

FORENSIC RISK MANAGEMENT

The Forensic Accountant and Forgery

Carl Pacini

Terrorists and ordinary criminals both resort to various fraud schemes to obtain funds. One of the most common fraud schemes is check forgery. Financial institutions and others have been reluctant to discuss forgery for fear of sowing the seeds of fraudulent schemes.¹ The avowed U.S. policies of interdicting terrorist financing and combating fraud, however, require that forensic accountants and auditors become better informed to help deter and prevent check forgery. The purposes of this column are to examine the offense of forgery, provide an overview of check forgery and describe various methods of and means to combat check forgery.

The Offense of Forgery

Forgery is the fraudulent making or alteration of any writing that changes the legal liability of another. The word “forge” refers to the making of a false document with intent to defraud or deceive. The offense revolves around the drawing of a false instrument with the intention that the forger or another shall use it to induce somebody to accept it as genuine and, by reason of so accepting it, to do or not to do some act to his own or another person’s prejudice.²

The crime of forgery requires the perpetrator to possess the intent to deceive or defraud. The distinction between “deceive” and “defraud” is captured by Buckley, J. in *Re London and Globe Finance Corp. Ltd.*:

To deceive is, I apprehend, to induce a man to believe that a thing is true which is false, and which the person practising the deceit knows or believes to be false. To defraud is to deprive by deceit: it is by deceit to induce a man to act to his injury. More tersely it may be put, that to deceive is by falsehood to induce a state of mind; to defraud is by deceit to induce a course of action.³

The mere signing of a fictitious name, without an intent to defraud, does not constitute forgery.⁴

Intent to defraud is not confined to depriving another of an economic advantage. It is sufficient if one is induced by deception to act to one’s detriment, prejudice, or injury. This point is made by Lord Denning in *Welham v. DPP*:

If a drug addict forges a doctor’s prescription so as to enable him to get drugs from a

¹ Hemraj, M. 2002. The crime of forgery. *Journal of Financial Crime* 9 (4): 355-359.

² *R. v. Macrae* [1993] Crim. L.R. 363.

³ [1903] 1 Ch. 728.

⁴ *Queen v. Martin* [1879] 5 Q.B.D. 34.

The author is Associate Professor of Accounting and Business Law at Florida Gulf Coast University in Ft. Myers, Florida.