

Alba Advisors, LLC

So you want to be a Forensic Accountant

South Carolina Association of CPAs

Fall Fest Accounting Conference

Columbia, SC

November 15, 2018

Gary L. German, CPA

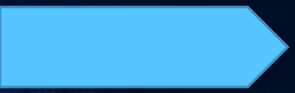
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Google “Forensic Certification”

- 19,300,000 results.
- CFF - Certified in Financial Forensics.
- CPP - Certified Protection Professional.
- CFN - Certified Forensic Nurse.
- CFI - Certified Forensic Interviewer.
- CFP - Certified Forensic Psychologist.
- CAMS - Anti-Money Laundering Specialist.



The CFE

Certified Fraud Examiner



Becoming a CFE - Join the Club

Association of Certified Fraud Examiners (ACFE)
Annual Dues:

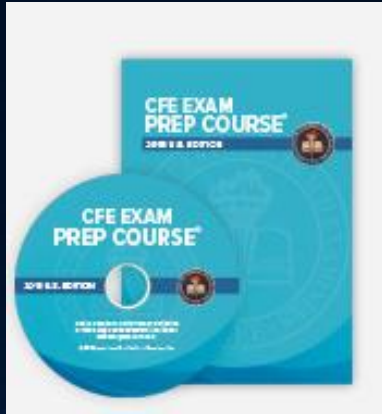
- Associate - \$95.
- Educator Associate - \$25.
- Student Associate - \$25.



Acceptable Fraud Experience (2 years)

- Accounting & Auditing.
- Criminology & Sociology.
- Fraud Investigation.
- Loss Prevention.
- Law.

Preparing for the CFE Exam



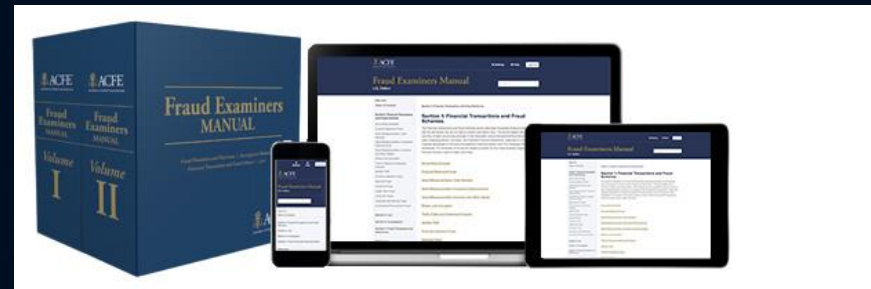
\$795 Member
\$995 Non-Member



\$945 Member
\$1,395 Non-Member

CFE Exam Review Course | Association
of Certified Fraud Examiners

Packages starting at
\$1,895



\$239 Member / \$319 Non-Member



CFE - The Exam

Four areas of the exam:

- **Fraud prevention and detection.**
- **Financial transaction & fraud schemes.**
- **Investigation.**
- **Law.**



Becoming a Forensic Accountant

I didn't know what a Forensic Accountant was.

All of a sudden I was one.



Finding Fraud is Easier if it's Always There

“(Executives surveyed said) Fraud, cyber and security incidents are now the ‘new normal’ for companies across the world”

2016/17 Kroll Annual Global Fraud and Risk Report



What is Fraud?

**Our perception of Fraud is formed by
our own life/business experiences.**



Defining difficult topics...

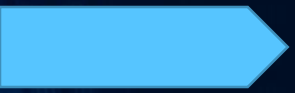
“I shall not attempt to define the kinds of material I understand to be (pornographic)... but I know it when I see it.”

**Potter Stewart
US Supreme Court Justice
1964**



Tips to Sustain Your Forensic Career

- Don't ever use the "F" word. *Fraud!*
- When speaking with a client, don't ever use the term "idiot" or "stupid."
- Be a bounty hunter, you'll make more \$.
- Put a cork in frustration.
- Don't be too smart.



Price Waterhouse?



A different perspective...

Complete the series:

A EF HI KLMN

BCD G J OPQRS

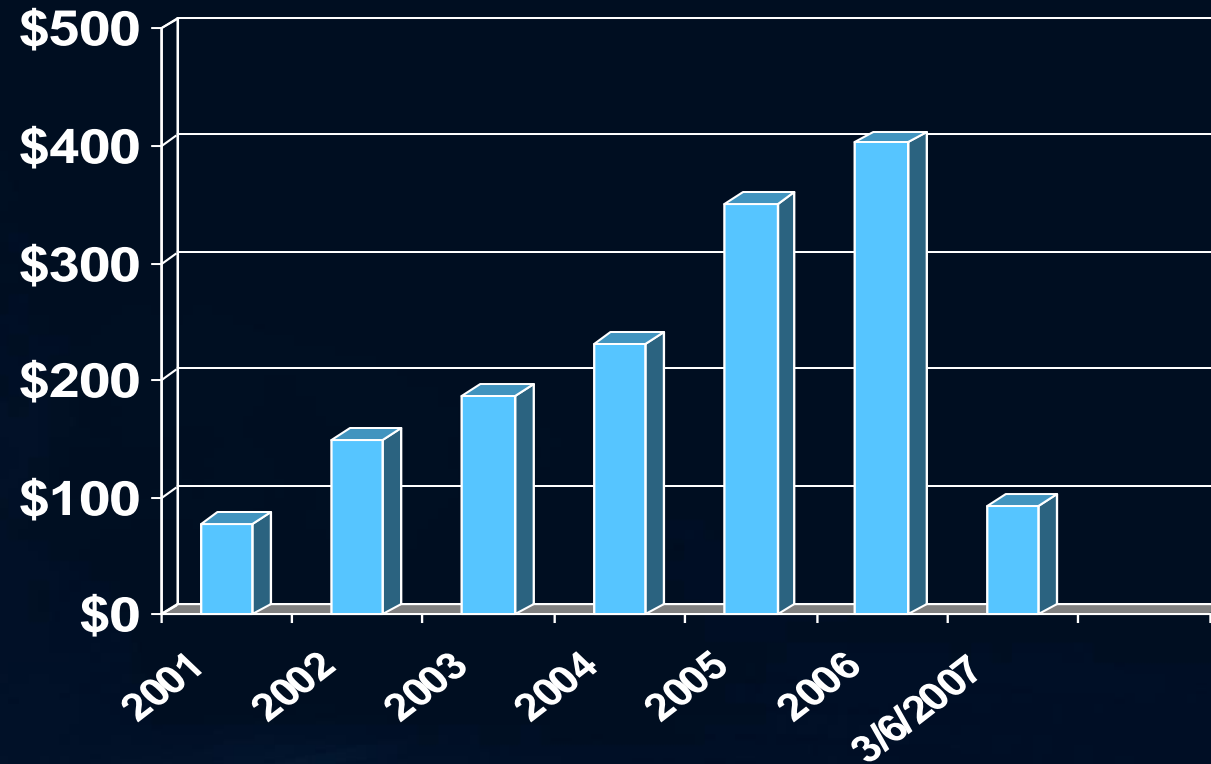


Looking for “IT”

- Not always obvious where “IT” is.
- Don’t always know what “IT” is.

No preconceived notions!

XXXXXXX Case Fraud Timeline Suspected Fraudulent Claim Checks





How is Fraud found?

- **More than 53% of Fraud is found by accident.**
- **4% is found by external audit.**
- **#1 anti-fraud measure (listed by 80% of companies) is external audit.**

Association of Certified Fraud Examiners
2018 Report on Occupational Fraud & Abuse



Inferential Thinking

Inferential thinking is the reasoning involved in drawing conclusions based on evidence and prior knowledge rather than observation.

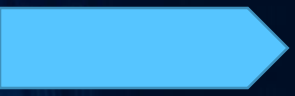
Uncommon use of common sense!



Inferential Thinking in Practice

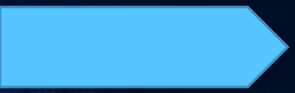
$$A = B$$

$$B = C$$



If a computer gets wet...

.... all is lost.



Fraud is like a magic trick...

Incredibly baffling.

Until you know the secret.



A future accountant?





Numbers

The language of business.



The Analytical Game Plan

- Objective process to analyze information.
- Subjective process to adapt to the current situation.



The Basic Playbook

The Mechanical Process of Analysis





Accumulate

- Establish universe of available information.
- Bank records, financial statements, tax returns.
- Bankruptcy?
- Google.
- People.
- Other ancillary information.



Select

- What are we trying to prove or find?
- Recurring, large or unusual items.
- Things that don't fit.
- Focus on things that are relevant to the circumstances.

What is relevant in the circumstance?

Audit Opinion

To the Board of Directors and Shareholders of XYZ Company, Inc.:

We have audited the accompanying balance sheet of XYZ Company, Inc. as of December 31, 19XX and the related statements of income, retained earnings and cash flows for the year then ended.

We conducted our audit in accordance with generally accepted auditing standards. Those standards overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of XYZ Company, Inc. as of December 31, 19XX and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

PriceWaterhouse & Co.

PriceWaterhouse & Co.

January 9, 19XX



What does this # mean to you?

\$1,000,000

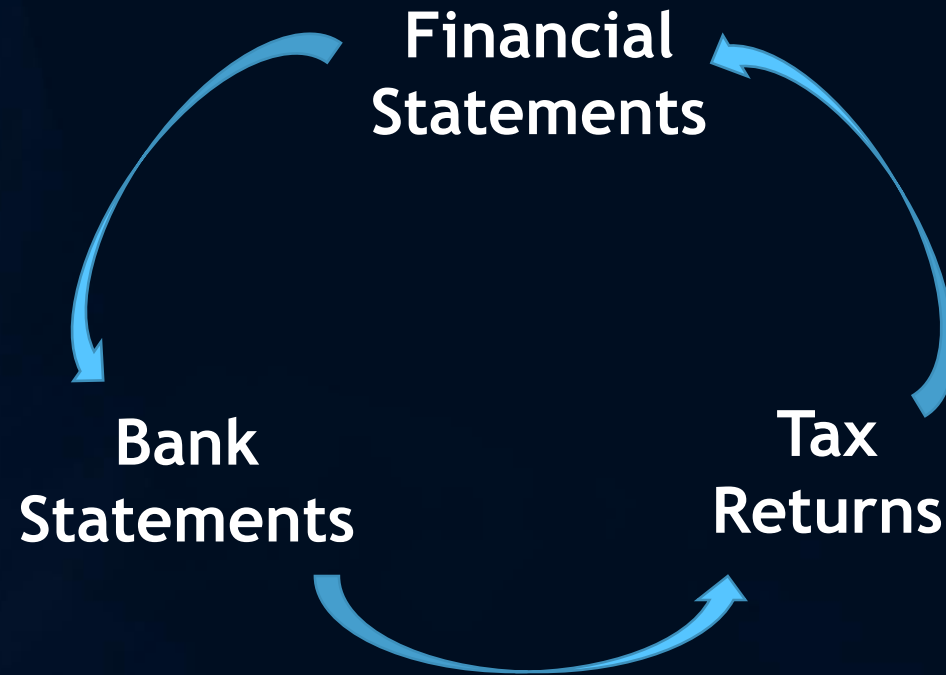
Compared to what?



Relate

- What does normal look like?
- Get a feel for trends or patterns.
- Identify things that don't fit.
- Look for contradictions.

Logical Relationships





Analyzing Relationships

**Ask questions.
Continually.**



Evaluate

- What is the analysis saying?
- Is it logical?
- Does it demonstrate the issue?
- Is more work required?

Evaluation - Is it logical?



How does it feel in your gut?



Finding the story behind the numbers

Adapting the analytical process

- Capital - Money.
- Capacity - Range of performance.
- Conditions - Environmental issues.
- Character - Integrity.



Capital - Money

- Rule #1 - Follow the money.
- Rule #2 - See rule #1.
- Determine the “value proposition.”
- How much?
- Where is it going?
- Who has access?



Capacity - Range of Performance

- Determine a reasonable range.
- Is something too good to be true?
- Is something too big or too small?



Conditions - Environmental Issues

- Internal or external factors with extreme influence.
- Circumstances that cause people to act the way they do.
- Incentives. Who wins? Who loses?
- Out of the ordinary occurrences.



Character - Integrity

- Reputation.
- Do you like them? Do they like you?
- Subtle clues.



Where do we go from here?

CPA



ALBA ADVISORS, LLC

Specialists in Risk and Insurance

www.albaadvisors.com