Uncovering the Whole Picture

By Olivia Robinson and Christina Fung, CPA
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Private investigators and forensic accountants do many of the same things, 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 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.

Private investigators and forensic accountants often work together on the same case and have critical—and distinct—roles in piecing together the whole picture.

Similarities and Differences Between Private Investigators and Forensic Accountants

Review this chart, which illustrates some of the similarities and differences between private investigators and forensic accountants.

Voices From the Industry

We interviewed several experienced professionals to gather their insights into the roles of a private investigator and a forensic accountant—and when both are needed.

David Wall works in the Special Prosecutions Section of the Riverside County District Attorney's Office. A forensic accountant, attorney and private investigator, he has a strong understanding of the various roles involved in conducting a complex financial fraud investigation.

"When building a case, there is a 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 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's work is typically done in-house, while private investigators are primarily in the field, interviewing witnesses and getting search warrants 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 can see where the money is going and trace it as it moves in and out of accounts. Private investigators have access to more tools to identify the interrelationships of people that show up on spreadsheets, canceled checks or vendor invoices."

Kathy Bazoian Phelps is an attorney with Raines Feldman Littrell, LLP, where she focuses on insolvency law, fiduciary representation and fraud litigation. She's also co-author of The Ponzi Book: A Legal Resource for Unraveling Ponzi Schemes, written with Hon. Steven Rhodes, runs The Ponzi Scheme blog and recently published Ponzi-Proof Your Investments: An Investor's Guide to Avoiding Ponzi Schemes and Other Fraudulent Scams.

"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. With four decades of experience as both a forensic accountant and a licensed private investigator, he has seen a confluence in the two disciplines over the years.

"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's "valuation" that nearly tripled over 18 months. We contacted the person who performed each appraisal of the property, and it turned out he was a victim of identity theft, had nothing to do with the appraisals in question and his signature was forged on the appraisals. We determined through surveillance that in all these transactions there were only two people 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, and 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 confidential and public sources.

Confidential sources include interviews with witnesses, interested parties or other professionals; proprietary databases; time/date-stamped video or photos; and title reports.

Public sources include court records; property records, recorded documents, social media, publications or newspapers, and ancestry records.

Investigative Tools: The 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, such as 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, and where financial, accounting or tax records are available, 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; and 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

I have a team of forensic accountants that may work with me on a case, depending on the assignment's nature and complexity. 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: forensic investigations, in which we investigate alleged fraud or other misconduct, and 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 their 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 transfers, title/deed transfers, and mortgage loan documentation).
- **Interviews**: These may be conducted with parties who have knowledge of the underlying matter.
- **Review of Electronic Evidence**: Correspondence such as e-mails 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 the 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 provides 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.

Olivia Robinson is a licensed private investigator with Background Intelligence, Inc. Christina Fung, CPA, ABV, CFE, CAMS, is a principal with GHJ's Forensic Services Practice and vice chair of the Economic Damages Section of CalCPA's Forensic Services Section.