



***Divorce Detectives:***  
**Forensic Accounting And Matrimonial Litigation**

Among the many emotional accusations made during a divorce, one of the more devastating is that marital property is being hidden — from cooked company books to cash-stuffed suitcases.

**The Hunt For Hidden Property**

Finding unreported income and assets that belong to the marital estate is not a matter of guesswork. Hundreds of specific transactions and financial documents may be reviewed, and public and private records are scoured in an exhaustive effort to discover relationships and patterns that indicate the existence of additional assets.

That's why more and more attorneys and their clients are engaging forensic accountants to assist with matrimonial litigation. These highly trained accountants are uniquely qualified to locate hidden assets because of their knowledge and experience in financial document analysis, accounting principles and auditing techniques, and their awareness of common schemes to hide assets.

**What Makes A Good Forensic Accountant?**

At its most basic, forensic accounting involves applying financial facts to legal situations. A good forensic accountant has a thorough understanding of the legal process, including the rules of evidence used in state and federal courts, and the unique language used in these courts.

He or she can help analyze, explain and present financially complex issues in a manner that is helpful to the courts and the parties involved. Services a forensic accountant provides include:

- Review business books and records to help determine adjustments necessary for valuation of business, personal income or hidden assets
- Assess fairness or accuracy of underlying financial information
- Assist business valuator in determining "normalization adjustments"

- Search for income or asset dissipation
- Determine income available for support
- Compute reasonable needs or living expenses
- Determine marital assets subject to equitable distribution

### **When In Doubt ...**

Family law attorneys are learning the value of having a forensic accountant at least “kick the tires” in divorce cases where there may be doubts about the financial numbers. Depending on the budget, the forensic accountant can simply assist the attorney in determining whether the spouse’s allegations have merit or go as far as a full-sale investigation.

Typically, these engagements proceed in phases, with the first being an agreement on what should be looked at and how much time should be spent looking. Here’s what to expect:

**The initial meeting.** A typical divorce investigation begins with a conference between the forensic accountant, lawyer and client. The CPA will objectively attempt to determine the credibility of the information being presented.

**The engagement.** If it is agreed upon to bring the forensic accountant onto the case, it is normally best to have the law firm engage the CPA, not the client. In most states, this approach subjects the accountant's work to the attorney privacy rules, which means it is not discoverable unless the attorney decides to use the work in connection with expert testimony.

**The second meeting.** This meeting with the client and attorney should be a detailed interview designed to obtain all the information necessary for the forensic accountant to begin gathering evidence (employment history, income sources, personal and business relationships and a list of all banks, brokerage firms and other financial institutions with which the suspected spouse has ever had a relationship).

**Evidence gathering.** Based on knowledge gleaned from detailed discussions with the client and attorney, the CPA begins reviewing cash transactions and public and private records — everything from secretary-of-state corporate filings and cancelled checks to frequent flier statements.

**Litigation support.** Here, the forensic accountant can assist with trial preparation, including exhibits and questioning. He or she can analyze testimony during the trial and testify as an expert witness.

**Divorce-related tax and financial planning.** By involving a CPA in the settlement process, the parties can avoid making the taxing authorities a beneficiary of the divorce. *Contact us to see how our CPAs’ expertise in tax law, accounting, business valuation and forensic accounting can help you secure the most advantageous results for your clients.*