

Forensic Accounting Section

9009 Town Center Parkway, Lakewood Ranch, FL 34202

P: 941.921.7747 | F: 941.923.4093

E: info@aaahq.org



AAA FORENSIC ACCOUNTING SECTION'S RESPONSE TO THE PROPOSED CPA EVOLUTION MODEL CURRICULUM

The Forensic Accounting Section (FAS) of the American Accounting Association (AAA) has faculty members who teach in the specialized areas of fraud examination, forensic accounting, and/or business valuation. Many of them have professional experience in these specialty areas of accounting practice. They recognize the increasing importance of inculcating knowledge and skills across multiple disciplines to accounting majors to prepare them for careers in these rapidly expanding “specialty” areas.

Many accounting programs in the U.S. have developed forensic accounting and fraud examination courses that draw upon several disciplines including accounting and auditing, economics and finance, law and law enforcement, psychology, criminology, and ethics, (forensic) technology, computer science, and statistics. Many colleges and universities have signed on to the Association of Certified Fraud Examiners (ACFE) Anti-Fraud Education Partnership, which provides them helpful curricular resources.

These courses tend to be among the most popular for college-going students because “fraud examination and forensic accounting”—seen as “auditing on steroids”—have an intrinsic appeal:

* SHERLOCK HOLMES MYSTIQUE: scenarios and cases inherently contain a mystery or a puzzle to be solved so it is quite naturally exciting (appeals to the curious and imaginative problem-solvers up for a challenge)

* RULE OF LAW & ACCOUNTABILITY: upholding the law to shore up confidence in the capital markets (appeals to moral, law-abiding professionals who want to see the rule of law appropriately respected and enforced to achieve proper accountability)

* HONOR & HEROISM: of protecting the investing public from those engaging in deception and belonging to an honorable profession that requires multi-disciplinary competencies and skills (appeals to the heroic dimension and being capable guardians and gatekeepers of financial integrity), and

* RICH & REWARDING CAREERS: as a growth area in the profession, the specialized forensic and investigative skills and competencies are in high demand and promise lucrative and rewarding careers in all sectors—the accounting firms, private sector, government, not-for-profit organizations as well as in consulting (appeal as a career specialty in great demand).

The 2020 ACFE Report to the Nations estimates the global scope of fraud to be in the range of \$4.5 trillion and growing. Advances in forensic technology suggest that this will remain a “hot” area given recent instances of cybercrime including cybersecurity attacks and breaches, ransomware, etc. Moreover, transaction advisory services involving expertise in valuation have led to a plethora of certifications from the AICPA, beyond the CPA (e.g., ABV, CFF, CITP, CEIV, and CVFI), and AICPA-issued applicable professional standards (SSCS 1, SSFS 1, and SSVS 1). The AICPA has a specialty Section, namely the Forensic & Valuation Services Section for CPAs who specialize in these areas.

OVERALL ASSESSMENT AND EXPRESSION OF CONCERN:

Given this backdrop, the concern of the FAS and its members lies in the fact that several accounting programs across the country have already developed forensic accounting courses and programs. These

curricula map to a variety of learning objectives scattered between the CORE and the discipline areas as laid out in the CPA Evolution Modules, e.g., accounting, economics, finance, and technology.

Specifically, data analysis and communication are key areas within any forensic accounting course. Without the inclusion of the fraud examination/forensic accounting and business valuation courses within the CPA Evolution curriculum, there is a risk that such courses will be dropped when they could significantly assist students with their career paths and prepare them for the CPA exam concurrently.

Currently, the CPA Evolution Model Curriculum includes a passing mention to “information security and forensics” (INFOSEC). This course refers to example content contained in Module 5 within the Information Systems and Control Discipline and focused on information security and related elements like resiliency. While this is an aspect of forensic accounting related to computer forensics, the topic is representative of a very small part of the course – captured by the estimated hours metric. Hence, it fails to do justice to what is needed for students to develop a proper appreciation of rich and rewarding career opportunities from becoming CPAs specializing in forensic accounting and valuation services.

Our specialization is very narrowly included within the realm of the existing curriculum—mentioned just once—but not highlighted, mapped, or discussed in any detail within the new framework and related documentation. Also, forensics is by its nature and scope quite interdisciplinary, if we consider the three conceptual categories of financial forensics (e.g., accounting and financial models to detect fraud), computer forensics (e.g., use of technology to gather electronic evidence during forensic investigations), and behavioral forensics (e.g., understanding the mind of the white-collar criminal, the psychology of fraud), so it doesn’t map into a single specialization track. The CPA Evolution curriculum as currently envisaged and presented would NOT adequately assist a forensic accounting professional in starting their career, including getting a realistic portrayal of available careers in public accounting. Not highlighting a high-demand, growth area such as forensic and valuation services is tantamount to shortchanging the career prospects of interested students and a disservice to the employer community (e.g., the top 100 accounting firms) as well. It also does not reflect the AICPA’s own emphasis reflected in the creation of a separate Forensic & Valuation Services Section for its members.

We believe it is critical that the Model curriculum be suitably revised to include specific mention of topics that appear across three CORE domains and connect appropriately and substantively with forensic accounting and valuation topics. In the current version of the CPA Evolution Modules, the true scope of services offered by accounting firms has not been reflected properly and needs to be rectified.

In summary, we would like to re-iterate the following key points:

- 1) Forensic accounting (either within public accounting or private enterprises) is a career path for students that is not been fully considered by the current proposed CPA Evolution curriculum.
- 2) Forensic accounting can be worked into the CORE and two of the specializations beyond its current inclusion in a single, narrowly defined place—Module 5, Information Systems and Control. A serious attempt should be made to reflect such inclusion of forensic accounting.
- 3) Leaving out this framing will impact course offerings within higher education generally and ultimately decrease the number of students taking the CPA exam.

BASIS FOR CONCLUSIONS NOTED ABOVE:

According to the AICPA,

1. “Forensic accounting services generally involve the application of specialized knowledge and investigative skills possessed by CPAs to collect, analyze, and evaluate evidential matter and to interpret and communicate findings in the courtroom, boardroom, or other legal or administrative venues. More simply, in the context of litigation, the term forensic means to be suitable for use in a court of law.”
2. “**Forensic accounting** is the application of accounting principles, theories, and discipline to facts or hypotheses at issues in a legal dispute and encompasses every branch of accounting knowledge.” (emphasis added)

Certified in Financial Forensics (CFF) credential holders apply fundamental and specialized forensic accounting skills in a variety of service areas, including: bankruptcy and insolvency; computer forensic analysis; family law; valuations; fraud prevention, detection, and response; financial statement misrepresentation; and economic damages calculations.

At a high level, forensic accounting and valuation services may be conceptually categorized into: **financial forensics** (see Dorrell & Gadawski, Wiley, 2012), **computer forensics** (Nelson et al., Cengage, 2019), and **behavioral forensics** (Ramamoorti et al., Wiley, 2013). Accordingly, the single mention of “forensics” in the CPA Evolution Model curriculum under INFOSEC = Information Security and Forensics, perhaps makes a light reference to computer forensics, but fails to reflect the true breadth and scope contemplated by the FAS membership and is woefully inadequate. The confluence of these different streams and approaches to forensics and valuation promises to keep practice, teaching, and research in this area at the forefront of specialized accounting skills, competencies, and expertise with expanding growth and demand for these services globally.

It is a matter of great pride for AAA-FAS that in 2021, one of our section members, and former FAS President, Dr. Cindy Durtschi of DePaul University, who teaches forensic accounting, is the recipient of the prestigious Cook Prize for Teaching Excellence at the 2021 AAA Annual meeting.

For the last 5 years, the profile of the top 100 accounting firms in *Accounting Today's* survey has placed forensic accounting and valuation services among the top 5 service lines, signaling that this is a flourishing practice area that currently represents a \$7.6 billion market that continues to thrive and grow. The AICPA has not remained oblivious to these trends and started working as far back as 1998 on the Accredited in Business Valuation (ABV) certification offered since 2008, only the second professional designation after the CPA certification then offered for 100+ years. Subsequently, the AICPA also offers the following specialty certifications covering forensic and valuation services:

- Accredited in Business Valuation (ABV)
- Certified in Financial Forensics (CFF)
- Certified Information Technology Professional (CITP)
- Certified in Entity and Intangible Valuations (CEIV)
- Certified in the Valuation of Financial Instruments (CVFI)

The AICPA has also issued several standards relevant to accounting practice in these areas, viz.,

* Statement on Standards for Consulting Services No. 1 and the AICPA Code of Professional Conduct

- * Statement on Standards for Forensic Services No. 1 (SSFS 1)
- * Statement on Standards for Valuation Services No. 1 (SSVS 1)

There is no question that this is a phenomenal growth area for the profession and accounting majors must become familiar with career opportunities in forensic and valuation services well before they graduate. Interestingly, several other professional organizations operate in this domain, such as the Association of Certified Fraud Examiners (ACFE, founded in 1988, with the CFE designation), the National Association of Certified Valuators and Analysts (NACVA, founded in 1991, with the designations of CVA, Certified Valuation Analyst, and MAFF, Master Analyst in Financial Forensics), and the American Society of Appraisers (ASA, established in 1952, with its Accredited Senior Appraiser designation).

The AAA Forensic Accounting Section (FAS) has been steadily growing in influence since its founding in 2009-2010 by Dr. D. Larry Crumbley, then at Louisiana State University and longtime Editor of the *Journal of Forensic and Investigative Accounting* (JFIA), now published by NACVA. Similarly, former FAS President, Dr. Richard A. Riley, has devoted indefatigable efforts in designing and developing a highly regarded forensic accounting curriculum at both undergraduate and graduate levels at West Virginia University that serves as a model for other colleges and universities going down this path. FAS has its own section journal, the *Journal of Forensic Accounting Research* (JFAR), edited by Dr. Zabihollah Rezaee of the University of Memphis, and published by the AAA.

AAA-FAS STANDS READY TO ASSIST

Members of the FAS would be delighted to work with you to provide input and suitably update the CPA Evolution project's emphasis on forensic accounting—a growing area of contemporary professional accounting practice. We would also be able to provide you with a Model Fraud Examination & Forensic Accounting curriculum as well as a Model Business Valuation curriculum that take into account the promise and potential of a career in forensic and valuation services for accounting students and keep the CPA Exam appropriately reflective of cutting-edge practice developments in the profession.

Respectfully submitted on behalf of the American Accounting Association's Forensic Accounting Section,

FAS member, **Renee Flasher**, Ph.D., CPA, CMA, CFE, Penn State University, Harrisburg, Pennsylvania

FAS member, **Sri Ramamoorti**, Ph.D., ACA, CPA, CIA, CFE, CFF, CFSA, CGAP, CGFM, CGMA, CITP, CRMA, CRP, MAFF, University of Dayton, Ohio

FAS member, **Debra T. Sinclair**, Ph.D., CVA, CMA, University of South Florida, St. Petersburg, Florida