

What is Forensic Accounting – and When Might Your Nonprofit Need It?

By Joan M. O'Dowd, Senior Accountant and Kenneth Q. Tan, Partner

Fraud is a crucial topic for nonprofit leaders to address. Organizations of all types and sizes are at risk of fraud, and there are many ways it can occur. Knowing your options for investigating and responding to suspected or alleged fraud now — before fraud occurs — can help your organization respond quickly and effectively if it does.

This includes understanding what forensic accounting is and when your organization might benefit from this specialized service.

Forensic Accounting for Nonprofits

Investigating potential fraud, assessing the evidence, and determining the next steps can be complex. A typical fraud case lasts 12 months before detection, as noted in [Occupational Fraud 2024: A Report to the Nations](#) from the Association of Certified Fraud Examiners (ACFE), the world's largest anti-fraud organization. Further, 38% of the fraud cases in the 2024 ACFE report involved two or more types of occupational fraud.

Forensic accountants help organizations collect, analyze, and assess evidence of fraud and interpret and communicate the findings. While “forensic” is generally defined as “belonging to, used in, or suitable for courts of law or public debate,” there are many ways forensic accountants can assist your organization regardless of whether you plan to pursue legal action.

A forensic accountant can help your organization:

- Prevent, detect, and investigate potential fraud
- Preserve, collect, assess, and analyze evidence
- Estimate loss
- Identify and interview suspects

- Document the results of the analysis and investigation
- Determine the appropriate next steps, which might involve further investigation, terminating the employee, involving law enforcement, or pursuing legal action
- Coordinate with law enforcement and prosecutors
- Prepare for court proceedings
- Discover and mitigate internal control weaknesses
- Deter future fraud

The Benefits of Specialization

Forensic accountants specialize in using accounting, auditing, and investigative skills to uncover sophisticated schemes used to disguise fraud, move funds, and hide assets. They follow the trail of money even when it flows through multiple accounts and entities.

While the results of a forensic engagement may not end up in court, forensic accounting is performed with “an eye to trial” to ensure the work is completed in a way that will hold up in court. This means forensic accountants must pay meticulous attention to detail and strive for excellence in collecting and analyzing evidence and documenting and communicating results.

It also means that forensic accountants must avoid making determinations about whether fraud is present. This judgment resides with the “decider of fact,” which in a court case is either the judge or jury.

Following the Money

While each situation is unique, the process of following the money in a forensic accounting engagement generally includes one or more of these steps:

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- Analyzing bank, investment, and other asset accounts, possibly down to the transaction level. This includes reviewing information about the payer/payee, amount, timing, and location.
- Analyzing credit card transactions.
- Reviewing transactions posted in the organization's accounting system.
- Tracing the flow of funds.
- Analyzing vendors and employees.
- Reviewing financial statements.
- Reviewing relevant documents, agreements, applications, minutes, reports, etc.
- Participating in subject and witness interviews.
- Summarizing the findings in a report.
- Testifying in judicial proceedings.

Determining Whether Your Organization Needs a Forensic Accountant

If your organization suspects that fraud has occurred or has received reports of alleged fraud, we recommend that you [refer to our fraud resources](#) and seek legal counsel.

As noted above, forensic accountants can help your organization investigate, analyze, and document fraud as well as prevent it. Many forensic accounting engagements start with a high-level review to identify areas of potential fraud that warrant further investigation or action. **Please [contact us with questions](#) or to [discuss whether a forensic accounting engagement may be right for you](#).**

Our team of forensic accountants includes certified fraud examiners (CFEs) and we work in accordance with the Statement on Standards for Forensic Services from the American Institute of CPAs and best practices from the ACFE. We can help you assess your specific situation and determine the appropriate next steps.

About the Authors

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Joan specializes in internal audit, fraud prevention, and forensic accounting services and has more than 12 years of professional experience in these areas. She is skilled at unraveling highly sophisticated techniques for moving funds, shielding illegal activity, and disguising entities and provides expertise in the areas of identification, examination, and analysis of financial data. Prior to joining CapinCrouse in 2023, Joan served as a forensic accountant in the FBI, where she led complex financial investigations involving corruption, healthcare fraud, money laundering, and other financial crimes. Joan is passionate about assisting her clients in implementing anti-fraud controls and seeking asset recovery for victims.

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Ken has more than 15 years of public accounting and large nonprofit experience, providing both advisory and assurance services to various nonprofit entities, churches, and mission organizations. Prior to joining the firm, he managed the audits of public Fortune 100 and private multi-billion dollar companies for a Big 4 accounting firm, provided advisory and strategic planning for churches, nonprofits, and small to medium-sized businesses, and served as the controller and corporate officer for a large faith-based multi-national mission agency.

About CapinCrouse

As a national full-service CPA and consulting firm devoted to serving nonprofit organizations, CapinCrouse provides professional solutions to organizations whose outcomes are measured in lives changed. For over 50 years, the firm has served domestic and international outreach organizations, universities and seminaries, foundations, media ministries, rescue missions, relief and development organizations, churches and denominations, and many others by providing support in the key areas of financial integrity and security. With a network of offices across the nation, CapinCrouse has the resources of a large firm and the personal touch of a local firm. Learn more at capincrouse.com.

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