



Profile

Fraud Buster

With corporate fraudsters and white-collar crooks facing tougher scrutiny, forensic accountants have never been busier.

FROM: MAR-APR 2006 ISSUE | BY PEGGY HOMAN

Investigative and forensic accounting is a rapidly growing discipline that focuses on the investigation of fraud, other matters of suspected financial wrongdoing, the quantification of economic damages in civil and commercial litigation cases, and valuation of business interests. With extensive experience in areas ranging from corporate and commercial fraud to securities violations and mismanagement of public funds, forensic accountants have moved into the spotlight in recent years.

One such accountant is Jane Howard, DIFA, CGA, who began working in the field five years ago when she joined what was then Kroll Lindquist Avey — now Navigant Consulting — the largest and most experienced forensic and investigative accounting practice in Canada. "Our firm originated the forensic accounting discipline in 1975," says Howard. "The firm's founding members were Toronto accountants who realized that the increase in white-collar crime, which was a relatively unrecognized crime until the 1970s, required a new type of accountant, one who combined financial acumen with an investigative mentality," she adds.

Her decision to join the firm proved to be an excellent choice. "I soon discovered a passion for this type of work. I love delving into cases involving deceptive transactions, money whisked electronically out of the country to offshore havens, falsified accounting records, and evidence seemingly deleted from laptop hard drives only to be found by computer forensic experts." In fact, it was this type of work undertaken by a team of Howard's forensic accounting colleagues working for the Gomery Commission of Inquiry into the Sponsorship Program and Advertising Activities that resulted in cold, hard evidence of the misuse of taxpayers' money.

While the role of forensic accountant is a perfect fit for Howard, her career path started out a little differently than many of her colleagues in the field. Years ago, her sights were set on becoming a psychologist. But after studying psychology at Carleton University in Ottawa, Howard moved in a new direction when she landed an accounting position at Transport Canada. "I didn't have any accounting experience, but I soon progressed within the department and was promoted to the role of financial analyst, followed by managerial positions," she recalls.

The experience prompted her to obtain an accounting designation. "I enrolled in the CGA program, as I wanted to secure my future in accounting with a designation. As a single mom working full-time with two young children at home, the program was a viable option for me," she says.

When her section within the department was privatized, Howard became a corporate accountant in the new organization and was part of the implementation team that transitioned the accounting system. Eventually, she became restless in her existing role and yearned for a change. "Ideally, I sought a job at which I could apply my interest in psychology," she says. This motivation, combined with the analytical and auditing experience she had, led her to forensic accounting, which offered the chance to combine accounting and analytical skills with an investigative approach.

"A clear understanding of human behaviour is important in forensic accounting as fraudsters tend to be clever manipulators of both organizational systems and the people who work within them," she emphasizes. Howard offers further insight into the world of the forensic accountant: "Uncovering a financial scheme often requires not just knowledge of how the fraud was perpetrated but the mindset of the person committing the wrongdoing."

After two years of developing in-depth investigative and analytical skills, Howard was ready to take the next step. In 2003, she enrolled in the Diploma in Investigative and Forensic Accounting (DIFA) program developed jointly by the Alliance for Excellence in Investigative and Forensic Accounting, the Canadian Institute of Chartered Accountants, the University of Toronto at Mississauga in collaboration with the Rotman School of Management, and the École des Hautes Études Commerciales de Montréal.

"I took the DIFA program for three primary reasons: to develop my knowledge and skills in forensic accounting, have greater confidence in my abilities, and to obtain more enhanced credentials," she says. "The DIFA curriculum is tough, but despite the program's demands, the e-learning environment meant that I could still participate in classes when held up at the office or while travelling for work. And the problem-solving approach is very practical, as actual cases are discussed and assignments mimic real-life investigative forensic accounting situations," she explains.

The first year includes a four-day *Introduction to Investigative and Forensic Accounting* residency course that is followed by *Practice Issues, Legal Process, Investigative-Related Matters* and *Loss Quantification* courses. The second, and final year, includes these same topics — plus some additional topics, at the advanced level. Participants must also complete a research paper and a challenging five-day *Integrative Capstone* residency, in which they have to demonstrate their investigative, analytical, and communication abilities to a panel of experts during a series of five oral examinations held over two days.

Howard credits the DIFA program with enabling her to develop additional skills and more confidence in her abilities. "I have applied what I learned during the valuable practical casework to my engagements," she points out. "As a senior consultant, I manage the day-to-day execution of casework, supervise the gathering and analysis of detailed financial information and summarize my findings in reports." An engagement typically involves the following four stages:

- **Case Strategy**
Defining key concerns and objectives and preparing a work plan outlining the approach to be taken; identifying key issues to ensure that the right evidence is secured.
- **Evidence Gathering**
Identifying, locating, and securing evidence; may interview key individuals and use computer forensics to secure electronic evidence.
- **Analysis**
Assessing key evidence, creating databases, and computer models; preparing summaries with a view to presenting the findings in court.
- **Reporting**
Communicating findings to clients; preparing clear reports.

As for the types of engagements Howard works on, examples include:

- An investigation for a provincial regulatory body into suspected employee wrongdoing. The process involved analyzing documentation from the client's information system and files.
- An investigation for a private hospital into suspected employee theft. A methodology was developed to identify and quantify missing monies. The suspect acknowledged theft based on the findings, and the client used the methodology to recover losses and to pursue criminal action.
- An investigation of insider trading for a major financial institution, which

involved the detailed review of thousands of documents, trading analysis, and the preparation of detailed chronologies of events for merger and acquisition deals. The chronologies were provided to the Ontario Securities Commission and used in the subsequent criminal trial.

- Litigation support for a corporation concerned that a former executive was soliciting employees, diverting business opportunities, and misappropriating confidential information.
- Litigation support for a crown corporation, which involved calculating the claim, proof of loss, and amount owing to the client under a construction and operations agreement. A key part of the case was developing an Access database to combine the three accounting systems used to provide cost details.

Howard finds her work challenging, interesting, and rewarding. For CGAs considering a move into forensic accounting, Howard recommends the DIFA program. "I know that I have obtained a new level of expertise that has already helped me become a better forensic accountant."

Advising the Gomery Commission

Members of Navigant Consulting were retained as forensic accounting experts by Justice John H. Gomery during the Commission of Inquiry into the Sponsorship Program and Advertising Activities, referred to by some as the most important government inquiry in recent Canadian history.

Members of the firm appeared as witnesses during the commission hearings, and prepared a detailed report, which formed part of the Commissioner's overall report released publicly on November 1, 2005. Their investigation included interviewing key players and analyzing some 28 million documents. In the end, the firm determined that \$355 million had been spent in the Sponsorship Program and part of that had been kicked back to the Quebec branch of the Liberal Party of Canada.

Specific procedures included:

- Identifying and summarizing the government's source of funds for the Sponsorship Program and Advertising expenditures during the period 1994 to 2004;
- Analyzing various contracts and events which received significant amounts of money and/or for which there were concerns;
- Investigating and researching corporate structures, asset ownership, and transactions of parties of interest;
- Assisting counsel in the preparation for the examination of witnesses, including the identification of relevant documentation and information, identification of potential witnesses, examination and analysis of documentation and participation in interviews of potential witnesses;
- Assisting counsel with reviewing and cataloguing documentation; and
- Developing computerized litigation support.

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Peggy Homan is editor of *CGA Magazine*.
