

## Forensic Accounting Tools for Complex BV Engagements

The intersection of business valuation and forensic accounting creates revenue opportunities for valuation practitioners. Mark S. Warshavsky of Gettry Marcus Stern & Lehrer, CPA, P.C., reminded the audience at last month's AICPA business valuation conference that many complex valuation engagements require forensic accounting. To validate this point, Warshavsky quoted from BVR's case digest of *In re Nellson Nutraceutical* titled: "Experts Left 'in the Dark' by Deliberately Manipulated Management Projections," *Business Valuation Update* (April, 2007):

It's every valuation expert's nightmare, learning after the fact that the long-range financial plans provided by management did not represent their "best and most honest thinking," to use the Bankruptcy Court's more delicate phrasing.

Warshavsky presented a handful of practical forensic accounting tools and techniques available. These include:

- *Full-and-false inclusion methodology* is used to identify that the proper data is included in an investigation, but unnecessary data is excluded.
- *Genogram* depicts prior and existing associations of the target individual/entity, encompassing all relevant parties, both related and unrelated.

- *The process map* visually guides the practitioner through the logical actions of a forensic accounting assignment. The methodology starts at the earliest stage of an assignment and progresses through the final stage, which is testimony delivery pursuant to a trial.
- *Proof of cash method* is more detailed and extensive than bank reconciliation.
- *Time line analysis* is a powerful graphic representation of the entire sequence of financial, and non-financial, events presented in an organized, chronological fashion for a particular topic.
- *Digital analysis*, employing computer-assisted forensic tools and techniques, is an innovative method of analyzing digit and number patterns of data sets in an effort to identify anomalies.
- *Black Book Online* ([www.blackbookonline.info](http://www.blackbookonline.info)) is a useful starting point to investigate the people associated with the money in a case, including public records searches.
- *KnowX* ([www.knowx.com](http://www.knowx.com)) is another helpful website for background checks, asset searches and more.

The business valuator who has financial forensic knowledge can bring more expertise and value to the assignment, which can play a vital role in developing the attorney's litigation strategies.

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