

Focus on Forensics

Providing valuable insights to corporate decision-makers and their legal counsel November 2009

Tracing hidden assets and net-worth analysis

By Bill Olsen, principal and national Forensic Accounting, Fraud and Investigations Services practice leader, CFE, CGFM, CIA

Terrorist financing, money laundering, and business and political corruption often go undetected in today's environment. The globalization of the marketplace has created not only an expansion of products and services offered, but also a more complicated network of financial relationships coupled with advances in technology that allows money and other assets to be transferred at the push of a button. Money flow has increased in velocity worldwide, which makes it easier to move and exchange currency. Many criminal organizations deal in the foreign arena routinely, efficiently

and widely by taking advantage of the differences in laws domestically and abroad. This environment makes it easier to engage in activities such as bribery, intellectual property theft, racketeering and money laundering. White-collar criminals have learned that hiding profits made through these types of illicit activity has gotten much easier — and much more difficult to trace — in today's global economy. Building a case against a white-collar criminal can be difficult, but certain methods for gathering evidence can help with prosecution and the recovery of assets.

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The profile of an international white-collar criminal tends to be a well-educated person with a high profile in the business community. Typically, the individual is actively involved in charitable and civic organizations and leads an ostentatious lifestyle that includes expensive sports cars, boats, planes, art and jewelry. This individual is heavily involved in international business and real estate transactions, with the availability of world travel making it easy to move cash from one location to another. This individual may spend a lot of time in known offshore financial havens such as the Bahamas and the Channel Islands. These individuals normally rationalize their activity because they feel victimized. They justify the crimes they commit by pointing to their civic and philanthropic involvement — think Bernie Madoff.

Concealing money and other assets can be done in a multitude of ways. One of the most common methods is the use of shell corporations. This method creates an easy conduit for moving money out

of the country into offshore accounts and then back into the country. At that point, the money is declared as legitimate income from loans or other transactions which are difficult to verify. Transfers of assets to family members, attorneys and business associates for the purpose of hiding ownership interests are also commonplace. Wire transfers are often used to send money to offshore financial havens and thus to lose the trail of regulators and others who are monitoring the movement of cash. Laundering of funds through the purchase of luxury items is also commonplace: Funds are much more difficult to trace once those liquid assets have been exchanged for objects such as art, jewelry and even memorabilia.

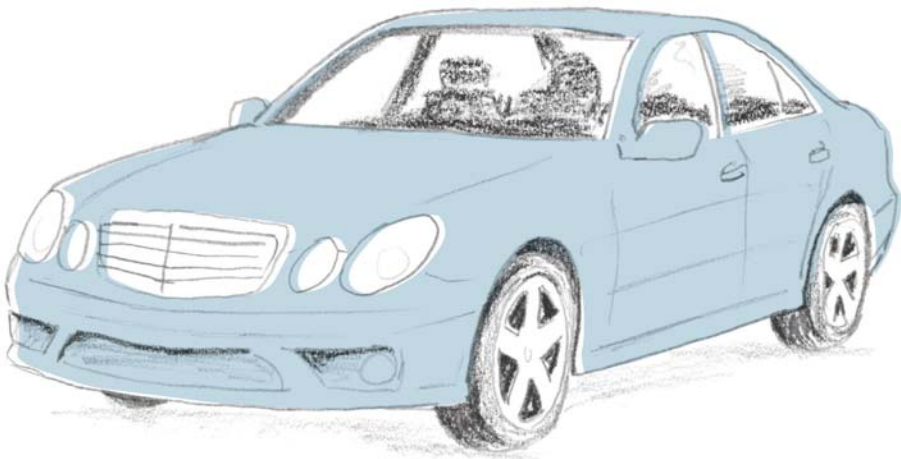
There is a great deal of information that can help trace and locate hidden assets. Bank statements, wire transfer confirmations, and canceled checks are obviously critical for tracing the flow of cash. Tax returns are a good source of investment information because they include a listing of bank accounts,

IMF Offshore Financial Centers *	
Andorra	Malaysia
Anguilla	Monaco
Belize	Montserrat
British Virgin Islands	Netherlands Antilles
Cayman Islands	Panama
Cook Islands	Republic of Palau
Cyprus	Samoa
Gibraltar	Seychelles
Guernsey	The Bahamas
Isle of Man	Turks and Caicos Islands
Jersey	Vanuatu
Macao	

* International Monetary Fund — www.IMF.org

brokerage accounts and even safety deposit box information. Credit card applications and statements, stockbroker records, insurance policies, and mortgage statements are also good sources of information. But the tracing of assets does not end with the review of financial documents. Travel records, too, can help you uncover the trail leading to illegally obtained assets. Hotel bills, travel agency records, casino records, customs and passport records, airline passenger tickets, pilot flight logs, and overnight and express mail receipts often indicate where the individual is spending a lot of his time — and may even indicate where the assets are purchased and the funds hidden. Communication system records such as telephone records, e-mail records, BlackBerry records and voice mail messages can be fruitful in tracing hidden assets. Likewise, interviews with assistants, family members, neighbors, bankers and brokers can be helpful. And physical surveillance remains a useful tool for tracking a suspicious person and his financial footprint across international borders.

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Another effective — but literally dirty — technique is trash monitoring. The trash can is one place where an industrious investigator can retrieve information about an individual's finances and his assets, even those in hidden accounts. The most successful example of trash monitoring is the Aldrich Ames spy case investigated by the FBI several years ago. As part of their investigation, FBI surveillance personnel picked up Ames' trash, where they found credit card information, bank information and other financial documents. This discarded paper trail helped them put together a case contending that Ames was living well beyond his means as a government employee — and this financial marker focused the investigation sharply.

But mail doesn't have to be retrieved from the trash to be useful. Monitoring mail as it enters and leaves a location can yield concrete information. Credit memos and stock certificates are often mailed to and from one location to another as means to transfer assets to another individual or move assets offshore. This investigative technique — will help identify the movement and transfer of assets.

If you are investigating suspicious assets and their paper trails, don't overlook public record searches: They are keys that unlock information about

The Aldrich Ames Scenario		
Assets		
	Home	\$ 540,000
	Furnishings	7,000
	Remodel of Home	99,000
	Vehicle	49,500
	Stock	165,000
	Total Cash Expenditures	860,500
Less	Salary	140,000
Subtotal	Unaccounted-for Income	720,500
	Credit Card Expenses	455,000
Total	Unaccounted-for Income and Expenditures	\$1,175,500

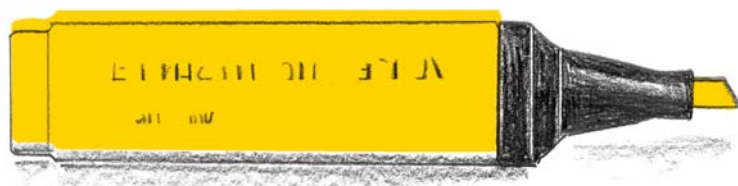
a person's identity and thus help you track down the location of previously hidden assets. Public record searches come in a number of categories: Personal information, business and financial affiliations, court records, and personal assets and liabilities.

Clearly, personal information yields a host of valuable identifiers. Social Security records provide information about an individual's Social Security funds, as well as identifying information such as a Social Security number, to help track an individual through searches of other public records. Credit reports detail the financial standing of an individual and give indicators of where other accounts may be. Voter registration records yield identifying information such as birth dates and addresses. Marriage and motor vehicle license records contain more information about the individual's background. Newspapers, magazines and other publications can indicate where an individual's assets may be, sometimes

in surprising ways. Wealthy individuals have granted magazine interviews and actually discussed assets they hold around the world in an attempt to impress the publication's readership. As it turns out, many of those assets have not been registered in the individuals' names and have not been obtained legally. Thus the evidence given — albeit unwittingly — during a subsequently published interview can become a lead that investigators can use when tracking hidden assets.

Affiliation, industry and professional association directories — whether business or financial — frequently include licensing and other information which can flesh out someone's identity and business associations.. Who's Who and similar publications contain information provided by individuals themselves, who often don't realize that their professional profiles can be used to track their personal information and business relationships. Is a corporation set up in the name of an individual, his family members or others with close ties? Consult corporate filings and assumed-name filings to find out. Dun & Bradstreet, Standard & Poor's, EDGAR, SEC filings and Bloomberg reports contain copious information about

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high-level company employees and their affiliated businesses or organizations. Tax assessment rolls provide information about real estate investments. Grantee/grantor indices and UCC filings provide information related to investments or liens against assets held in an individual's name. Coast Guard and state boat registration and motor vehicle records will yield information on what is registered under someone's name. Federal aviation records provide information on planes and other aircraft.

And then there are court records and registrations, which can provide invaluable information. Civil suits, divorce records, bankruptcy records, last wills and testaments, probate records, liens, and judgments all provide information about an individual's assets and other investments that may not have been disclosed elsewhere. The court documents provide a trail to follow when looking for assets owned by an individual being investigated.

Summing up

When you analyze the income from documented versus unknown sources, you can build a persuasive case showing that individuals are living beyond their means. This method is often referred to as net worth analysis. This method was used as far back as 1931 on Al Capone and more recently on Aldrich Ames and Robert Hanssen. The bottom line is that the trouble of collecting all the information available can provide the tools to make a circumstantial case against an individual. The method of proof is indirect, but the evidence can be very compelling and thus very helpful in recovering assets obtained through illegal activity. •

About the author

Bill Olsen is a principal in the Advisory Services practice of Grant Thornton LLP and the national Forensic Accounting, Fraud and Investigations Services practice leader. Olsen has performed numerous investigations involving management fraud, organized crime and corruption. He has consulted various organizations in developing policies, controls and procedures to assure compliance with government regulations. He specializes in the area of anticorruption and anti-money laundering services.

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