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Conducting Internal Forensic Investigations

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Forensic accounting services are commonly known to “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 venue.”^[1] A common misunderstanding is that forensic accounting services are only fraud investigations, when in fact, a fraud investigation is a component of forensic accounting services. Forensic accounting services include both fraud investigations and internal investigations.

The decision to initiate an internal forensic investigation usually begins when management has a suspicion of wrongdoing. An internal investigation should be coordinated between management, legal counsel and the forensic accountant.

The phases of an internal forensic investigation often include the following:

- I. Initial Background & Assessment** – developing a work plan and initial information request, a high-level financial analysis and interviews of management. This phase is crucial to the success of the investigation and should identify the initial scope, objectives, target areas and work steps of the investigation.
- II. Data Collection** – interviews of relevant financial and operational personnel and review of documents, internal controls and policies and procedures. This discovery phase should be directed by the forensic team and provide preliminary results of financial data analysis.
- III. Examination & Analysis** – in-depth data analysis and analytical review of financial data to determine irregularities and related issues. This examination phase expands on the preliminary financial analysis to gather additional evidence and confirm, or refute, preliminary analysis results and initial interviews.
- IV. Reporting** – summarize conclusions, present supporting analyses and documents, report on internal controls to relevant stakeholders, such as Senior Management, Audit Committee and Board of Directors, and assist regulators and law enforcement as needed.

Our staff at Schneider Downs has extensive, practical experience conducting forensic accounting investigations in a variety of circumstances. [Contact us](#) if you have questions regarding a potential internal investigation at your organization and visit our [Business Advisory webpage](#) to learn more about other services that the

[1] AICPA Practice Aid 10-1, Serving as an Expert Witness or Consultant

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