

Detecting Financial Statement Fraud Perspectives of a Forensic Accountant

Philip Kruse, CPA, CFF

Alvarez & Marsal Global Forensic and
Dispute Services

The views expressed in these slides are solely the views of the presenters and do not necessarily reflect the views of the PCAOB, the members of the Board, or the Board's staff. The PCAOB makes no representation as to the accuracy or completeness of this information.

Forensic accounting skills generally applied after an issue is known or suspected

Often use invasive tools and approaches that may not be applied in the same way in a typical financial statement audit:

- Elevated skepticism is a cornerstone of forensic accounting
- Email search and review
- Probing, sometimes adversarial interviews
- Background checks, search for affiliations using specialized search tools
- Data mining and anomaly detection tools

Observations from dozens of accounting fraud investigations:

- Management integrity and tone from the top are obviously critical
- Think and react critically to internal control environment and risk assessment
- Scrutinize results that seem extraordinary - think critically about economic substance and whether results make sense in broader perspective
- Understand what the real drivers of the business are and what is important to outside constituents
- Increase skepticism around period-end activity
- Increase skepticism around areas involving high levels of management discretion and judgment