

Tracking tricks

Fraud sets hot market for forensic accounting

By **Martin Sinderman** · CONTRIBUTING WRITER

The misdeeds of a number of major corporations have made “forensic accounting” a high-profile accounting specialty in recent years.

And the needs of businesses of all sizes to prevent and detect fraud — or simply resolve disagreements — also make this specialty practice a growing part of the profession.

Described as a combination of accounting, auditing and investigative methods similar to those used in litigation or criminal prosecutions, forensic accounting has come into its own.

That’s mostly because of concerns over accounting fraud, according to David Sawyer, head of **Sawyer & Company LLC**, a Dawsonville, Ga.-based firm specializing in financial investigations and forensic accounting.

“There have always been accounting experts that testify in trials,” Sawyer said. But forensic accounting really came into the spotlight when scandals at companies including Enron Corp., WorldCom, and Global Crossing “made people realize just how far-reaching the effects of accounting fraud can be, both on large numbers of people and the economy as a whole.”

Ferretting out fraud

Citing the **Association of Certified Fraud Examiners (ACFE)**, Sawyer says that fraudulent activity typically falls within

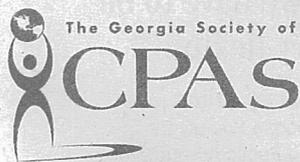
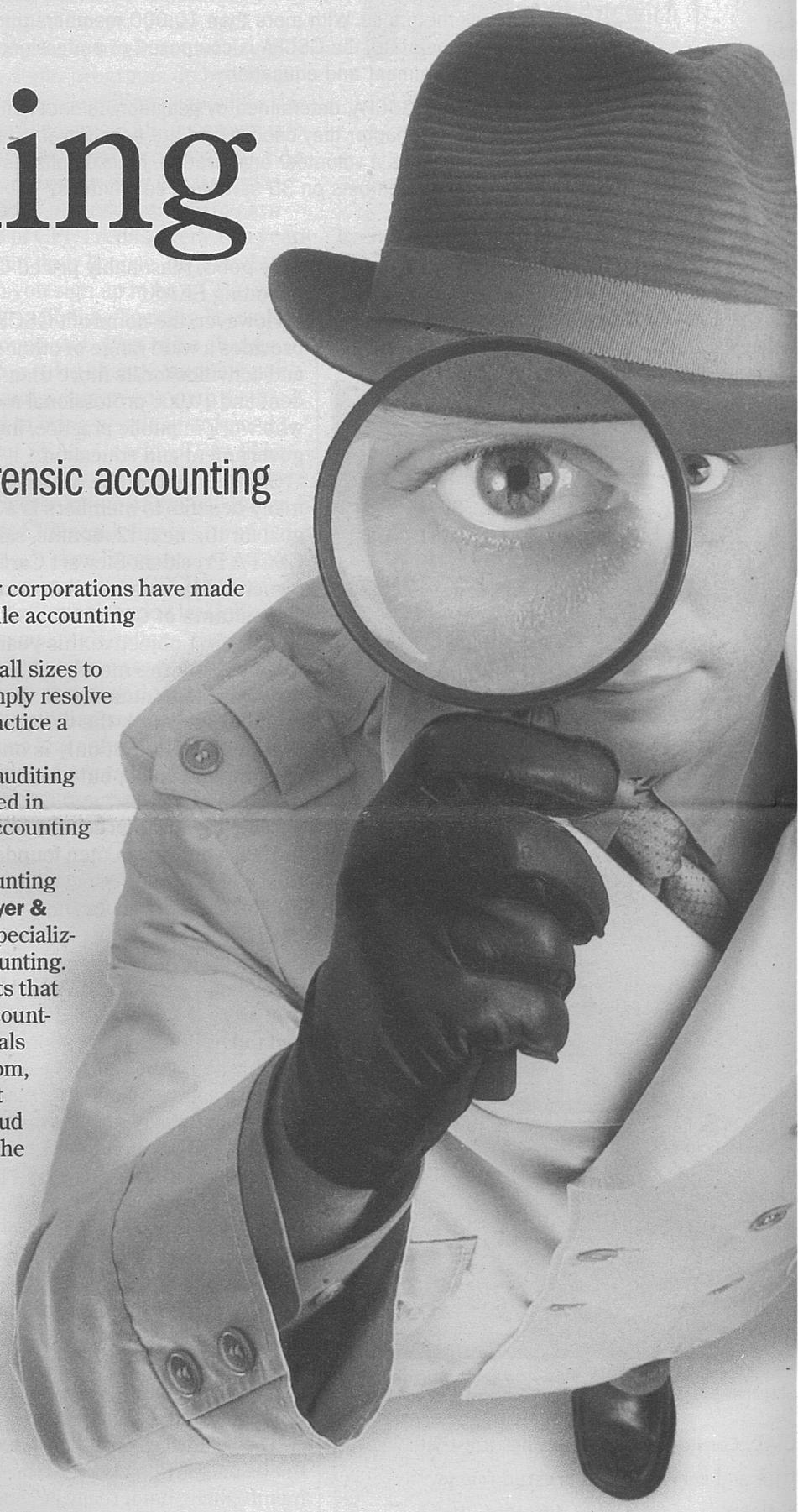
categories. Those include “asset appropriation,” i.e., theft; fraudulent financial statements; and corruption, which can include bribery, bid-rigging and illegal gratuities.

No two cases he’s investigated are exactly the same, Sawyer says, but some scenarios tend to be repeated. These include check tampering, setting up fictitious, “ghost” vendors and/or employees, and stealing executives’ identities in order to use company credit cards.

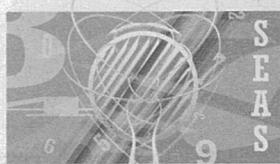
In one recent instance, Sawyer dealt with a purchasing manager for a major Fortune 500 manufacturing corporation that set up a shell company to buy raw materials on the open market — which he then marked up and resold to his employer at inflated prices that he authorized paying.

Forensic accounting engagements often require specialized knowledge of different business types.

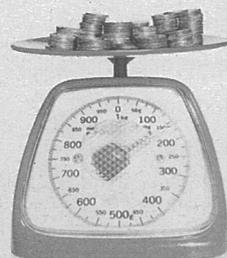
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