



# Forensic Accounting Today

Newsletter of Ron J. Anfuso, CPA/ABV, An Accountancy Corp.

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Issue 33

## Our Following-the-Flow-of-Money Passion

Although my premier passion as a Forensic Accountant is expert witness testimony, I find tracing financial transactions and assets almost equally stimulating. Tracing requires patience, energy, due diligence and determination to fit pieces of puzzles together. Most importantly, successful tracing necessitates the ability to credibly and with impact present clear findings to the court. In part, this requires generating comprehensive charts and graphs that distinctly demonstrate the conclusions of our opinions.

As my firm grew, however, it became impossible for me to personally prepare all of the tracings and asset listings. Therefore, a priority of mine became hiring Forensic Accountants who not only had developed excellent tracing skills, but also shared my fervency for painstakingly developing explicit presentations. One of our accountants who continuously demonstrates these attributes is Tatyana Skevin. An example of her ability was how she adroitly handled the case presented in our previous and current issue of *Forensic Accounting Today*. The result being that the court agreed with our primary methodology conclusions of this case, and the client and referring attorney were most pleased with the outcome.

Tatyana began the case by consulting with the client's attorney to determine which records would be helpful in tracing the financial transactions and records. She accessed all of the bank records, investment records, property transactions, tax returns and check registers. As with many cases, she found the client kept several records, however, some of the documentation relating to sole and separate property were missing. There was also some commingling of sole and



Tatyana Skevin, CPA, CVA, CFE

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## How Diligent Tracing Saved a Client Hundreds of Thousands of Dollars (Part 2)

By Tatyana Skevin, CPA, CVA, CFE

Ron J. Anfuso, CPA/ABV, An Accountancy Corporation, was retained by a Family Law attorney on behalf of Jonathan Brown to perform accounting services. Our efforts included, but were not limited to (a) tracing the source, to separate or community property, of funds used to purchase a condominium in South Africa, and to determine the community property pro tanto interest, if any, in the South African property, (b) tracing the source, to separate or community property, of funds used to pay off loans secured by real property, (c) tracing the source, to separate or community property, of funds in various bank or investment accounts of the parties, (d) appraising the value of Respondent's business interest, and (e) accounting for the parties' expenditure of community and separate property funds after separation (post-separation accounting).

Jonathan and Joyce Brown were married on February 2, 1988 and separated on July 30, 2011. At the time of the marriage, Jonathan, Petitioner, was 41. Joyce, Respondent, was 29. Jonathan is an internationally known photographer whose work appears in numerous magazines, and Joyce is a graphic designer.

*If you missed Part 1 of this article, please visit our blog (<http://blog.anfusocpa.com/current-newsletter-2/>) and download a PDF copy of Issue 32.*

### Our Tracing Strategy

We performed two methods of tracing, which we believed would strengthen the likelihood of the court ruling in favor of the most positive outcome for our client. If our primary methodology was not to be adopted, however, an alternative calculation that reflected the minimum separate property that should be allocated to Petitioner would, in all likelihood, be accepted. As the court accepted our primary methodology, the South African property was awarded to the Petitioner free and clear with the fair market value of \$1,300,000.

### The House in Brentwood

The Brentwood property was gifted to Jonathan (Petitioner) prior to marriage. The property was free and clear. Soon after the parties were married in 1989, the property was transmuted to community property, and Jonathan and Joyce took out a \$250,000 loan to remodel the property. Subsequently, the property was refinanced several times. We analyzed the loan history and subsequent refinances, and traced the mortgage payments. It appeared that Petitioner

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\* For an explanation of these titles, please visit our website or request a copy of Issue 3 of Forensic Accounting Today.

## Our Passion: Continued from page 1

separate funds with community funds.

Through Tatyana's due diligence, she was able to prevent all but one presumption that would allow commingling of funds to be transmuted into community property. To achieve the best possible outcome, she performed two methods of tracing, completed business valuations on both parties' business interests, and conducted Pereira calculations. Her work culminated in a clear and satisfactory presentation of the evidence to the court that quantified which amounts appeared to be sole and separate property, and those that were community.

Ron

## Diligent Tracing: Continued from page 1

consistently paid all of the mortgage payments during the period from 1989 through 2007, when the mortgage was paid off. From 1989 through 2002, mortgage payments were made through a Petitioner's primary operating account (*Account 2, mentioned in Part 1*). This account was commingled. However, based on our detailed tracing of this account related to the South African property through 1994, we established the separate character of the principal payment of \$50,000 that was paid down during the first refinance of the Brentwood property. From 2003 until the mortgage was paid off in 2007, payments were made through an account which we completely traced and proved to be a separate property of the Petitioner (*Account 1, mentioned in Part 1*). Therefore, the principal balance as of 2003 in the amount of \$84,000 is another reimbursement to Petitioner under Family Code §2640. As the court accepted our primary tracing methodology related to the South African property, it agreed that the Petitioner was entitled to a reimbursement under Family Code §2640 of the following amounts:

- The value of the property as of the date of transmutation in 1989 (\$675,000).
- The paying down of the principal balance in the amount of \$50,000 during the first refinance.
- The paying down of the principal balance in the amount of \$84,000 for the period 2003 through 2007.

Based on our analysis, total reimbursement to Petitioner under Family Code §2640 amounted to \$809,000, plus his 50% share of the remaining community equity in the house of \$695,500 ( $\$2,200,000 - \$809,000 = 1,391,000/2 = \$695,500$ ) resulted in total Petitioner's interest in the Brentwood house of \$1,504,500. As these two real properties were the most substantial assets in the case, the Petitioner was satisfied to recover \$2.8M from them.

*This article was based on an actual case. However, the names of the parties involved and a few of the facts were changed in order to protect the parties' privacy.*

## Do You Need a Financial Expert to Speak to Your Study Group or Bar Event?



Contact Our Office Today  
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**Frustrated because...**  
**your forensic accountant who is a good expert witness wasn't good enough?**

## 5 reasons why Ron J. Anfuso is the better choice

**1)** Ron handles almost all of the expert witness testimony for the firm. He has made over 400 court appearances without a substitute. If he has his way, he'll double his streak. **2)** Ron projects exactly how far in advance he must plan his testimony for each case and carefully defines every step he needs to perform. The result is thorough preparation, including for the unexpected, so he doesn't get caught off guard. **3)** Judges consider Ron to be an honest witness. He has been appointed by judges more than 25 times pursuant to Evidence Code §730. **4)** Ron keeps referring attorneys informed, promptly returns phone calls and meets his deadlines unless something out of his firm's control causes a delay. **5)** Ron offers Family Law attorneys the complete package. He is Accredited in Business Valuation, Certified in Financial Forensics and is a Certified Divorce Financial Analyst.



Contact Ron J. Anfuso, CPA/ABV An Accountancy Corporation  
to handle the accounting for your next case.