

Survey Evidence Regarding CPA Firms' Forensic Accounting Services

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This paper presents survey evidence regarding the frequency of provision of forensic accounting as a client service offered by small, medium-sized, and large CPA firms. Results indicate that forensic accounting services are a meaningful part of many CPA firms' practices. Further, results suggest that, among the firms responding to the survey, generally, a greater percentage of large firms offer forensic accounting services compared with small and medium-sized CPA firms. Additionally, among the firms responding to the survey, a greater percentage of multiple-owner firms offer forensic accounting services compared with sole-practitioner CPA firms.

INTRODUCTION AND BACKGROUND

Kahan (1999) states that white-collar crime is one of the primary reasons for many recent business failures. A recent report by the Association of Certified Fraud Examiners (1996) indicates that fraud costs U.S. organizations more than \$400 billion annually which Martin (1998) maintains translates to about \$3,285 per employee per year. Other countries, Australia for example, report similar recent problems with fraud. Sing (1999) reports that estimates of the cost of fraud in Australia range from \$1.8 billion to \$11.1 billion dollars (US) a year.

Widely publicized instances of fraudulent activity include recent class-action lawsuits against a number of technology firms related to falsifying revenues and other "aggressive" accounting practices (Iwata, 2000). Additionally, Farrell and Healy (2000) indicate that losses are not limited to simply the dollar amount of missing money, but also include legal costs, loss of productivity, associated hiring and firing costs, and increased insurance costs. According to that same study, experts place a value on the indirect costs roughly equal to the direct losses.