Chapter 2
Forensic Accounting Education, Institutions, and Specialties

CHAPTER SUMMARY

Overview

This chapter explores how coursework in multiple disciplines prepares students to enter the forensic accounting field and what professional associations serve the specialists in this rapidly growing profession.

Preparing to Become a Forensic Accountant

2001 College and University Programs

As long ago as 1953, Max Lourie advised colleges and universities to launch forensic accounting courses and recommended that such programs be developed in conjunction with law schools where practicable. A number of the current programs focus primarily on fraud auditing and not necessarily forensic accounting. Forensic accountants need an understanding of accounting, criminology, law, and investigative auditing techniques.

2011 Keystones of Forensic Accounting Curricula

A survey of professors in 2003 ranked 49 curriculum content items for forensic accounting (see Table 2.1). A good forensic accounting course can cover many of the topics not typically offered by core courses, but institutions may need to develop creative ways to fill voids by working with other departments and resources at their schools.

2021 KSAs and Education of the Forensic Accountant

See Table 2.2 for a list of courses that provide the knowledge, skills, and abilities (KSAs) one needs for a forensic accounting career.

Career Tracks in Forensic Accounting

In April 2007, Parade magazine indicated that the hottest jobs for college graduates were forensic accountants.

2031 Income Expectations for Forensic Accountants

Salaries for forensic accountants range from $40,000 to more than $115,000. According to the U.S. Office of Personnel Management, a senior agent with 10 or more years of experience can earn between $75,000 and $90,000 annually. In the private sector, a good forensic investigator can make a base salary of between $125,000 and $150,000. In November 1999, Kessler International stated that the firm charges about $300 per hour for forensic consultations, one-third more than the firm does for audit work. Forensic accounting services are a meaningful part of many CPA firms' practices.

2041 Specialties Within Forensic and Investigative Accounting

Much of this text focuses on the specialties in forensic accounting, with chapters focusing on skills that forensic accountants need to uncover fraudulent financial reporting, employee fraud related to the misappropriation of assets, money laundering, litigation support and expert witnessing, cybercrime, and business valuations. A forensic accounting background is helpful in these professional specialties: accountants, consultants, internal auditors, IRS auditors, government auditors, FBI agents, SEC accountants, bankruptcy specialists, professors, bank examiners, chief financial officers, andvaluators of closely held businesses.

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Employee Crime Specialist. A survey by Kessler International found that 79 percent of employees steal from their employers at an annual loss of more than $120 billion. Based upon enforcement actions by the SEC between 1987 and 1999, of the 276 frauds that took place, the company's chief executive was involved about 70 percent of the time. Employee crime specialists meld expertise from internal and external auditing, financial auditing, psychological training, and criminology studies to their practice of uncovering or preventing employee misdeeds.

Asset Tracing Specialist. Forensic accountants may be hired to trace missing or undervalued assets. In a divorce situation one spouse may try to disguise or undervalue marital assets. Alternatively, in a partnership setting a forensic accountant may trace properties, evaluate financial reports, and assess the value of a business or investments.

Litigation Services Specialist and Expert Witness. The Litigation and Dispute Resolution Subcommittee of the AICPA believes that a litigation service practitioner can be an expert witness or consultant in these broad areas: computation; consulting; business valuations; proactive and reactive fraud investigation; pre- and post-bankruptcy restructuring, solvency analysis, and liquidation consulting; special accountings, tracings, reconstructions, and cash flow analysis; tax issues assessment and analysis; marital dissolution's assessment and analysis; contract costs and claims assessment and analysis; antitrust and other business combinations assessment and analysis; construction and environmental disputes assessment and analysis; business interruption and other insurance claims assessment and analysis.

Forensic Groups and Credentials

With such a diverse and complex list of topics to master in preparing to practice, several factors have slowed the growth of forensic accounting as a profession. The CPA profession has attempted to control it, internal auditors created their own certificate (CIA), Joseph Wells created the certified fraud examiner (CFE), and the economics profession and various certificate groups (i.e., certified valuation analyst, accreditation in business valuation, and accreditation member of the American Society for Appraisers for Business Valuation) have fought to retain valuation issues. Also, none of the current certification groups have been able to control forensic accountants (i.e., CFF, DABFA, Cr.FA, CFFA, FASNA, CA-IIFA).

Summary of Forensic Certifications

See the textbook for the table summarizing forensic certifications and requirements and a more detailed description of these certifications.

The latest entry into the crowded field may be a eight hundred pound gorilla: Certified in Financial Forensics. The CFF was created by the American Institute of CPAs to "achieve public recognition of the CFF as the preferred forensic accounting professional." An examination is now required, a CPA certificate is required, and 40 hours of continuing education credit is required.

American College of Forensic Examiners

The American College of Forensic Examiners International (ACFEi) is a not-for-profit educational body that provides advanced training to its members, composed of twelve boards. ACFEi introduced the Certified Forensic Accountant (Cr.FA) designation in 2001. The Cr.FA is an advanced credential that recognizes the expertise in forensic accounting for accountants who have achieved additional training, experience, education, knowledge or skill in forensic accounting and have met all of their State Board of Accountancy requirements.

Association of Certified Fraud Examiners

The mission of the Association of Certified Fraud Examiners (ACFE) is to reduce the incidence of fraud and white-collar crime and to assist the members in its detection and deterrence. Typical members of the association include accounting and auditing professionals, special investigators, law enforcement personnel, loss prevention specialists, attorneys and prosecutors, managers and executives, academicians and students, and anti-fraud consultants. The Certified Fraud Examiner (CFE) designation is held by many forensic accountants.
Association of Certified Fraud Specialists

The Association of Certified Fraud Specialists (ACFS) is an educational, nonprofit corporation. As a professional organization, part of the association's mandate is to administer the Certified Fraud Specialist (CFS) program in the United States. As an educational entity, the association provides various services such as conferences, specialized training, and research in addition to the networking opportunities afforded its members.

Forensic Accounting Society of North America

The Forensic Accounting Society of North America (FASNA) is a member-driven and self-governed network of CPA firms who adhere to high standards of quality and services. The goal of FASNA is to help member firms reap tangible benefits through various marketing and business development strategies.

National Association of Certified Valuation Analysts

The National Association of Certified Valuation Analysts (NACVA) was formed in 1990 with the mission of providing resources to members and enhance their status, credentials and esteem in the field of performing valuations and other advisory services. This group offers three certifications: Certified Valuation Analyst (CVA), Certified Forensic Financial Analyst (CFFA), and Certified Fraud Deterrence (CFD). In early 2007, the CFD and CFFA merged.

National Litigation Support Services Association

The National Litigation Support Services Association (NLSSA) is a nationwide not-for-profit association of CPA firms specifically selected for their experience in and commitment to providing litigation support services to the legal and business communities.

Network of Independent Forensic Accountants

In England a group of 16 specialist accountancy practices banded together to create the Network of Independent Forensic Accountants (NIFA) in 1999, claiming to be the first network of independent forensic accountants. They appointed their own external, independent auditor to ensure that the members consistently deliver the high standards they have set.

Institute of Business Appraisers

The Institute of Business Appraisers (IBA) is the oldest not-for-profit professional organization devoted solely to the appraisal of closely held businesses. A member who has five years of full-time active experience as a business appraiser or meets an education requirement may take a comprehensive written examination on current business valuation theory and practice to earn the designation of Certified Business Appraiser (CBA).

Other Organizations Serving Forensic Practitioners

Other organizations serving forensic practitioners include the American Society of Appraisers (ASA), the Canadian Institute of Chartered Accountants (CICA), the Association of Certified Forensic Investigators of Canada (ACFI), and the High Technology Crime Investigation Association (HTCIA). See §2045 for information on the CFF certification through the American Institute of CPAs (AICPA).

Conclusion

As long ago as 1953, experts have called for universities and colleges to develop forensic accounting courses. Recently, educational organizations answered this call as forensic accounting grew in popularity as a response to public revulsion to the corporate accounting scandals of the early 21st century. Forensic accounting has evolved into both forensic investigation and litigation support, but no single certification group has captured the hearts and minds of all the various types of forensic accountants.