



values

Values is an informational newsletter for attorneys who assist clients in answering valuation questions and claims adjusters who work to pay the proper amount of a claim.

Never under-estimate experience and credibility. More often than not, a forensic accountant will be asked to justify their calculations and assumptions. Without experience and credibility, your case may not stand.

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Drafting the Best Forensic Accountant

How to Scout the Right Forensic Accountant

The National Football League has made drafting talent a science. Every year, the league invites the top college prospects to their scouting combine. NFL owners and talent personnel have a chance to watch every player at one time in one place. Players spend the better part of a week being tested in a number of different physical and mental tests to determine their ability to play at the next level. Tests include every-thing from the 40-yard dash to the bench press, 60-yard shuttle, physical measurements and Wonderlic test. Millions of dollars rest on the results of these tests.

It's safe to say that I'm personally happy that we as forensic accountants do not face such a physically daunting examination. However, just as teams expect a return on their investment when they sign their draft picks to multi-year contracts, our clients also expect a return on their investment in forensic accounting. That means digging deeper and being more resourceful when calculating actual economic loss. What should you look for in your number one forensic accounting draft pick?

RESOURCEFULNESS

A good forensic accountant knows how to dig deeper to find facts and figures that aren't always readily available or easily accessible – but might have an important bearing on a claim. Identifying sources and knowing how to use credible third-party research and information is a skill that separates the best forensic accountants from others. By applying this kind of information correctly, we're often able to factor variables into a claim that can have a significant impact on the accuracy of the final outcome.

For example, when working on claims related to the agricultural industry, we will often access crop prices or yield estimates at the county level from U.S. Department of Agriculture statistics. We know that these are the most reliable third-party

figures available because farmers are required to provide data to the USDA if they want to qualify for farm subsidies. Associations like Petroleum Marketers Associations, Auto Dealers Associations, Hospital Associations and similar groups are often a wealth of information on industry trends – especially local-level trends and economics. Knowing how to find information under the surface – AFTER gathering all the obvious facts and figures – and being able to apply this kind of data to create a clearer picture of a claim can be invaluable.

VARIETY

The best forensic accountants have experience working with a wide variety of industries and claims – both traditional and cases requiring forensic expertise. Every industry has its own idiosyncrasies and trends. Having a broad-based understanding of how different types of businesses and industries work offers an advantage in understanding how to calculate economic loss in an insurance claim.

For example, without a background in the farming industry, it might be difficult to understand how the seasonal nature and volatility of agriculture could affect the amount and value of grain going through a grain elevator. Likewise, if we didn't understand the floor-planning system

Knowing where to dig and digging beneath the surface of a claim is a sign of a good, experienced forensic accountant. If you're looking to hire a forensic accountant, ask them to explain ways that they've gone beyond the obvious facts and figures to calculate actual economic loss.

that takes place with the inventory of an auto dealership, it would be even more difficult for us to understand how to calculate the loss at a dealership that experienced a severe hail storm.

LIVING IN THE REAL WORLD

The best forensic accountants have a life outside of forensic accounting. We're traditional CPAs who split our time between traditional and forensic accounting. This gives us a better grounding in the day-to-day understanding of how businesses work. We're more practiced in financial analysis and the current practices of business.

Having this regular contact with the "normal" operations of businesses gives us a better perspective of how a business runs in normal circumstances – so when claim-causing events like a natural disaster or fraud happen, it's often easier for us to see it against the background of what things "should" look like. Having the traditional accounting background also gives us an opportunity to build relationships with different types of business owners. We can often leverage those close relationships to help us gain a better understanding of how another business works.

CREDIBILITY

More often than not, the forensic accountant that you select to investigate a claim will be asked to demonstrate their expertise and back up their calculations. Our work is often challenged by other experts in locations ranging from the conference room to the court room. Hiring a forensic accountant with a credible reputation can help in cases where numbers and calculations are in dispute.

How do you determine credibility? Looking at a forensic accountant's experience, involvement in forensic

accounting associations and credentials may help. Finding a forensic accountant that is independent is also important. But the best way to test their credibility is to talk to us. Ask us about our experience. The types of cases we've been involved with. Credibility comes from a combination of experience and confidence. Finding someone that can demonstrate both will likely present your case with a higher degree of credibility. Credibility is not an easy thing to define – but in the words of Supreme Court Justice Potter Stewart when he described obscenity, "I know it when I see it."

CURIOSITY

A good forensic accountant usually has more questions than answers. We have a natural and genuine sense of curiosity about how a company is structured, how an industry works or how a recordkeeping system is implemented. We're not afraid to ask questions when an answer isn't obvious.

A case we helped investigate a couple years ago serves as an interesting example of how this kind of curiosity can help make the issues in a case. The case involved a professional athlete and his claim for worker's compensation for an injury that ended his career in sports. Our knowledge of financial statements and tax law helped us identify that he was "milking the system" while working as an unpaid "consultant" in a business where he had an investment. Without the curiosity to find out what his involvement was in the new company, we may have never uncovered the facts behind the questionable claim.

As I mentioned before, there is no science to finding the right forensic accountant. However, knowing what you're looking for and finding someone with the experience, expertise and confidence to dig deeper to find information beyond the obvious is the key.

Can We Help You?

Dale Cremers, Bob Holtzbauer and Roger Nearmyer have experience to help you address questions about forensic accounting. Please call for more information at 515-274-4804 or e-mail us at info@chncpa.com.

