State University started offering two forensic accounting classes about three years ago. The courses give students an understanding of the indications of fraud and how to systematically identify it, said Richard Dietrich, chair of the accounting and management information systems department at the Fisher College of Business.

Those interested in forensic accounting need traits such as an inquisitive mind, attention to detail, skepticism, good common sense and the ability to communicate clearly, Axelrod said.

Forensic accountants often get their work through attorneys, who may be trying to prove, or disprove, that someone has committed fraud and need the help of the accountants to make their point.

Finding evidence of fraud is just the first step. The findings must often be prepared in a way that a jury, judge or layperson can understand, said Mike Nesser, a principal with [Nesser Consulting Group Ltd.](#), a Columbus-based financial and litigation consulting firm.

"It's important to not only do the analysis, but to turn it into a user-friendly format," Nesser said.

In a case against an employee suspected of stealing money at the workplace, Nesser made a chart that showed when money was being taken, and also showed when the suspected thief was in the office.

It showed money was almost always stolen when the employee was on the job, and not on most weekends or during her maternity leave, Nesser said. The suspect later pleaded guilty.

It's all of the added duties of the forensic accountant - such as helping catch the bad guy, interrogating suspects, chasing down data and the unexpected - that make the field a fun one to work in, Ickert said.

"It's not the same thing day after day. I used to be an auditor, and I could say 'give me a date' and I'd know where I'd be," Nesser said. "That, frankly, is boring."