



Darrell Dorrell

Principal
Financial Forensics
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Darrell instructs CPAs, law enforcement personnel and attorneys in investigative techniques that have come to be known as forensic accounting.

Who practices forensic accounting?

In my experience, forensic accounting is not yet well-defined or understood. So let me begin with a definition. Forensic accounting is the art and science of investigative techniques in accounting and finance matters. Practitioners include CPAs, attorneys and various law enforcement personnel. It also presents an enormous educational opportunity to tie existing curricula with a comprehensive forensic accounting methodology.

Is it easier for an accountant or non-accountant to learn?

You decide. Two disciplines need to be mastered: people and money. They span a gamut of psychology, sociology, accounting and quantitative methods. Trained accountants tend to focus on numbers. A skilled thief will insure that stolen money never hits a general ledger. So behavior pattern changes are more important as an audit trail.

Can you give a noteworthy example of applied forensic accounting?

One of the classics is the conviction of Al Capone by forensic accounting in 1931 using the net worth method. Forensic accounting was also used in various degrees against Enron and Worldcom and resulted in multiple convictions. We assisted the Securities and Exchange Commission during a four-year forensic accounting assignment that resulted in \$35 million worth of asset recovery and numerous convictions in a \$106 million security fraud case.

How do the money trails differ between drug smugglers and terrorists?

The key difference is size. Drug money moves in extremely large amounts. Terrorism money moves in tiny amounts—five dollars for example. The USS Cole is a billion dollar Arleigh Burke class destroyer. In 2000, seventeen sailors were killed and 39 wounded when it was nearly sunk by a boat bomb. Forensic investigation determined that the entire cost of the terrorist operation was only \$20,000. Forensic accounting is a key counter-terrorism weapon because it can track small sums of money.

How do forensic accountants track small sums of money?

They can employ aberrant pattern detection using digital analysis. Benford's Law is the DNA equivalent of numeric testing using geometric progressions against actual transactions. Another technique, full and false inclusion, is known as the yellow crime scene tape of forensic accounting. It insures that no extraneous data is included and no appropriate data is excluded. Another very interesting technique uses Genograms, which are visual representations of personal relationships. It's a tool that's been borrowed from family counseling.

Are you always tracking money?

First we track people. Then the money is easy to find. The money takes different forms, of course: cash, accounts, hard assets such as real estate and automobiles, intangible assets like patents, copyrights, trademarks, promissory notes, betting records. Both money and people leave trails: phone records, voting records, even genealogy research. In fact, the trails left in a free society are very useful in catching terrorists who attempt to use our freedom to their advantage.

In which collegiate academic disciplines might forensic accounting be beneficial to students?


It can be taught on campus as a discipline or skill for use after graduation by students majoring in business, accounting, engineering, law enforcement, research and other disciplines. In addition, because it's a specific application of the scientific method, it can be applied to teaching and learning in the classroom and the lab.

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