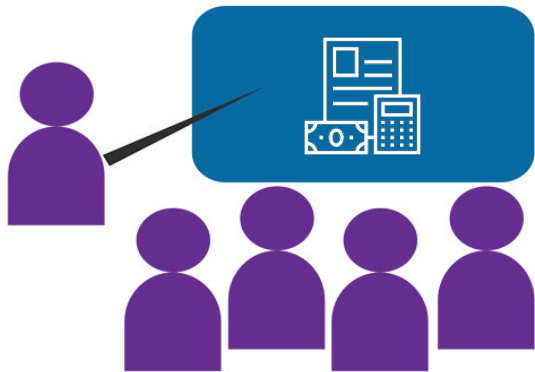


Forensic Accounting: What APS Needs to Know

Part of the **Forensic Accounting Toolkit** located at <https://apstarc.acl.gov/toolkits>.



Introduction

The use of forensic accountants/accounting has increasingly become a promising practice and resource to support adult protective services (APS) programs in recent years. This brief defines forensic accounting/accountants, the nature of financial exploitation cases and why these types of cases may lend themselves to professional review utilizing forensic accounting methods, models of how various APS programs have integrated forensic accounting into their APS casework, and the identification of resources and tools.

Forensic Accounting/Accountants Defined

Forensic accounting uses accounting, auditing, and investigation to conduct a thorough review of the finances of an individual or business. It is a combination of accounting and investigative techniques typically used to uncover and explain financial crimes to the courts (Hayes, 2020). Forensic accountants compile all findings from the financial

review into a report which may be used in a legal proceeding.

Forensic accountants can be thought of as “financial detectives” who audit, investigate, and establish accuracy or inaccuracy of financial documents. They are certified public accountants (CPAs) and certified fraud examiners (CFEs). CFE is a special certification and extensive training in fraud prevention and deterrence. Forensic accountants may work in a variety of environments – business, non-profit, government, etc. (Davis, 2021)

Forensic Accounting and APS

Financial exploitation cases remain a large part of APS caseloads and appear to be growing as the baby boom generation ages. As per 2020 National Adult Maltreatment Reporting System (NAMRS) data, the number of victims of financial exploitation reported, 36,862, was on par with the number victims of neglect, 36,890, reported¹. 2020 NAMRS data for both neglect and financial exploitation were dwarfed by the number of self-neglect victims which were nearly five times as many (McGee & Urban, 2021). NAMRS data on disposition by maltreatment type indicates that for financial exploitation allegations²: 16% are substantiated; 56.9% are unsubstantiated; 18% are inconclusive; and 9.2% are other. The relatively low substantiated rate coupled with the higher rate of inconclusive findings may indicate the unique and difficult nature of financial exploitation investigations (McGee & Urban, 2021).

¹ Based on data from 48 states for 255,291 victims. Victims may have more than one substantiated maltreatment in a single investigation.

² Based on data from 35 states 605,599 allegations.

In addition to the growth of the older adult population, the COVID-19 pandemic left many more socially isolated and reliant on virtual services and activities. According to the Federal Trade Commission, in 2021 more than \$5.8 billion was lost to fraud in an increase of 70% from 2020 (Federal Trade Commission, 2022). Experts fear more older adults were victims of romance, government imposter and online shopping scams during the pandemic.

The stakes for victims of financial exploitation are high. Outcomes from financial exploitation can be devastating financially, socially, physically, psychologically and can lead to increased mortality. Burnett et al. looked at 1,670 cases of substantiated elder abuse and estimated the 5-year all-cause mortality for caregiver neglect, physical abuse, emotional abuse, financial exploitation, and polyvictimization. Researchers found caregiver neglect and financial exploitation had the lowest survival rates though victims of financial exploitation may be healthier than victims of caregiver neglect (Burnett, et al., 2016).

Financial exploitation cases are tricky and often can be subtle in their direct or indirect indicators and/or overshadowed by more acute neglect and/or physical mistreatment (Burnett, Suchting, Green, Cannell, & Dyer, 2020). Or they may be complex involving multiple accounts, institutions, alleged perpetrators, over the course of years, etc. As many APS practitioners know, other forms of adult maltreatment may be the “tip of the iceberg” under which financial wrongdoing lies.

Given these factors, the use of forensic accountants/accounting has become a topic of interest for more APS programs. Let’s explore the types of cases suited for forensic accounting methods and walk through a case example.

When To Use Forensic Accounting?

Factors that may determine when to use the services of a forensic accountant/accounting include:

- **Staffing** – Do you have the staffing capacity, time, and expertise to investigate the financial exploitation allegation.
- **Case Complexity** – Are cases big, complex, or difficult to track and may include numerous financial accounts, transactions, alleged perpetrators? Is there comingling of alleged victim and alleged perpetrator? Are you seeking conservatorship/guardianship? Are they high profile, media worthy cases?
- **Capacity, Consent, Undue Influence** – Are there questions around client ability to understand and make decisions in a voluntary manner? Was their decision-making ability in question now or at time of transaction(s)? Can the client’s ability be documented in medical records? Are their questions of undue influence, pressure, duress, opportunity, etc.?
- **Authority** – Are there powers of attorney, guardians/conservators, representative payees, etc.? Who has authority to make decisions, authority to do what? Is there anyone to make medical decisions, financial decisions, decisions regarding abode, etc.?
- **Expert Opinion** – Is there a need for a certified expert to investigate, summarize and provide a written report to be used by APS and shared with law enforcement, the courts, etc.?

Forensic Accounting Case Investigation Process

Generally, the forensic accounting investigation process can be broken down into four major components (Olson & Cash, 2021):

1. Identify the assets
2. Obtain and inventory records
3. Examine financial records
4. Document findings

Identify Assets & Obtain/Inventory Records

Before the accountant can do their financial analysis work, they need access to certain records that APS typically can supply as well as a description of the activities that raised concerns regarding financial improprieties (what occurred, who did it, and when it occurred etc.). Electronic records are preferred, and it is best to provide documents in order of oldest to newest. Ensure that all documents are legible.

The list below is comprehensive but not exhaustive. It provides a checklist of the potential types of documentation that will aid the forensic accounting process³.

Exhibit 1 - Checklist of Forensic Accounting Documents

Financial Records	<ul style="list-style-type: none"> ✓ Bank, investment, retirement records ✓ Statements for the period to be reviewed for each known account of the alleged victim and the alleged perpetrator ✓ Cancelled checks and items deposited to the account ✓ Tax returns ✓ Credit reports ✓ Loan applications ✓ Insurance policies ✓ Documentation that utilizes the victim's social security information inappropriately. ✓ County financial assistance paperwork ✓ Vehicle information (registration, loan, etc.), including campers, ATVs, etc. ✓ Utility, garbage, and phone information ✓ Other items of note: signature cards, safe deposit boxes and contents, etc.
Real Estate Records	<ul style="list-style-type: none"> ✓ County tax records ✓ Closing documents ✓ Property deeds
Medical Records	<ul style="list-style-type: none"> ✓ Access to medical records and assistance with interpretation of medical conditions ✓ Timeline of cognitive impairment (if applicable)
Legal Documents	<ul style="list-style-type: none"> ✓ Financial power of attorney ✓ Law enforcement referrals and reports ✓ Will or trust

³ Adapted from Washington State Department of Social and Health Services/Adult Protective Services Division Forensic Accounting Procedure and Olson & Cash, 2021

Examine Financial Records

The APS program has the initial meeting and/or discussion with the forensic accountant about the case and shares requested records and information – now the examination begins. The forensic accountant is looking for patterns of unusual spending and/or purchases that don't make sense for the alleged victim and taking into consideration spending before and after the allegation. They are looking for checks made to "cash", withdrawals, signatures or forged signatures, mystery/unknown accounts, loan disbursements, etc.

If possible, the forensic accountant will compare spending from the financial accounts of the alleged perpetrator and the alleged victim during the period in question. They are looking at patterns of alleged perpetrator spending, deposits, and other activities that may be relevant to the investigation.

Document Findings

The final step in the forensic accounting case investigation process is documentation of findings which may include a narrative report outlining what was examined, procedures and findings; supporting "workpapers" which detail the findings; and supporting documentation such as copies of original bank records, receipts, etc. Forensic accountants will use visuals such as tables, charts, and graphs to summarize financial data. Visuals are often more powerful than words. If needed the forensic accountant can testify in court.

Utilizing Forensic Accounting – APS Program Models

Your APS program has decided that it wants to use forensic accounting for financial exploitation investigations but where to start?

Below is information excerpted from APS TARC Formula Grant Webinar - [Forensic Accounting: APS Program Panel Discussion \(Part 2\)](#) with four different

APS departments representing state and county administered programs. This webinar, along with [Forensic Accounting: Tools for Financial Exploitation Investigations \(Part 1\)](#), make excellent companions to this brief.

Contracted Services

Adult Protective Services, Hennepin County Human Services Department, Minneapolis, Minnesota

- Receives 10,000 maltreatment reports annually with financial exploitation being the second highest in prevalence behind self-neglect.
- Is a county-administered APS program, not required to exceed preponderance requirement in investigation. Responsibility is to coordinate with law enforcement.
- Forensic accounting is a contracted service:
 - Hennepin County has a contract with a forensic accounting firm and use as an additional tool to enhance protective services.
 - Generally used for cases that involve criminal elements of fraud, theft, swindle, or undue influence and when working jointly with law enforcement. Used for cases that require high level of expertise, including accounting expertise and are complex – multiple accounts, moved or missing accounts, etc.
 - Reconstructs past events which helps APS staff substantiate financial exploitation with objective evidence to stop financial exploitation, to protect alleged victim, and recoup assets, if possible.
 - If program manager assesses the case does not require high-level of expertise, then staff use purchased software

program that assists with the investigation.

- Funding – 100% funded by county tax dollars.

Washington State Department of Social and Health Services, Adult Protective Services Division

- Have access to multiple forensic accountants through contracted services either with individual or accounting firm. Flexibility to use specific accountants for different types of cases.
- Provide reviews or consulting for financial exploitation investigations.
- Utilize forensic accountants for complex financial cases – multiple accounts, a lot of account activity, transfers, etc.
- Creation of a report that is tangible from potentially thousands of pages of records, helps narrow investigator focus to build a case or prove nothing is going on.
- Depending on contract, forensic accountants can provide testimony during a hearing process to the things they discovered during their investigative process.
- Funding - State-only general fund program called Intervention Services which was set-up to fund the extra services that come up for protective services. So far sufficient to fund forensic accounting contractors.

Hybrid - Internal Staff/External Contractor

Utah Department of Human Services (DHS), Adult Protective Services

- Financial exploitation is highest allegation reported eight years straight.
- Have internal forensic accountant to provide baseline support to APS investigations –

guide/mentor, screening, works simpler cases, and is gateway to external contracted forensic accounting services.

- Adapted Financial Exploitation Suite of Tools (FEIST), developed in New York, and investigators use these documents to gather information to determine case complexity. If deemed complex, then documents are sent to external forensic accounting contractor for review, investigation, report. See the resources section below for FEIST development and implementation resources
- Both internal and external forensic accountants attend multidisciplinary team meetings throughout the state and provide support.
- Funding - With the growth of financial exploitation in the state, Utah DHS made a legislative request to fund one FTE to hire the internal forensic accountant, the position is paid with state funding. The contract with the external forensic accounting contractor is paid for with Administration for Community Living (ACL) grant funding to enhance financial exploitation prevention and case outcomes.

MDT/Partnerships

York-Poquoson Social Services, Adult Protective Services, Virginia

- Forensic accountant sits on enhanced multi-disciplinary team (MDT).
- Reviews and examines complex financial exploitation cases put forth by APS.
- Completes an analysis, report and makes recommendations legal or financial to stop exploitation.

- Funding - Small local grants and a three-year federal grant from Department of Justice Office of Victims of Crime for providing trauma-informed services to older adult victims of financial exploitation.

Some Costs & Benefits of Using Forensic Accounting

Hennepin County

- Approximately \$4,000-5,000 per case but it can be more or less depending on case complexity. Set a ceiling of \$10,000 per case.
- Can increase willingness of law enforcement to accept complex financial exploitation cases. Most law enforcement do not have accounting skills.
- Using a forensic accountant speeds up the time it takes to compile the case for charging which can stop or reduce the financial harm caused to alleged victim.
- Can strengthen the case for prosecution and provided additional evidence.

Utah

- Eighteen cases referred to external forensic accounting contractor, APS supported (substantiated) 13 of those cases.
- Proven loss identified in reports for victims of these cases was over \$1.5 million. Cost was \$55,000 for findings and participation in MDTs.

York-Poquoson County

- With new federal funding, plan to have forensic accountant work on 10 or more cases per year and travel to congregate living and recreational facilities in three cities/four

counties to make fraud education presentations to older adults.

- Plan to measure effectiveness of presentations by older adults' ability to recognize a fraud or scam.

Washington State

- Offer a case example with multiple persons with developmental disabilities being served by one supported living agency who was managing their funds.
- Reports that accounts were being co-mingled and used inappropriately. Twenty-six different alleged victims with the same alleged perpetrator.
- Very large and complex task as all victims have different incomes, spending habits, etc. The forensic accountant had to determine whose money was being used, their typical spending vs. ordinary spending, access/compare documents.
- It was discovered that not all accounts were being mismanaged but some were. The alleged perpetrator was purchasing vacations for themselves.
- Utilizing a forensic accountant in this situation helped APS make accurate findings for those being perpetrated and the report helped put the perpetrator on the state abuse registry.

Conclusion

Forensic accounting can be a powerful tool in the investigation of financial exploitation. APS staff are required to investigate multiple forms of maltreatment and examine disparate types of evidence. Expert advice, from sexual assault examiners to forensic accountants, are important in

being able to make findings that are accurate and thorough. Adding forensic accountants to your team of experts can bolster your program's response to the maltreatment of vulnerable adults.

For additional resources, please view the APS TARC Forensic Accounting Toolkit at <https://apstarc.acl.gov/toolkits>.



What did you think of this brief?
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The National Adult Maltreatment Reporting System and the Adult Protective Services Technical Resource Center is a project (HHSP 233201500042I) of the U.S. Administration for Community Living, Administration on Aging, Department of Health and Human Services, administered by the WRMA, Inc. Contractor's findings, conclusions, and points of view do not necessarily represent U.S. Administration for Community Living, Administration on Aging, Department of Health and Human Services official policy.