

# **After the Whistle Blows: Deciding to Conduct a Forensic Investigation of Fraud Allegations**

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## **ABSTRACT**

When an informant blows the whistle within a corporate setting, guidance is readily available for properly dealing with the whistleblower, especially in regard to respecting his or her rights. Federal and state laws, for example, provide for certain whistleblower protections and guarantees. Almost no statutory guidance, however, is available for deciding what to do with, and how to act upon, the information provided.

This case study highlights the tactical and strategic dilemmas faced by corporate boards when they are presented with possible evidence of corporate fraud, embezzlement or other financial illegality or wrongdoing. It is based on several recent cases where forensic accountants were engaged to follow up on complaints by whistleblowers. When should a board take a whistleblower complaint seriously? If the complaint seems credible, what are the board's options? To what extent should outside counsel be consulted? Should the external auditors be consulted or notified? As part of their fiduciary duties and their governance responsibilities, corporate boards need to be adept at sorting out these questions and resolving them properly. Particular attention is paid to the appropriate role of forensic accountants, whose duties and skills are compared to and contrasted with those of independent financial auditors.

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