

FORENSIC RISK MANAGEMENT

The Forensic Accountant's Role in Fighting Terrorist Financing

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Fighting money laundering has been a core element of the work of forensic accountants for many years. Until recently, the underlying goal of this effort has been to disrupt financial support for criminals and deny them access to legitimate financial systems. Since September 11, 2001, the work of forensic accountants in this area has taken on a new dimension. Enactment of the Patriot Act by Congress in October, 2001 had the effect of integrating U.S. policy on money laundering with that of interdicting terrorist financing. Forensic accountants and auditors involved in combating money laundering now have a role to play in the ongoing campaign to detect and deter terrorist financing. Thus, the purposes of this column are to help build awareness of how terrorists and their associates may use the financial system, describe some general characteristics of terrorist financing, outline U.S. laws applicable to money laundering, and identify factors which may be signs or indicators of money laundering and/or terrorist financing.

Forensic accountants and other investigators may be unable to detect terrorist financing per se. The only time that forensic accountants may clearly identify terrorist financing as distinct from other criminal financial activities is when a known terrorist or terrorist organization has opened a bank

account or been directly involved in a financial transaction. Many forensic accountants, however, are in a position to detect suspicious transactions, particularly those involving money laundering, that may later prove to be related to terrorist financing. Thus, the focus of forensic accountants and other investigators should be to determine whether transactions are unusual, suspicious, or otherwise indicative of criminal or terrorist activity.

Characteristics of Terrorist Financing

Experts concur that terrorist financing comes from two main sources. The first source is the financial support provided by states or organizations with adequate infrastructure to collect and disburse funds to terrorist organizations.¹ Reportedly, state-sponsored terrorism has diminished in recent years. The second source of funds is revenue generated from various legal and illegal sources.² It is noteworthy that funding for terrorist groups, unlike criminal organizations, may be derived from both unlawful and lawful activities.

¹ Financial Action Task Force. 2002. Guidance for financial institutions in detecting terrorist financing.

² Id.

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