

Lecture Notes on Forensic Accounting Investigations II*

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1 Report of Investigation

1.1 Types of Reports

- Written Reports
 - Report of Investigation
 - * Given directly to client
 - * Should identify all evidence forming the basis for the conclusions
 - Expert report filed in a civil court procedure
 - affidavits
 - Informal reports

*These lecture notes are based on the book *A Guide to Forensic Accounting Investigation* by Thomas W. Golden, Steven L. Skalak, and Mona M. Clayton. They are meant for the exclusive use of the students in the course Acc 551 at SUNY Albany.

- Oral reports
 - Presentation to the client’s board or outside counsel
 - depositions as a fact witness or expert witness

1.2 Reporting Standards

- AICPA Consulting Standards
 - Rule 201 of AICPA Code of Conduct
 - * Professional Competence
 - * Due Professional Care
 - * Planning and supervision
 - * Sufficient relevant data
 - Rule 202 of AICPA Code of Conduct
 - * Client interest (with integrity and objectivity)
 - * Understanding with the client
 - * Communications with the client (conflicts of interest, reservations concerning the scope/benefits, and findings)
- ACFE Standards
 - Preparation
 - Accuracy
 - Clarity
 - Impartiality
 - Relevance
 - Timeliness

1.3 Contents of the Report

- Client’s identity
- Identity of the parties (if a lawsuit)
- What you were asked to do
- Scope of the work including time
- Restriction on the distribution/use of the report

- Professional standards under which the work was performed
- Exclusions in the reliance on the report (state if not in accordance with GAAS, etc.)
- State that the work not to be relied upon to detect fraud
- Work performed and the findings

2 Working with Attorneys

Forensic accountants work with attorneys on internal as well as regulatory investigations. The attorneys they work with include:

- Client's general counsel
- Independent 10A counsel
- Attorneys for specific board or audit committee members
- Specific employees or groups of employees
- civil or criminal counsel
- Counsel for those under suspicion

2.1 Working with Law Enforcement/Governmental Agencies:

Conflicts can arise when the forensic accountant is requested by the prosecutor to review the documents obtained by the grand jury and the client has agreed to such arrangement, since the forensic accountant can not share the information with the client even though (s)he is paid by the client. It is important to communicate with the prosecutor to ensure that the accountant's actions are within the rules of access.

2.2 Disagreements with Counsel

Sometimes 10A counsels may act more as defense counsel rather than investigators. This can lead to disagreements.