

Accounting | September 3, 2026

Why Complex Cases Often Require Both a Private Investigator and a Forensic Accountant

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Christina Fung, Olivia Robinson

Private investigators and forensic accountants do many things that are similar, yet their roles are often misunderstood. They can both provide litigation support, locate assets, untangle complex fraud cases and Ponzi schemes, identify bad players or fraudsters, and document business and personal interrelationships. They follow the money and help to identify fraudsters, unravel complex organizational structures, investment schemes, property ownership issues, and a myriad of other business disputes. They also handle extremely sensitive personal issues involving high-profile and high-net-worth personalities, elders, divorcing couples, and family situations. These investigations are frequently part of high-stakes matters at the heart of a civil or criminal case.

Both private investigators and forensic accountants play a critical role, at times working together on the same case, with each playing a distinct part in piecing together the whole picture.

Similarities and differences between private investigators and forensic accountants

The following chart illustrates some of the similarities and differences between private investigators and forensic accountants.

TOPIC	PRIVATE INVESTIGATOR	FORENSIC ACCOUNTANT
Primary Focus	Gathers real-world facts, evidence and intelligence from people and observations. Often requires records and other investigative sources to establish who happened and who was involved.	Analyzes financial records, transactions and accounting data to identify indicia of fraud, damages, hidden assets, financial irregularities or economic losses.
Primary Approach	Follows the facts. Uses investigative techniques to uncover information, establish relationships, verify claims and locate people or assets.	Follows the money. Uses financial analysis to identify patterns, discrepancies, relationships and explanations supported by accounting evidence.
Typical Sources of Information	Witness interviews, proprietary databases, surveillance, social media, court records, property records, public records, photographs, videos, field investigations and other specialized investigators (e.g., crypto).	Financial statements, general ledgers, bank records, tax returns, invoices, contracts, real estate records, emails and other financial documentation.
Methods Used	Interviews, surveillance, proprietary databases, public-record research, social media investigation's, witness location and field intelligence gathering.	Financial analysis, transaction tracing, asset tracing, damage calculations, forensic reconstruction, document review and data analysis. Interviews and open-source research may also be conducted.
Professional Credentials	State-issued Private Investigator license and specialized investigative training; may have background in law enforcement, intelligence or military service.	Certified Public Accountant (CPA), Certified in Financial Forensics (CFF), Certified Fraud Examiner (CFE), Accredited in Business Valuation (ABV), Certified Valuation Analyst (CVA), Certified Anti-Money Laundering Specialist (CAMS) or other financial credentials.
Access to Specialized Tools	Proprietary investigative databases, surveillance tools and investigative methods restricted to licensed investigators.	Financial databases, accounting software, analytics platforms and document review tools.
Interviews	Frequently locates witnesses, conducts witness interviews and recorded statements to gather facts and evidence.	May conduct interviews to obtain context or explanations regarding financial matters.
Field Work vs. Office Work	Frequently conducts field investigations, interviews, surveillance and evidence collection.	Primarily office-based analysis and document review.
Expert Witness Testimony	Generally serves as a fact witness regarding investigative findings; may occasionally testify as an expert in investigative practices depending on qualifications and jurisdiction.	Frequently serves as an expert witness and may provide opinions regarding financial issues, damages, indicia of fraud, tracing or accounting matters.
Confidentiality	Engagements are confidential and governed by licensing requirements, professional ethics and engagement agreements.	Engagements are confidential and governed by professional standards and engagement terms.
Privilege Protection	Work may be protected by attorney-client privilege or attorney work-product doctrine when retained through counsel.	Work may be protected by attorney work-product doctrine when retained through counsel. Expert witness work may become discoverable.
When They are Typically Retained	Fraud investigations, witness location, surveillance, background investigations, asset searches, workplace investigations, due diligence and litigation support.	Forensic investigations, shareholder disputes, divorce matters, economic damages, asset tracing, bankruptcy, Ponzi schemes and financial misconduct investigations.
Best at Answering	"Who was involved?" "What happened?" "Where are the assets or witnesses?" "What facts can be independently verified?"	"What happened to the money?" "What do the financial records show?" "What are the damages?" "Who was involved?" "What happened?" "Where are the assets or witnesses?" "What facts can be independently verified?"
Greatest Strength	Obtaining and developing real-world evidence and intelligence.	Interpreting and explaining complex financial evidence.
How They Complement Each Other	Develops facts, relationships, and evidence that explain or support the financial findings.	Identifying suspicious transactions, financial relationships and anomalies that require further investigation.

Voices from the industry

We interviewed a number of experienced professionals to get their insights on the role of a private investigator and forensic accountant, and times when both are needed. As noted below, their experience and perspectives vary greatly, depending on their current position and professional expertise:

David Wall works in the Special Prosecutions Section of the Riverside County District Attorney's Office. He is not only a forensic accountant, but an antique investigator, and has a strong understanding of the various roles involved in conducting a complex financial fraud investigation.

According to David:

> "When building a case, there is a very distinct division of labor between a private investigator and a forensic accountant. The main difference is that the investigator conducts recorded witness statements. They seek an admission. It is very rare that a forensic accountant would conduct an interview. They might ask a perfunctory question, but the investigator is in control of the interview and responsible for preparing a written report, securing the recorded interview and ensuring the chain of custody.
>
> The forensic accountant does not wish to get involved in the investigator's work. They will never use a pretext during any part of a case. They may not disclose the whole background, but they are always straightforward. Their work is typically done in-house. Private investigators are primarily in the field, interviewing witnesses and getting search warrants, all related to trying to prove the case.
>
> The work of a forensic accountant is limited by the attorney's willingness to subpoena all bank records. They are most effective when they are able to see where the money is going and trace it going in and out of accounts. Private investigators have access to tools to identify the interrelationships of people that show up on spreadsheets, canceled checks or vendor invoices.
>
> Detectives are skilled at getting inside people's heads. They are skilled at extracting information."

Kathy Bazoian Phelps is an attorney with Raines Feldman Littrell LLP, where she focuses on the areas of insolvency law, fiduciary representation and fraud litigation, frequently representing federal equity receivers, state court receivers and bankruptcy trustees. She has literally written "the book" on Ponzi schemes: *The Ponzi Book A Legal Resource for Unraveling Ponzi Schemes*, co-authored with Hon. Steven Rhodes. She also authors *The Ponzi Scheme* blog and recently published another book: *Ponzi-Proof Your Investments: An Investor's Guide to Avoiding Ponzi Schemes and Other Fraudulent Scams*.

This makes Kathy the perfect person to ask about the very complementary interrelationship between a private investigator and forensic accountant.

Kathy says:

- "When the question is who, where or how, a private investigator is often the right lens. Their strength is gathering facts from the real world, not just from documents.
- Private investigators uncover behavior and facts in the field, while forensic accountants uncover patterns in the books.
- Private investigators excel at collecting real-world evidence; forensic accountants excel at interpreting financial evidence."

Ted Phelps is the founder and president of FVLS Consultancy, who "excels in following the money—no matter where the trail leads," per his website. With four decades of experience as both a forensic accountant and a licensed private investigator, Ted has seen a confluence in the two disciplines over the years.

Ted states:

> "To illustrate how these disciplines can become merged, we had a case about 20 years ago of mortgage fraud/house flipping. Using forensic accounting techniques, we determined the history of a house that's 'value' nearly tripled over a period of about 18 months. We contacted the appraiser, who performed the appraisals on the property each time. It turned out that the appraiser was a victim of identity theft; he had nothing to do with the appraisals in question and his signature was forged on the appraisals. We determined through surveillance that in all of these transactions there were only two human beings involved: the perpetrator and a crooked notary who turned out to be his daughter."

Olivia Robinson: What I do as a licensed private investigator

All my work is confidential. I always work with a signed agreement that clearly details the scope of work, deliverables, fees and due dates. My work product often comes from the following confidential and public sources:

CONFIDENTIAL SOURCES	PUBLIC DOCUMENTS
Interviews with witnesses; interested parties or other professionals	Court records (all jurisdictions)
Blind vs. traditional interviews, in-person or phone	Property records
Recorded/shaped vs. handwritten or verbal	Recorded documents
Proprietary databases	Social media
Timed/date-stamped video or photos	Publications or newspapers
Title reports	Ancestry records

Olivia Robinson

Investigative tools

Specifics of a case determine the type of investigative tools required. These can include the sources listed above as well as other types of investigators: cyber or crypto forensics, international sources and computer forensics.

How I work with a forensic accountant

As a private investigator, I typically work with forensic accountants when:

- Financial, accounting or tax issues are involved.

- We are being asked to determine if there are indicia of financial fraud or theft.
- We need to obtain financial, accounting or tax information.
- Financial, accounting, or tax records are available, but a professional with financial expertise is needed to interpret them.

Forensic accountants will typically advise counsel to engage a private investigator when:

- The numbers don't make sense and additional interpretation is required.
- There are unexplained interrelationships.
- Details are needed on specific individuals or entities to determine their role in a situation.
- There is a need for investigative tools only available to licensed private investigators.
- There are special needs such as surveillance, blind interviews, locating parties or witnesses, international asset searches or investigations.

Christina Fung: What I do as a forensic accountant

Christina Fung

I have a team of forensic accountants that may work with me on a case, depending on the nature and complexity of the assignment. Our engagement letter defines the scope of work, deliverables, and fees. In some cases, we may be retained to serve as an expert witness, in which case our workpapers may be discoverable.

As a forensic accountant, I primarily complete two main types of engagements: (1) forensic investigations, in which we investigate alleged fraud or other misconduct, and (2) litigation support, which may include providing privileged consulting, calculating economic damages, serving as an expert witness, or serving as an independent neutral accountant.

Sources of information used by forensic accountants

- **Financial records:** Forensic accountants primarily rely on financial records to conduct our analysis, such as general ledgers, financial statements, invoices, receipts, and bank statements. We may also review relevant contracts and real estate documents (such as closing statements from sale transactions or transfer, titled/deed transfers, and mortgage loan documentation).
- **Interviews:** Interviews may be conducted with parties who have knowledge of the underlying matter.
- **Review of electronic evidence:** Correspondence such as emails and text messages can help provide additional background and context.
- **Open-source research:** To supplement our analysis, we may also review open-source materials, such as news publications, articles, blogs, social media, etc.

Our analysis is typically guided by the underlying financial records and relevant contracts. Additional sources can be used to fill in gaps or provide explanations for information that is either missing or does not make sense based on review of the financial records alone.

Attorneys often play a critical role in directing an investigation as well, and their work product is generally privileged. This protects clients with an advantage, as it protects disclosure to unwelcome parties.

Key takeaways

Complex investigations rarely fit neatly into a single discipline. Whether the matter involves suspected fraud, investment disputes, hidden assets or other issues leading to litigation, the strongest outcomes can come from combining financial expertise with real-world investigative intelligence. Forensic accountants follow the money, and private investigators uncover the facts behind it. And in many cases, together, they provide a more complete understanding of what happened, who was involved, and where risks or opportunities may exist.

ABOUT THE AUTHORS:

Olivia Robinson is a licensed Private Investigator. Her investigative support has changed lives and fortunes for over 40 years.

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