

Clues Lead the Way to Financial Well Being



James J. Milucky, CPA extraordinaire and Brevard's own Sherlock Holmes, opened his forensic accounting practice at the "Yellow House" on U.S 1 and Malabar Rd. in 2003. He got here by way of Atlanta, Key West, Paris, London, and New Orleans, working for KROLL, arguably the world's top investigative firm. You might recognize his name from the Signature Pharmacy case, and he has also worked on some "sexy stuff" locally that you may have read about in the newspapers. National Health Review sat down with Milucky to learn more about the world of forensic accounting.

Why did you get involved in forensic accounting?

It's my passion and I am gifted with a special instinct for it, almost like a sixth sense. I think it might have developed while working as a bank examiner with the FDIC. Imagine, we balanced whole banks with a tape, a pencil, a 10-key calculator, typewriter and carbon paper. I learned the basic workings of the numbers for almost all accounting theories and workings. An engineer once told me that everything you need to know about finances is boiled down to "money in... money out".

I love mystery, detective novels – I love the chase! I've never had a bad day and am excited every day I come

to work. I am the type of person who will be walking in a huge field and happen to step on a cow pie and then wonder if I was supposed to step on the pie or look for the cow. My clients drop me in a field and I go on a hunt... but I don't necessarily know what I'm hunting for.

Explain the difference between forensic accounting and traditional accounting.

Traditionally, an accountant will record financial history, process transactions, pay the bills, record payments, and structure a set of books so that anyone can recognize what has occurred. Forensic accounting, on the other hand, operates more in a legal context. A case could already be in or on its way to court for fraud investigation, for example. Someone may believe that the finances have been misrepresented or that money is missing or suspicion may have been raised, when, for example, the junker car that your partner was driving suddenly and unexpectedly becomes a luxury sedan.

Why call a forensic accountant instead of a traditional CPA?

Let's say I believe my fictitious partner George is stealing from the company because there are strange charges on a credit card statement or there are missing statements. You would call a forensic accountant

because a CPA is not generally trained in "chain of evidence," which means preparing a report that could later be used in testimony if necessary. These skills are necessary in ensuring that all of the details are preserved for as long as the trial is being heard and that the evidence is prepared in a manner that can withstand cross-examination. Simply, the forensic accountant paints the picture and the CPA verifies the colors and that, in fact, there is a picture.

So, a forensic accountant is like "a gift with purchase?" You get the CPA, plus bonus expertise?

You can say that. With an audit, the CPA forms an opinion based on what is in front of him. As a CPA, I do the same but I intrinsically take more of a Sherlock Holmes approach. I figure out the whole story the books are telling even if I only have a little breadcrumb trail. Forensic accountants should never have a pre-conceived notion. I am objective and dispassionate. My clients want to know which questions they should get answered today so that they don't realize an unexpected answer six months from now.

What other reasons are there for seeking your services?

Mainly my clients consist of attorneys, doctors and business owners.

You may need to obtain a capital loan, buy in or buy out of a business. Business valuations are very important. If you were to buy a house, you would have an inspection. If were purchasing a car, you would probably test drive it, kick the tires. Why wouldn't you do the same thing if you were to purchase a business? You want to know that what is being represented is the actual case. Are the numbers recorded correctly, are the vendors really vendors, is the business really as represented?

Another common use is divorce, especially when there is a business involved or the closing of a family business where there could be a question with the income split. Personal assets and business assets can become mixed and determining what goes in what bucket can get complicated. I had a case where one party was claiming a certain amount in contracting costs. The other party disagreed. Because of my training, while looking through the books I

realized that there were inconsistencies in the documents that were filed with the IRS for various years. I was able to argue that because the IRS had not rejected the claims for correction, the documents were actually never filed with the IRS and thus, the costs could not be claimed. The court agreed.

Are you always in court resolving disputes?

No, actually my services have helped to resolve matters that have maintained partnerships without going to court. I've been called to come into the business in the dead of night to look over books because a partner was suspicious but didn't want to wrongly accuse the other. In another case, the comptroller of a company admitted that there was a perceived injustice and he took funds to "even the score". After three days of investigation, it was determined that the perceived injured party had kept track of what was taken. The partner accepted that the comptroller had taken on extra responsibilities while the partner dealt with personal matters. They agreed that the score was even

and they were able to come to full resolution without legal intervention.

I imagine that people might get a little nervous when they see you coming.




Those who have nothing to be concerned about have nothing to worry about. Those who are concerned have no idea how much trouble they are in! My passion makes me a bit of a pitbull in that respect. Once I sink my teeth into a matter, if there is something to be found, I usually find it.

How does someone know if they need your services? Mostly, a good rule of thumb is that people should consider what outcome they want before contracting any professional. My potential clients should ask themselves what they can do to protect themselves financially. 🍎


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The observer who has thoroughly understood one link in a series of incidents, should be able accurately to state all the other ones both before and after - Sherlock Holmes



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