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PUBLIC ACCOUNTING AND FINANCING TERRORIST ORGANIZATIONS AND ACTIVITIES: ETHICAL AND LEGAL OBLIGATIONS

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Abstract
Financing terrorist organizations and activities must be fought on at least four fronts within public accounting in the United States: the SEC Audit Requirements, PCAOB Auditing Standards, the AICPA Code of Professional Conduct, and state licensing statutes. This article examines the ethical and legal obligations the public accounting profession face presented by these three domains. We argue first that CPAs have an ethical obligation to report to appropriate authorities evidence of financing terrorist organizations and activities discovered during the course of providing professional services which are not recognized by the SEC Audit Requirements, PCAOB Auditing Standards, the AICPA Code of Professional Conduct, or state licensing statutes, and second that the SEC Audit Requirements, the PCAOB Auditing
Standards, the AICPA Code of Professional Conduct, and state licensing statutes should be revised to explicitly recognize such ethical obligations and create legal obligations to report to appropriate authorities evidence of financing terrorist organizations and activities discovered during the course of providing professional services.

INTRODUCTION

There are difficulties in measuring the amount of funds channeled into financing terrorist organizations and activities worldwide. Various sources estimate this funding to be between $590 billion and $1.5 trillion (Baradaran, Findley, Nielson, & Sharman, 2014), $150 billion (Compin, 2011), and £500 billion (Mitchell, Sikka, & Willmott, 1998) through money laundering. However, financing terrorist organizations and activities is not necessarily the result of money laundering. Financing terrorist organizations and activities may be accomplished by reverse money laundering, or “money dirtying” (Compin, 2011), which may make financing terrorist organizations and activities even more difficult to estimate.

The goal of money-launderers is, like that of a corporate enterprise, to maximize profits and reduce risk (Compin, 2011). The goal of terrorists, on the other hand, is to further a political agenda or ideology, or to destroy or kill with no regard to profits and with little regard for risk (Compin, 2011). The major difference between terrorism and crime is that terrorism is based on ideology. Terrorists operate to advance “higher ideals” which may not align to outright criminal activity. (Mulig & Smith, 2004).

However, whether furthering a criminal enterprise such as organized crime or a drug cartel or advancing the agenda of a terrorist organization, and whether money laundering or reverse money laundering is used by such organizations, the services of
public accountants and accounting firms are considered to be indispensable at least for certain types of money laundering and reverse money laundering strategies (Compin, 2011). In addition, evidence of financing terrorist organizations and activities may be discovered in the course of providing professional services such as an audit engagement.

The purpose of this article is to explore the ethical and legal obligations of CPAs in detecting and reporting the financing of terrorist organizations and activities. The SEC Audit Requirements, the PCAOB auditing standards, the AICPA Code of Professional Conduct, and state licensing statutes related to combating financing terrorist organizations and activities are examined to determine what ethical and legal obligations these documents recognize or fail to recognize.

We argue first that CPAs have an ethical obligation to report to appropriate authorities any evidence of financing terrorist organizations and activities discovered during the course of providing services that are not necessarily recognized by the SEC Audit Requirements, PCAOB auditing standards, the AICPA Code of Professional Conduct pertaining to professional services and auditing not-for-profit organizations, or state licensing statutes. We also argue that SEC Audit Requirements, PCAOB auditing standards, the AICPA Code of Professional Conduct, and state licensing statutes should be revised to explicitly recognize such ethical obligations and create legal obligations to report to appropriate authorities evidence of financing terrorist organizations and activities discovered during the course of providing professional services.

The remainder of the paper is organized as follows. The next section discusses the importance and contribution of the paper. The third section reviews statutory definitions of terrorism including the statutes pertaining to financing terrorist organizations and activities. Next is a review of methods of financing terrorist organizations and activities. Fifth, a review of CPA’s legal and ethical obligations is discussed including SEC Audit Requirements.
Public accounting and financing terrorist organizations and activities and PCAOB Auditing Standards, the AICPA Code of Professional Conduct, and state public accounting licensing statutes relevant to the funding of terrorist organizations and activities. The paper concludes with discussion and recommendations.

IMPORTANCE AND CONTRIBUTION

In the Foreword to EY’s 14th Global Fraud Survey, Corporate Misconduct – Individual Consequences, EY states “governments around the world are under increased pressure to face up to the immense global challenges of terrorist financing, migration, and corruption.” (EY, 2016) Yet little has been written about the ethical or legal obligations of CPAs concerning evidence of financing of terrorist organizations and activities discovered during the course of providing professional services. CPAs have received no guidance of their ethical and legal obligations. Therefore, the ethical and legal obligations of CPAs concerning the financing of terrorist organizations and activities is not well defined or understood.

The important contribution of this article is that it calls attention to CPAs’ ethical and legal obligations with respect to the financing of terrorist organizations and activities and makes realistic recommendations for addressing the absence of ethical guidance and legal obligations.

We do not discuss methods for obtaining evidence of financing terrorist organizations and activities. Such methods are covered in any standard auditing or forensic accounting textbook. Nor do we consider criminal money laundering, except as related to financing terrorist organizations and activities.

TERRORISM

In order to understand the ethical and legal obligations of CPAs concerning financing terrorist organizations and activities one must first understand the definitions of terrorism and the statutes addressing terrorism and financing terrorist organizations and activities. The United States Code provides a comprehensive
definition of a terrorist and terrorist activities.¹ A terrorist is one who, either in an individual capacity or as a member of an organization, not only engages in an activity to commit or to incite to commit, under circumstances indicating an intention to cause death or serious bodily injury, a terrorist activity, but who either prepares or plans a terrorist activity, gathers information on potential targets for terrorist activity, recruits members of a terrorist organization, or solicits other to engage in terrorist activities.² The United States Code distinguishes between domestic acts of terrorism and international acts of terrorism. Domestic acts of terrorism are acts that occur primarily within the territorial jurisdiction of the United States and involve acts dangerous to human life that are a violation of the criminal laws of the United States or of any State, and which appear to be intended to intimidate or coerce a civilian population, influence the policy of a government by intimidation or coercion, or affect the conduct of a government by mass destruction, assassination, or kidnapping. International acts of terrorism are basically the same as domestic acts, but which occur beyond the territorial jurisdiction of the United States.³

The section of the United States Code that defines a terrorist includes in the definition anyone who solicits funds or other things of value for a terrorist activity or organization, who commits an act that the actor knows, or reasonably should know, affords material support, including a safe house, transportation,

¹ Although every country naturally has its own definitions of terrorism and laws to combat financing terrorist organizations and activities, this paper is limited to United States statutes.
² UNITING AND STRENGTHENING AMERICA BY PROVIDING APPROPRIATE TOOLS REQUIRED TO INTERCEPT AND OBFUST TERRORISM (USA PATRIOT ACT) ACT OF 2001. 115 STAT. 272. TITLE IV—Subtitle B—Enhanced Immigration Provisions SEC. 411. DEFINITIONS RELATING TO TERRORISM (iv) ENGAGE IN TERRORIST ACTIVITY DEFINED.
³ 18 U.S. Code § 2331
communications, funds, transfer of funds or other material financial benefit for the commission of a terrorist activity.\textsuperscript{4}

The operative term is “material support.” Title 18 U.S. Code § 2339B(a)(1) provides that “Whoever knowingly provides material support or resources to a foreign terrorist organization, or attempts or conspires to do so, shall be fined under this title or imprisoned not more than 15 years, or both, and, if the death of any person results, shall be imprisoned for any term of years or for life.”

Material support is defined as “(1)...any property, tangible or intangible, or service, including currency or monetary instruments or financial securities, financial services, lodging, training, expert advice or assistance, safehouses, false documentation or identification, communications equipment, facilities, weapons, lethal substances, explosives, personnel (1 or more individuals who may be or include oneself), and transportation, except medicine or religious materials.”\textsuperscript{5} According to this definition providing professional services to a terrorist organization (such as those of a public accountant) would be providing material support to the organization.

\textbf{METHODS OF FINANCING TERRORIST ORGANIZATIONS AND ACTIVITIES}

Financing is required to fund specific terrorist operations as well as broader organizational costs of developing and maintaining a terrorist organization and to create and enabling the commission of terrorist activities” (Perri and Brody, 2011, quoting Wilson, 2009). Krieger and Meierrieks (2011) identify sources of terrorist financing as state-sponsored financing (e.g., Iranian financing of Hezbollah), financing through legitimate activities (reverse money-laundering), and financing through unlawful means (crime and

\textsuperscript{4} 115 STAT. 272. TITLE IV—PROTECTING THE BORDER. Subtitle B—Enhanced Immigration Provisions SEC. 411. DEFINITIONS RELATING TO TERRORISM (iv) ENGAGE IN TERRORIST ACTIVITY DEFINED.

\textsuperscript{5} 18 U.S. Code § 2339A(a).
money laundering. In its 14th Global Fraud Survey, EY indicates that “terrorist fundraising, which previously largely relied on individuals and organizations, has given way to informal economies that allow groups to, at least partially, self-fund operations and support other groups and individuals via opaque networks.” (EY, 2016)

Congress made specific findings concerning financing terrorism which are incorporated into the PATRIOT Act. “Money laundering, and the defects in financial transparency on which money launderers rely, are critical to the financing of global terrorism and the provision of funds for terrorist attacks.”

Thus, outside of state sponsored terrorism, there are two basic methods of financing terrorist organizations and activities – money laundering and reverse money laundering.

**Money laundering**

Money laundering has been defined as the transmission of “illegal funds through the banking system in such a way as to disguise the origin or ownership of the funds.” (Mitchell, Sikka, & Willmott, 1998). Money laundering is “the process by which the proceeds of crime are put through a series of transactions, which disguise their illicit origins, and make them appear to have come from a legitimate source” (Samantha, Maitland, Choo, & Liu, 2012). Money laundering is often conducted through financial intermediaries such as large international banks (He, 2010).

PwC’s 2016 Global Economic Crime Survey states that money laundering “facilitates economic crime and nefarious activities such as corruption, terrorism . . . by holding or transferring the funds necessary to commit these crimes.” (PwC, 2016) PwC indicates that “money laundering transactions are estimated at 2% to 5% global GDP, or roughly $1-2 trillion.

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annually.” (PwC, 2016) PwC also indicates that “with the rising visibility of terrorist attacks, money laundering and terrorist financing are escalating as priority issues for governments.” (PwC, 2016)

The Financial Action Task Force ("FATF") was established by the G-7 in 1989 to respond to the increase in money laundering. It currently has 37 Members. (FATF, 2016a). Although without legal authority or jurisdiction, the FATF has developed a set of recommendations for ways to combat money laundering and terrorist financing. (FATF, 2016b). The Financial Action Task Force defines money laundering as the processing of criminal proceeds to disguise their illegal origin. (FATF, 2016c).

The money laundering process is divided into stages—the placement stage, the layering stage, and the integration stage. (FATF, 2016c). In the placement stage, illegal profits are introduced into the financial system by depositing the funds directly into a bank account, or by purchasing financial instruments that are then collected and deposited into accounts at another location. (FATF, 2016c). Transactions are also structured to camouflage the source of funds through currency smuggling and operating casinos (FATF, 2016c).

The layering stage involves a series of conversions of the funds to distance them from their source such as channeling the funds through a series of purchases and sales of investment instruments, wiring the funds through a series of accounts at various banks around the globe, or disguising the transfers as payments for non-existent goods or services giving them a legitimate appearance. (FATF, 2016c). Layering includes the use of correspondent banking, bank checks and drafts, money exchange and transfer offices, the insurance market, fictitious sales/purchases and fake invoicing, shell or front companies, underground banking, and black market foreign currency. (FATF, 2016c).

In the final integration stage the funds re-enter the legitimate economy by such things as investing the funds in real
estate, luxury assets, or business ventures (FATF, 2016c). Techniques used in the integration phase also include the use of derivatives markets, real estate acquisitions, the gold and diamond market, and the acquisition and smuggling of arms (FATF, 2016c).7

However, while terrorist do use money laundering to fund their activities, financing terrorist organizations and activities does not fit well into any stage of the money laundering process, particularly the integration stage, since the goal of terrorists is not to maximize profits. Terrorist, therefore, more frequently rely on reverse-money laundering.

Reverse-money laundering

As a result of the attacks on the United States on September 11, 2001 (“9/11”), terrorism and money laundering are closely linked in the statutes of the United States.8 This link is seen by the enactment of the PATRIOT Act9 immediately following the 9/11 attacks. Prior to 9/11 money laundering had been primarily associated with criminal enterprises such as organized crime and drug cartels where criminal enterprises received money from engaging in illegal activities called a “predicate act” (e.g., drug smuggling and distribution, extortion and racketeering, kidnapping, etc.). (FATF, 2016c)

Terrorists, also, engage in illegal activities not unlike crime syndicates and drug cartels. But, a tool used by terrorists to finance

Public accounting and financing terrorist organizations and activities not typically used by organized crime and drug cartels is a not-for-profit corporation.10

One reason for using not-for-profit corporations to finance terrorist organizations and activities is that the goal and motivation of terrorists differ from those of criminal money-launderers. A second reason for using not-for-profit corporations is to be able to collect money from legitimate sources, or receive money from engaging in legal activities (“clean money”), and to use it for illegal activities, thus turning it into “dirty money” (reverse money-laundering).

LITERATURE REVIEW

Mulig and Smith (2004) suggest that public accountants are increasingly responsible for assuring that companies have adequate systems of internal control that should include procedures to detect and prevent money laundering, and that the role of public accountants imposes upon them a duty to take a proactive role in initiating organizational controls to expose money laundering. But the question that arises is, then what? What do they do with that information?

CPAs have no legal duty or professional duty to report illegal acts that do not impact the financial statements. In fact, there could be negative repercussions for any auditor that fails to maintain the confidentiality of information of illegal acts that do not impact the financial statements if they disclose such information.

In 2007 Chiquita Brands, International Inc., was charged with doing business with a terrorist organization by paying both AUC, a right-wing Columbian terrorist group, and FARC, a left-wing Columbian terrorist group. The payments had been made for at least six years (U.S. v. Chiquita Int’l Brands, 07-055 (D.D.C.

10 The term “not-for-profit” and “nonprofit” are equivalent and used interchangeably.
Chiquita paid a $25 million fine to the Department of Justice. (CNN, 2007).

Did the auditors discover it? If so, they did not report it to the DHS or DOJ. The company itself reported it. Had the auditors discovered it, and had there been an affirmative duty to report it to the DHS or DOJ, perhaps it could have been stopped earlier.

SEC Audit Requirements and PCAOB Auditing Standards

SEC Audit Requirements. Section 10A of the Securities Exchange Act of 1934 as amended mandates that each audit of the financial statements of an issuer shall include “procedures designed to provide reasonable assurance of detecting illegal acts that would have a direct and material effect on the determination of financial statement amounts...” 11 If, in the course of conducting an audit the auditor detects or becomes aware of information indicating that an illegal act (whether or not perceived to have a material effect on the financial statements of the issuer) has or may have occurred, the auditor must consider the possible effect of the illegal act on the financial statements of the issuer, including any contingent monetary effects, such as fines, penalties, and damages. 12

If the auditor discovers that illegal acts were committed by the client during the course of an audit the auditor must first inform the “appropriate level of the management” and the audit committee. If both the appropriate level of management and the audit committee fail to take remedial action, the auditor must inform the board of directors. If the board of directors fails to act, the auditor must resign and inform the Commission. 13 The auditor is granted immunity from liability from lawsuits when reporting illegal acts to the SEC. 14

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13 Securities Exchange Act of 1934, Sec. 10A(b).
14 Securities Exchange Act of 1934, Sec. 10A(c).
These requirements are to be commended. However, they do not go far enough.

Illegal acts are defined as “an act or omission that violates any law”\textsuperscript{15} which presumably means anti-money laundering laws and providing material support to terrorist organizations. If the illegal acts discovered during the course of an audit are acts related to the financing of terrorist organizations and activities (whether through money laundering or reverse money laundering), the illegal acts subject a client to fines. However, reporting such illegal acts to the SEC does little, if anything, to combat the financing of terrorist organizations and activities.

**PCAOB Auditing Standards.** Auditors have a responsibility, under certain conditions, to disclose to the Securities and Exchange Commission illegal acts that the auditors conclude has a material effect on the financial statements.\textsuperscript{16}

Auditing Standards §2401 provides guidance on the auditor's responsibilities when a possible illegal act is detected.\textsuperscript{17} Illegal acts are defined as “violations of laws or governmental regulations.”\textsuperscript{18} However, consideration of laws or regulations are only from the perspective of financial statements assertions, not from the perspective of legality per se.\textsuperscript{19} Examples of laws or regulations to consider include those related to securities trading, occupational safety and health, food and drug administration, environmental protection, equal employment, and price-fixing or other antitrust violations.\textsuperscript{20} There is no reference to financing terrorist organizations or activities.

\begin{thebibliography}{10}
\bibitem{15} Securities Exchange Act of 1934, Sec. 10A(f).
\bibitem{16} AS 2401.81A.
\bibitem{17} AS 2401.01.
\bibitem{18} AS 2401.02.
\bibitem{19} AS 2401.05.
\bibitem{20} AS 2401.06.
\end{thebibliography}
AICPA Code of Professional Conduct

The AICPA Code of Professional Conduct applies to all members of the AICPA, but CPAs who are not members are not bound by the ethical requirements of the Code of Professional Conduct.\(^\text{21}\)

Public interest obligations. The Responsibilities Principle maintains that members of the AICPA “should exercise sensitive professional and moral judgments in all their [professional] activities.”\(^\text{22}\) A distinguishing mark of a profession is acceptance of its responsibility to the public which imposes a public interest responsibility on members which is defined as “the collective well-being of the community of people and institutions that the profession serves.”\(^\text{23}\) The Public Interest Principle urges members “to act in a way that will serve the public interest and honor the public trust.”\(^\text{24}\)

Decisions regarding information of financing terrorist organizations and activities obtained in the course of providing professional services involves the public interest and the collective well-being of the community. Such decisions are moral ethical and judgments. The AICPA Code of Conduct therefore implicitly recognizes an ethical duty to report to the proper authorities regarding information of financing terrorist organizations and activities obtained in the course of providing professional services.

\(^{21}\) “The AICPA Code of Professional Conduct (the code) begins with this preface, which applies to all members The term member, when used in part 1 of the code, applies to and means a member in public practice; when used in part 2 of the code, applies to and means a member in business; and when used in part 3 of the code, applies to and means all other members, such as those members who are retired or unemployed.

\(^{22}\) 0.300.020.

\(^{23}\) 0.300.030.02.

\(^{24}\) 0.300.030.01.
Yet, fulfilling that ethical duty is blunted by contradictory obligations.

Confidential/privileged information. Members of the AICPA are prohibited from disclosing confidential client information without the specific consent of the client.\textsuperscript{25} Confidential client information is defined as “any information obtained from the client that is not available to the public.”\textsuperscript{26} While there are exceptions to disclosing confidential client information, none of the exceptions apply to reporting illegal activities, in particular financing terrorist organizations and activities, to proper authorities. Thus, a member in public practice is prohibited from disclosing confidential client information to proper authorities even if that information pertains to illegal activities, including financing terrorist organizations and activities. This contradicts and conflicts with the public interest obligation.

Perri and Brody (2011) suggest that there is a nexus not only between organized crime and financing terrorist organizations and activities, but also between fraud and financing terrorist organizations and activities. The connection between fraud and financing terrorist organizations and activities thus falls within the umbrella of a CPA’s duty to report fraud to the SEC. But such a duty applies only to CPAs auditing publicly traded companies. The connection between fraud and financing terrorist organizations and activities may be equally present in non-publicly traded companies and not-for-profit organizations.

Because not-for-profit corporations in the U.S. are not subject to as much oversight or monitoring as for-profit corporations, not-for-profit corporations may be particularly prone to financing terrorist organizations and activities, especially if a not-for-profit corporation is created as a shell corporation (Huber, 2016). Among the types of money laundering schemes are money

\textsuperscript{25} 1.700.001.01
\textsuperscript{26} 1.700.001.0p.
laundering through shell corporations and front companies. (He, 2010).

“Charities represent a perfect cover for collecting large amounts of money for terrorist activities” (Perri & Brody, 2011), since charities are subject to fewer regulatory requirements than for-profit entities (especially publicly traded corporations), and are subject to less government monitoring (Emerson, 2002). One well-known case, for example, is that of US v Holy Land Foundation which raised millions of dollars for Hamas, a terrorist organization, over a 13-year period.27

**State public accounting licensing statutes**

The PCAOB auditing standards apply only to auditing publicly traded companies. The AICPA *Code of Professional Conduct* applies only to members of the AICPA and membership in the AICPA is voluntary. But what of CPAs who do not audit publicly traded companies, or are not members of the AICPA?

State licensing statutes and regulations place no affirmative duty on CPAs to report illegal activities of their clients, in particular with respect to disclosing or reporting evidence of financing terrorist organizations and activities. In fact, some states prohibit CPAs from disclosing client information even if related to a crime.

For example, Arizona confers a “confidential status” to information obtained by public accountants.28 Exceptions are


28 Ariz. Rev. Stat. Ann. §32-749. “Certified public accountants and public accountants practicing in this state shall not be required to divulge, nor shall they voluntarily divulge, client records or information which they have received by reason of the confidential nature of their employment.

Information derived from or as a result of such professional source shall be kept confidential as provided in this section, but this section shall not be construed as
granted to disclose information for compliance with ethical investigations or practice monitoring programs conducted by the accountancy board. However, there is no exception recognized for disclosing evidence indicative of the commission of a crime, and no safe harbor against lawsuits for disclosing evidence indicative of the commission of a crime.

Florida, on the other hand, grants a safe-harbor. “A communication between an accountant and her or his client is ‘confidential’ if it is not intended to be disclosed to third persons.... There is no accountant-client privilege under this section when: (a) The services of the accountant were sought or obtained to enable or aid anyone to commit or plan to commit what the client knew or should have known was a crime or fraud.”29 Thus, Florida does allow the disclosing of evidence indicative of the commission of a crime, but does not impose an affirmative duty to report evidence indicative of the commission of a crime (i.e., does create an affirmative defense)

Georgia’s statute is more protective. “All communications between a certified public accountant...and the person for whom such certified public accountant...shall have made any audit or other investigation in a professional capacity and all information obtained by a certified public accountant...in his professional capacity concerning the business and affairs of clients shall be deemed privileged communications in all courts or in any other proceedings whatsoever.”30 No exception is made for disclosing information related to a client’s commission of a crime.

30 Ga. Code Ann. 43-3-29(b).
DISCUSSION AND RECOMMENDATIONS

Congress occasionally amends the Securities and Exchange Act of 1934, such as with the Sarbanes-Oxley Act of 2002. Likewise, PCAOB Auditing Standards are revised from time to time. The AICPA Code of Professional Conduct is also occasionally revised. (McGee, 1998). But such revisions are often the result of a crisis, such as Enron, closing the barn door after the horses escape (in terms of a popular metaphor).

CPAs are in the unique position of being trained to obtain evidence of financial crimes committed by their clients. Financing terrorist organizations and activities is a crime, and the SEC requires CPAs to report evidence of a crime to the SEC. However, reporting evidence of providing material support to a terrorist organization to the SEC is too little, too late. Revisions of the Securities Act of 1934, PCAOB Auditing Standards the AICPA Code of Professional Conduct, and state licensing statutes must be revised to reduce the likelihood of material support for a terrorist organization reaching the organization before another major crisis occurs.

At the present time CPAs have no professional duty, legal or ethical, to report to appropriate authorities evidence of financing terrorist organizations and activities obtained in the course of providing professional services. Yet, even lawyers, one of three professions who hold as sacrosanct maintaining privileged information (priests and physicians being the other two), have an affirmative duty to report ongoing, intended, or future crimes.31

Although the costs of terrorist acts may not be expensive, some money is needed to carry out the attacks. Since terrorists

31 "(a) A lawyer shall not reveal information relating to the representation of a client unless the client gives informed consent, the disclosure is impliedly authorized in order to carry out the representation or the disclosure is permitted by paragraph (b). A lawyer may reveal information relating to the representation of a client to the extent the lawyer reasonably believes necessary: (1) to prevent reasonably certain death or substantial bodily harm.” Rule 1.6: Confidentiality of Information. (ABA, 2016).
need money, they will leave a financial trail. Stuart Levey notes the simple fact that the money trail generally does not lie, and stopping the flow of funds can prevent or delay attacks (Porter, 2005). While CPAs are in a prime position to locate the money trail and inform the appropriate authorities, they have no legal or ethical obligation to do so, and may actually be sued for breach of confidentiality if they disclose it.

Based on the extremely serious consequences of terrorist attacks, not just property damage but loss of life, and the fact that the professional services of CPAs may be enlisted by organizations that sponsor terrorist attacks, we call upon Congress to amend the Securities and Exchange Act of 1934 by imposing an affirmative duty on auditors of publicly traded companies to report to the DHS, DOJ, and/or other appropriate federal agencies evidence of financing terrorist organizations and activities obtained during the course of an audit, and also to require auditors to resign from such an engagement.

We call upon the PCAOB to amend Auditing Standards to create a duty to report to the DHS, DOJ, and/or other appropriate federal agencies evidence of financing terrorist organizations and activities obtained during an audit, and also to resign from such an engagement.

We call upon the AICPA to revise the AICPA Code of Professional Conduct to recognize and impose a duty to report to the DHS, DOJ, and/or other appropriate federal agencies evidence of financing terrorist organizations and activities obtained during the course of providing professional services and also to resign from such an engagement.

We call upon state legislatures to amend state CPA licensing statutes, including the Uniform Accountancy Act, to create a legal duty to report to the DHS, DOJ, and/or other appropriate federal agencies evidence of financing terrorist organizations and activities obtained during the course of providing professional services, and second, to resign from such an engagement upon penalty of revoking the license to practice. State
statutes and rules of privilege must be amended to provide a safe harbor against lawsuits.

This does not mean that a duty must be imposed on CPAs to search for evidence of financing terrorist organizations and activities obtained in the course of providing professional services anymore then they have a duty to search for evidence of fraud. But just as evidence of fraud cannot be ignored, so too evidence of financing terrorist organizations and activities obtained in the course of providing professional services cannot be ignored.

REFERENCES


