

# Forensic accounting as Panacea to the challenge of crime and violence in the Caribbean

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**Abstract:** Crime and violence are development issues in the Caribbean. The proliferation of crimes and violence in the Caribbean nations has been a growing concern. This paper presents the worldwide emerging discipline of Forensic Accounting as a veritable Panacea to the challenges posed by crimes and violence. Using the secondary data methodology, it argues that Forensic Accounting which is the intersection between accounting, investigations, and legal matters, will provide the lasting solution which is being earnestly sought to tackle the menace of crimes and violence in the Caribbean. The paper therefore, amongst others, recommends a national and international implementation of Forensic Accounting based measures as a unified approach necessary to fight the Caribbean's related crime and violence problems.

**Key Words:** Forensic Accounting; Crimes; Violence; the Caribbean; Corruption

## 1. Introduction

The problems of crime and the quality of justice have become central issues in public debate and important public policy concerns in a number of Caribbean countries. This

problem is perhaps most acute in Jamaica which has acquired an unenviable reputation for having a high rate of violent crime. The significance of this is underscored by the fact that there has been much research and

discussion on this matter. Millions of dollars have been spent to tell what the problems are (Jones, 2003). The high level of violent crime remains a most troubling and pressing problem as the countries have been in crisis due to the escalating crime rate. Through multiple channels, crime and violence threaten the welfare of Caribbean citizens. Beyond the direct effect on victims, crime and violence inflict widespread costs, generating a climate of fear for all citizens and diminishing economic growth. Crime is a major deterrent to business which creates a huge problem, as tourism is the Caribbean's primary source of business. Crime and violence present one of the paramount challenges to development in the Caribbean. For example, the Government of Jamaica and in particular the Ministry of National Security has been the recipient of many reports and studies and have made serious attempts to solve the problem in Jamaica, and although some progress has been made by various policies coming from the implementation of report recommendations, the problem still persists.

This paper looks at the problem from a global perspective via the engagement of Forensic Accounting, drawing on what is happening internationally and highlighting how the Caribbean countries can seriously draw on the experiences of Forensic accountants to solve the burdensome problem of crime and violence. It also gives recommendations for policy options in the Caribbean.

## 2. The challenge of crime and violence

The battle against crime in cooperation with identified corruption has made reduction a serious challenge. Murder rates in the Caribbean—at 30 per 100,000 population

annually—are higher than for any other region of the world and have risen in recent years for many of the region's countries. There has also been the increased use of weapons in criminal acts. Assault rates, at least based on assaults reported to police, are also significantly above the world average. Violence against women affects a significant percentage of women and girls in the Caribbean. Despite their diversity, one thing all Caribbean countries have in common is that they have long been caught in the crossfire of international drug trafficking. The drug trade is a prime driver of crime across the Caribbean. There is Cannabis production for export from Jamaica. Kidnapping and corruption are other forms of organized crime which affect the region. Corruption is equally a challenging crime. Transparency International's Corruption Perceptions Index (CPI) of 2006 listed ten Caribbean countries in the world rankings. Haiti was ranked as the most corrupt country in the world, while Barbados was ranked as the 24th least corrupt country, ahead of many European countries. Deaths and injuries from youth violence constitute a major public health, social and economic problem across the Caribbean, where youth are disproportionately represented in the ranks of both victims and perpetrators of crime and violence e.g. the Dominican Republic.

Several factors which cut across the diverse countries of the region heighten their vulnerability to crime and violence. Primary among these is the region's vulnerability to drug trafficking. Wedged between the world's source of cocaine to the south and its primary consumer markets to the north, the Caribbean is the transit point for a torrent of narcotics, with a street value that

exceeds the value of the entire legal economy. Compounding their difficulties, Caribbean countries have large coastlines and territorial waters and many have weak criminal justice systems that are easily overwhelmed. (United Nations Office on Drugs and Crime and the Latin America and the Caribbean Region of the World Bank, 2007).

The proliferation of crime within the islands of the Caribbean has been a growing concern. Countries such as Jamaica, St. Lucia, Antigua, the Bahamas, Bermuda, St. Kitts and Nevis and Aruba struggle to agree on a forward plan to combat their increasing crime rates. The event in regard to the disappearance of Natalie Holloway in Aruba, although tragic, sparked much needed attention to the increasing crime problem in the Caribbean. The similar types and frequency of crimes among the Caribbean islands are not coincidental and are escalating at rapid rates. Institution of curfews, harsher punishments, reintroduction of the death penalty and increased training and recruitment of quality law enforcement personnel must be widely accepted as strategies and supported in order to succeed in the reduction of crime (Lashin, 2005). The countries of the Caribbean face corruption issues on a daily basis. It is estimated that drug corruption provides the Caribbean civil servants with some US \$320 million in income annually. This is not an insignificant problem.

Among the factors giving rise to crime and violence are the following in the Caribbean are: Destabilized family structure (including poor parenting); Decline in values and attitudes across the society; Urban drift; Economic instability (including high unemployment); Inequality in income distribution; Drug culture; High Level of illiteracy;

Political tribalism; Emergence of non-traditional/parallel leadership within communities; Ineffectual, citizen-unfriendly policing; Negative perceptions re: access to security and Justice (particularly in poor communities); Ineffectiveness of channels of communication between the community and the police; High availability of firearms and other weapons; Lack of community empowerment (to address/ameliorate problems before they escalate); Weak financial status of civil society organizations which limits pre-emptive and response capability; and Corruption. The aforementioned factors are not exhaustive but pretty much reflect factors highlighted in past reports.

### **Effects of Crime and Violence in the Caribbean**

The most telling effects of crime and violence include: Polarization of communities into warring factions; Restriction of freedom of movement by citizens; Overload of court system; Loss of investment opportunities; Loss of personal and business income (resulting from civil unrest, etc.); Outflow of foreign exchange for medical and related items; Pressure on health facilities; Lost man-days at work resulting in sub-standard productivity; An overwhelmed and increasingly reactive police force; Political and social disengagement of the citizenry (who lose their sense of security and well-being); Migration of skills; and Economic instability (including high employment).

### **The Failure of Past Intervention Initiatives**

There has been a failure of some past remedial initiatives. The many interventions

have not carried through with anything approaching maximum effectiveness to citizens and the communities within which they live. There is a multiplicity of reasons for failure and these include: - tendency to go for popular or politically expedient policies and programmes in preference to tough choices equal to the seriousness of the problems (lack of political will); - reactive and prescriptive approach which fails to attack the problems at the root; - mainstreaming of policies and programmes without the necessary infrastructure to take the initiatives downstream; - communities not fully engaged; - outputs not outcomes; - failure to hold the gains;

- what works neglected; - too little investment in people; - failure of policy makers and implementers to "walk the talk", and - chasing the "useful many" instead of concentrating on the "vital few" causes.

### 3. Forensic accounting as the way forward

#### What is Forensic Accounting?

Forensic accounting, sometimes called investigative accounting, is a worldwide heating up profession, which entails the application of accounting concepts and techniques to legal problems. It encompasses the process of auditing to recognize and investigate financial fraud occurring in an organization. Forensic accounting, which is a state of the art discipline sees to the investigation and documentation of financial fraud, white-collar crimes, corruption, wastes and mismanagement. There is a growing need among law enforcement professionals, government organizations, small business owners, and department managers to better understand basic forensic accounting principles,

how different types of fraud occur, and how to investigate a fraud that is detected in a way that maximizes the chances of successful prosecution of the perpetrator (The Free Library, 2006). Forensic accounting is belonging to, used in or suitable to the court system or legal proceedings.

#### Who is a Forensic Accountant?

The Forensic Accountant is a crime fighter and a value added accountant. He has knowledge and experience in: Financial Statements & Audit, Internal Controls and Operational Processes, Fraud Schemes, Investigation and Legal Elements of Fraud, and Psychology of the White Collar Criminal. He is skillful in handling typical business processes involving: Purchasing, Receiving, Accounts Payable; Revenue, Shipping, Accounts Receivable; Payroll, Human Resources, Benefits; Production & Inventory (Raw Materials, Work-In-Progress, Finished Goods); Capital / Construction and Fixed Assets; as well as Reporting, Reconciliation, and General Ledger.

The forensic accountant is equally an expert in conflict resolution processes such as mediation, arbitration, litigation, and prosecution. He does case assessments using the methodical approach of : Initial Client Meeting / Consultation, Identification of Risks, Issues, Concerns & Suspicions, Weighing Benefits and Risks / Setting a Budget, Understanding of Processes and Controls, Financial Statement Trend Analysis, Financial Statement Ratio Analysis and Preparation of Work Plan that is refined throughout (Sawyer, 2008). Situations requiring forensic accounting include: Fraud Examination, Bankruptcy, Valuation, Due

Diligence, (Lost) Profits Calculation, Contract Dispute, Domestic / Marital Dissolution, Stakeholder Disputes, Purchase Price Disputes (Post-Acquisition), and Intellectual Property. A forensic accountant is a risk manager, a deregulation/corporate governance technocrat, a maintenance driver, and an anti-corruption/fraud strategist who is proficient in the tasks involving Monitoring, Communication, Risk Assessment, Control Environment, and Control Activities. According to Ramaswamy (2005), the forensic accountant can create a leverage or alignment for an institution between corporate governance, internal control, and external reporting activities.

#### **Knowledge and Skills of the Forensic Accountant**

The forensic accountant is a person who must have skills in many areas. Some of them are specialists in certain areas such as information technology. However, the following minimum level of knowledge and skills is required of all well-trained forensic accountants:

(a) Auditing skills (b) Investigative knowledge/skills (surveillance tactics, as well as interviewing and interrogative skills) (c) Criminology (particularly the study of the psychology of criminals) (d) Analyzing and Interpreting financial information e.g. bankruptcy setting, money laundering operation, an embezzlement scheme, financing of terrorist activities, etc. (e) Knowledge of the laws and court procedures (judicial systems) (f) Information technology knowledge and skills and (g) Communication skills (Hopwood, Leiner, and Young, 2009).

#### **Forensic Accounting as Panacea**

It is important to note that many of the issues facing the Caribbean transcend national boundaries and require a coordinated regional response. Forensic accountants are experts who exist under the auspices of professional bodies in different parts of the world. For example, there is the Caribbean Forensic Accounting Association which can provide the much needed coordinated regional response to crimes and violence in the region.

Fighting the battle of crime is extremely difficult if those enforcing it are partaking in the same criminal activities. Forensic accounting experts are professionals who live by professional code of conduct and ethics. They are anti-corruption and crime people who are committed tooth and nail to the fight against deceit, injustice and criminality in the society.

It is necessary to find a way to engage civil society on the basis of its own self-interest and participation in order to combat crime and violence. This can be rightly done by spreading the knowledge and education of forensic accounting. This will increase the awareness for prevention and detection of crimes.

Finding the way must necessarily begin with answering the question: Why have previous policies and initiatives not worked better? Forensic accounting offers a viable alternative solution because it emphasizes the law, integrity, justice, financial intelligence, efficiency and effectiveness in results achievement.

The forensic accountant, by training and calling, is well equipped to tackle societal challenges that have the following typical features of a system prone to corruption:

Concentration of powers in the executive and there are weak or non-existent checks and balances; Poor transparency surrounding executive decision combined with restricted access to information; Elaborate regulatory systems allowing for discretionary decision making; Weak systems of oversight and enforcement; Soft social control systems/high tolerance for corrupt activities (United Nations Development Programme, 2004).

As a result of the fact that reducing “mano dura” or repressive programs in favor of expanding prevention strategies (including prevention-focused law enforcement) would represent an effective and potentially cost-saving strategy, forensic accountants are well grounded in the art of setting up preventive control measures. They can also contribute initiatives which will promote interventions that reduce gun and alcohol availability—and their social acceptance—among youth. This can play a crucial role in countries like the Dominican Republic, where the use of both is widespread at young ages and the links to violence are significant.

Forensic accounting offers practical measures that usefully reform Criminal Justice Systems. Many countries in the Caribbean have experimented with reform of their criminal justice systems, and the experience is mixed. Two important lessons emerge: (i) the need to pursue better coordination among institutions, including the introduction of information systems capable of tracking systemic performance and generating a set of performance indicators, and (ii) the desirability of linking criminal justice reforms to a broader, multi-sector strategy of crime and violence prevention. Also, forensic accountants are legal experts who can improve upon prosecutorial performance (the

rate of convictions and the percentage or number of prisoners awaiting trial).

Concerning Public Policy of Crime and Violence Prevention, forensic accountants can come up with National and Regional Approaches that will hit the nail on the head. In the Caribbean and most other regions, efforts to prevent violence have fallen into two categories: sector-specific approaches—such as criminal justice, public health, and conflict transformation and human rights—and cross-sectoral approaches—such as crime prevention through environmental design and citizen security. These approaches are complementary. For example, criminal justice reform initiatives (e.g. improved policing and better rehabilitation in prisons) can be pursued simultaneously with citizen security programs that employ social prevention interventions and crime prevention through environmental design.

It is necessary to co-opt forensic accountants in the development of national crime control master plans and the establishment of national crime commissions to ensure multi-sectoral collaboration. While the Caribbean faces serious challenges, especially in the areas of drugs, guns and youth violence, intelligent policy making at the national and regional levels can make a difference. Given the high social and economic costs associated with crime and violence, the development of sound policies and programs is a key development priority for the region.

The formation of National Criminal Intelligence Service in curbing crimes and violence is very relevant and forensic accountants are adequately trained for this. On issues such as: Violence prevention communitarian programs; Educating for peace; Training of teachers in peaceful conflict

resolution; Creation of mediation centers in schools; Educational centers for conflict resolution and peace; Prevention program; Promotion of changes on violence related conduct; - Prevention training - Individual therapy and Institutional Strengthening; and Developing internal promoting capacities, the application of forensic accounting comes in handy.

Caribbean Crime Data Sources for Cross-Country Graphical Comparisons crime rates (as measured by victimization data) are higher where a lower percentage of crimes are reported to the police. This has multiple implications. Forensic accountants are professionals who are adept at the collection of data underscored with dedication and integrity. Official police data which distort the true geographic profile of crime, because official data are biased downwards for higher crime areas will be prevented. Also, the reporting rate which can reasonably be plausibly interpreted as a measure of confidence in the police, will be greatly improved on as people will be more likely to report when they trust the police and believe they will respond. Further, applying the expertise of background checks, re-orientation and widespread education on forensic accounting for the police personnel will improve their character rating and reputation for the better.

The popularity of forensic accounting education among the citizenry will result in the Caribbean citizens becoming reorientated towards offering assistance to aid law enforcement. Local citizens should assist law enforcement in their pursuit of justice. By this, the challenge of poor police-citizen relation will be resolved.

In order to help eliminate corruption, many islands of the Caribbean have begun

revamping the requirements, training and screening utilized to hire members of their local law enforcement teams. Getting quality personnel for police and security outfits which has been an issue will become a thing of the past by a widespread embrace of forensic accounting. Police/criminal justice modernization i.e. more advanced training and higher educational requirements for police officers and investigators e.g. in forensic accounting, will be very useful.

Because drug trafficking in correlation to gang related crimes, are a multi-million dollar industry, and it will likely take a multi-million dollar investment to rectify it, the effective and efficient application of these resources for investment will require the contribution of forensic accountants who see beyond the figures in their perspectives.

Forensic accountants are specialists in devising laws that contribute to anti-corruption policies. These may comprise those that: Criminalize corrupt activities; Enable tracing, seizure, freezing and forfeiture of illicit earnings from corruption and crimes; Require public officials to regularly declare assets; Identify prevent or resolve conflicts of interests; Protect whistle-blowers; Improve access to information (allowing citizens to obtain information from the state); Regulate implementation of constitutional right of freedom of expression and association; Define basic principles for decision-making in public administration (objectivity, impartiality, equality, obligation to justification, right to appeal); and Enhance transparency in public procurement (UNDP, 2004)

The policy implication of engaging forensic accountants is that since, the presence of large populations of young men is associated with higher crime rates in communities,

crime prevention interventions will be strongly targeted at young men. Improving trust in the police and addressing the underlying causes of a lack of trust in the police through the investigative and preventive skills in forensic accounting can help reduce crime and birth policies which improve the transparency of the police, reduce corruption, and make the police more accountable and accessible to citizens, thus enhancing effective routes to bringing down criminal activity.

#### 4. Conclusion and recommendations

Before an effective battle against crime and violence can ensue, their roots in the Caribbean must be understood. The emergence of crime and violence is rooted to the following causes: poverty, unemployment, social marginalization and inequality, the illegal drug trade, corruption, the trafficking of firearms, the deportation of criminals, and the effectiveness of the existing criminal justice systems and consequent waiving of sanctions.

This paper has elucidated on the challenge of crimes and violence in the Caribbean countries, as well as the concept and applicability of the emerging field of forensic accounting in fighting the monstrous crises. The drug trade drives crime in a number of ways: through violence tied to trafficking, by normalizing illegal behavior, by diverting criminal justice resources from other activities, by provoking property crime related to addiction, by contributing to the widespread availability of firearms, and by undermining and corrupting societal institutions. Also, there is a trade-off between resources spent on combating drug trafficking and those spent on other forms of crime and violence

prevention. It should be noted that strong committed leadership from government and civil society, backed by a coalition of supporters including political institutions and parties ready to push for greater accountability and transparency is fundamental to any effective reform programme. It is in the light of the aforementioned that this paper recommends the following measures which are underscored by the value adding field of forensic accounting:

(a) To be effective and win public support, strategies to fight crime and violence must focus on people and not statistical reports; on rebuilding community structures through which to deploy policies and programmes, and on rebuilding the moral authority of political leadership, which must take and pursue tough and sometimes unpopular decisions. These can be carried out from the point of view of forensic accounting.

(b) Crime prevention through environmental design, the study and design of environments to encourage desirable behavior and discourage antisocial behavior, has significant potential to generate rapid decreases in property crime and some forms of interpersonal violence. Integrated citizen security approaches should also be explored in all Caribbean countries.

(c) Implementation of programs, by combining modern methods of policing with prevention interventions undertaken by both government and non-governmental organizations, are extremely promising e.g. the public health approach, which focuses on modifying risk factors for violent conduct, is especially promising for addressing violence against women and youth violence.

(d) A criminal justice-focused approach is essential in dealing with organized crimes.



Within the criminal justice approach, there is much room for improvement. An especially urgent priority is the development of management information systems and performance indicators for better problem diagnosis, tracking of system outputs, monitoring reform programs and providing increased accountability to citizens.

(e) More services should be offered to reintegrate deportees, along the lines of those provided by the Office for the Resettlement of Deportees in St. Kitts and Nevis. Options should be explored for deporting countries to shoulder a significant portion of the costs of these programs, in exchange for serious monitoring and evaluation of program impacts.

(f) Better gun registries, marking and tracking can help, as can improved gun interdiction in ports. Long run and sustained reduction in the demand for guns, however, will hinge on progress in combating drugs.

(g) Solid data and analyses are crucial to evaluating problems, devising solutions and assessing progress. Fighting corruption requires extensive resources: financial, technical and human. Forensic accountants should therefore be extensively engaged.

(h) Finally, in the Caribbean nations, forensic accounting should be nationally and internationally integrated in governance

and the polity to enforce accountability, establish independent investigators, prosecutors, and adjudicators that ensure "equal" enforcement of the laws and regulations, strengthen capacity and integrity of the police as the frontline investigator agency for criminal infractions, strengthen and ensure independence and accountability of the judicial system, provide adequate powers of investigation and prosecution, consistent with international human rights norms, integrate transparent mechanisms, develop effective complaints mechanisms and procedures for appeals, develop mechanisms to protect whistleblowers: (encourage the development of institutions, laws and practices, which ensure that responsible citizens can report corrupt practices without fear of reprisals, and to ensure that the media is empowered to play its pivotal role in holding relevant individuals and institutions accountable), consider procedures for punishing those involved in corruption and crimes, and impose powerful disincentives for the would-be corrupt, such as civil penalties, blacklisting of corrupt/criminal firms, extradition arrangements, and other legal provisions, which enable the profits of the corrupt to be seized and forfeited, inside or outside the country.

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