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COURSE
21751B

Forensic Accounting: Building Your Data Sleuth Team

Forensic accounting investigations demand more than sharp instincts — they require structure, the right team, and a repeatable process. This module introduces the Data Sleuth framework from the ground up, covering how to assemble an effective investigative team and how the Data Sleuth process unfolds from initial engagement through completion. Whether you're new to forensic work or refining your existing approach, you'll walk away with a clear, practical foundation for conducting data-driven investigations that hold up to scrutiny.

CREDIT HOURS 2 | FIELD OF STUDY ACCOUNTING | EXAM QUESTIONS 10

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Assignment

- Study the full course materials included here.
- Complete the review questions after each chapter.
- Answer 10 final exam questions.
- Final exam is scored immediately, 70% or better passes.
- Certificate of completion is available in your account.
- Failed exams can be retaken free of charge.

Course Objectives

- Recognize the quadrants of the "what we know and don't know" matrix.
- Identify the end-clients of various engagements.

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Chapter 1: BUILDING A DATA SLEUTH TEAM

Chapter Objective

After completing this chapter, you should be able to:

- Recognize the quadrants of the "what we know and don't know" matrix.

At the intersection of the forensic accounting, fraud investigation, and data analysis engagements is the Data Sleuth Process. Born out of necessity from my solo practitioner struggles, the practicality of the Data Sleuth Process is useful for solo practitioners – especially those new to the profession. But the true power of the Data Sleuth Process is realized in a team-centric environment. Most of the skills expected of a solo forensic accountant are those that improve with experience, but in the context of a team, the expectations can be distributed across all of the members instead of relying on one person to be a jack-of-all-trades. Each investigation engagement presents its own unique challenges, and it may feel as though only someone with years of experience can provide a solution; however, with a reliable, duplicative process, a team-centered model can be developed and provide a better work product than had the professional performed the engagement alone.

In the early days of building my practice, I intentionally ignored all of the business professionals who relentlessly talked about scalability being the ultimate business leader's dream with time for vacation and rest. I would think, *You preach this method because you sell products or have recurring client engagements and have never worked an investigation*. I was convinced that the only duplication that had a chance of happening in my business was by finding someone who I trained to be like me. I tried and failed many times, which only reinforced my cynicism about the scalable dream. The responsibilities and requirements of being a forensic accountant or fraud investigator who provides expert testimony require significant career and life investment. Forensic accounting career opportunities sounded intriguing to team members until they realized the accompanying pressure. They watched as I developed business, while managing client expectations and deadlines, reviewed analyses with extreme scrutiny to reduce the risk of errors being discovered during testimony, and continued study of accounting and legal knowledge. Many team members were happy to play a part in the investigations, but no one wanted to become the forensic accounting expert.

My caseload as a solo practitioner grew so much that I could not physically work each investigation with the level of care needed in the available waking hours of a week. I began hiring team members, but I struggled to find a way to equip team members with the knowledge they needed to make independent decisions to reduce my work. Frustrated with the long hours and my suffering health, I began working with a business coach. During one of the sessions, he asked me, "Leah, if you were at home sick, and I offered to work for you for free, what would you tell me to do? Where would I

start?" I stared blankly at him. His response to my seemingly never-ending silence was, "You look like a deer in headlights," and he repeated his previous questions. I finally responded with great frustration in my eyes, "I would tell you to go home, and I'll finish it when I feel better." He continued to increase the pressure and questions because he refused to accept that answer, and eventually, he said, "Fraud schemes and the ways in which people steal money are not infinite. Tell me the first answer that comes to mind when I ask, 'What do you do?'" I blurted, "I find money for people." We both stopped and realized the clarity of that statement. I find money for people. This mental breakthrough planted the seeds for the Data Sleuth Process to grow where it is now shared with investigation professionals around the world.

THE FIRST TEAM

When my childhood dream of becoming an agent with the Federal Bureau of Investigation seemed to vanish, and public accounting was no longer a means to returning to the FBI, I felt lost. Although I did not realize it at the time, the skills I learned and experience I gained in those first few years of my career were the foundations to opening my own forensic accounting and fraud investigation business in 2010.

One of the factors playing into my decision to leave public accounting was the volume of forensic accounting work I was personally responsible for, including data processing, analysis, and review. Management encouraged the forensic accounting work, but there was no focused development plan for a more robust forensic accounting division. When there was a case requiring full-time hours for months, or a rapidly approaching deadline, I would receive approval to borrow various personnel from the tax department but equipping my ever-changing team to overcome the steep learning curve for them to meaningfully contribute, while also serving as the case manager and lead investigator, was nearly impossible. Regardless of how intelligent or willing the borrowed talent was, with a deadline quickly approaching, it was often easier to work the case alone.

When I decided to open Workman Forensics, I told my manager at the time, "I think I will just take some small cases – maybe even just divorce work – and work from my dining room table for a while. Then I will decide what to do with my life." I assumed I would work alone on cases like I had been in public accounting, but this time, I would have more control over the types and sizes of the investigations. After three months of marketing and meeting litigation attorneys, I was hired by an attorney for a case with a hearing date rapidly approaching. I knew that preparing what was needed to provide expert testimony before the deadline was impossible without help. The amount of time needed to process data in a financial investigation usually correlates to the amount of revenue generated by an organization, and this case was no exception. For each month of bank statements, 20 to 30 double-sided pages had to be scanned and subsequently entered into a spreadsheet. Additionally, if an investigation requires the manual data entry of check payees and memo lines from check images, the data processing could take weeks – especially as a solo practitioner. The

client was needing a two-week turnaround on the project, and I knew there were not enough hours for me to singlehandedly process, analyze, and prepare to testify without a team.

Fortunately, during that same week, an unprecedented snowstorm created an opportunity for roommates and friends at my house to enter bank statement data into spreadsheets working around my dining room table. Although I had not had success at the previous firm explaining the analysis needed for financial investigations, I was confident that I could explain to my friends the steps required for the repetitive data entry of bank statements. My friends were the key to success in meeting the deadline as they worked with me to find a process for processing the data. When all of the data had been compiled into spreadsheets, I worked to calculate the loss and finished the analysis. While I worked around the clock to prepare for the hearing testimony, my phone kept ringing with inquiries from potential clients.

My solo journey lasted six months when I realized it was not going to stay that way. Not knowing how one decides to create a team, I decided to hire someone who could relieve my workload by processing data. I felt confident that I could at least use the process my friends and I created to teach an employee until I discovered my next step. The data processing step being performed by a team member was extremely helpful, but I still had more hours of casework than I wanted to work in a week. That is when I began looking to hire another professional who could be responsible for financial investigations like me. No matter how hard I tried, I could not find someone who remained long term because of the incredible expectations and pressures of a forensic accountant or fraud investigator.

THE FORENSIC ACCOUNTANT

Watching Ben Affleck's character in *The Accountant* at first glance seemed absolutely ridiculous as he performed a financial investigation, worked through Benford's analysis on the walls of the conference room, and faced violent opponents until I stopped to consider the current role and expectations of a forensic accountant. Knowing martial arts and being an impeccable marksman, or markswoman, is not listed on most forensic accountants' curriculum vitae; however, the forensic accounting or fraud investigation career, at the testifying expert level, requires a uniquely broad and, at the same time, intricate set of skills.

The experience needed to gain proficiency in the areas essential for a forensic accountant who also testifies as an expert witness requires tremendous focus and effort. Forensic accounting, especially with technological advances, has the power to find missing money and bring clarity to financial disputes. However, the experience factor is the largest barrier to one's entry into the profession. To truly create value for a client, a forensic accountant must be able to clearly articulate findings in a report and through testimony, which opens the expert up to personal and professional scrutiny by opposing parties.

For the next section, I will be using the terms forensic accountant and investigator to refer to an investigation professional who works a financial investigation or litigation dispute engagement from start to finish as a sole practitioner with the expectation that the professional will testify to her findings.

TECHNICAL AND STRATEGIC

A forensic accountant must be technically accurate and use relevant theories and standards in engagements as these are the primary areas in which opposing counsel and the opposing expert will look to exploit to discredit the work by the forensic accountant. A forensic accountant is expected to be extremely proficient in all areas surrounding the financial facts of the case without overstepping her expertise and experience. This could include accounting standards, audit standards, tax preparation, general business, best practices, and so forth.

For example, early in my career I testified to bank statement evidence showing that an executive had paid his personal credit cards using checks funded by the company. As part of my testimony, I stated that the executive had signed the checks. On cross-examination, the defendant's attorney suggested that I should have examined tax returns instead of bank statements. Knowing that bank statements are best evidence and most reliable when compared to tax returns in this situation, I was able to testify appropriately. The defendant's attorney also argued that I could not testify to his client having signed the checks as I was not a handwriting expert. In my response, I was able to then clarify that the name signed on the signature line of the checks was that of the executive.

While being technically proficient, a forensic accountant creates the greatest value when she can partner with legal counsel to understand the attorney's strategy for a case and advise as to what analyses may or may not be performed to support the theory. This part of the work has gotten easier with experience. In the beginning of my career, I did not know how to separate and simplify the details to address the bigger picture objective of the attorney. With experience, however, I now better understand how an expert can be valuable by absorbing the facts and advising counsel of the pertinent investigation findings. Sometimes, the greatest help to an attorney is advising of the evidence that is contrary to his theory for the case and then work to explain evidence from which the attorney can derive another theory. The navigation between technical proficiency and strategy is challenging both during an investigation and in testifying.

THOROUGH AND EFFICIENT

Other areas in which the balance of two responsibilities of a forensic accounting increases with experience are thoroughness and efficiency. Forensic accounting, over the course of my career, has experienced tremendous improvement in efficiency through technological advancements; however, the inherent complexity of the profession remains. The forensic accountant lives in the tension between being both thorough and efficient. The pressure to be both thorough and efficient exists in

not only the relationship with the end-client but also with deadlines often out of the forensic accountant's control.

After being in business for six years, I worked a case involving an embezzlement with a total loss exceeding $3 million. At this point, I was working as a solo practitioner and knew from listening to the client's concerns and attorney's strategy the most efficient, yet thorough, way to investigate the case within the client's budget and the attorney's deadlines. I worked the entire case and prepared a report in 40 hours, over approximately two weeks, for which both a civil lawsuit and federal criminal charges were filed. The ability to manage such a thorough and efficient investigation was a result of years of experience and dedication to the profession.

DETAIL-ORIENTED AND EFFECTIVE COMMUNICATION

The stereotypical accountant is personified as someone who is detail oriented, often working tirelessly to ensure that every penny is reconciled. However, the stress of understanding all of the details resulting in effective communication is tricky. The attention to detail that a forensic accountant delivers involves the very details that have been key in assisting clients and their attorneys settle financial disputes. However, navigating through details to find the gem that resolves arguments and then communicating the significance of the findings effectively and clearly is learned through practice.

When testifying as an expert in a criminal defense matter, there were over 20,000 pages of documents provided by the prosecutor. I personally reviewed all of the documents, as I was a sole practitioner, and discovered an email that clearly supported my client's position. My client claimed that he had no knowledge of one of the transactions for which he had been charged. I wanted to include the email in my trial testimony, but when I tried to explain its significance to my client's counsel, she challenged me to simplify my explanation even further as I would be testifying in front of a jury. With her challenge on this one finding, I reworked my entire testimony outline to communicate a story. Communicating in this way contributed to the legal strategy of the attorney, and my client was found not guilty of all but one count.

In this criminal jury trial case, the defense attorney's strength was communicating stories juries could understand. She was gifted at creating demonstrative open and closing arguments that incorporated illustrations the jury understood and remembered. She wanted me as the expert witness to do the same. A few years later, I was asked to investigate and testify for the defense in a bench trial. My task, after performing the investigation, was to explain my findings related to how the husband's assets were separate from that of his wife. His wife had pled guilty to embezzlement, and the business owner was trying to recover from the loss through the husband's separate assets. Remembering the criminal jury trial, I asked our graphic designer to prepare an illustration of the timing and use of funds between spouses. The attorney I was working with did not normally use illustrations in expert testimony, which led to an awkward testimony. Although I believed the

illustration helped clarify the use of funds, the resulting awkward testimony did not accomplish the effective communication I had hoped for with the judge.

From these experiences, even when all the details seem important, I have learned to ask more questions of the attorneys and work with them to strategize about the best way to use the most valuable detailed findings.

ACCOUNTING KNOWLEDGE AND LEGAL KNOWLEDGE

Possessing a broad range of accounting knowledge and basic legal process knowledge is vital for a for ensic account ant. Atestifyingexper tintheareaof for ensic accounting will likelyencounter engagements that require an understanding of financial accounting and reporting, tax returns, tax strategy, and audit. At the same time, it is helpful to an attorney if the testifying expert has some knowledge of the legal processes to integrate the expert more efficiently into an existing case. Experience, once again, is truly the best teacher in this area. It can be frustrating to professionals because acquiring the knowledge requires someone hiring them to allow opportunities to learn.

The way that I gained knowledge early on was by asking questions of attorneys. Whether an attorney had hired me to help with a case or not, I tried to meet with anyone who would accept an invitation and to ask them as many questions as possible. Before meeting with an attorney about a case or over lunch introduction, I mentally prepared questions to inquire about their preferred methods in approaching cases and about their best and worst expert witness experiences. The feedback was not consistent, as the attorneys seemed to all have varying experiences, but it was helpful in developing a method for me to become a trusted expert and effective expert witness.

One example of the helpful skills I learned through this inquiry method included understanding the difference between testifying in a bench trial versus a jury trial. In a bench trial, attorneys encouraged me to testify with the judge in mind even though the attorneys were asking the questions in front of me. With this in mind, I began sitting in the witness stand to answer questions slightly turned toward the judge to encourage any clarifying questions the judge might want to ask of me. Additionally, if I do not understand a step in the legal process on a particular case, I ask the client's attorney to explain its purpose so that I can know for future reference.

MEETING DEADLINES AND DEVELOPING BUSINESS

A client often realizes that they need a forensic accountant in response to some type of crisis. Although the fraud scheme, hidden assets, or improprieties occurred over a long period of time, a client wants to know what happened, the resulting loss, and his next steps as soon as possible. The emotional response of a client creates urgency, which results in deadlines for the forensic accountant. Also, it is not uncommon that attorneys will wait until the end of the discovery phase in a lawsuit to engage the forensic accountant. To better understand the reason attorneys will wait to hire an expert, I have tried to identify a pattern; however, I have not identified the root cause in

cases other than class action lawsuits. In class action lawsuits, a law firm is typically paying all investigation expenses before collecting, and collection on a case is not guaranteed. It appears the delay in hiring an expert is for the attorney to make sure the expert is truly needed before incurring the expense. Whatever the cause, when an attorney delays the hiring of a forensic accountant, some cases are already scheduled for hearings, trials, or other court deadlines that the forensic accountant cannot change. When this happens, the forensic accountant must perform the analysis, review, and be ready to testify by the imposed deadline.

When working on cases with tight deadlines, maintaining consistent marketing and business development is challenging. Business development is especially challenging when deadlines require that weeks, or months, will be spent on one project consuming all the available work hours in a week. When facing the choice between working billable hours and business development, the forensic accountant is most likely to prioritize meeting the deadlines with a work product that solves problems. Although word will spread about the dependability of a reliable expert, through the demonstration of meeting deadlines, the pressure to sustain business development to secure future work exists.

FORENSIC ACCOUNTANT PROBLEMS

As mentioned in the opening of this chapter, I determined that finding others like myself who were willing to take on the level of responsibility and investment necessary to become a forensic accountant – who also testified as an expert – was not common. When observing the problems I faced as a sole practitioner, or the professional involved in every level of the details, I understood why few would want to take on this role. These problems included:

- **The Scalability Problem.** The inability to enable others to provide meaningful assistance throughout the life of a project in an efficient manner where profit is realized for the firm's owner.
- **The Strategy Problem.** The difficulty in balancing a strategy perspective while focused on all the details in an investigation.
- **The Review Problem.** The insecurity to ensuring a high-quality work product able to be used under the greatest scrutiny.
- **The Sustainability Problem.** The stress of managing highly detailed work that may result in personal credibility and character being attacked, which is not sustainable for all professionals in the long run.

THE SCALABILITY PROBLEM

During my third year of business, entrepreneurship was at the height of trendiness, and an aspiring entrepreneur was especially popular if she could create a scalable business idea and obtain venture capital. To own a scalable business would allow the entrepreneur to earn a lot of money on only few