



# Beginning Forensics for CDFA® Holders

PRESENTED BY NANCY HETRICK, MAFF® 2019

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## Objective

To understand the overlap between Financial Forensics and Forensic Accounting and where we can confidently practice forensics in our own businesses.

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## Agenda



Definition of Forensic Engagements



Process and Work Product



Separate Property Tracing



Lifestyle Analysis

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## What is a Forensic Engagement?

The art and science of investigating people and money.

• Financial Forensics®, 1993

Financial forensics is similar to forensic accounting

Financial Forensics is really any engagement where you have to sort through numbers to draw a conclusion and create a report

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## Family Law Services HANDBOOK

THE ROLE OF THE FINANCIAL EXPERT

DONALD A. GLENN  
THOMAS F. BERGER  
DONALD J. DEGENFELT  
WILLIAM B. STERNART, JR.

## CDFA-Forensic Bible!

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## Process/Methodology

01

Engagement Letter

02

Case Management

03

Discovery

04

Work Product

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## Engagement Letter

Depends on the type of assignment

- Scope of Work
- Scheduling Considerations
- Billing and Collection Procedures
- Stop Work or Withdrawal
- Arbitration Clause
- Indemnity and Limitation of Damages Clause

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## Case Management

One-page summary with key dates

Confirmation of Dates, Marriage, Separation, and Division

Calendaring Trial Dates

Depositions

Report Due Dates

Outline Assignment, Due Dates, and Results

Sequence tasks

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## Case Management

Initial case evaluation and acceptance

Case definition and overview

Define output of expected report

Define report and trial exhibits contents

Preliminary research

Assist with discovery

Preliminary analysis

Complete research and discovery

Preliminary report and exhibits

Prepare for trial...

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Discovery

Normal Discovery Items (see list)

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For any fraud, also credit reports, tax transcripts, employment contracts, partnership agreements, buy/sell agreements

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Review of opposing experts report

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Work Product, Reports

Table of Contents

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Executive Summary

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Scope of Engagement

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Background

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Summary Findings

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Conclusion

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Appendixes with details

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WPN – Words, Pictures, Numbers

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## Work Product Helps

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Grammarly.com

[www.BlackBookOnline.info](http://www.BlackBookOnline.info)

[www.veromi.net](http://www.veromi.net)

[www.statsoft.com](http://www.statsoft.com)

Statistics Hacks by Bruce Frey

Family Law Services Handbook



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## Reports



Reports need to be **CLEAR** and **BRIEF**!

Have your non-financial colleagues read the report to see if they understand.

Judges often have 20-30 min. for an issue and might not pre-read the file.

Have a clear executive summary

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## Separate Property Tracing

In most states, even if commingled, if you can show a clear tracing, the courts will recognize the separate property

Marital Portion of a 401(k)

Marital Portion of a home

Inheritance

Gifts

14

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Obtain

- Obtain a good understanding of the asset(s) to be traced.

Create

- Create timelines relating to each asset/bank account.

Create

- Create a "Key Documents" binder where you place important documents-refer to them on your timeline. (or electronic)

Make

- Make a list of bank accounts/assets owned at various points in time.

General Tracing

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Worksheet: A - Marital Portion of 401(k)											
Address: A - Marital Portion of 401(k)											
John Doe											
Date of Marriage (DOM)											
Date of Separation											
6/30/1990											
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## Lifestyle Analysis

It is important to understand the family expenses. This can be done exactly or estimated.

We need to understand the parties' net worth at the beginning of the period and the end (usually a one or two year period)

A good asset search is helpful

Other sources include loan applications, previous lawsuits, DMV records, financial statements, accountants work papers, possible informants.

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## The Asset Method Formula

Assets  
 - Liabilities  
 = Net Worth  
 - Prior year's net worth  
 = Net Worth Increase  
 + Living Expenses  
 = Income  
 - Funds from known sources  
 = Funds from unknown sources

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## Expenditure Method

It is very important to know the level of living expenses. Bank statements, cancelled checks or check registers are needed.

The formula is as follows:

Total Living Expenses  
 - Known source of income  
 = Funds from unknown sources

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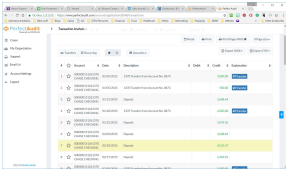
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## How to process data



Old school is  
Quickbooks entry  
[www.Ocrolus.com](http://www.Ocrolus.com)

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## Other notes

Allocating expenses to the children is necessary in some states.

<https://www.fns.usda.gov/resource/2015-expenditures-children-families>

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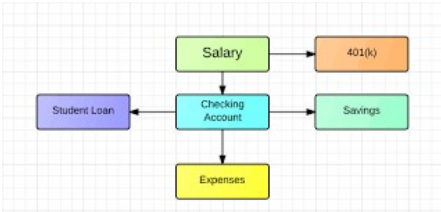
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## Use Flow Charts



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graph TD
    Salary[Salary] --> 401k[401(k)]
    Salary --> Checking[Checking Account]
    Checking --> StudentLoan[Student Loan]
    Checking --> Savings[Savings]
    Checking --> Expenses[Expenses]
  
```

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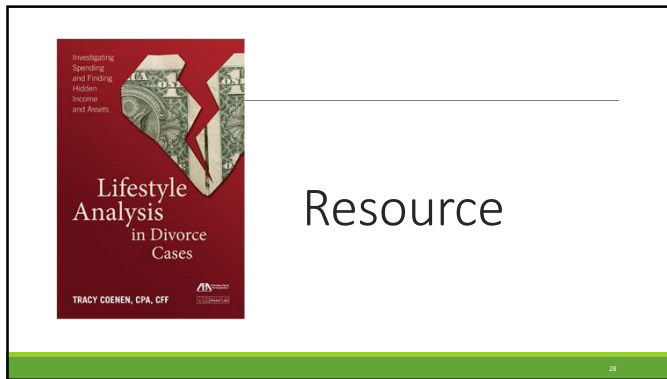
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## Resource

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### Certifications Available

**MAFF®** - Master Analyst in Financial Forensics with a Matrimonial Specialty

- Offered through NACVA, National Association of Certified Valuators and Analysts
- CDFA is prerequisite
- Experience of at least 20 cases or 2500 hrs
- Cost ~\$1200
- Annual dues \$495

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### Other Certifications

**CFF** – Certified in Financial Forensics

- Through AICPA
- MUST BE A CPA
- Exam is \$300 for members, \$500 non
- <http://www.aicpa.org/Membership/Join/Pages/cff-exam.aspx>
- Self-study \$479/599
- Live trainings occasionally available.
- Four-month study plan

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## QUESTIONS

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Contact Information

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[nancy@smarterdivorcesolutions.com](mailto:nancy@smarterdivorcesolutions.com)  
877-552-4017

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