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Certified Public Accountants/Business Consultants

You're a WHAT? How Many Certifications Does The Forensic Accountant Need?

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Note: This article recently appeared in the *National Litigations Consultant's Review*

Litigation support professionals have an extensive and confusing choice of credentials to consider. This alphabet soup is fast approaching the ridiculous. Any day now I expect to see an expert report signed:

John Q Expert, CPA, MBA, ABV, ASA, AVA, CDFA, CFA, CFE, CFSA, CMA, CMC, CrFA, CFC, CFFA, CFD, CFS, CISA, CIA, CRP, CVA, FCPA, DABFA, J.D., Esq.

During the Voire Dire phase of a recent fraud and embezzlement trial, the attorney went through the usual line of questions to establish me as an expert. I wished I could have asked the judge which of my credentials and certifications carried the day.

A few weeks later, I was invited by a professor friend of mine to speak to his accounting class. One of the questions that this group of graduate students asked was, "Do I need additional certifications and, if so, which one is the best?" Most had heard of the Certified Fraud Examiner Designation (CFE) and a few knew something about the Certified Forensic Accountant (CrFA) as well as the Certified Valuation Analysts (CVA). None had heard of the Association of Certified Fraud Specialists or the Certified Fraud Specialist Designation (CFS). Likewise, the Certified Forensic Financial Analyst (CFFA) and Certified in Fraud Deterrence (CFD) were mysteries.

For generations, the CPA was considered the one stop shop for auditing, fraud prevention and investigation. Of course, those of us in the field knew that our training was woefully inadequate in the fraud prevention and investigation area. Most learned their trade through on-the-job training and at the school of hard knocks.

It wasn't until the public outcry over the corporate accounting scandals of the last few years that educators began to answer the decades long calls by experts for universities to develop forensic accounting courses. Sadly, today most accounting students still graduate with little or no training in fraud investigation. Training in essential skills such as investigation techniques, interviewing suspects, gathering evidence, testifying and relevant law is nonexistent at most universities. Without additional training and certification, there is little chance of success in the field of forensic accounting and fraud investigation.

Association of Certified Fraud Examiners

This lack of training wasn't addressed until 1988 when a former FBI agent and CPA, Joseph T. Wells, started an organization which became the *Association of Certified Fraud Examiners (ACFE)*. From the beginning, this organization has focused on providing knowledge and training to reduce the occurrence of corporate fraud. To his credit, Wells has driven the organization from an obscure group of mostly government and insurance investigators to the premier anti-fraud association in the world. When I joined the ACFE in the early 1990s there were less than 5,000 members. Today they count over 34,000

members worldwide, of which, over 16,000 are Certified Fraud Examiners. Despite the tremendous growth, the organization leaders remain accessible and involved. The annual meeting of the organization is part educational opportunity, part trade show and part fraternity reunion.

Membership is divided into two classes, associate (non-certified) and certified fraud examiners. All the educational and training opportunities are open to both classes of membership who come from a broad spectrum of backgrounds, such as government and military investigators, law enforcement, insurance investigators, anti-fraud specialists as well as accountants. A college degree is not a prerequisite for certification.

The CFE designation is the most widely recognized credential in the field. Part of the rapid growth in membership and certifications can be linked to the organization's partnership of sorts with the American Institute of Certified Public Accountants. Mr. Wells writes a column for the *Journal of Accountancy*, and many of the ACFE courses are featured in AICPA publications.

The ACFE has been instrumental in helping establish college level anti-fraud courses. In addition, it provides well qualified instructors to teach a variety of courses nationwide. These competitively priced courses qualify for continuing education credits, a must for CPAs in every state and lawyers in most states.

A substantial time commitment is necessary to prepare for the certification exam. A computer based "prep" course leads the student through a 2,000 question and answer program designed to focus the student on the four areas covered. Most who attempt the prep course without first completing the suggested reading material are in for a humbling experience. Areas of study include:

- 9 Criminology - A fascinating and totally foreign area to accountants.
- 9 Financial transactions – The focus is on types of fraudulent transactions, basic accounting concepts, fraud schemes and internal control.
- 9 Fraud investigation – The how to do it section.
- 9 Legal elements of fraud – Focuses on the legal ramifications of fraud investigation.

American Board of Forensic Accounting

Another organization of note is *The American Board of Forensic Accounting*. Founded in 1997, it operates under an umbrella organization, *the American College of Forensic Examiners International*. This organization, started in 1992 by Robert O' Block, counts over 15,000 members from many different forensic specialties. *The American Board of Forensic Accounting* has devoted itself to developing, training, testing and certification of accountants working in the broad field of litigation support. The certification designation was introduced in 2001. Among the estimated 500 members of the Board, approximately 200 have become Certified Forensic Accountants (CrFA).

Dr. Larry Crumbley, the KPMG professor of Accounting at Louisiana State University, developed the educational curriculum and the Certified Forensic Accountant Examination. Crumbley, an active member of the American Board of Forensic Accounting, is a noted author and the editor of the *Journal of Forensic Accounting*.

This organization is very different from the ACFE. It is essentially a volunteer organization that operates under the loose guidance of volunteer directors. The Board of Directors is composed of experienced forensic accountants that share a vision of focusing on the needs of the forensic accounting community. At this time, educational opportunities beyond the certification course are limited.

Unlike the ACFE, it limits its focus to training and certifying accountants by building on the strengths of the classically trained auditor. The review courses assume that the student is familiar with advanced accounting concepts and auditing procedures. Attempting the certification exam without the benefit of the review course is not recommended.

Topics covered include:

- 9 Judicial procedure and evidence
- 9 Professional responsibility
- 9 Litigation-consulting engagements and testifying engagements
- 9 Fraud investigation and fraudulent financial reporting
- 9 Damages analysis
- 9 Overview of business valuation

National Association of Certified Valuation Analysts

The *National Association of Certified Valuation Analysts* (NACVA), formed in 1990 primarily to serve the needs of the valuation consultant community, has grown to over 6,000 members. A majority of their members are *Certified Valuation Analysts* (CVA). They offer training, in-house research services, proprietary software, databases to perform analyses and report review services.

NACVA developed a training program and certification process designed to expand the business opportunities of its members into financial litigation consulting areas, including personal and commercial damage calculations, intellectual property disputes and the like. In 2000 they introduced the *Certified Forensic Financial Analyst* (CFFA) credential and, in 2003, jumped on the fraud investigation bandwagon with the *Certified Fraud Deterrence Analyst* designation (CFD). Currently there are approximately 100 CFFAs,

The training program is mandatory for all but the most senior practitioner as a prerequisite to taking the CFFA exam. Subjects covered in the certification training are markedly different than the offering from the ACFE or the ABFA. Most notably, fraud investigation is not part of the curriculum. Rather, subjects such as the following are offered:

- 9 Statistical analysis, economic theory and modeling
- 9 Commercial damages legal theory and case law
- 9 Damages calculations
- 9 Reports, depositions and trial

The *Certified Fraud Deterrence Analyst* (CFD) credential is designed to recognize specialized training in helping organizations deal with fraud. This program closely mirrors many of the fraud related programs offered by the ACFE.

The training table for this credential includes:

- 9 Legal elements of fraud
- 9 Fraud types and risk assessment
- 9 Fraud schemes and interview technique
- 9 Fraud prevention fundamentals and techniques

None of these organizations give away their certificates. Cost to acquire and maintain the certifications discussed include:

<i>Organization</i>	<i>Typical User</i>	<i>Certification</i>	<i>Annual Dues</i>	<i>Training & Certification Cost</i>	<i>Annual CPE requirement</i>
ACFE	Fraud Investigators	CFE	\$150	\$945	20 hours
ABFA	Forensic Accountants	CrFA	\$165	\$550	15 hours
NACVA	Forensic Financial Analysts	CFFA	\$400	\$3,000	12 hours
NACVA	Fraud Deterrence Specialist	CFD	\$400	\$2,290	12 hours

Conclusion

In business litigation, judges and some attorneys are just beginning to understand the value of a certification beyond the CPA. For those of us practicing in the fraud and embezzlement field, obtaining the CFE and CrFA are necessary endeavors. For those whose interest is in the damages area, the CFFA combination is a fine choice.

A credential is only worth having if it is recognized as demonstrating that the person holding it has special knowledge, skill and training. It is critical that proffered credentials are recognized by judges as something that helps establish us as experts. Most attorneys and judges I have spoken to are not interested in wading through the entire bowl of soup to find a combination of letters they recognize. **Copyright 2006, Robert A. Garvey Jr. All rights reserved.**

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