WHEN DO YOU NEED TO HIRE A FORENSIC ACCOUNTANT?

Forensic accountants provide specialty services that extend beyond the expertise of the traditional role.

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Fraud. It comes in many shapes and sizes and continues to flood news headlines, often surprising those people affected by the aftermath. Whether developed as an internal role or outsourced, many organizations are becoming more and more strategic with combating financial fraud by proactively engaging forensic accountants. For organizations first exploring this level of accountancy, the question is not just *how*, but *when* to implement this service. In this article, we lay out several instances that can help determine if it is time to explore an engagement with a forensic accountant.

Timing is everything: from hiring the first full-time employee to integrating a new IT system for a large return in the long-run, the ''when'' can be a make-or-break decision for startups. And with risks of fraud looming around every organization, the more pressing matter for most businesses should be “how soon” to act. In order to identify whether your organization may need to hire a forensic accountant, there are key factors to consider such as assessing the financial stability of your business. However, even for well-established organizations that may have relied on internal employees to fulfill this role in the past, the push towards a dedicated external provider is a growing trend. This may be due to the fear of internal occupational fraud, but more likely due to the benefits that an outside set of neutral eyes can provide.

When Is the "Right Time"?

There are many duties that forensic accountants take on for their clients, and these are critical to the function of security and overall financial health. A recent study found that accountants are considered the most important professional to small business owners – ranking above attorneys, bankers, and insurance agents. This makes logical sense because accountants essentially study the blueprint of the business and the inner workings of all financial activity.

While many companies already have dedicated accountants in place to handle routine operational activities such as bookkeeping and tax preparation duties, forensic accountants provide specialty services that extend beyond the expertise of the traditional role. Their role may include investigative accounting and litigation support, serving as detectives, examiners, and even expert witnesses in legal settings. They are skilled at not only uncovering complex trails of fraud, but also at preventing and deterring the crime from occurring in the first place – something that should be a high priority for every business owner, especially considering the U.S. Chamber of Commerce found that up to 30% of business failures may be attributed to fraud related losses.

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Key Considerations When Looking for a Forensic Accountant

84% of companies surveyed experienced at least one instance of fraud in 2017, up from 61% in 2012 (2017 Kroll Annual Global Fraud & Risk Report)

There are standard expectations to look for when hiring anyone to work for your company, whether they are permanent employees or contractors. It is essential to the integrity of your business to maintain a certain level of quality and professionalism amongst those who you engage or hire.

Certain characteristics are imperative in order to be successful in the field; forensic accountants must be analytical, detail oriented, intuitive, insightful, persistent, and above all, ethical. When searching for the right forensic accountant, first it is important to understand the way that they present data to you. In addition, there are several professional designations that they should maintain.

1) CPA (Certified Public Accountant)
This should be the first certification you look for and it sets the standard for a full breadth of knowledge and experience

2) CFE (Certified Fraud Examiner)
This is the standard designation for forensic accountants

3) CFF® (Certified in Financial Forensics)
This credential is for CPAs who specialize in forensic accounting. It is granted exclusively to CPAs who demonstrate considerable expertise in forensic accounting through their knowledge, skills and experience.

30% of business failures may be attributed to fraud related losses.

Finding a candidate with these qualifications ensures they are proficient in proactive fraud prevention and have investigative experience. Beyond personality traits and professional credentials, it is also worth considering a quick search to look into the individual's reputation and past experience.

In Summary

Overall, forensic accountants can offer a high level of value to a company, both internally and externally. They provide peace of mind that delicate financial and legal issues are being handled effectively and efficiently. Forensic specialists don't just provide reactive service, but proactive financial protection and fraud prevention as well. This incredibly important role should be explored at an early stage in business development. Don't wait until your company suffers a catastrophic loss before acting.

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