

Advanced  
Investigative  
Techniques  
for Private  
Financial  
Records

# **ADVANCED INVESTIGATIVE TECHNIQUES FOR PRIVATE FINANCIAL RECORDS**

**By  
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**Port Townsend, WA**

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Published by: Loompanics Unlimited  
PO Box 1197  
Port Townsend, WA 98368

Library of Congress Catalog Card Number: 83-82852  
ISBN: 0-915179-00-8

## PREFACE

All of us who ever watched *The Untouchables* know that the authorities could never prove that Al Capone ever stole anything, ever killed anyone, ever dealt in liquor or vice. Not that they didn't try — it's just that Al covered his tracks pretty well.

Did the Feds despair? Did they give up?

No, as we all know, they caught him on an income tax evasion charge. They proved that he had control of more money than he had declared on his income taxes.

In an important sense, the Capone case marked a turning point in the fight against crime. The passage of the 18th Amendment and the imposition of Prohibition touched off the biggest boom in the history of crime. Prior to that time, criminals engaged almost exclusively in crimes against people and people's property: they stole or killed. Because every dollar the criminal obtained was obtained by force or fraud from a person who earned that dollar by honest labor with whom just about any man of good will could identify, criminals were very unpopular. The general public had little in common with criminals; they considered the criminal class to be enemies of all men of good will. Criminals were objects of opprobrium.

Every crime had a victim whose life or property was stolen, damaged or destroyed — a person directly harmed by the crime. These victims were highly motivated by a desire to regain their property and a desire for justice (or revenge) to identify and capture the criminal who had perpetrated the crime. The criminal was scorned by nearly everyone. Hunted and hounded, the criminal had a problem enjoying his booty.

Furthermore, people who had property that might attract a criminal were motivated to protect that property from the criminal, greatly limiting what the criminal could steal.

With Prohibition, all that changed. The criminal entered into an activity with almost all the characteristics of a legitimate business — the manufacture and marketing of alcoholic beverages. His activities were very similar to the activities of the businessman who manufactured or sold liquor prior to Prohibition. He might purchase liquor in other countries and import it into the U.S., like a legitimate importer. He might manufacture liquor, like a legitimate distiller. He might operate a speakeasy, like the legitimate saloonkeeper. He might sell the liquor to the public, like the legitimate liquor retailer. In every case, the only difference between his activities and legitimate business was that his activities were against the law.

That is not to say that he operated his business in a way identical to that of the legitimate businessman. A legitimate businessman does not assault or murder competitors in order to increase market share, or pay bribes to police authorities to prevent being hassled, or sell adulterated goods to his customers.

But the only reason that the bootlegger engaged in these illegitimate activities was because his business was prohibited by law. Neither he nor his competitors could go to the police and courts for redress of wrongs. The competing liquor distributor whose delivery trucks were blown up could not call the cops and issue a complaint against Capone; nor could he seek evidence and sue Capone for damages. The only way he could react was to withdraw from the market or respond with violence of his own.

Because dealing in bootleg liquor was a crime that had no victim, the bootlegger enjoyed two major advantages over the criminal who engages in crimes against life and property, i.e. victim-crimes. He generally enjoyed the good will of a substantial portion of the public, his customers. And because there were no victims seeking recovery of damages or revenge, his activity was far more profitable.

Those who wanted to enforce Prohibition quickly learned that it was almost impossible to get evidence against bootleggers. Bootleggers dealt with people who wanted to buy liquor, who were not likely to testify against them. After all, these customers wanted to have a steady supply of liquor, and were guilty of a crime themselves by merely purchasing liquor.

That was the problem that faced the authorities. Capone was making huge sums of money from the liquor trade and they could not get any proof. Capone was getting away with it.

The Feds found a good way around the problem: they obtained evidence that Capone had spent more money than he had declared as income on his tax return. The method they used is called "net worth analysis."

The intelligent person engaged in a victimless criminal activity usually conducts his business in such a manner that no other sort of evidence can be developed. Often, the only way that authorities can convict a victimless criminal is to develop a case of tax evasion based on net worth analysis.

By investigating the living habits of a suspect, the authorities seek to demonstrate that he either owns or has spent more money than he can account for. Obtaining evidence is a complicated and difficult procedure. Because it is complicated and difficult, it is understood by very few professional investigators. And because it is complicated and difficult, few criminals understand it.

With care, it is possible to arrange one's affairs in such a fashion that the net worth analysis method will either find nothing or be so expensive to develop that it is not feasible to use. Members of organized crime and large scale dope dealers do not worry about net worth analysis. They have high-priced attorneys, accountants and tax advisors who see to it that no evidence of this sort can be developed against them.

But the net-worth-method still works against many smaller tax evaders, people engaged in the underground economy, tax protestors, and other people disliked by the authorities — who lack the wherewithal to hire experts to advise them how to prevent a net worth analysis from revealing damaging information.

During the 1970's the Law Enforcement Assistance Administration published two books designed to assist police in the use of net worth analysis to gather evidence against suspects who cannot be convicted by normal means. For the first time, these two books have been published in a single edition, offering detailed descriptions of how investigators obtain evidence of unreported income.

A careful reading of this book will enable the researcher to understand how the authorities develop tax evasion cases, and to understand how those with unreported income can avoid the risk of conviction for under-reporting income.

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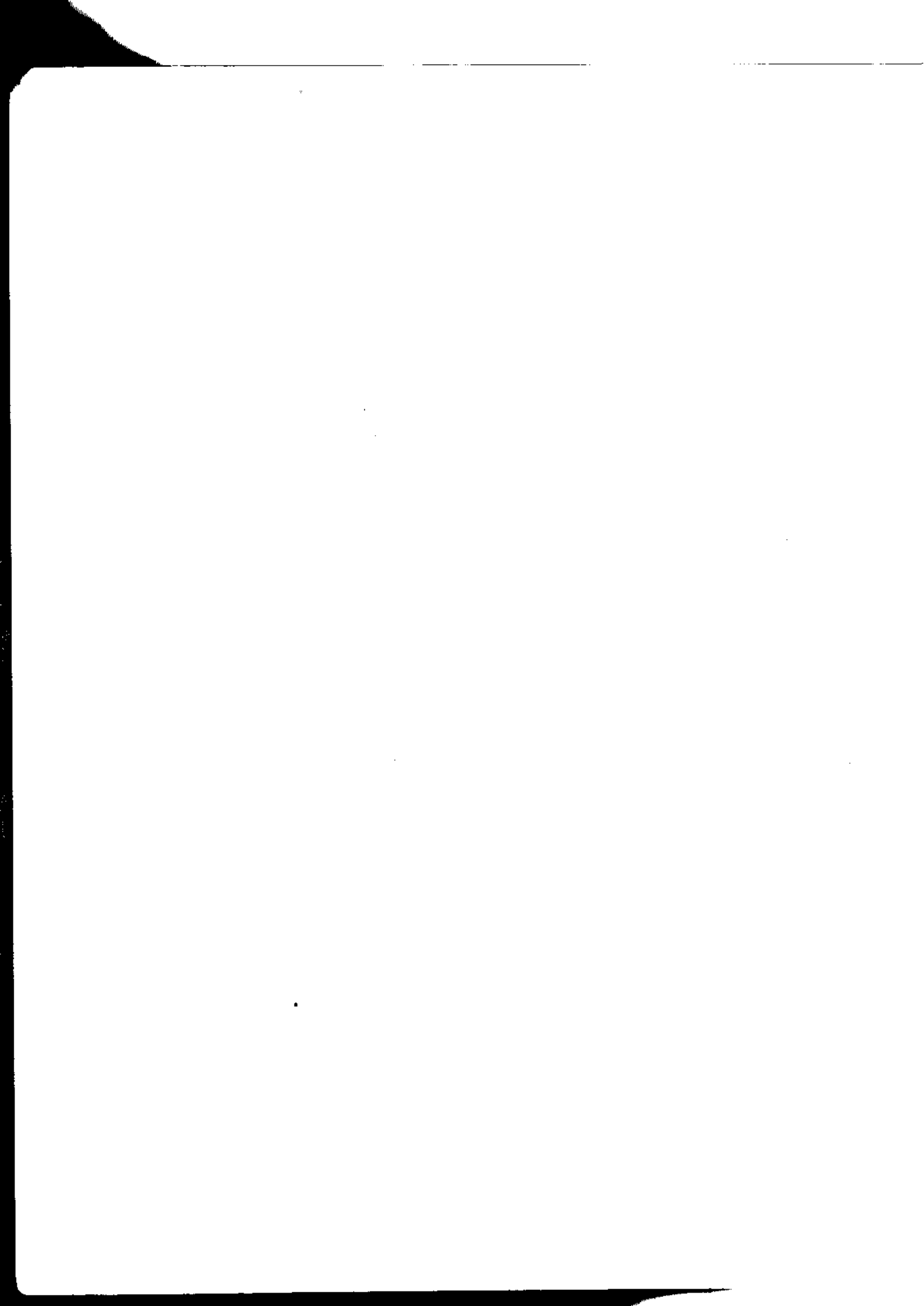
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# **DETERMINATION OF UNDISCLOSED FINANCIAL INTEREST**

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This project was supported by Grant Number 77-TA-99-0008 awarded to the Battelle Memorial Institute Law and Justice Study Center by the Law Enforcement Assistance Administration, U.S. Department of Justice, under the Omnibus Crime Control and Safe Streets act of 1968, as amended. Points of view or opinions stated in this document are those of the authors and do not necessarily represent the official position or policies of the U.S. Department of Justice.



## **INTRODUCTION**

The purpose of this guide is to familiarize state and local investigators with some of the basic investigative techniques used to trace financial transactions of white collar crime violators and how to utilize these techniques in detecting hidden ownership of business interests and other property.

It would serve no useful purpose to merely extract from existing texts and publications a variety of sources of information applicable to the tracing of financial transactions. To do so would offer the criminal investigator no more than a succinct summary of basic information that he is already somewhat familiar with, and would not meet his critical training needs; i.e., the actual "how to" techniques that must be applied to detect hidden ownership of business interests and other assets, the movement of currency, and the acquisition of unexplainable wealth.

Therefore, in this guide, the emphasis is placed on explaining the investigative steps to be taken by criminal investigators in: (1) tracing financial transactions through banks; (2) analyzing the movement of currency; (3) analyzing brokerage accounts; and (4) extracting information from public records to aid in the detection of hidden ownership of businesses and real property.



## TRACING FINANCIAL TRANSACTIONS THROUGH BANKS

### Introduction

It would be impractical for all criminal investigators to master the art of following internal banking audit trails in order to obtain evidence of financial transactions pertinent to a particular criminal investigation. Bank record-keeping systems are far too complex, and change too rapidly, due to improvements to electronic data processing systems, to warrant training criminal investigators in this area. It is vital, however, for criminal investigators to acquire and maintain a high degree of familiarity with the capability and responsibility of banks to maintain and retrieve, upon appropriate request, key information concerning financial transactions with their customers.

The following information can be of inestimable value to criminal investigators in seeking information from banks concerning pertinent financial transactions of white collar crime targets. It is based, in part, on "Operational Guidelines" issued by the American Bankers Association to all member banks in the United States, in order to comply with the "Regulations on Financial Recordkeeping and Reporting of Currency and Foreign Transactions" issued by the United States Treasury Department to implement Public Law 91-508.

*The users of this guide should recognize that bank records are, in most instances, not readily obtainable. Substantial legal requirements must usually be met in order to justify legal process which banks customarily will demand as a condition for disclosure. Thus, preliminary investigation to lay basis for obtaining such records will usually be necessary.*

The availability of the investigative avenues described in this guide will, however, often determine whether a promising investigation will grind to a halt or successfully go forward. Legal advice from a prosecutor or agency legal counsel should be sought in all such instances. However, it should be recognized that bank officials and employees can be questioned by investigators in the same way as any other potential witness, and that their responses to such properly put inquiries may provide important information worth further pursuit, or non-record information as to movements, relationships, and even transactions in which the investigative target may be engaged.

### **The Target's Checks**

An original or microfilm reproduction of most demand deposit or savings account records must be retained by banks for five years. The required records include: (1) signature cards; (2) statements, ledger cards or other records showing complete activity; and (3) all checks, drafts, or money orders drawn on the bank or issued and payable by it. Reproductions must show the face and reverse of all checks except those on which the reverse is blank.

It should be noted that the above requirement is waived in most instances for all checks drawn for \$100.00 or less. However, experience has shown that most banks microfilm *all* checks, both front and back, regardless of the amount of the checks, since they have found that it is cheaper to do so rather than incur the expense of sorting out those that have to be microfilmed under the regulation. Therefore, there *is*, in most instances, a microfilm record of all checks written by potential white collar crime targets, and said checks *can* and *must* be produced to criminal investigators, under appropriate authority.

The importance of this provision of the law, where white collar crimes are concerned, can be illustrated by typical commercial bribery or kickback situations. The recipient of a direct or indirect bribe or kickback will obviously make no record of his receipt of the money, and the person who wrote a business check, a suprisingly common practice, will take great pains to see that his books conceal the nature of the payment, and that, after cancellation, his check is destroyed. Therefore, the existence of the bank's microfilm copy of the check may constitute the only way that the prosecution can establish the existence of a relationship or pattern of conduct which may be essential to make its case.

### **The Target's Deposits**

In addition to the requirements concerning the target's checks, banks *must* retain for a two-year period all records needed to trace a check in excess of \$100.00 deposited in a demand deposit account or to supply a description of a deposited check in excess of \$100.00. This requirement includes the retention of originals or copies of all records prepared or received that would be needed for tracing said checks, unless the checks were microfilmed while they were still associated with the customer's deposit ticket.

The above records required to be retained by these regulations must be filed or sorted in such a way as to be accessible within a reasonable period of time, taking into consideration the nature of the record and the amount of time expired since it was made.

### **Analyzing the Target's Deposits and Expenditures**

The importance of the above regulations to criminal investigators cannot be over emphasized. Among other things, with proper authority, criminal investigators involved in the investigation of white collar crime cases can analyze targets' bank accounts, and, where appropriate, identify the maker of specific pertinent checks deposited by a target to his bank accounts, as well as determine the nature of his expenditures, when appropriate. This type of information can be used to assist in establishing hidden ownership of businesses and other assets as well as to furnish criminal investigators with names of possible associates of targets engaged in white collar crime activities.

For example, a monthly pattern of deposits of unidentified checks to a subject's commercial account, in similar amounts, would warrant an effort to "trace" one of the checks through the bank's records in order to identify the "maker" of the check. Such a technique could lead to the identification of an individual making loan payments to the subject. This technique may not only lead to an expenditure of substantial funds (e.g., a large loan) from the proceeds of the subject's illegal activities, but may as well identify another associate of the subject, who may possess additional information about his illegal activities.

Therefore, once a decision has been made that an investigation warrants the expenditure of the necessary time, copies of all of the target's bank statements, for the years of interest to the investigator, should be obtained if a proper legal basis can be established. Further preliminary investigation to lay such a groundwork will frequently pay off. At this point it is usually advisable to look into the legal requirements for obtaining a warrant or a grand jury subpoena. Only those deposits and withdrawals that appear to be of interest to the investigator should be listed on separate schedules. An attempt should then be made to associate the deposit and withdrawals with other known financial transactions, thereby isolating those that cannot be identified. It is those isolated deposits and withdrawals that, if traced through the bank's records, may well lead to the discovery of hidden business interests or other undisclosed assets.

The above technique is not complex. To be successful, legal access to the bank's records must be obtained, and the investigator must take the necessary time to make a careful analysis of the deposits and withdrawals appearing on the monthly bank statements. A background in accounting is *not* a prerequisite.

Sample "Questionable Deposits" and "Questionable Withdrawals" schedules are shown below.

It should be noted that the schedules have been prepared solely to demonstrate the technique involved in tracing what appear to be worthwhile leads to the identification of hidden ownership of business interests and other assets, and are *not* intended to reflect a complete listing of all deposits and withdrawals from a target's bank account during a given period. The users of this guide will usually have a sufficient background in the facts of a case to speculate about and perhaps determine the reason for each deposit, as shown in the Remarks column.

#### **Safe Deposit Box Entrance Records**

One of the most overlooked sources of financial information by criminal investigators is the entry records to safe deposit boxes. The records establish the date and time of day that a target entered his safe deposit box and also provide the investigator with an exemplar of the target's signature. The information obtained from the entry records can be used in a variety of ways in the investigation of white collar crime cases.

First, they assist the criminal investigator in analyzing a target's financial transactions, by making a comparison of the dates of entry into the safe deposit box with known financial transactions; i.e., the deposit and withdrawal of currency from bank accounts, the acquisition with and disposal of assets with currency, the reduction of liabilities with currency, etc.

Second, and of equal importance, the information can also be used to contradict a target's alibi as to his whereabouts during a key interrogation or by a prosecutor during a cross examination of a target at trial.

After obtaining copies of safe deposit box entry slips, the investigator should prepare a simple schedule, listing by dates and times of day, that the target entered his box. Opposite the entry dates, appropriate space should be left for information concerning known

**SCHEDULE OF QUESTIONABLE DEPOSITS**

<u>Date</u>	<u>Amount of Deposit</u>	<u>Remarks: Possible Explanations</u>
<b><u>1977</u></b>		
1/17	\$ 85.00	Possible quarterly dividend checks on stocks held by broker in name of nominee.
1/31	485.00	Possible monthly rent checks from undisclosed property ownership.
2/28	485.00	?
3/31	485.00	?
4/17	85.00	?
4/18	20,000.00	Returned from Las Vegas on prior day. Possible Las Vegas hidden business interest.
4/30	485.00	?
5/23	18,776.21	Proceeds from sale of ABC stock.
5/30	485.00	?
6/18	5,621.37	Odd amount indicates possible sale of 100 share block of stock through undisclosed brokerage account.
6/30	485.00	?
7/17	85.00	?
7/31	485.00	?
8/31	485.00	?
9/30	485.00	?
10/15	20,000.00	Returned from New York on prior day. Possible New York hidden business interest. May be a pattern. See Las Vegas remark above.

### SCHEDULE OF QUESTIONABLE WITHDRAWALS

<u>Date</u>	<u>Amount of Withdrawal</u>	<u>Remarks: Possible Explanations</u>
1/31	625.00	Similar withdrawal each month. May be payment on loan at unknown bank. Could open up a variety of new leads.
2/26	5,738.19	Odd amount indicates possible purchase of 100 share block of stock through undisclosed broker.
4/19	10,000.00	Entered safe deposit box same day. Returned from Las Vegas prior day. Also deposited \$20,000.00 prior day.
5/10	15,000.00	Purchased traveler's checks at ABC bank same date. (Get copies of cancelled traveler's checks from issuing company to determine (1) dates and locations of travel, (2) nature of expenditures, and (3) names of endorsers.)
6/10	385.00	May be annual homeowner's insurance policy. (purchased residence in June, three years earlier.) Similar check withdrawals in June of both prior years. May lead to identification of insurance broker, which could open up new leads.
8/16	10,000.00	Purchased Cashier's Check same date. Observed by surveillance team same date entering ABC nursing home. Get copy of Cashier's Check. Check the endorsement. May prove to be hidden investment in nursing home.

financial transactions. Thereafter, every time the investigator learns of a financial transaction entered into by the target, particularly where the source of the funds for the transaction are not apparent, the safe deposit box entry schedule should be checked to determine whether or not the target entered his box on or about the date of the transaction. This technique takes only a minimum of time, yet can provide the investigator with a helpful tool in determining a target's pattern of financial conduct. In addition, the psychological impact on a target, when confronted during the course of interrogation with a literal reconstruction of his financial modus operandi, can be overwhelming.

The value of such information to a prosecutor during the course of a trial can also be of equal importance.

The record of entries into a safe deposit box should, accordingly, be obtained on every target whose financial transactions are being investigated, and on those targets on whom "financial intelligence" is being gathered.

The record retention period for safe deposit box entries varies among banks. However, most banks continue to retain the records well beyond the scheduled destruction dates due to the limited storage space they require and the cost of manpower to meet record destruction schedules. In any event, the information should be obtained as quickly as legally possible after the subject of investigation is identified.

Examples of safe deposit box entry records maintained by and available from banks are contained in "The Seventh Basic Investigative Technique." A sample "Safe Deposit Box Entry Schedule" is shown below.

#### **Loan Files**

One of the most important types of records maintained by banks that can lead to the identification of hidden assets is a bank's loan files. They contain, among other things, a record of all loan transactions, the collateral that secures some of the loans, and the results (including documentation) of credit investigations made by the bank. Such documentation may frequently provide leads identifying important witnesses.

When a bank makes a commercial loan to an individual, or a business entity, it requires a detailed statement of the assets and liabilities of the borrower. These statements, among other things, can

**SCHEDULE OF SAFE DEPOSIT BOX ENTRIES**

<u><i>Date of Entry</i></u>	<u><i>Time of Day</i></u>	<u><i>Remarks: Possible Explanations</i></u>
1/5	1:50 p.m.	Purchased new Cadillac. Paid cash.
2/13	11:00 a.m.	?
2/28	12:00 noon	Deposited \$10,000.00 with stock broker.
4/14	1:30 p.m.	Left that afternoon for Las Vegas. Check for Las Vegas associates, leads, etc.
4/19	1:00 p.m.	?
5/23	2:15 p.m.	Observed that afternoon with owner of XYZ nursing home — possible hidden interest.
6/28	10:15 p.m.	Went to settlement on new residence. Made down payment of \$20,000.00 in cash.
7/21	1:45 p.m.	?
8/4	3:00 p.m.	Purchased \$10,000.00 in traveler's checks.
10/12	10:15 p.m.	Left that day for New York. Check for New York associates, leads, etc.
11/12	10:00 a.m.	?
12/23	12:30 p.m.	Purchased mink coat.



lead directly or indirectly to the identity of assets controlled by a target. They also often contain references to other banking contacts of a target, which, again, opens up a whole new avenue of leads.

The basic loan files are maintained by banks in their Credit Departments and are retained, for the most part, indefinitely.

One of the "tracing techniques" which can be most valuable in attempting to detect hidden ownership of assets by a target, is to analyze the record of loan payments contained in the loan files. Each loan payment should be checked against other records to isolate those payments where the source of the funds to make the payments cannot be readily identified. Each payment, isolated by this method, may well have been made from a source of funds associated with a hidden business interest, acquired from the proceeds derived from a target's white collar crime activities, and is therefore worthy of the effort to trace the source of the payment through the bank's records to its origin.

#### **Cashed Checks**

It is important that all criminal investigators who are involved in a white collar crime investigation requiring the analysis of financial transactions be able to recognize when a check has been "cashed."

All banks use a code stamp on the face of a check to indicate that a check has been cashed. Since there is no standard code used by all banks, it is important that the criminal investigator become familiar with the type of codes used by banks in their geographic area. Examples of "cashed" codes used by some of the leading banks in the United States are contained in "The Seventh Basic Investigative Technique."

#### **Bank Identification Symbols**

All checks printed for banking institutions contain a series of numbers in the upper right-hand corner on the face of the checks. These numbers represent an identification code developed by the American Bankers Association and are usually referred to as the "ABA Transit Number." The "ABA Transit Number" identification code is illustrated in "The Seventh Basic Investigative Technique."

#### **Holding and Administering Property for Others**

Most full-service banks offer a variety of "Trust" services to their customers. The most important aspect of this trust service to investigators investigating white collar crime cases is the performance of

"agency" services to their customers. This service can assist a target in the event that he is attempting to conceal his interests derived from the proceeds from white collar crime.

Some of the services which should be checked out by the criminal investigator are as follows:

1. **Safekeeping** — The bank receives, holds and delivers property on the order of the customer.
2. **Custodian** — The bank acts as a safekeeping agent; also collects and pays out income, buys, sells, receives and delivers securities on the order of the customer.
3. **Escrow** — The bank acts as escrow agent. For example, a target may wish to dispose of a piece of property. He executes and delivers a deed to the bank. The buyer pays over the purchase price to the bank. The bank is instructed to deliver the deed to the buyer and the money to the target or his nominee. Frequently the proceeds may go into the target's safe deposit box, thereby filling another blank on the "Safe Deposit Box Entry Schedule." The result? The investigator knows a little more about the target's financial modus operandi.

Trust departments of banks keep complete and accurate records of their services and are therefore a valuable source of information about a target who receives funds from that department. Essential records and reports can be obtained from the trust officer who supervises the target's account. Because of a bank's fiduciary responsibility, these files usually contain an extensive history of a trust and the transactions affecting it.

## ANALYZING BROKERAGE ACCOUNTS

One of the more common repositories of the profits from white collar crime activities is a brokerage account, where securities can be purchased and held by the broker, in a street name or in the names of nominees.

Analyzing a customer's monthly statement of transactions is no more complex than analyzing a bank statement.

The analysis of the account can lead to the detection of hidden ownership of securities. Of equal importance is the fact that an analysis of the endorsements contained on checks issued by the stockbroker to the target, upon the sale of securities by the target, can lead to the identification of other associates of the target not previously known. It can also lead to the identification of other bank accounts and other undisclosed assets, some of which may have been held in fictitious names.

An analysis of the broker's duplicate deposit records, on those occasions when the target purchased securities, can lead to the source of funds used by the target to make the purchases. The identification of the source of said funds may well lead to the detection of hidden business interests.

In making an analysis of purchases and sales of securities by a target, all purchases and sale transactions should be checked against (1) the Schedule of Safe Deposit Box Entry Dates, (2) the Schedule of Questionable Bank Deposits, and (3) the Schedule of Questionable Bank Withdrawals, in a further effort to correlate all known financial transactions, thereby aiding significantly in establishing the target's modus operandi.

An example of a customer's monthly statement is shown in "The Seventh Basic Investigative Technique."

The following rules are applicable in analyzing a target's brokerage account monthly statement:

1. When a target purchases stock there would be entries in all of the following columns:
  - a. "Bought or Received" column;
  - b. "Description" column, where the name of the security would be listed;
  - c. "Price or Symbol" column, where the purchase price per share would be listed;

- d. "Debit" column, the amount of the purchase charged to the target's account.
2. When a target *sells* stock there would be entries in all of the following columns:
    - a. "Sold or Delivered" column;
    - b. "Description" column, where the name of the security would be listed;
    - c. "Price or Symbol" column, where the sales price per share would be listed;
    - d. "Credit" column, the proceeds from the sales credited to the target's account.

When a target purchases stock he has the option of taking "delivery" of the certificates from the broker or leaving them in the broker's custody.

An understanding of the above basic rules, in analyzing a customer's monthly statement, will enable criminal investigators to readily identify those transactions that reflect the payment of funds to the broker by a subject, as well as the payment of funds to a subject by the broker. As explained earlier, the funds used by the subject to pay for securities, and the disposition of funds received by the subject from the broker, may lead to the identification of other bank accounts and other undisclosed assets, as well as the names of associates previously unknown to the criminal investigator.

If he takes delivery of the certificates the number of shares would be noted in the "Sold or Delivered" column and the date column would show the date of delivery. In addition there would be *no* entry in the "price or symbol" column. If there was a price in the "price or symbol" column, the entries would reflect a sale rather than a delivery.

If there are no entries indicating "delivery" of the securities, they are, in fact, being held by the broker and the target is in what is commonly referred to as a "long" position. Usually the broker will list at the bottom of the target's December or January statement a summary of his "long" position, i.e., a listing of the number of shares of each stock being held for the target.

## **PUBLIC RECORDS**

There are a variety of types of information available to criminal investigators from state, county and city records that may be pertinent in the investigation of white collar crime targets. Most of the records are readily available to criminal investigators, as well as to the public. Even though some of the records are restricted from the public, they are available to criminal investigators under appropriate authority.

No attempt is being made in this guide to merely list the numerous types of records that are available. To do so would merely duplicate numerous publications that already contain this type of information.

There are several types of information, however, that are particularly pertinent to the investigation of white collar crime targets, since they may lead to the detection of the target's hidden ownership of business interests and other property. They are as follows:

### **Real Property Records**

Records of transfer of title to real property are maintained by all counties in all states, and are open to the public. While record-keeping systems may vary in some states, the basic systems are the same. Most counties refer to these records as "Grantor-Grantee" records. They contain, among other things, the description of property, dates of acquisition and sale, purchase and sale prices, identities of mortgagors and mortgagees, names of title insurance companies and other related information.

Examination of these records should be routinely made by an investigator when a decision has been made to subject a target to financial investigation. It should cover a period of years at least equal to those in which the target is suspected of being involved in white collar crime activities, and for at least two years following the period of his known involvement.

The importance of checking out at least two years following a target's known involvement in illegal activity cannot be over estimated. It is often during this period that a target may invest the proceeds from his prior illegal activities, at a time when he feels that it is relatively safe to do so.

Real property records are not difficult to examine. In all instances assistance from personnel in the appropriate county courthouse offices is available.

### **Fictitious Names Index**

There is another basic county record that should be routinely examined in all white collar crime investigations for all years in which a target is suspected of being involved in illegal activity, and again, for at least two years following the period of his known involvement.

The record, which is commonly described as the Fictitious Names Index, can be of considerable assistance in detecting hidden ownership of business.

While the format of the Fictitious Names Index may vary in some states, it contains similar information.

The actual owner of a business must file a certificate with the County Clerk's Office, certifying that he is the owner of the business, disclosing the location of the business, identifying the name under which the business is conducted, and describing the nature of the business activity.

A similar certificate must be filed for partnerships and corporations, disclosing similar information outlined above, and disclosing the names of the co-partners and/or officers of the corporation.

Any other county records related to possible business interests of targets should be examined, including applications for and issuance of business licenses. This type of record should be carefully examined to determine whether or not business licenses have been revoked and the reasons for the revocations, if any.

The investigator should recognize that such public record information will frequently signal other events of investigative importance which occur simultaneously. For example, the dates of dissolution of partnership may be a clue as to when business funds or assets were distributed, justifying a search of bank or property transfer records for evidence of actual ownership.

## **AUTHORITY TO OBTAIN INFORMATION FROM BANKS, FINANCIAL INSTITUTIONS AND THIRD PARTIES**

While it is recognized that state and local criminal investigators do not have the same powers as many federal investigators to readily obtain information from banks and other third-party sources, there are a variety of steps that can be taken to legally obtain the evidence necessary to detect hidden ownership of businesses and other assets. Some of the information is readily available either from public records, such as those already discussed in this paper, or, under certain circumstances, from city, county, state and federal agencies.

Subpoena power, when available through the courts, grand juries, legislative bodies, crime commissions and other administrative groups, should be fully utilized.

When developing sources of information, criminal investigators should not concentrate solely on developing informants among the criminal element or from sources often referred to as "street" sources, whose credibility is so often found to be highly questionable.

Criminal investigators should broaden the scope of this powerful investigative technique and develop informants and cooperative individuals among the white collar groups who may have knowledge of a target's financial activities, as well as among the white collar criminal's associates. In other words, develop sources of information among those individuals in the financial community where the profits from a target's illegal activities are actually expended.

Keep in mind that one of the most important keys to solving crimes, motivated by greed for money, lies with the development of the disposition of the fruits of the crime — money. In white collar crimes the proceeds of crimes are deposited, and not quickly spent as are the proceeds from street crime. In developing sources of information among those in the financial community, criminal investigators should keep in mind that bank officials, stock brokers, automobile dealers, furriers, jewelry store owners, etc., are all looking to the law enforcement officer for protection from the criminal element, not just from those who commit crimes of violence, but from those who commit white collar financial crimes as well. The criminal investigator, therefore, literally has his foot in the door in creating a cooperative relationship with the business community.

In developing sources of information within the financial community, criminal investigators should employ the same high standards of conduct as those employed in developing information from all other sources, to ensure that federal, state, and local statutes are not violated.



## **CONCLUSION**

It is not the purpose of this guide to "sell" criminal investigators on the merits of utilizing financial investigative techniques in the investigation of perpetrators of white collar crimes or any other crimes that are money motivated. They literally have no alternative.

It has been the experience of the author of this guide, who has conducted and/or supervised the investigation of hundreds of criminal income tax fraud investigations of both white collar and organized crime violators, that most of the violators conduct a majority of their financial transactions by use of cashier's checks, money orders, commercial bank accounts, traveler's checks and other instruments of exchange rather than with currency. Their reasons vary, ranging from a fear of carrying currency to a false sense of security, fed by their egos, that they are smart enough not to leave an "audit trail" when utilizing banking services.

The day may be fast approaching when the perpetrators of financial crime have no alternative to the use of financial institutions, since the amount of currency available in the United States today, in denominations of more than \$100.00, is very limited. The supply will ultimately run dry as the Federal Reserve Banks no longer circulate bills in denominations over \$100.00.

The criminal investigator, therefore, must sharpen his investigative skills in the use of "paper trail" techniques in order to keep pace with violators who are using these techniques to conceal their profits from white collar crime violations.

## **APPENDIX**

### **TRACING FUNDS IN FOREIGN BANK ACCOUNTS**

Until recently there were very few non-federal investigations which involved foreign transactions. Now, however, with state and local investigators involved in more sophisticated crimes and with even more common international transactions, investigators should be familiar with foreign country services.

#### **Foreign Country Services**

Criminal investigators should be alert to the possibility that a target may have used the services of this department of a bank. Both domestic and foreign letters of credit are usually issued in this department.

Record-keeping regulations issued by the American Bankers Association pertinent to the movement of funds between the United States and foreign countries are stringent, and are summarized below:

Each bank must retain for five years the original record or a copy of the following:

1. Each item, including checks, drafts or transfers of credit in excess of \$10,000.00, remitted or transferred outside the United States;
2. Each remittance or transfer of funds, or of currency, other monetary instruments, checks, investment securities, or credit of more than \$10,000.00 outside the United States;
3. Each check or draft of more than \$10,000.00 drawn or issued by a foreign bank which the domestic bank has paid or presented to a non-bank drawee for payment;
4. Each item of more than \$10,000.00 received directly by letter, cable or other means from outside the United States, including checks, drafts or transfers of credits.
5. Each receipt of currency, other monetary instruments, checks, or investment securities, and each transfer of funds or credit, of more than \$10,000.00 received on any one occasion, directly, and not through a domestic financial institution, from a bank, broker or dealer in foreign exchange outside the United States.

### **Currency Transaction Reporting Requirements**

Deposits, withdrawals, exchanges of currency, or transfers of currency, as well as other payments valued at more than \$10,000.00 in any transaction, must be reported by all financial institutions to the United States Treasury Department on their form 4789, within 45 days of the transaction.

Form 4789 requires that the party to the transaction be identified by his social security number, employer identification number, or by one of his bank account numbers. If the party to the transaction is not a customer of the bank, his driver's license number or other appropriate document is normally acceptable to the Treasury Department.

### **Transportation of Currency or Monetary Instruments**

Persons who physically take or send more than \$5,000.00 in the aggregate of currency or other monetary instruments on any one occasion outside the United States must report the fact at the time, by filing Form 4790 with the United States Commissioner of Customs.

Persons receiving currency or other monetary instruments worth more than \$5,000.00 on any one occasion from outside the United States must file Form 4790 within 30 days with the Customs Officer in charge at any point of entry or by mail to the United States Commissioner of Customs.

Monetary instruments are defined as coin or currency of any country, traveler's checks, money orders, investment securities in bearer form or otherwise in such form that title passes upon delivery and negotiable instruments in bearer form or otherwise in such form that title passes on delivery. Monetary instruments do not include bank checks made payable to the order of a named person which have not been endorsed, or which bear restrictive endorsements.

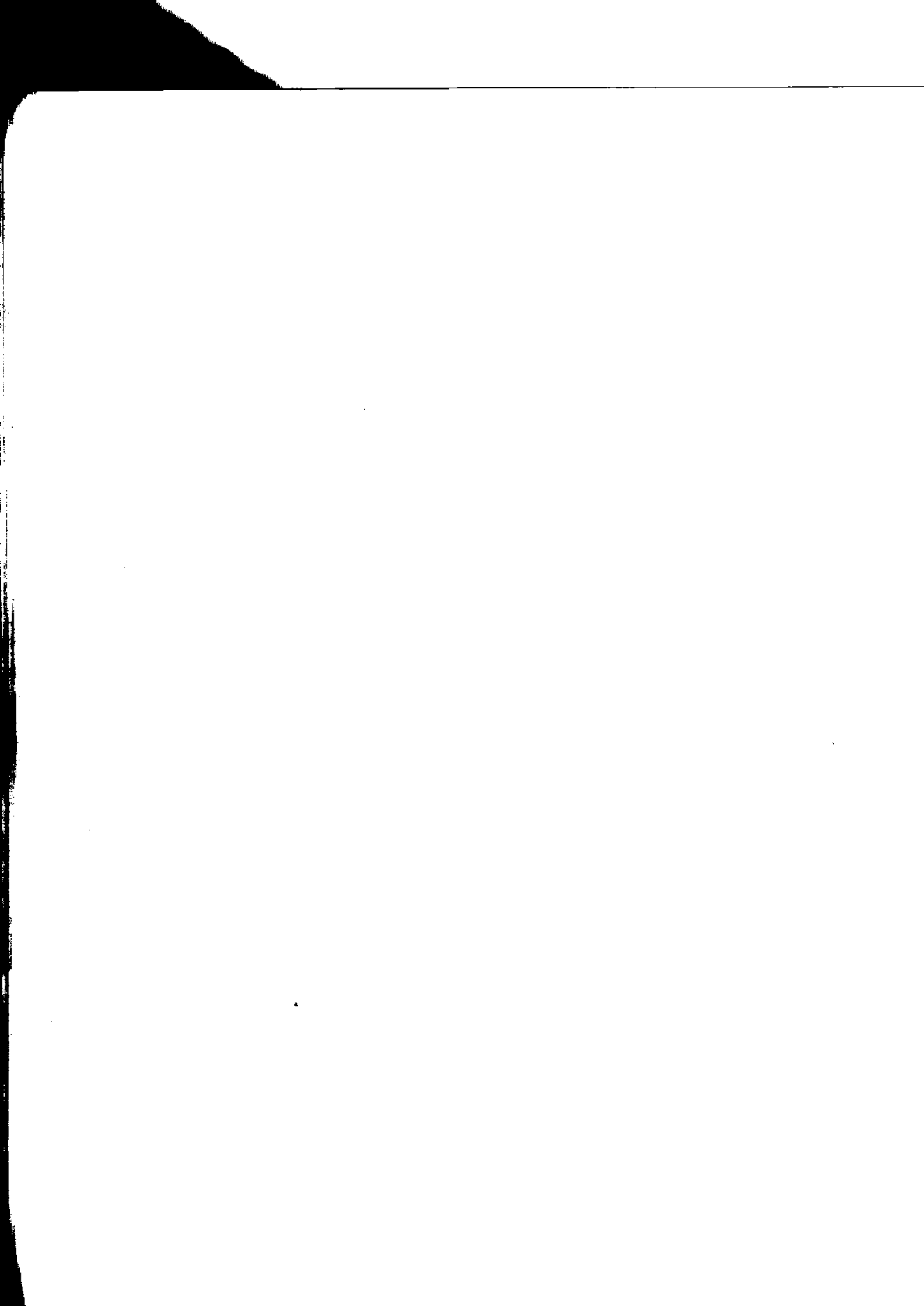
Criminal investigators at the state and local level do not have immediate access to retained copies of Forms 4789 and 4790 from the IRS and the Customs Service on a formal basis. However, it should be noted that copies of Forms 4789 and 4790 are retained by issuing banks for a period of five years, and are available under the same circumstances and conditions as any other bank records. Some of the principal techniques utilized by state and local criminal investigators in obtaining information from banks and other third-party sources are discussed previously in this guide.

Copies of both forms appear below.

#### **Enforcement of Public Law 91-508**

All of the Financial Recordkeeping and Currency and Foreign Transaction Reporting requirements of banks under Public Law 91-508 are enforceable by specific civil and criminal penalties for willful violations of the law and regulations issued thereunder. As a matter of fact, several large banks have already been prosecuted for violations.

Detailed information concerning Public Law 91-508 can be obtained by requesting from the United States Department of the Treasury, a publication prepared by the Office of the General Counsel of the Treasury, issued June, 1972, entitled "Currency and Foreign Transactions Reporting Act — Statute, Regulations, and Forms." Requests should be addressed to the Deputy Assistant Secretary (Enforcement), the Department of the Treasury, Washington, D.C. 20220.



# Currency Transaction Report

**File a separate report for each transaction**  
 (Complete all applicable parts—see instructions)

**Part I Identity of individual who conducted this transaction with the financial institution**

Name (Last)	First	Middle Initial	Social Security Number
Number and Street			Business, occupation, or profession
City	State	ZIP code	Country (If not U.S.)

Method of verifying identification:

<input type="checkbox"/> Driver's permit	..... (State) ..... (Number)	<input type="checkbox"/> Alien ID card	..... (Country) ..... (Number)
<input type="checkbox"/> Passport	..... (Country) ..... (Number)	<input type="checkbox"/> Other (specify)	.....

**Part II Individual or organization for whom this transaction was completed (Complete only if different from Part I)**

Name	Identifying number		
Number and Street	Business, occupation, or profession		
City	State	ZIP code	Country (If not U.S.)

**Part III Customer's account number**

<input type="checkbox"/> Savings account	..... (Number)	<input type="checkbox"/> Share account	..... (Number)	<input type="checkbox"/> Safety deposit box	..... (Number)
<input type="checkbox"/> Checking account	..... (Number)	<input type="checkbox"/> Loan account	..... (Number)	<input type="checkbox"/> Other (specify)	.....

**Part IV Description of transaction. If more space is needed, attach a separate schedule and check this box**

**I. Nature of transaction (check the applicable boxes)**

<input type="checkbox"/> Deposit	<input type="checkbox"/> Check Cashed	See item 6 below	<input type="checkbox"/> Currency Exchange
<input type="checkbox"/> Withdrawal	<input type="checkbox"/> Check Purchased		<input type="checkbox"/> Mail/Night Deposit
			<input type="checkbox"/> Other (specify)

**2. Total amount of currency transaction (in U.S. dollars)**      **3. Amount in denominations of \$100 or higher**      **4. Date of transaction (Month, day, and year)**

**5. If other than U.S. currency is involved, please furnish the following information:**

Currency name	Country	Total amount of each foreign currency (in U.S. dollars)
---------------	---------	---

**6. If a check was involved in this transaction, please furnish the following information (See Instructions):**

Date of check	Amount of check (in U.S. dollars)	Payee
Drawer of check		Drawee bank and City

**Part V Financial institution reporting the financial transaction**

Name and Address	Identifying number (EIN or SBN)
	Business activity

**Sign here** ▶ ..... (Authorized Signature) ..... (Title) ..... (Date)

Type or print name of authorized signer ▶

## General Instructions

**Paperwork Reduction Act Notice.**—The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us.

The requested information is useful in criminal, tax, and regulatory investigations. In addition to directing the Federal Government's attention to unusual or questionable transactions, the reporting requirement discourages the use of currency in illegal transactions. Financial institutions are required to provide the information under 31 CFR 103.22, 103.25, and 103.26.

**Who Must File.**—Each financial institution must file a Form 4789 for each deposit, withdrawal, exchange of currency, or other payment or transfer, by, through, or to that financial institution, which involves a transaction in currency of more than \$10,000. Multiple transactions by or for any person which in any one day total more than \$10,000 should be treated as a single transaction, if the financial institution is aware of them.

**Exceptions.**—Banks do not have to file Form 4789 for transactions with Federal Reserve Banks, Federal Home Loan Banks, or other domestic banks.

Banks do not have to file Form 4789 for the following transactions if the amounts involved are reasonable and customary in the course of the customer's business or activities:

- (1) deposits or withdrawals of currency from an existing account by an established depositor who is a U.S. resident and who—
  - (a) operates a retail business in the United States (except automobile, boat, or airplane dealerships), or
  - (b) operates a sports arena, race track, amusement park, bar, restaurant, hotel, licensed check cashing service, vending machine company, or theater;
- (2) deposits or withdrawals, exchanges of currency, or other payments and transfers by local, state, or Federal government agencies;
- (3) withdrawals for payroll purposes from an existing account by an established depositor who is a U.S. resident and who operates a firm that regularly withdraws more than \$10,000 to pay employees in currency.

Banks must keep a record of customers whose transactions are not reported because of exceptions (1) through (3) above. (See 31 CFR, section 103.22 for details about what to include in this record.)

Nonbank financial institutions do not have to report transactions with commercial banks.

**When and Where to File.**—File this form by the 15th day after the date of the transaction with the Internal Revenue Service, Odgen, UT 84201, or hand carry it to your local IRS office. Keep a copy of each Form 4789 for 5 years from the date you file it.

**Identifying Number.**—For individuals this is the social security number. For others it is the Federal employer identification number (9 digits).

**Identification Required.**—Before completing a transaction, a financial institution must verify and record (1) the name

and address of the individual making the transaction and (2) the identity, account number, and taxpayer identifying number (if any) of the individual or organization for whose account the transaction is being made. Use a passport or other official document showing nationality to verify the identity of an alien or nonresident of the United States. Use a document like a driver's license, etc., normally accepted as a means of identification when cashing checks, to verify the identity of anyone else. In each case, record on this form the method of identification used.

**Penalties.**—Civil and criminal penalties (up to \$500,000) are provided for failure to file a report or to supply information, and for filing a false or fraudulent report. See 31 CFR, sections 103.47 and 103.49.

## Specific Instructions

### Part I.—

- (1) In the address section, enter the permanent street address of the individual conducting the transaction. If the currency was received or shipped through the U.S. Postal Service, write in "U.S. Mail." If the currency was received in a night deposit box, write in "Night Deposit." If the currency was received or shipped through an armored car service, licensed by a state or local government, provide only the service's name and address.
- (2) In the social security block, enter the social security number of the individual conducting the transaction. If the individual has no number, write "None" in this block.
- (3) Check the appropriate box and enter the number of the document used to verify the identity of the individual making the transaction. When the name of an individual is not required to be given, it is not necessary to describe the method of verifying identification.

### Part II.—

- (1) For individuals, enter last name, first name, and middle initial, if any, in the name block in that order. For all others, enter the complete organization name.
- (2) In the identifying number block, enter the social security number or employer identification number.

### Part III.—

Check the appropriate box and enter the appropriate customer's account number. If there is no account relationship, check Other and write in "None."

### Part IV, line 1.—

If the transaction being reported was the sale or purchase of foreign currency, check Other and write in "sale of foreign currency" or "purchase of foreign currency," whichever applies.

### Part IV, line 6.—

Complete this line if a check is cashed or a bank check is purchased with currency.

### Part V.—

Institutions may also enter in the name and address block other identifying information.

**Signature.**—This report must be signed by an authorized individual. Also type or print the name of the authorized signer.

## Definitions

**Bank.**—Each agent, agency, branch, or office in the United States of a foreign bank and each agency, branch, or office in the United States of any person doing business in one or more of the capacities listed below:

- (1) a commercial bank or trust company organized under the laws of any state or of the United States;
- (2) a private bank;
- (3) a savings and loan association or a building and loan association organized under the laws of any state or of the United States;
- (4) an insured institution as defined in section 401 of the National Housing Act;
- (5) a savings bank, industrial bank, or other thrift institution;
- (6) a credit union organized under the laws of any state or of the United States; and
- (7) any other organization chartered under the banking laws of any state and subject to the supervision of the bank supervisory authorities of a state.

**Currency.**—The coin and currency of the United States or of any other country, which circulate in and are customarily used and accepted as money in the country in which issued. It includes United States silver certificates, United States notes, and Federal Reserve notes, but does not include bank checks or other negotiable instruments not customarily accepted as money.

**Financial Institution.**—Each agency, branch, or office in the United States of any person doing business in one or more of the capacities listed below:

- (1) a bank;
- (2) a broker or dealer in securities, registered or required to be registered with SEC under the Securities Exchange Act of 1934;
- (3) a person who engages as a business in dealing in or exchanging currency (for example, a dealer in foreign exchange or a person engaged primarily in the cashing of checks);
- (4) a person who engages as a business in issuing, selling, or redeeming traveler's checks, money orders, or similar instruments, except one who does so as a selling agent exclusively, or as an incidental part of another business;
- (5) a licensed transmitter of funds, or other person engaged in the business of transmitting funds abroad for others.

**Person.**—An individual, corporation, partnership, trust or estate, joint stock company, association, syndicate, joint venture, or other unincorporated organization or group, and all entities treated as legal personalities.

**Transaction in Currency.**—A transaction involving the physical transfer of currency from one person to another. A transaction in currency does not include a transfer of funds by means of bank check, bank draft, wire transfer, or other written order that does not include the physical transfer of currency.

This form is to be filed with the  
United States Customs Service

Privacy Act Notification  
on reverse

DEPARTMENT OF THE TREASURY  
UNITED STATES CUSTOMS SERVICE  
**REPORT OF INTERNATIONAL  
TRANSPORTATION OF CURRENCY  
OR MONETARY INSTRUMENTS**



Customs Use Only

Control No.

31 USC 1101; 31 CFR 103.23 and 103.25

Please Type or Print

**PART I - FOR INDIVIDUAL DEPARTING FROM OR ENTERING THE UNITED STATES**

1. NAME (Last or family, first and middle)		2. IDENTIFYING NO. (See instructions)		3. DATE OF BIRTH (Mo./Da./Yr.)	
4. PERMANENT ADDRESS IN UNITED STATES OR ABROAD				5. OF WHAT COUNTRY ARE YOU A CITIZEN/SUBJECT?	
6. ADDRESS WHILE IN THE UNITED STATES				7. PASSPORT NO. & COUNTRY	
8. U.S. VISA DATE		9. PLACE UNITED STATES VISA WAS ISSUED		10. IMMIGRATION ALIEN NO. (If any)	
11. CURRENCY OR MONETARY INSTRUMENT WAS: (Complete 11A or 11B)					
A. EXPORTED			B. IMPORTED		
Departed From: (City in U.S.)		Arrived At: (Foreign City/Country)	From: (Foreign City/Country)		At: (City in U.S.)

**PART II - FOR PERSON SHIPPING, MAILING OR RECEIVING CURRENCY OR MONETARY INSTRUMENTS**

12. NAME (Last or family, first and middle)		13. IDENTIFYING NO. (See instructions)		14. DATE OF BIRTH (Mo./Da./Yr.)	
15. PERMANENT ADDRESS IN UNITED STATES OR ABROAD				16. OF WHAT COUNTRY ARE YOU A CITIZEN/SUBJECT?	
17. ADDRESS WHILE IN THE UNITED STATES				18. PASSPORT NO. & COUNTRY	
19. U.S. VISA DATE		20. PLACE UNITED STATES VISA WAS ISSUED		21. IMMIGRATION ALIEN NO. (If any)	
22. CURRENCY OR MONETARY INSTRUMENTS	23. CURRENCY OR MONETARY INSTRUMENTS	NAME AND ADDRESS		24. IF THE CURRENCY OR MONETARY INSTRUMENT WAS MAILED, SHIPPED, OR TRANSPORTED COMPLETE BLOCKS A AND B.	
DATE SHIPPED	<input type="checkbox"/> Shipped To			A. Method of Shipment (Auto, U.S. Mail, Public Carrier, etc.)	
DATE RECEIVED	<input type="checkbox"/> Received From			B. Name of Transporter/Carrier	

**PART III - CURRENCY AND MONETARY INSTRUMENT INFORMATION (SEE INSTRUCTIONS ON REVERSE) (To be completed by everyone)**

25. TYPE AND AMOUNT OF CURRENCY/MONETARY INSTRUMENTS		Value in U.S. Dollars		26. IF OTHER THAN U.S. CURRENCY IS INVOLVED, PLEASE COMPLETE BLOCKS A AND B. (SEE SPECIAL INSTRUCTIONS)	
Coins ..... <input type="checkbox"/> A. ▶ \$				A. Currency Name	
Currency ..... <input type="checkbox"/> B. ▶				B. Country	
Other instruments (Specify Type) ..... <input type="checkbox"/> C. ▶					
(Add lines A, B and C) ..... TOTAL AMOUNT ▶ \$					

**PART IV - GENERAL - TO BE COMPLETED BY ALL TRAVELERS, SHIPPERS AND RECIPIENTS**

27. WERE YOU ACTING AS AN AGENT, ATTORNEY OR IN CAPACITY FOR ANYONE IN THIS CURRENCY OR MONETARY INSTRUMENT ACTIVITY? (If "Yes" complete A, B and C)  Yes  No

PERSON IN WHOSE BEHALF YOU ARE ACTING ▶	A. Name	B. Address	C. Business activity occupation or profession
	Under penalties of perjury, I declare that I have examined this report, and to the best of my knowledge and belief it is true, correct and complete.		
28. NAME AND TITLE		29. SIGNATURE	30. DATE



## General Instructions

This report is required by Treasury Department regulations (31 Code of Federal Regulations 103).

**Who Must File.** — Each person who physically transports, mails, or ships, or causes to be physically transported, mailed, shipped or received currency or other monetary instruments in an aggregate amount exceeding \$5,000 on any one occasion from the United States to any place outside the United States, or into the United States from any place outside the United States.

**A TRANSFER OF FUNDS THROUGH NORMAL BANKING PROCEDURES WHICH DOES NOT INVOLVE THE PHYSICAL TRANSPORTATION OF CURRENCY OR MONETARY INSTRUMENTS IS NOT REQUIRED TO BE REPORTED.**

**Exceptions.** — The following persons are not required to file reports: (1) a Federal reserve bank, (2) a bank, a foreign bank, or a broker or dealer in securities in respect to currency or other monetary instruments mailed or shipped through the postal service or by common carrier, (3) a commercial bank or trust company organized under the laws of any State or of the United States with respect to overland shipments of currency or monetary instruments shipped to or received from an established customer maintaining a deposit relationship with the bank, in amounts which the bank may reasonably conclude do not exceed amounts commensurate with the customary conduct of the business, industry or profession of the customer concerned, (4) a person who is not a citizen or resident of the United States in respect to currency or other monetary instruments mailed or shipped from abroad to a bank or broker or dealer in securities through the postal service or by common carrier, (5) a common carrier of passengers in respect to currency or other monetary instruments in the possession of its passengers, (6) a common carrier of goods in respect to shipments of currency or monetary instruments not declared to be such by the shipper, (7) a travelers' check issuer or its agent in respect to the transportation of travelers' checks prior to their delivery to selling agents for eventual sale to the public, nor by (8) a person engaged as a business in the transportation of currency, monetary instruments and other commercial papers with respect to the transportation of currency or other monetary instruments overland between established offices of banks or brokers or dealers in securities and foreign persons.

### When and Where to File:

**A. Recipients.** — Each person who receives currency or other monetary instruments shall file Form 4790, within 30 days after receipt, with the Customs officer in charge at any port of entry or departure or by mail with the Commissioner of Customs, Attention: Currency Transportation Reports, Washington, D.C. 20229.

**B. Shippers or Mailers.** — If the currency or other monetary instrument does not accompany the person entering or departing the United States, Form 4790 may be filed by mail on or before the date of entry, departure, mailing, or shipping with the Commissioner of Customs, Attention: Currency Transportation Reports, Washington, D.C. 20229.

**C. Travelers.** — Travelers carrying currency or other monetary instruments with them shall file Form 4790 at the time of entry into the United States or the time of departure from the United States with the Customs officer in charge at any Customs port of entry or departure.

An additional report of a particular transportation, mailing, or shipping of currency or other monetary instruments, is not required if a complete and truthful report has already been filed. However, no person otherwise required to file a report shall be excused from liability for failure to do so if, in fact, a complete and truthful report has not been filed. Forms may be obtained from any United States Customs Service office.

**PENALTIES.** — Civil and criminal penalties, including under certain circumstances a fine of not more than \$500,000 and imprisonment of not more than five years, are provided for failure to file a report, supply information, and for filing a false or fraudulent report. In addition, the currency or monetary instrument may be subject to seizure and forfeiture. See sections 103.47, 103.48 and 103.49 of the regulations.

### Definitions

**Bank.** — Each agent, agency, branch or office within the United States of a foreign bank and each agency, branch or office within the United States of any person doing business in one or more of the capacities listed: (1) a commercial bank or trust company organized under the laws of any state or of the United States; (2) a private bank; (3) a savings and loan association or a building and loan association organized under the laws of any state or of the United States; (4) an insured institution as defined in section 401 of the National Housing Act; (5) a savings bank, industrial bank or other thrift institution; (6) a credit union organized under the laws of any state or of the United States; and (7) any other organization chartered under the banking laws of any state and subject to the supervision of the bank supervisory authorities of a state.

**Foreign Bank.** — A bank organized under foreign law, or an agency, branch or office located outside the United States of a bank. The term does not include an agent, agency, branch or office within the United States of a bank organized under foreign law.

**Broker or Dealer in Securities.** — A broker or dealer in securities, registered or required to be registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934.

**IDENTIFYING NUMBER.** — Individuals should enter their social security number, if any. However, aliens who do not have a social security number should enter passport or alien registration number. All others should enter their employer identification number.

**Investment Security.** — An instrument which: (1) is issued in bearer or registered form; (2) is of a type commonly dealt in upon securities exchanges or markets or commonly recognized in any area in which it is issued or dealt in as a medium for investment; (3) is either one of a class or series or by its terms is divisible into a class or series of instruments; and (4) evidences a share, participation or other interest in property or in an enterprise or evidences an obligation of the issuer.

**Monetary Instruments.** — Coin or currency of the United States or of any other country, travelers' checks, money orders, investment securities in bearer form or otherwise in such form that title thereto passes upon delivery, and negotiable instruments (except warehouse receipts or bills of lading) in bearer form or other in such form that title thereto passes upon delivery. The term includes bank checks, travelers' checks and money orders which are signed but on which the name of the payee has been omitted, but does not include bank checks, travelers' checks or money orders made payable to the order of a named person which have not been endorsed or which bear restrictive endorsements.

**Person.** — An individual, a corporation, a partnership, a trust or estate, a joint stock company, an association, a syndicate, joint venture, or other unincorporated organization or group, and all entities cognizable as legal personalities.

### Special Instructions

You should complete each line which applies to you. **Part II.** — Line 22, Enter the exact date you shipped or received currency or the monetary instrument(s). Line 23, Check the applicable box and give the complete name and address of the shipper or recipient. **Part III.** — Line 26, If currency or monetary instruments of more than one country is involved, attach a schedule showing each kind, country, and amount.

### PRIVACY ACT NOTIFICATION

Pursuant to the requirements of Public Law 93-579, (Privacy Act of 1974), notice is hereby given that the authority to collect information on Form 4790 in accordance with 5 U.S.C. 552a(e)(3) is Public Law 91-508; 31 U.S.C. 1101; 5 U.S.C. 301; Reorganization Plan No. 1 of 1950; Treasury Department No. 1-65, revised, as amended; 31 CFR 103.

The principal purpose for collecting the information is to assure maintenance of reports or records where such reports or records have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings. The information collected may be provided to those officers and employees of the Customs Service and any other constituent unit of the Department of the Treasury who have a need for the records in the performance of their duties. The records may be referred to any other department or agency of the Federal Government upon the request of the head of such department or agency.

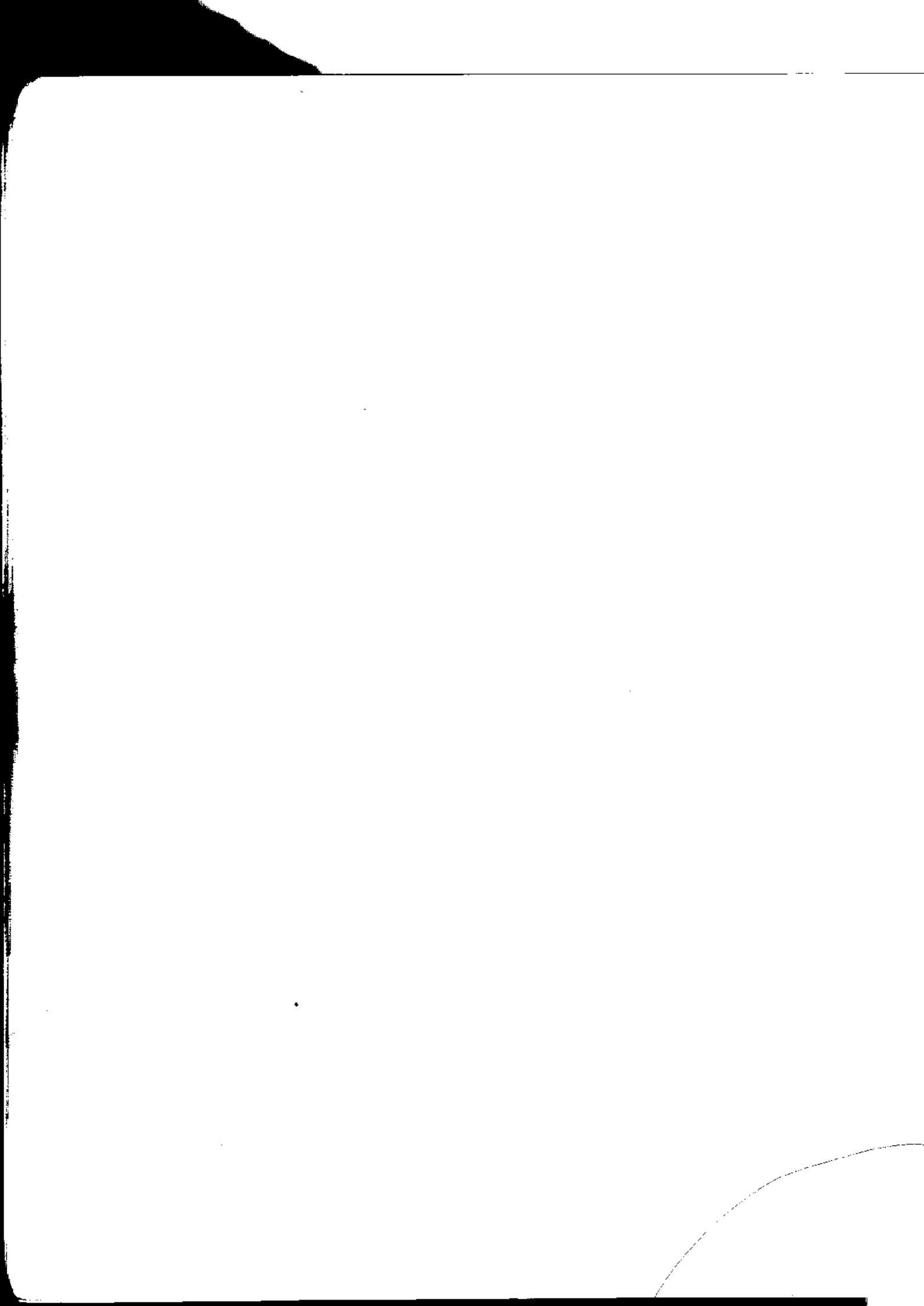
Disclosure of this information is mandatory. Failure to provide all or any part of the requested information may subject the currency or monetary instruments to seizure and forfeiture, as well as subject the individual to civil and criminal liabilities.

Disclosure of the social security number is mandatory. The authority to collect this number is 31 CFR 103.25. The social security number will be used as a means to identify the individual who files the record.

# **THE SEVENTH BASIC INVESTIGATIVE TECHNIQUE**

**Analyzing Financial Transactions  
in the  
Investigation of Organized Crime  
and  
White Collar Crime Targets**

**Author:  
Richard A. Nossen, Consultant,  
Criminal Justice Systems--White Collar Crime  
Investigative Techniques**



## FOREWORD

This handbook, entitled, The Seventh Basic Investigative Technique, was prepared to meet repeated recommendations made formally and informally by key speakers, panel members, workshop group leaders and participants at the October, 1975 National Conference on Organized Crime. Their recommendations strongly urged the Federal Government to develop training materials geared to the needs of law enforcement officials in the area of tracing financial transactions entered into by organized crime and white collar crime figures.

The handbook highlights an approach to the investigation of organized crime and white collar crime targets by criminal investigators that was introduced to and enthusiastically received by state and local law enforcement officials who attended a series of LEAA regional conferences on organized crime beginning in 1970 at Zion, Illinois, and culminating at the February, 1972, conference at San Diego, California.

The handbook was prepared by Mr. Richard A. Nossen, a Criminal Justice Systems Consultant, who, while serving as Assistant Director of the Intelligence Division and in other subordinate positions with the U. S. Internal Revenue Service, developed and presented the concept of applying financial investigation techniques to criminal investigations at the series of organized crime training conferences mentioned in the preceding paragraph.

This publication, which is another direct outgrowth of the proceedings of the National Conference on Organized Crime, is but one of many attempts being made by LEAA to meet their commitment to local law enforcement, mandated in the primary objectives of the NCOC, i.e.,

"To present the current state-of-the-art in organized crime control for the information and education of state and local criminal justice and public organizations whose activities and support are necessary in controlling the problem of organized criminal activity nationwide."

The handbook will accordingly be distributed to all NCOC participants and will be included as an appendix to the Investigator's Manual presently being prepared by the Battelle Memorial Institute under an LEAA grant. It will also be available in the library of the National Institute of Law Enforcement and Criminal Justice.

It is our sincere hope that this latest investigative tool, added to the arsenal of other training materials developed and furnished to law enforcement officials by LEAA, will lead to further successes in our mutual efforts to control Organized Crime and White Collar Crime in the United States.



Richard W. Velde  
Administrator

## CHAPTER I

### Introduction To The Seventh Basic Investigative Technique

For countless years, criminal investigators have relied on six basic investigative techniques to solve crimes; i.e., (1) the development of informants, (2) use of undercover agents, (3) laboratory analysis of physical evidence, (4) physical and electronic surveillance, (5) interrogation, and (6) where permitted by law, wiretapping. Each of these techniques has resulted in varying degrees of success.

The purpose of this handbook is to introduce to criminal investigators, on a broad scale, an investigative tool, a seventh basic investigative technique, used primarily in the investigation of violations of the Federal income tax laws. This tool, if properly applied, can greatly enhance the success of the investigation of cases where illegal profits and a greed for wealth are the principle motives of the violators.

Excluding crimes of passion, it is difficult to isolate a motive for crime other than monetary gain. Racketeers who violate the narcotic laws, engage in hijacking, fencing, shylocking, gambling, prostitution rings, etc., as well as white collar type criminals engaged in more subtle crimes such as commercial bribery, political corruption, etc., are motivated by the same common denominator — a desire for financial gain and the power that it commands.

It follows, therefore, that if money is the primary motive behind the crimes committed by both racketeer and white-collar type criminals, the use of the Seventh Basic Investigative Technique must be added to the skills of criminal investigators to ensure optimum success in their ultimate prosecution.

All too often in the past, criminal investigators have been reluctant to broaden the scope of their investigations into the financial area, thereby sacrificing the potential evidentiary value of leads that may have been successfully developed if properly explored. This reluctance is understandable, and was caused, in part, by an inhibition that has existed for years among criminal investigators that financial transactions, for the most part, were difficult to investigate unless the investigators had an accounting background. Rather than take positive action to overcome this inhibition, many criminal investigators took a negative approach and merely dismissed the need to investigate financial leads by rationalizing their minimal evidentiary value.

As a result of this general reluctance to probe the financial activities of the racketeer — white collar crime element, an attitude has developed among criminal investigators that if the six basic investigative techniques do not result in a successful investigation, drop the investigation or, perhaps, turn the information over to IRS; in the mistaken belief that IRS agents have a monopoly on the capabilities necessary to develop evidence relating to financial transactions.

On the contrary, it is the writer's experience, shared by many others with similar investigative backgrounds, that all criminal investigators, at the Federal, state and local level, can and, when appropriate, should investigate financial leads and analyze financial transactions in the same competent and professional manner as demonstrated by their development of interrogation skills, networks of informants and the overall application of investigative innovativeness that they have so ably utilized in the successful investigation of organized crime and white collar crime cases in the past.

The following chapters in the handbook, therefore, were developed to provide journeymen criminal investigators with the tools necessary to explore, develop and carefully follow financial transactions engaged in by the targets of their investigations with complete confidence that they will soon master the technique. While the application of these techniques is not expected to wipe out the racketeer-white collar type criminal element engaged in crimes that are "money motivated," there is every reason to believe that, properly used, the "seventh basic investigative technique" can and will become another major weapon in the control of organized and white collar crime.

In studying the following chapters, it is imperative to keep in mind the primary objective of all criminal investigators; that is, to develop adequate credible evidence against targets that will not only convince prosecutors that prosecutive action is warranted; but will enable them to successfully present the evidence to grand juries and to the Courts.

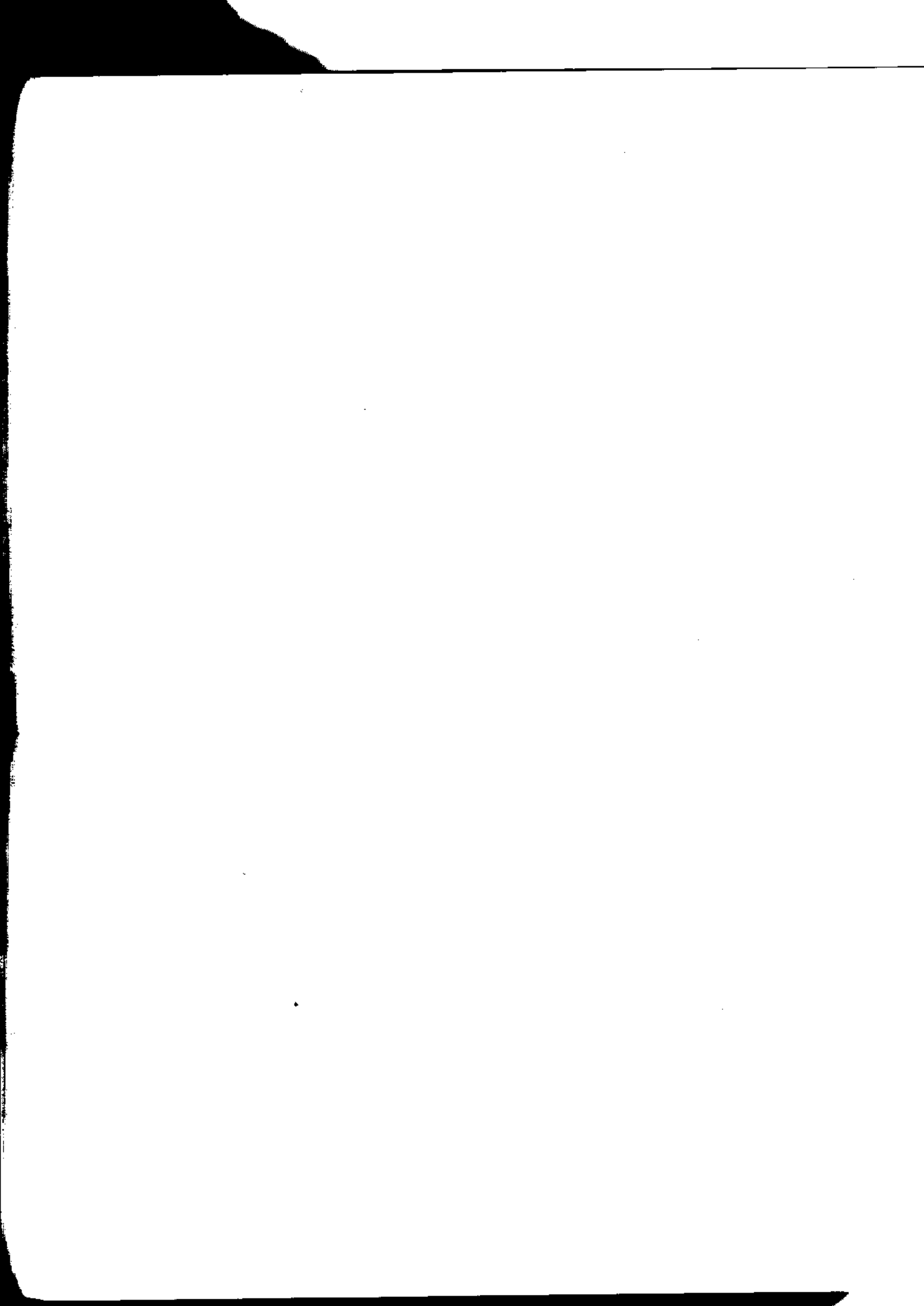
It is the author's view, based on his own experience and on his association with judges and prosecutors throughout the United States over a period of more than two decades, that they are far more favorably impressed with evidence, such as that reflected in the following chapters of this Handbook, than with speculation that many investigators, at all levels of Government, have too often engaged in for too long, using

such tired old phrases as A is "tied in" with B and C "meets frequently" with D; all of which adds up in the minds of prosecutors as so much trivia.

It takes evidence to get a conviction, and in the area of today's organized and white collar type crimes, the need to gather evidence of targets' financial transactions has become critical.

For the purposes of this Handbook, the title, criminal investigator, includes all Federal, state and local investigative personnel charged with responsibility to investigate violations of criminal statutes, who have not utilized investigative accounting techniques in the investigation of financial crimes; including, but not limited to, agents of the Department of the Treasury and the Department of Justice at the Federal level, as well as investigators on the staffs of state attorneys' general, county district attorneys' investigators hired by or assigned to grand juries and crime commissions and members of state, county and city police departments.





## CHAPTER II

### Application of the Net-Worth-Expenditures Principle

#### Definition

Before explaining how the net worth-expenditures principle can be used in the investigation of racketeer and white collar crime targets, it is necessary to clearly define the principle.

The net worth-expenditures principle, as used in this handbook, is a mathematical computation designed to determine the total accumulation of wealth and annual expenditures made by an individual. The principle has been used for many years by the U. S. Internal Revenue Service for the purpose of determining taxpayers income tax liabilities, primarily in those instances where no books or records of income and expenses have been maintained by taxpayers from which a determination of tax liability could be made.

The use of this principle by the IRS in making a civil determination of taxpayers' income, has been upheld by the U. S. Supreme Court. The principle has also been upheld by the Supreme Court when used to establish one of the elements of proof of criminal tax fraud, i.e., that a taxpayer has, in fact, understated his income, upon which an additional tax is due and owing.

The net worth and expenditures computation, when used by IRS to determine tax liabilities for either civil or criminal purposes, is complex. However, the complexity is caused not by the net worth principle, itself, but by the fact that the computations must be made, taking into account the highly complex tax laws. In other words, adjustments have to be made to ensure that tax liabilities, computed by the application of the net worth principle, take into account the effect of the receipt, by taxpayers, of non taxable, or partially taxable income.

The use of the net worth and expenditures principle by criminal investigators for the purpose outlined herein is not as complex and can be developed with comparative ease. It can be applied effectively in criminal investigations without regard to the tax laws, whatsoever.

#### Application

The net worth-expenditures principle can be applied, when appropriate, to: (1) gather intelligence, (related to financial transactions), (2) enhance the successful interrogation of a target, (3) corroborate other evidence of a crime for the purpose of presenting facts to, (a) the

district attorney for his consideration, (b) a grand jury, or (c) a trial jury, or to the Court in the event of a bench trial, (4) assist in determining whether a target is engaged in other crimes, (5) determine havens where a target may be hiding assets, and, (6) to identify or locate assets for restitution or collection of fines.

The computation can be presented in two formats. One is commonly referred to as a "Net worth-Expenditure Schedule;" the other is perhaps more readily recognized as a schedule of "Source and Application of Funds." Either format will produce, essentially, the same result: The net worth format should normally be used when a target's spending habits appear to include the acquisition and disposal of real estate, jewelry, furs, bank accounts, life insurance policies having a cash value and periodic reductions of mortgage loans. The source and application of funds schedule is normally used when a target's expenditures have been of a more transient nature, such as for high personal living expenses.

Illustrations of both schedules, based on the same hypothetical practical exercise, are contained in the following chapter.

**CHAPTER III**  
**Practical Exercise**

**Factual Situation**

Target "A" has been identified over a period of years as being involved in major fencing operations. While he has been the subject of frequent investigations he has successfully avoided indictment. His ownership of a retail furniture store, which investigators are convinced is a cover, has successfully shielded his fencing operation. A warehouse, allegedly maintained as a storage facility for furniture and other merchandise related to his retail operation, is located so as to make physical surveillance difficult. Allegations and raw intelligence have failed to meet the test for probable cause to obtain a search warrant.

One of the investigators assigned to Intelligence has gained the confidence of Target "A's" bookkeeper, who informed the investigator that the Target's furniture store is generating only nominal profits; that she has access to copies of his annual profit and loss statements and balance sheets for the past four years prepared by the Target's accountant and overheard the Target inform his accountant that the profit and loss statements of the furniture store operation reflected his sole source of income. She voluntarily furnished the investigator with copies of the profit and loss statements and balance sheets for the years 1972 through 1975.

The profit and loss statements disclosed net profits of \$14,000, \$16,250, \$11,750 and \$14,375 for the years 1972 through 1975, respectively. The balance sheets disclosed a balance in the Target's capital account of \$15,000 for each of the years 1972 through 1975, respectively. No additional investments were made since the Target made his initial investment in the business in 1972. Earnings, reflected above, have been withdrawn from the business each year.

A realistic factual background accordingly exists which would warrant the application of investigative resources to explore the "Seventh Basic Investigative Technique."

**Investigative Steps**

Through physical surveillance the investigator observes the Target enter Bank "A". Upon making inquiry at the bank, the investigator learns that the Target has a commercial account and safe deposit box and that he obtained a Bank Americard through the same bank.

**Safe Deposit Box**

The investigator obtained a copy of the safe deposit box contract filed with the bank by the Target at the time he applied for the safe deposit box rental. The contract, shown below, (Illustration 1), not only discloses a physical description of the Target and an exemplar of his handwriting, but contains other pertinent background information as well:

Illustration 1

No.	
SAFE DEPOSIT-INDIVIDUAL	
LESSEE	
DEPUTY	
DATE OF CONTRACT	RENT \$
PASSWORD	
	LESSEE
	DEPUTY
	DEPUTY

Illustration 1

<p style="text-align: center;">_____ 19 _____ hereby designate</p> <p>and appoint _____</p> <p>as _____ deputy and agent, to have access to the box covered by this contract. To take and remove from or add to the contents thereof, and have full and absolute control over the same, hereby waiving any liability of the lessor, arising out of the exercise, by the said deputy, or any of the powers herein contained.</p> <p>_____ Lessee</p> <p>_____ Lessee</p> <p>_____ Deputy</p> <p>_____ Witness:</p> <p>_____ Address of Deputy</p> <p>The Appointment Of The Above Deputy Is Hereby Revoked _____ 19 _____</p> <p>_____ Lessee</p> <p>_____ Witness:</p>	<p style="text-align: center;">_____ 19 _____ hereby designate</p> <p>and appoint _____</p> <p>as _____ deputy and agent, to have access to the box covered by this contract. To take and remove from or add to the contents thereof, and have full and absolute control over the same, hereby waiving any liability of the lessor, arising out of the exercise, by the said deputy, or any of the powers herein contained.</p> <p>_____ Lessee</p> <p>_____ Lessee</p> <p>_____ Deputy</p> <p>_____ Witness:</p> <p>_____ Address of Deputy</p> <p>The Appointment Of The Above Deputy Is Hereby Revoked _____ 19 _____</p> <p>_____ Lessee</p> <p>_____ Witness:</p>
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Identification		
Name	Name	Name
Residence	Residence	Residence
Phone	Phone	Phone
Firm	Firm	Firm
Address	Address	Address
Phone	Phone	Phone
Mothers Maiden Name	Mothers Maiden Name	Mothers Maiden Name
Color Of Hair	Color Of Hair	Color Of Hair
Color Of Eyes	Color Of Eyes	Color Of Eyes
Height	Height	Height
Weight	Weight	Weight
Remarks	Remarks	Remarks

Each time an individual enters his safe deposit box, he is required to sign an entry slip, (Illustration 2), shown below:

Illustration 2

ENTRY SLIP		
The undersigned lessee or authorized deputy desires access to safe deposit box.		
Signature		
Lessee or Deputy		
Booth No.	Attended By	Box No.
14-0007		

*The entry slip discloses the date and time of day that an individual enters his safe deposit box. It is usually stamped on the reverse side in order that the individual's signature can be identified. This information can be of inestimable value to an investigation since the dates of entry into a safe deposit box may reconcile with the dates of other cash financial transactions. (This will be illustrated in subsequent paragraphs). The information can also be used by an investigator to contradict a target's alibi as to his whereabouts during a key interrogation or by a prosecutor during cross examination of a target at trial.*

*The record of entries into a safe deposit box should, accordingly, be obtained on every target whose financial transactions are being investigated and those targets on whom "financial intelligence" is being gathered.*

*The record retention period for safe deposit box entries varies among banks. However, many banks continue to retain the records well beyond the scheduled destruction date due to the limited storage space they require and the cost of manpower to meet record destruction schedules. In any event, the information should be obtained as quickly as possible; as soon as a target is placed under financial investigation or identified as a suspect on whom intelligence is to be gathered.*

The record of entries by the target into his safe deposit box, for the purpose of this exercise, is shown in Illustration 3 below: (This particular bank's entry record form provides for a four year record, however, only two years are illustrated below).

Illustration 3

BOX NO.															NAME OF LESSEE																			
RECORD OF VISITS — SAFE DEPOSIT																																		
REMINGTON RAND	E-131													CAT. NO. 1-1321-2													RF 2847B							
1976	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	1977	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	T	
JAN																JAN																		
FEB																FEB																		
MAR																MAR																		
APR																APR																		
MAY																MAY																		
JUNE												✓				JUNE																		
JULY																JULY																		
AUG																AUG																		
SEPT																SEPT																		
OCT																OCT																		
NOV																NOV																		
DEC																DEC																		
1978	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	1978	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	T	
JAN																JAN																		
FEB																FEB								✓										
MAR																MAR								✓										
APR																APR																		
MAY																MAY									✓									
JUNE																JUNE	✓																	
JULY			✓													JULY																		
AUG																AUG																		
SEPT																SEPT																		
OCT																OCT																		
NOV																NOV																		
DEC																DEC																		



**Checking Account**

Illustration 4, shown below, is a copy of the signature card relating to the target's checking account. This card, again, furnished the investigator with an exemplar of the target's handwriting as well as background information of interest.

Illustration 4

**PERSONAL DDA SIGNATURE CARD**

JOINT  
 INDIVIDUAL

ACCOUNT NUMBER \_\_\_\_\_

Please STAMP Bank Name Here \_\_\_\_\_

1	Account Name	SEAL
2	Account Name	SEAL
	Social Security Number	SEAL

I (we) the above-signed, have been provided with and have read the rules and regulations of Bank governing this account and agree to be bound by the provisions thereof, and as they shall, from time to time, be amended by the Bank.

If two or more signatures appear above, each agrees that all moneys, checks and other instruments for payment of money at any time deposited in this account are and will be their joint property during their joint lives and upon the death of either of them the entire right, title and interest therein shall vest absolutely in the survivor; that at any time the balance in this account shall be subject to withdrawal, transfer or other disposition, in whole or in part, by either of them, or the duly constituted attorney of either of them without duty of inquiry on your part; that payment to, or by order of, either of them, or the duly constituted attorney of either of them, shall be full discharge to you for such payment, whether the other be living, incompetent or deceased; that you shall be authorized to make payment in accordance with the terms hereof, not withstanding any notice or demand which may be given by or on behalf of either of them to the contrary. The Bank is authorized to off-set the balance, without notice, against the indebtedness of any one or more of us to the Bank; and to send all statements, notices and vouchers to the address from time to time furnished the Bank.

Date Opened	Opened by	Approved by	Branch
Amount of Initial Deposit	Type of Deposit		Reference Checked

**• PLEASE PRINT**

<input type="checkbox"/>	Home Address	City, State, Zip Code	Telephone & Area Code
SEND MAIL TO	Employer	Position	Yrs. there
<input type="checkbox"/>	Employer's Address	City, State, Zip Code	Telephone & Area Code
Bank Reference		Other Reference	
Account Number	Type of Account		Telephone Number
Street Address		Street Address	
City	State	Zip Code	City State Zip Code
Personal I.D.			
Driver's License Number			State
Charge Account Number			Type

Illustration 5, shown below, is a copy of the target's monthly bank statement for the month of June, 1975, which was also obtained from the bank. (Copies of the statements showing "year end" bank balances for the years 1972 through 1975 were also obtained for the purpose of completing the net worth computations. While they are not included as Illustrations, they show balances in the amounts of \$300, \$1100, \$3600, and \$4300 at the end of the years 1972 through 1975, respectively).

Illustration 5

CHECKING STATEMENT							
Beginning Date	Ending Date	Account Number		Dist		For Information Regarding Your Account	
6-2-75	6-30-75	00-000-000		788-2823			
TARGET							
Balance Last Statement	We Have Added			We Have Subtracted		Resulting in A Balance Of	Items Enclosed
	Number	Deposits Totalling	Number	Items Totalling	Service Charge		
	933	83	3	26,500.00	10	26,021.00	11
						1412.83	10
CK = Check	DB = Other Debits	CR = Other Credits	SC = Service Charge	BA = BankAmericard Charge			
LS = List	DP = Deposit	MC = Miscellaneous Charge	(-) = Overdrawn Account	BC = Blue Chip Charge			
Date	Checks/Debits	Checks/Debits	Deposits/Credits	Balance			
6/6	200.00		400.00	1133.83			
6/6			1100.00	2233.83			
6/9	175.00			2058.83			
6/12	90.00			1968.83			
6/13	110.00			1858.83			
6/16			25000.00	26858.83			
6/17	80.00			26778.83			
6/18		25000.00		1778.83			
6/20	18.00			1760.83			
6/23	93.00			1667.83			
6/24	185.00			1482.83			
6/26	70.00			1412.83			


The bank statement discloses that the Target made a \$25,000 deposit on June 16, 1975.

A comparison of the dates of large deposits and withdrawals shown on the Target's bank statement with the dates of entries by the Target into his safe deposit box, shows that he entered his safe deposit box on the same day that he made the \$25,000 deposit to his commercial bank account.

The "inference" that the Target removed \$25,000 in currency from his safe deposit box and deposited it to his bank account is supported by an examination of the bank's microfilm copy of the Target's deposit slip, (shown below in Illustration 6), which shows that the \$25,000 deposit was made with currency.

Illustration 6

CHECKING ACCOUNT DEPOSIT TICKET			
NAME	TARGET		
DATE	6-16-1975		
SPECIFIED	CASH	25,000	00
	TOTAL FROM OTHER SIDE		
	<b>TOTAL</b>	<b>25,000</b>	<b>00</b>
	LESS CASH RECEIVED		
TOTAL ITEMS	<b>NET DEPOSIT</b>	<b>25,000</b>	<b>00</b>
USE OTHER SIDE FOR ADDITIONAL LISTING			

  
 68-1  
 510 ★  
 Checks and other items are received for deposit subject to the terms and conditions of this bank's collection agreement.  
 BE SURE EACH ITEM IS PROPERLY ENDORSED

Ⓢ051000010 09 11 66811  
RESUME CHECK PRINTERS 10-18

A schedule, comparing the dates of large bank deposits and withdrawals, as well as the dates and amounts of all other large financial transactions, with the dates of entries into a target's safe deposit box should *always* be made. Among other things, it assists the investigator in establishing a possible pattern engaged in by a target in making financial transactions and, as mentioned earlier in this chapter, can be used during the investigatory interrogation process as a psychological tool to demonstrate how much the investigator already knows about the target or during trial for a variety of purposes.

Illustration 5 also shows that \$25,000 was withdrawn from the Target's bank account on June 18, 1975.

The investigator obtained a microfilm copy of the Target's check from the bank, (see Illustration 7 below).

Illustration 7

6-18 1975 <sup>68-1</sup>/<sub>510</sub>

PAY TO THE ORDER OF Cash \$25,000 <sup>00</sup>/<sub>100</sub>

Twenty Five Thousand and <sup>00</sup>/<sub>100</sub> DOLLARS

⑈75958 JUN 18 25000.00 D58

MEMO Target

⑈0510⑈0001⑈09 11 6681⑈

The code numbers and date, stamped on the face of the check shows that it was cashed by the Target.

All banks use a series of codes or symbols, which they usually stamp or imprint on the face of a check to show that it was "cashed." The codes used by some of the major banks in principal geographic areas are shown in Illustration 19, Chapter IV.

The next logical investigative step, in an attempt to trace the disposition of the \$25,000, is to examine the bank's "cashier's check" records. A cashier's check can be purchased from any bank in most any amount. The check is issued by the bank on its own funds and is signed

by one of the bank's officers. At the time of purchase the bank inserts the date and the name of the payee.

Cashier's checks are used frequently by the racketeer and white collar crime element in the mistaken belief that their expenditures may escape detection since the names of the purchasers do not appear on the face of the checks. Cashier's checks have the added advantage to the criminal engaged in large financial transactions, (legal and illegal), of avoiding carrying large amounts of currency, usually a high risk element when dealing with their own kind.

Cashier's checks, of course, can be traced. Purchasers can be identified. But only if the investigator is thorough, touches all bases, and makes the necessary inquiries to determine if a target has used the cashier's check technique in an attempt to conceal his expenditures.

In the example in this chapter the investigator made the necessary inquiries and learned that the Target purchased three cashier's checks on June 18, 1975, in the amounts of \$10,000, \$10,000 and \$5,000, payable to Stockbroker "A".

The bank teller's "daily proof sheet," an internal record of the bank, shows that the cashier's checks were purchased with currency.

One of the three checks is shown below and on the following page in Illustration 8. (There is no need to illustrate all three of the checks as they all contain the same endorsement as explained in the following paragraph).

BANK "A"		I- 59198
		June 18, 1975 <sup>68-750</sup> / <sub>560</sub>
PAY TO THE ORDER OF	Stockbroker "A"	\$10,000.00
Ten Thousand and no/one-hundredths		DOLLARS
CASHIER'S CHECK		AUTHORIZED SIGNATURE
		<i>Cashier</i>
:0560⑈0750:		009 697⑈0⑈

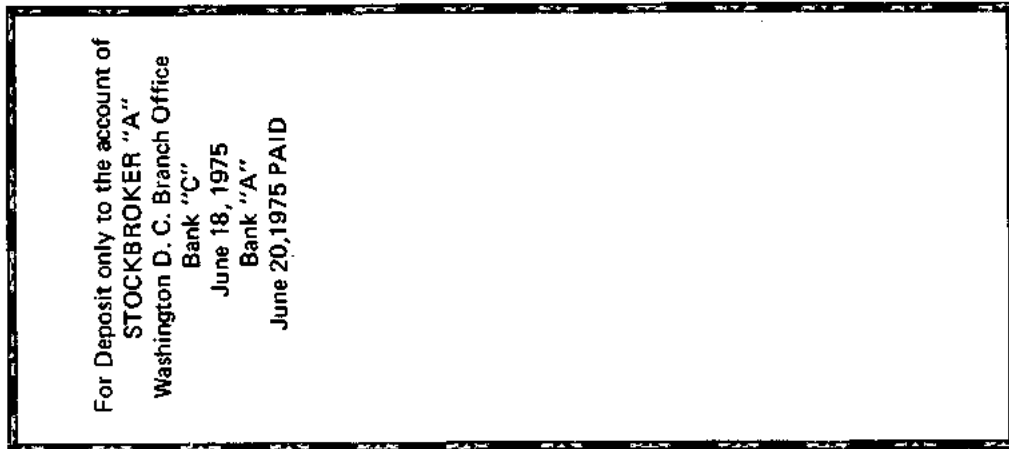


Illustration 8

**Security Account**

The endorsements on the back of each of the three checks show that they were deposited at Bank "C" in Washington, D. C., into the account of Stockbroker "A", a nationwide stock and bond brokerage firm which has an office in Washington, D. C. (See Illustration 8, above).

The investigator places a telephone call to a Washington Metropolitan Police Department Intelligence Unit contact and asks him to find out, through his information sources, whether or not the Target has an account at Stockbroker "A" and, if so, to get copies of his monthly security account statements for the past four years.

The Washington, D. C., police contact learns that the Target opened an account with Stockbroker "A" in June, 1975. He mailed copies of the Target's signature card and his June statement to the investigator. (June, 1975, was the only month to date that the account reflected any activity). A copy of the June monthly statement is shown in Illustration 9 on the following page.

Period **JUNE 30, 1966**  
 ENDING

YOUR ACCOUNT NUMBER  
**247630**

STATEMENT OF YOUR SECURITY ACCOUNT  
 WITH  
**STOCKMARK "A"**

KINDLY ADDITION YOUR  
 ACCOUNT NUMBER WHEN  
 REFERRING TO THIS  
 STATEMENT OR OTHER  
 TRANSACTIONS.

MEMBERS MAY NOW STOCK EXCHANGE AMERICAN STOCK EXCHANGE  
 THROUGH STOCK EXCHANGE AND OTHER LISTING STOCK AND COMMODITY EXCHANGES

DATE	QUANTITY BOUGHT OR RECEIVED	QUANTITY SOLD OR DELIVERED	DESCRIPTION	PRICE OR SYMBOL	AMOUNT DEBITED (CHARGED) TO YOUR ACCOUNT	AMOUNT CREDITED TO YOUR ACCOUNT	BALANCE (BY TYPE OF ACCOUNT)
6 19			Check			10,000.00	10,000.00
6 19	100		ABC Corp.	100	10,000.00		-0-
6 20			Check			10,000.00	10,000.00
6 20	100		ABC Corp.	100	10,000.00		-0-
6 23			Check			5,000.00	5,000.00
6 23	200		DEF Corp.	25	5,000.00		-0-

KINDLY DIRECT INQUIRIES CONCERNING THIS STATEMENT TO THE OFFICE WHICH SERVICES YOUR ACCOUNT. SEE REVERSE SIDE FOR ADDRESS AND TELEPHONE NUMBER.

**LEDGER**  
 FOR DESCRIPTION OF TYPE OF ACCOUNT AND EXPLANATION OF SYMBOLS USED. SEE REVERSE SIDE.

Illustration 9

The signature card is not illustrated in the handbook since it is similar, in most respects, to the checking account signature card shown in Illustration 4. It, however, again offers the investigator an opportunity to obtain a handwriting exemplar and to acquire other significant background information about the Target.

The June statement (Illustration 9) furnishes the Investigator with significant information. The statement is similar in many respects to a monthly bank statement and can be easily analyzed. It is necessary to keep in mind only a few simple rules. These rules are explained in detail in Chapter IV, Sources of Information.

In this instance, the Target deposited a \$10,000 check to his account with Stockbroker "A" on June 19, 1975, (the first of the three cashier's checks - Illustration 8) which gave him a \$10,000 "credit" balance in his account.

The next entry reflects that the Target purchased 100 shares of the ABC Corporation on June 19, 1975, at \$100 per share. His account was charged, (debited), accordingly. Since the Target had already placed \$10,000 in his account, his "balance is "0."

The Target made two additional purchases as shown in Illustration 9; an additional 100 shares of ABC Corporation at \$100 per share on June 20, 1975, and 200 shares of DEF Corporation at \$25 per share on June 23, 1975. The purchases were paid with the remaining two cashier's checks.

The June statement does not reflect any sales of stock by the Target.

*For the purpose of this exercise it is assumed that the Target did not engage in any other stock transactions during the years in question and that the above securities were physically retained by the broker for the Target. Further information regarding the impact on "net worth and expenditures" and "source and application of funds" schedules, caused by the sale or delivery of securities to the Target, is contained in pages 33-34 in this Chapter.*

#### Purchase of Automobiles

*At an early stage of any criminal investigation, an investigator ordinarily checks motor vehicle registration records to obtain an identification of a Target's automobile. The investigator's interest should be enlarged to include the identification of the car dealer and a determination of the cost of a target's automobiles, those of his girl friend, and*



*the nature of the funds used to pay for them. It is not at all unusual to discover that a target finances the purchase of his own automobile and pays cash (usually currency) for his girl friend's automobile. His motivation may range from concealment of the latter purchase from his wife or merely to impress his girl friend. In any event, appropriate employees of automobile dealers (finance officers, salesmen, bookkeepers, etc.) are a valuable source of information concerning the spending habits of a target and a close liason should be maintained with them. While transactions of this nature are unusual, they do occur, at most all automobile dealers, and usually are made by individuals of interest to criminal investigators.*

For the purpose of this exercise, State motor vehicle records show that the Target is the registered owner of a 1975 Cadillac El Dorado and that the automobile is titled in the name of Bank "B". Inquiries at Bank "B" disclose the name of the Cadillac dealer from whom the automobile was purchased, and the fact that the Target made a loan from the bank to purchase the automobile. In addition, by being thorough, the investigator learns that the Target also has a savings account and a mortgage loan at Bank "B". (Details concerning the savings account and mortgage loan will be covered in subsequent paragraphs).

He also learns that the Target has purchased cashier's checks from time to time at Bank "B" and he made arrangements to obtain further information concerning the checks at a later date.

After noting the balance due on the automobile loan as of the end of 1975 (\$3,000), the investigator made inquiries at the Cadillac agency and learned that, in addition to purchasing his El Dorado, he also purchased a Chevrolet Caprice for his girl friend.

Copies of the invoices relative to the purchases of the El Dorado and Caprice are shown in Illustrations 10 and 11 respectively, on the following pages.

Illustration 10



<u>CAR INVOICE</u>		<b>CADILLAC COMPANY</b>		06488	
 CADILLAC					
<b>DATE</b> March 10, 1975		<b>DESCRIPTION OF MOTOR VEHICLE</b>		<b>TERMS OF TIME CONTRACT</b>	
<b>SOLD TO</b>  <b>TARGET</b>		<b>MAKE</b> CAD ** ELDORADO <b>YEAR</b> 1975 <b>MOTOR NUMBER</b> C809671 <b>SERIAL NUMBER</b> G8R38880 <b>MODEL</b> ELDORADO "r h10" <b>BODY STYLE</b> Tudor <b>IGN. KEY</b> Same 6168072 <b>TRUNK KEY</b> <b>NEW</b> <del>QUEEN</del> <b>CAR TRADED</b> 1973 Chev		<b>FINANCE COMPANY</b>  <b>PAYMENTS OF \$</b>  <b>EACH PAYABLE ON THE DAY</b> <b>OF EACH MONTH BEGINNING</b>  <b>SUMMARY OF INSURANCE COVERAGE</b> <b>FIRE \$</b> TERM <b>THEFT \$</b> NONE TERM <b>COMPREHENSIVE \$</b> TERM <b>COLLISION-UPSET \$</b> TERM <b>P.D. &amp; P.L. \$</b> TERM  <b>COMPANY - BROKER - AGENT</b>  N/A	
<b>SAI #SMAN</b> <b>TELEPHONE</b>					
<b>OPTIONAL EQUIPMENT AND ACCESSORIES</b>					
<b>DESCRIPTION</b>	<b>PRICE</b>				
Included in purchase price		<b>BASIC PRICE OF CAR</b> TRANSPORTATION OPTIONAL EQUIPMENT AND ACCESSORIES		<b>13,500.00</b>	
		<b>ALL OTHER CHARGES</b> TITLE OR SALES TAX PERSONAL PROPERTY TAX INSPECTION FEE REGISTRATION FEE CERTIFICATE OF TITLE NOTARIAL AND RECORDING FEES OTHER (ITEMIZE)		<b>Included in purchase price</b>	
		<b>CASH SALE PRICE</b> DEPOSIT		<b>13,500.00</b> <b>5,000.00</b>	
		<b>CASH ON DELIVERY</b> TRADE-IN ALLOWANCE		<b>2,500.00</b>	
		<b>TOTAL CASH PRICE BALANCE</b> <b>TOTAL COST OF INSURANCE</b>		<b>6,000.00</b> <b>-0-</b>	
		<b>CREDITOR'S LIFE INSURANCE</b> <b>AMOUNT OF FINANCE CHARGE</b>		<b>-0-</b> <b>-0-</b>	
		<b>TOTAL TIME PRICE BALANCE DUE FROM THE PURCHASER</b>		<b>6,000.00</b>	
		<b>Bank #B</b>			
<b>NO LIABILITY INSURANCE INCLUDED</b>					

Illustration 11

<u>CAR INVOICE</u>		<b>CADILLAC COMPANY</b>		06488																																												
 CADILLAC																																																
<b>DATE</b> March 10, 1975  <b>SOLD TO</b> Target's Girl Friend  <b>ZSMAN</b> _____ <b>TELEPHONE</b> _____	<b>DESCRIPTION OF MOTOR VEHICLE</b>  <b>MAKE</b> Chev Caprice <b>YEAR</b> 1975 <b>MOTOR NUMBER</b> 07057689 <b>SERIAL NUMBER</b> S1150697864 <b>MODEL</b> Caprice <b>BODY STYLE</b> Tudor <b>IGN. KEY</b> Same 47689736 <b>TRUNK KEY</b> _____ <b>NEW OR USED</b> <b>CAR TRADED</b> None	<b>TERMS OF TIME CONTRACT</b>  <b>FINANCE COMPANY</b>  <b>EACH PAYABLE ON THE _____ DAY OF EACH MONTH BEGINNING _____</b>  <b>SUMMARY OF INSURANCE COVERAGE</b> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">FIRE \$</td> <td style="width: 50%;">TERM</td> </tr> <tr> <td>THEFT \$ NONE</td> <td>TERM</td> </tr> <tr> <td>COMPREHENSIVE \$</td> <td>TERM</td> </tr> <tr> <td>COLLISION-UPSET \$</td> <td>TERM</td> </tr> <tr> <td>P.D. &amp; P.L. \$</td> <td>TERM</td> </tr> </table> <b>COMPANY - BROKER - AGENT</b>  N/A			FIRE \$	TERM	THEFT \$ NONE	TERM	COMPREHENSIVE \$	TERM	COLLISION-UPSET \$	TERM	P.D. & P.L. \$	TERM																																		
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<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;"><u>OPTIONAL EQUIPMENT AND ACCESSORIES</u></th> <th style="width: 50%;"><u>PRICE</u></th> </tr> </thead> <tbody> <tr> <td style="height: 100px; vertical-align: bottom;">Included in purchase price</td> <td></td> </tr> </tbody> </table>		<u>OPTIONAL EQUIPMENT AND ACCESSORIES</u>	<u>PRICE</u>	Included in purchase price		<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">BASIC PRICE OF CAR</td> <td style="width: 30%;"></td> </tr> <tr> <td>TRANSPORTATION</td> <td></td> </tr> <tr> <td>OPTIONAL EQUIPMENT AND ACCESSORIES</td> <td style="text-align: right;">6,500.00</td> </tr> <tr> <td><b>ALL OTHER CHARGES</b></td> <td></td> </tr> <tr> <td>TITLE OR SALES TAX</td> <td style="text-align: right;">Included</td> </tr> <tr> <td>PERSONAL PROPERTY TAX</td> <td style="text-align: right;">in purchase</td> </tr> <tr> <td>INSPECTION FEE</td> <td style="text-align: right;">price</td> </tr> <tr> <td>REGISTRATION FEE</td> <td></td> </tr> <tr> <td>CERTIFICATE OF TITLE</td> <td></td> </tr> <tr> <td>NOTARIAL AND RECORDING FEES</td> <td></td> </tr> <tr> <td>OTHER (ITEMIZE)</td> <td></td> </tr> <tr> <td><b>CASH SALE PRICE</b></td> <td style="text-align: right;">6,500.00</td> </tr> <tr> <td><b>DEPOSIT</b></td> <td></td> </tr> <tr> <td><b>CASH ON DELIVERY</b></td> <td style="text-align: right;">6,500.00</td> </tr> <tr> <td><b>TRADE-IN ALLOWANCE</b></td> <td style="text-align: right;">-0-</td> </tr> <tr> <td><b>TOTAL CASH PRICE BALANCE</b></td> <td style="text-align: right;">-0-</td> </tr> <tr> <td><b>TOTAL COST OF INSURANCE</b></td> <td style="text-align: right;">-0-</td> </tr> <tr> <td><b>CREDITOR'S LIFE INSURANCE</b></td> <td style="text-align: right;">-0-</td> </tr> <tr> <td><b>AMOUNT OF FINANCE CHARGE</b></td> <td style="text-align: right;">-0-</td> </tr> <tr> <td><b>TOTAL TIME PRICE BALANCE DUE FROM THE PURCHASER</b></td> <td></td> </tr> </table>			BASIC PRICE OF CAR		TRANSPORTATION		OPTIONAL EQUIPMENT AND ACCESSORIES	6,500.00	<b>ALL OTHER CHARGES</b>		TITLE OR SALES TAX	Included	PERSONAL PROPERTY TAX	in purchase	INSPECTION FEE	price	REGISTRATION FEE		CERTIFICATE OF TITLE		NOTARIAL AND RECORDING FEES		OTHER (ITEMIZE)		<b>CASH SALE PRICE</b>	6,500.00	<b>DEPOSIT</b>		<b>CASH ON DELIVERY</b>	6,500.00	<b>TRADE-IN ALLOWANCE</b>	-0-	<b>TOTAL CASH PRICE BALANCE</b>	-0-	<b>TOTAL COST OF INSURANCE</b>	-0-	<b>CREDITOR'S LIFE INSURANCE</b>	-0-	<b>AMOUNT OF FINANCE CHARGE</b>	-0-	<b>TOTAL TIME PRICE BALANCE DUE FROM THE PURCHASER</b>	
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The first invoice shows that the Target paid \$13,500 for the El Dorado; received a trade-in allowance of \$2,500 for his 1973 Chevrolet, (which he had also purchased at the same dealer in 1972 for \$4,500); made a cash down payment of \$5,000 (in currency); and financed the balance at Bank "B".

The second invoice shows that the Target paid \$6,500 for the Caprice, that no trade-in was involved, and that the Target paid for the car with currency. The invoice also showed that the automobile was titled in a name later identified by the investigator as the Target's girl friend.

A subsequent re-check of State motor vehicle records showed that both of the above cars are still registered to the Target and his girl friend in 1976. This "re-check" is necessary to prove continued ownership, the importance of which is explained on Pages 33-34.

#### Savings Account

Since the Target's account reflected only nominal activity, the investigator made a transcript of the dates and amounts of all deposits as well as noting year end balances for the purpose of completing the net worth computations (There were no withdrawals from the account). While the transcript is not included as an "illustration," it shows balances of \$200, \$2100, \$7400, and \$9200 at the end of the years 1972 through 1975, respectively.

#### Cashier's Checks - Bank "B"

After obtaining the transcript of the Target's savings account the investigator strikes a bonanza. While only two cashier's checks were purchased by the Target at Bank "B", each check led to significant financial transactions as follows:

#### Travelers Cheques

The first of the two checks, in the amount of \$20,000, was purchased on September 15, 1974, and was made payable to and endorsed by Bank "A", the bank referred to on Pages 7-16 where the Target maintained his safe deposit box and checking account. Inquiries at Bank "A" revealed that the Target used the proceeds of the cashier's check to purchase American Express Travelers Cheques in the amount of

\$20,000 (200 checks of \$100 denomination). (The investigator made a note on his transcript of the Target's entries to his safe deposit box at Bank "A" that he entered his safe deposit box on the same day that he purchased the \$20,000 cashier's check).

The investigator listed the serial numbers of the cheques contained on the bank's retained copy of the sales record, (Illustration 12, below):

Illustration 12

PURCHASER'S APPLICATION	QUANT.	Denom-ination	AMOUNT	CHECKS NUMBERED		SOLD BY
				FRONT	REAR	
		\$10				
		\$20				
		\$50				
	200	\$100	20,000.00	N	27654721	920
		\$500				
	TOTAL		20,000.00	Date	9-15	1974
	CHARGE 1%		200.00	SETTLEMENT	AMOUNT DUE	
	GRAND TOTAL		20,200.00	SELLER'S COPY FOR RECORD		

PURCHASER'S NAME & HOME ADDRESS (PRINT IN FULL)		
FIRST NAME	MIDDLE INITIAL	LAST NAME
TARGET		
HOME ADDRESS		
CITY, STATE, ZIP CODE		
PURCHASER AGREES TO TERMS AND CONDITIONS ON REVERSE SIDE.		
PURCHASER'S SIGNATURE <i>Target</i>		

The investigator obtained copies of the cancelled travelers cheques from the American Express Company. (Further information on how to obtain copies of redeemed travelers cheques, record retention periods, etc., is contained in Chapter IV, Sources of Information).

The investigator studied the endorsements on the 200 checks and made a transcript showing the names of the payees filled in by the Target, the endorsements appearing on the reverse side and the dates that they were negotiated. The transcript confirmed intelligence obtained from other sources that the Target, having scored heavily in his fencing activities in 1974, celebrated his "business" successes by taking two trips with his girl friend; one to Acapulco and one to the French Riviera

in the Fall of 1974. The nature of the expenditures ranged from airline tickets, expensive hotel bills and restaurants, to purchases at a variety of boutiques. These expenditures, all of which represent personal living expenses, are taken into account in the "net worth and expenditures" and "source and application of funds" computations on pages 28-30 of this chapter.

#### Fur Coat

The second cashier's check, in the amount of \$5,000, was purchased on March 21, 1975. The endorsement was made by an exclusive Furrier. Information obtained from the Furrier confirmed the fact that he had received the check from the Target in payment for a full length Tourmaline mink coat. He identified a picture of the Target's girl friend as the recipient of the coat and gave the investigator the name of the insurance broker to whom he had mailed a copy of an appraisal on the coat at the request of the Target.

#### Diamond Ring

The investigator contacted a representative of the insurance company referred to in the preceding paragraph and learned, not only that insurance was still in force on the mink coat, (which proves continued ownership for the purposes outlined on pages 33-34), but also that the Target has insured a man's two karat diamond ring for \$5,000, effective May 23, 1975, and that the policy was still in effect. He also advised the investigator that the appraisal was prepared by Jewelry Store "A". The investigator subsequently contacted the owner of Jewelry Store "A", a small but exclusive operation specializing in custom design jewelry. The owner confirmed that he sold the Target a \$5,000 diamond ring on July 3, 1975; that he remembers the transaction very well, since the Target paid for the ring with fifty \$100 bills. The investigator subsequently checked the date of payment with his transcript of safe deposit box entries and, again, noticed the correlation between the date of entry and the date of payment.

#### Condominium Apartment

An examination of Bank "B's" mortgage loan records by the investigator disclosed that the Target purchased a condominium apartment, where he presently resides, in June, 1973. A copy of the "pur-

chaser's settlement sheet," included among other papers in the bank's loan file, shows that the Target paid \$65,000 for the apartment unit, made a cash down payment of \$25,000, and borrowed the remaining \$40,000 from Bank "B". A copy of the Target's mortgage loan payment record, obtained from Bank "B", shows that the mortgage loan balances on December 31, 1973, 1974 and 1975 were \$37,500, \$27,500 and \$17,500 respectively. The loan records disclosed, in addition to making the required monthly payments of \$450, (an expenditure wholly inconsistent with the Target's alleged sole source of income from his furniture store), he made additional principal payments on the mortgage of \$1,750, \$8,500 and \$8,000 in 1973, 1974, and 1975, respectively.

*In the event that the investigator had not discovered the existence of the mortgage loan at Bank "B", he would have made inquiry at the County Courthouse in the county where the Target was known to reside. An examination of the County land records, which are open to examination by the public, would have disclosed not only the date and description of the property purchased by the Target, but the purchase price and the name of the lender as well. The purchase price can easily be determined by the investigator by noting the amount of "grantors' tax" or "documentary" or "transfer" stamps attached to the deed of trust. This tax, which varies by state, usually is assessed within a range of \$1.00 to \$1.25 per \$1,000 of the purchase price. The name of the lender would be included in the body of the deed of trust "note," a copy of which is also in the file.*

*Examination of county land records should be routinely made by an investigator when a decision has been made to subject a target to a financial investigation. It should cover a period of years at least equal to those in which the target is suspected of being involved in an illegal activity not reflected by his known sources of income.*

*While the names of the various records and the types of filing systems vary from state to state, they are not difficult to examine and, in all instances, assistance from personnel in the appropriate county courthouse offices is available.*

The need to prove continued ownership of the property during the years involved in the computation for this exercise, (as explained on pages 33-34), is met by (1) the fact the county records do not show a transfer of the property out of the name of the Target as of December 31, 1975, and (2) the fact that the mortgage loan is being paid timely and has an existing balance as of December 31, 1975.

### **Results of Inquiries to Date**

At any point, during the course of completing the "Seventh Basic Investigative Technique," that it appears to the investigator that a "test check" of results should be made, it can be accomplished by using either of two basic formats as explained in Chapter II. Both formats are illustrated on the following pages and reflect merely an arithmetical summary of the evidence of expenditures made by the Target.

### **Source and Application of Funds Format**

This title has many synonyms, including, "Statement of Resources Received and Applied," "Statement of Application of Funds," "Expenditures Statement," or, in the vernacular, "Where Did It Come From – Where Did It Go." They are all appropriate for the purposes of the investigator. The format is also highly flexible and can be presented by using a variety of different schedules. There is no right or wrong way. The decision on how to present the evidence in schedule form should be made solely on the basis of which format is most easily understood.

The Source and Application of Funds Format is illustrated on the following page (Illustration 13).



### SOURCE AND APPLICATION OF FUNDS

<u>FUNDS APPLIED:</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>Page No.</u>
Increase in Checking Account Balance	\$ 800	\$ 2,500	\$ 700	13
Increase in Savings Account Balance	1,900	5,300	1,800	23
Down Payment on Apartment	25,000			25-26
Purchase of Securities:				
ABC			20,000	16-19
DEF			5,000	16-19
Purchase of Cadillac (Down Payment)			5,000	19-23
Purchase of Chevrolet			6,500	19-23
Purchase of Diamond Ring			5,000	25
Purchase of Fur Coat			5,000	25
Purchase of Travelers Cheques		20,000		23-24
Reduction of Mortgage on Apartment	2,500	10,000	10,000	25-26
Reduction of Loan on Cadillac			3,000	20
<b>TOTAL FUNDS APPLIED</b>	<b>\$30,200</b>	<b>\$37,800</b>	<b>\$62,000</b>	
 <b><u>SOURCE OF FUNDS:</u></b>				
Income from Furniture Store	<u>\$16,250</u>	<u>\$11,750</u>	<u>\$14,375</u>	7
 <b><u>INCOME FROM UNIDENTIFIED</u></b>				
<b><u>SOURCES</u></b>	<b><u>\$13,950</u></b>	<b><u>\$26,050</u></b>	<b><u>\$47,625</u></b>	

Illustration 13

### **Net Worth and Expenditures Computation**

There are few, if any significant variations in describing the title of this format. The schedules used to make the computation are basically the same.

While its use is rather common it is sometimes considered more difficult to explain. However, as indicated earlier in a discussion of the format of the Source and Application of Funds Statement and in Chapter II, the investigator should use whichever computation and format is, in his judgement, most easily understood.

The Net Worth and Expenditures Statement Format is illustrated on the following page (Illustration 14).

## NET WORTH AND EXPENDITURES COMPUTATION

<u>ASSETS</u>	<u>12/31/72</u>	<u>12/31/73</u>	<u>12/31/74</u>	<u>12/31/75</u>	<u>Page No.</u>
Checking Account — Bank A	\$ 300	\$ 1,100	\$ 3,600	\$ 4,300	13
Savings Account — Bank B	200	2,100	7,400	9,200	23
Condominium Apartment		65,000	65,000	65,000	25-26
Furniture Store — Capital Investment	15,000	15,000	15,000	15,000	7
Securities:					
200 Shares ABC				20,000	16-19
200 Shares DEF				5,000	16-19
Automobiles:					
1973 Chevrolet	4,500	4,500	4,500	0-	19-23
1976 Cadillac				13,500	19-23
1976 Chevrolet				6,500	19-23
Diamond Ring				5,000	25
TOTAL ASSETS	<u>\$20,000</u>	<u>\$87,700</u>	<u>\$95,500</u>	<u>\$143,500</u>	
 <u>LIABILITIES</u>					
Mortgage-Condominium Apt.		\$37,500	\$27,500	\$17,500	25-26
Automobile Loan				3,000	20
TOTAL LIABILITIES	<u>0-</u>	<u>\$37,500</u>	<u>\$27,500</u>	<u>\$20,500</u>	
Net Worth	\$20,000	\$50,200	\$68,000	\$123,000	
Less Net Worth Prior Year		<u>20,000</u>	<u>50,200</u>	<u>68,000</u>	
Increase in Net Worth		\$30,200	\$17,800	\$ 55,000	
Add: Identified Personal Expenses:					
Loss on Trade in of 1973 Chevrolet				\$ 2,000	19-23
Travelers Checks			\$20,000		23-24
Fur Coat				5,000	25
TOTAL EXPENDITURES		<u>\$30,200</u>	<u>\$37,800</u>	<u>\$ 62,000</u>	
Income from Furniture Store		<u>16,250</u>	<u>11,750</u>	<u>14,375</u>	7
<u>INCOME FROM UNIDENTIFIED SOURCES</u>		<u>\$13,950</u>	<u>\$26,050</u>	<u>\$ 47,625</u>	

Illustration 14

### Additional Living Expenses

Other living expenses, such as food, medical care, clothing, interest, taxes, contributions, etc., have not been taken into account in the foregoing practical exercise. Evidence of expenditures of this nature would, of course, further increase the amount of unexplained source or sources of income expended by the Target and would, accordingly, give the investigator and/or prosecutor greater leverage in applying the various techniques suggested earlier in this Handbook. If information concerning day to day living expenditures is readily available to the investigator, it should be obtained and documented in a manner similar to the other expenditures illustrated in the practical exercise.

Expenditures of this nature can be critical to the value of the overall computations if the total expenditures over and above known sources of income in any of the years in question are nominal. However, if the excess of expenditures in each of the years in question is sufficient to clearly demonstrate a pattern of expenditures well beyond the Target's legitimate sources of income, there is no need to expend additional investigative time to prove additional expenditures of this nature.

A principal source of information to prove additional living expenses is the several national credit card companies which have grown immensely in recent years. One of these companies, Bank Americard, was mentioned briefly in the opening pages of this chapter. As of the end of the first quarter of 1976, Bank Americard listed 7,058 participating banks and 31.8 million cardholders; second only to Master Charge who listed 7,483 participating banks and 37.4 million cardholders.

Further information concerning Bank Americard and other similar companies is contained in Chapter IV, Sources of Information.

#### Impact of Cash on Hand on Computations

In computing the amount of income derived by the Target from unexplained sources in the examples shown on pages 28 & 30, three factors, cash on hand, gifts or inheritances and loans were intentionally not taken into account. Their impact can best be explained at this stage of the practical exercise after the computation has been completed.

There are, primarily, only four explanations that can be made by a target when confronted by the results shown in the previous computations. He can allege that the expenditures made in excess of his available income from his legitimate sources were made with cash accumulated in and retained from prior years. He can also allege that he received gifts of cash from friends. He can further allege that he borrowed cash from friends and that said loans remain unpaid. Or, he can claim that he inherited cash or other property which he converted to cash.

These attempts to explain away evidence of other sources of income are not difficult to disprove because the explanations are usually false. If the explanations are, in fact, false, the Target is literally forced to state that the funds allegedly received from others or saved from prior years were in currency, since he cannot point to any documentary evidence to substantiate his claims. For example, if he placed the funds in his checking or savings accounts, or if he received cashier's checks or securities, or jewelry which he later converted to cash, etc., there would have to be at least some written record to substantiate his claim. The

fact that the explanation relates to "currency" is, therefore, the best indicator to an investigator that the explanation is false.

If the Target identifies the individual or individuals from whom he allegedly received cash gifts or loans (probably others engaged in illegal activities) he subjects them to the same investigative perils as he is currently facing. He may, by the very fact of identifying them, finger other potential targets; some of whom may warrant an investigation of their financial activities; particularly if, by some remote chance, there is a degree of validity to the Target's explanation. In effect, the investigative emphasis could conceivably shift, perhaps to a target at a higher echelon.

If the Target claims to have inherited money in prior years and allegedly used those funds to make the expenditures during the years in question, there are public probate records available in local courthouses, enabling an investigator to check out the validity of such claims.

Assuming that some or all of the countermeasures taken by the investigator are not productive for any of a variety of reasons, there are ample sources of evidence available to an investigator to negate most all of the claims outlined above. Most of this evidence can and should be obtained during the course of the inquiries previously made by the investigator, and which have already been discussed in this chapter.

For example, while making inquiries at the banks the investigator should have routinely requested copies of financial statements submitted to them by the Target. These statements, which vary in form, and are universally required when applying for a loan, require the applicant to list his cash holdings as well as cash in banks and other assets. The applicant must also list his liabilities.

The absence of any disclosure of cash on hand in a financial statement or the absence of any indication of money owed to individuals, tends, in and of itself, to negate previously referred to allegations of cash on hand and cash loans.

The analysis of the Target's entries to his safe deposit box may also assist the investigator in overcoming the "cash" allegations made by the Target. In questioning the Target as to the dates on which he received gifts, inheritances or loans, and where he placed the funds for safekeeping, it may well be shown that the Target did not enter his safe deposit on the dates or even near the dates that he claimed to have received the cash.

There are other types of information available to negate any at-

tempts to explain away the source of funds used to make the expenditures referred to in the exercise by alleging the existence of an accumulation of cash from prior years. They include public records disclosing judgements arising from non payment of debts, a poor work record, nominal living standards, testimony of relatives, girl friends, etc.

The principle point to keep in mind is that during the interrogation process, when the Target is confronted with the evidence of his inordinate expenditures,

1. He has been surprised. He is faced with the reality that the investigator knows he is spending substantially more funds than he can account for from legitimate sources.

2. He is trying to avoid incriminatory statements that will disclose his fencing activities.

3. His attempts to explain away the expenditures are, in all probability, a complete fabrication, hastily and, as a result, poorly conceived, and

4. As he attempts to make plausible explanations he becomes even more "off balance" and is more vulnerable to the application of skilled interrogation techniques designed to bring out the Target's fencing activities, which is, after all, the primary objective of the application of the "Seventh Basic Investigative Technique."

#### Continued Ownership of Assets

In making the preceding computations it should be kept in mind that it is not only necessary to prove that a target acquired an asset, (stocks, land, automobiles, etc.) but, that he either disposed of it during one of the years involved in the computation, or retained the asset throughout the years in question.

For example if the Target, in the exercise in Chapter III, sold an asset during any of the years in question, he would have funds available to make other expenditures. If the investigator gathers evidence of the other expenditures and adds them to the expenditures previously determined, the result would be that the Target would have been erroneously charged with having spent the same money twice. For example, if the Target sold his DEF stock on August 1, 1975, which he had purchased in June, 1975, and used the \$5,000.00 proceeds to buy a diamond ring in September, 1975 for \$5,000.00, his net expenditures for the year would be only \$5,000.00.

However, if it can be established that the Target still owned the DEF stock at the end of the year, and purchased the diamond ring in

September of the same year, his net expenditures would then be \$10,000.00.

The need, therefore, to determine whether or not the Target kept or sold his stocks is obvious. In the example illustrated in this handbook, continued ownership of the stocks was assumed. However, if the Target had taken delivery of the stocks, other evidence of continued ownership (or sale) would have had to be obtained by the investigator. The best sources of information would be the appropriate corporations' transfer agent, usually a bank. The transfer agent maintains a record on each stockholder's holdings, which includes the number of shares owned, the certificate numbers, the dates of acquisition, and the full name in which the shares were issued. The transfer agents records will also show the surrender or cancellation date of all certificates.

The name of a Corporation's transfer agent can be obtained from either the Corporation, Moodys or Standard and Poor's.

Continued ownership of the other assets referred to in Chapter III has already been commented on in the appropriate paragraphs in Chapter III, i.e., Automobiles, Page 23, Fur Coat and Diamond Ring, Page 25 and Condominium Apartment, Page 26.

### **Summary**

While, during the course of the preceding exercise, the Target may appear to have undergone a series of wholly unnecessary manipulations of cash, they were not at all unusual. The transactions reflect the actions of an individual who is attempting to conceal the nature of his financial activities, hoping to avoid leaving a trail. They constitute the actions of a guilt ridden individual, taken primarily to hide the proceeds of his illegal activities. The very nature of their circuitous route, once discovered by the investigator, can, among other things, contribute significantly to a successful interrogation.

The degree to which the computations should be perfected should depend on the manner in which the information is to be utilized. If its use is to, initially, be limited to interrogation of a target, there is no need to tie down every loose end to a mathematical certainty. If, however, it appears that the computation has potential for assisting a prosecutor in presenting a case to a grand jury or during the course of trial, then, by all means, the computations should be perfected. Assistance from investigative financial analysts and/or others with similar backgrounds should be utilized for this purpose if this type of resource personnel are available.

## CHAPTER IV

### Sources of Information

#### Introduction

This handbook does not include a comprehensive list of sources of information available to an investigator. That is not its purpose. Nor is it necessary to do so, since basic instruction in this area, as well as all other basic investigative techniques, are included in the curricula of most law enforcement training academies. In addition, most, if not all, investigators have had considerable experience in cultivating a broad variety of information sources.

The sources of information included in this handbook are, accordingly, limited primarily to those necessary to trace financial transactions that have an impact on the "net worth and expenditures" computations; the so-called "Seventh Basic Investigative Technique."

Some of the sources of information utilized in tracing financial transactions have already been explained in Chapter III during the development of the practical exercise and will not be repeated in this chapter. Only those sources of information which require further explanation will be discussed herein. They relate, primarily, to bank records, stockbrokers' records, travelers cheques, and records of the major credit card companies.

#### Authority to Obtain Information

During the course of presenting investigative accounting techniques to literally thousands of state and local criminal investigators at organized crime seminars throughout the United States the author has encountered, during the early stages of his presentations, not a reluctance to apply the suggested techniques, but sincere questions challenging the ability or the right of criminal investigators to obtain information from banks and other business organizations without subpoena power. Invariably, after comprehensive discussions with the groups, the author was readily able to overcome these concerns. It is hoped, therefore, that the following paragraphs will, likewise, overcome any undue



concern among those criminal investigators who will be studying the contents of this handbook about their ability to successfully obtain all of the information necessary to make the computations illustrated in Chapter III, and more.

A considerable part of the evidence, necessary to make the computations illustrated in Chapter III, is readily available to criminal investigators, either from public records, such as those located in county courthouses, or, under certain circumstances, from city, county, state and Federal agencies.

Subpoena power, when available through the courts, grand juries, legislative bodies, crime commissions and other administrative groups, should be fully utilized. However, adequate sources of information should be independently developed to the fullest extent possible.

Of major importance, however, when developing sources of information, criminal investigators should not concentrate solely on developing informants among the criminal element or from sources often referred to as "street" sources, whose credibility is so often found to be highly questionable.

Criminal investigators should broaden the scope of this powerful investigative technique and develop informants and cooperative individuals among the white collar groups who may have knowledge of a target's financial activities, as well as among the white collar criminal's associates. In other words, develop sources of information among those individuals in the financial community where the profits from a target's illegal activities are actually expended. Keep in mind that one of the most important keys to solving crimes, motivated by a greed for money, lies with the development of evidence of the disposition of the fruits of the crime . . . . . money. In developing sources of information among those in the financial community, criminal investigators should keep in mind that the automobile dealers, furriers, jewelry store owners, boutique operators, banks, etc., are all looking to the law enforcement officer for protection from the criminal element, not just from those who commit crimes of violence, but from those who commit financial crimes as well. The criminal investigator, therefore, literally has his foot in the door in creating a cooperative relationship with the business community.

In developing sources of information within the financial community, investigators should employ the same high standards of conduct, to ensure that Federal, state and local statutes are not violated, as those employed in developing information from all other sources.

## BANK RECORDS

A cursory review of the practical exercise in Chapter III clearly shows that one of the most important sources of information, necessary to successfully employ the Seventh Basic Investigative Technique, is the nation's banks.

The purpose of the following paragraphs, therefore, is to familiarize criminal investigators with certain bank records in greater detail than previously explained in Chapter III.

### Internal Bookkeeping Procedures

It is not the purpose of this chapter, or any other chapter in this handbook, to explain to criminal investigators the intricacies of internal banking bookkeeping procedures. It would be impractical, detract from the objectives of the handbook, and would serve no useful purpose.

Internal banking record keeping practices and procedures are not only complex, but are changing constantly, due, primarily, to the further sophistication of computer technology. The nation's banks are moving steadily toward an "electronic funds transfer" system which will eliminate the use of checks. Such a system would automatically transfer money from the account of a purchaser to the account of a seller. The familiar "paper trails" would, accordingly, disappear. These and other electronic innovations would make any attempt to explain internal record keeping procedures of banks obsolete by the time the handbook is printed.

### Retention of Records

Of greater importance to the criminal investigator than the electronic advances being made by banks in keeping records is the knowledge and assurance that they do not need to familiarize themselves with intricate internal record keeping procedures of banks in order to obtain the types of information necessary to their investigations. The criminal investigator does need to know, however, that records of customers' transactions, regardless of their complexity, are maintained and are retained. The retention of said records is mandatory in accordance with the provisions of Titles I and II of Federal Public Law 91-508, the Financial Record Keeping and Currency and Foreign Transactions Act.

U. S. Treasury regulations, implementing Public Law 91-508, provide, in part, that an original, microfilm, or other copy or reproduction

of most demand deposits (checking account) and savings account records must be retained for five years. The records must include:

1. Signature cards
2. Statements, ledger cards or other records disclosing all transactions; i.e., deposits and withdrawals.
3. Copies of customers' checks, bank drafts, money orders, cashier's checks drawn on the bank, or issued and payable by it.

In addition, banks must retain for a two-year period all records necessary to:

1. Reconstruct a customer's checking account. The records must include copies of customer's deposit tickets.
2. Trace and supply a description of a check deposited to a customer's checking account.

All of the above requirements apply only to checks written or deposits made in excess of \$100.00. It should be noted, however, that most banks find that it is cheaper to microfilm all pertinent records, including those checks and deposits in amounts of less than \$100.00, rather than sort out their records into two categories. Therefore, if a particular transaction of less than \$100.00 appears to be of particular interest to an investigator, there is a strong likelihood that the necessary records to identify the transaction are, in fact, available.

The regulations further provide that whatever system banks use to photocopy or microfilm checks, drafts or money orders, both sides of the checks must be reproduced unless the reverse sides are blank.

The regulations also provide that banks maintain their records in such a manner so that they can be made available, upon request, within a "reasonable period of time."

Public Law 91-508 provides for civil and/or criminal penalties for willful violations of the law or the regulations summarized, in part, above.

Detailed information concerning Public Law 91-508 can be obtained by requesting from the U. S. Department of The Treasury, a publication prepared by the Office of the General Counsel and issued in June, 1972, entitled "Currency and Foreign Transactions Reporting Act — Statute, Regulations, and Forms."

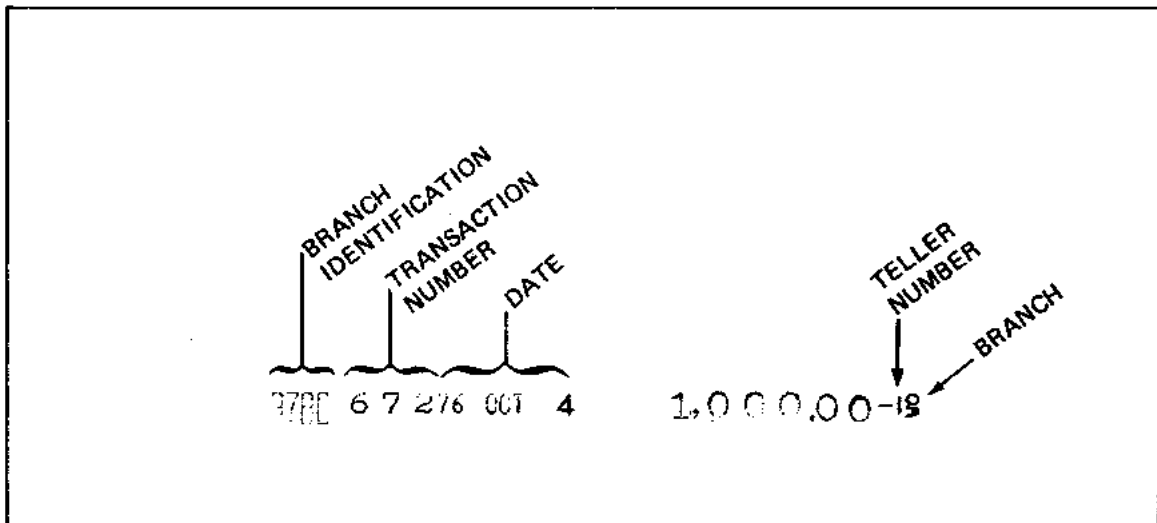
Requests should be addressed to the Deputy Assistant Secretary (Enforcement), The Department of the Treasury, Washington, D.C., 20220.

**Recognizing "Cashed" Checks**

As stated in Chapter III, all banks use a series of codes or symbols to indicate on the face of a check the nature of its disposition. Of particular interest to the police investigator are those checks, either drawn on a target's checking account, or received by a target from others, which have been cashed.

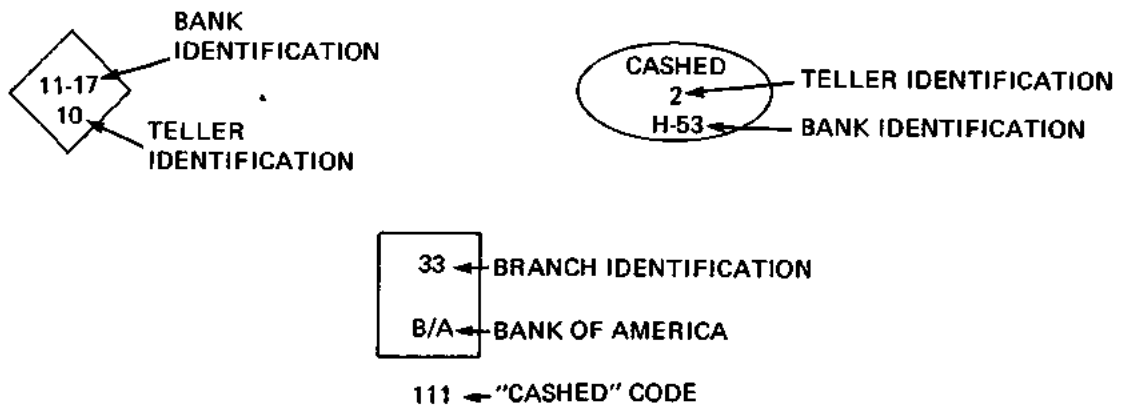
Illustration 15 below shows the "cashed" code used by one of the major banks in the Mid-Atlantic States. It is one of the most commonly used codes, and is stamped on the face of cashed checks.

Illustration 15



Other examples of "cashed" codes used by banks are shown in Illustration 16 below: (In each instance the codes are stamped on the face of checks.)

Illustration 16

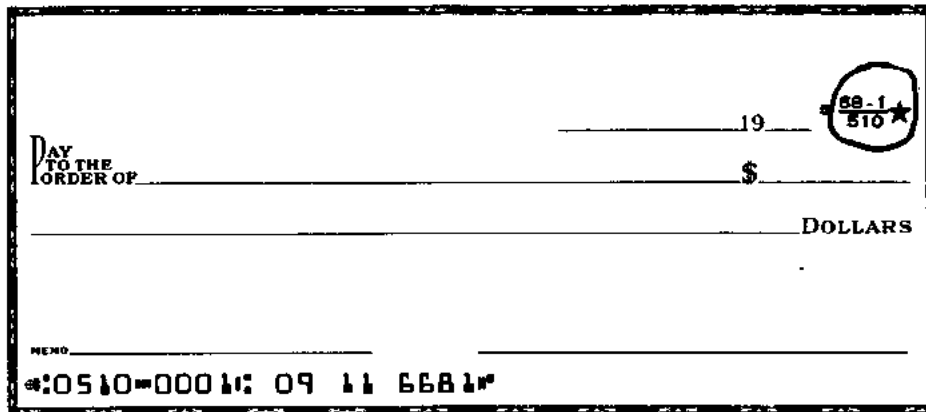


No attempt has been made to include in this handbook "cashed" codes of all banks due to the variety of codes used. This information can, however, be readily obtained by making appropriate local inquiries.

**Bank Identification Symbols**

All checks printed for banking institutions contain a series of numbers in the upper right hand corner on the face of the checks. These numbers represent an identification code developed by the American Banker's Association and are usually referred to as the "ABA Transit Number." See Illustration 17 below:

Illustration 17



The "ABA Transit Number" Identification Code is illustrated below: (Illustration 18)

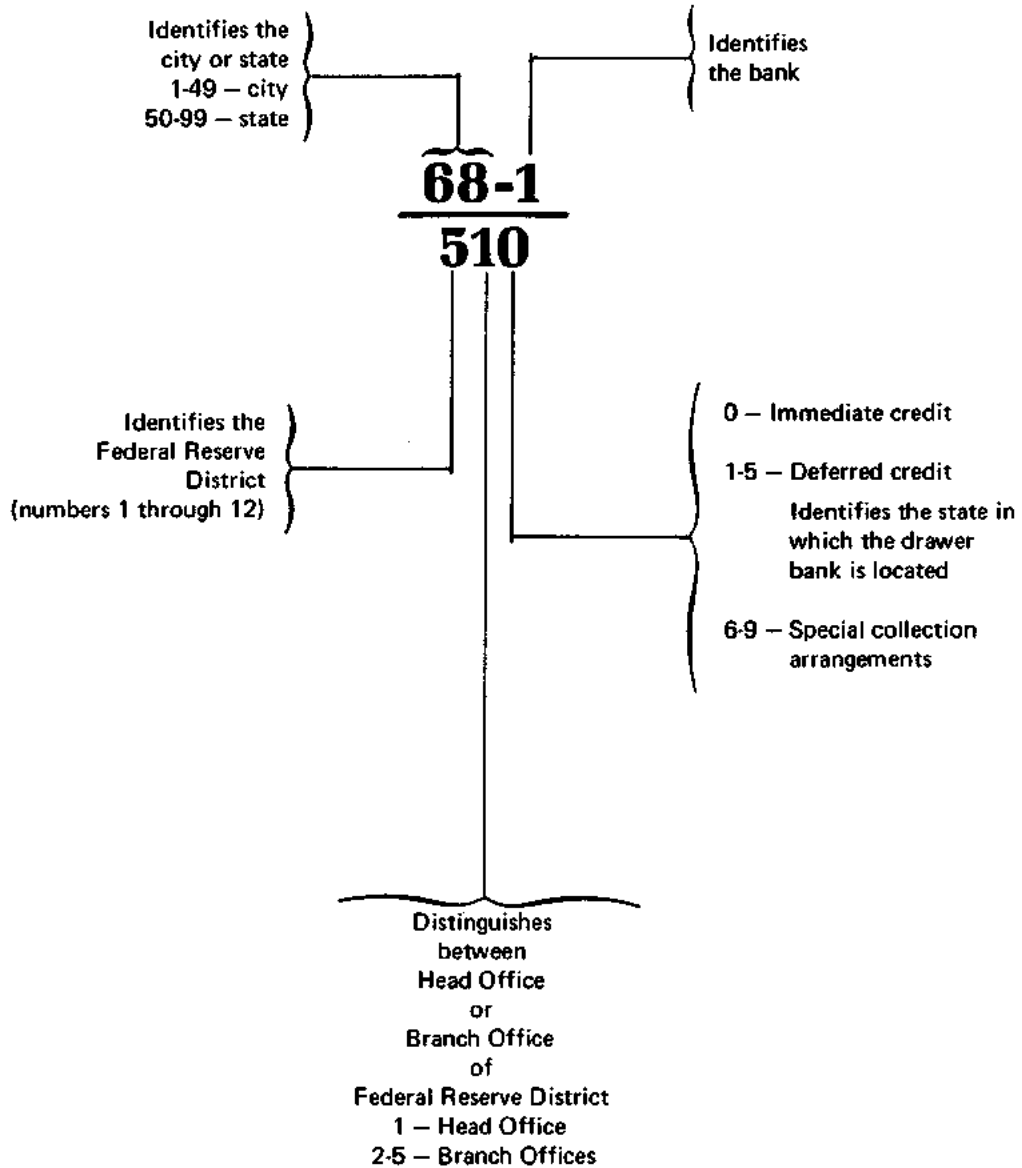


Illustration 18

A complete listing of the ABA Numerical System Identification Code is contained on the following two pages. (Illustration 19)

**THE NUMERICAL SYSTEM  
of The American Bankers Association  
Index to Prefix Numbers of Cities and States**

Numbers 1 to 49 inclusive are Prefixes for Cities.

Numbers 50 to 99 inclusive are Prefixes for States.

Prefix Numbers 50 to 58 are Eastern States.

Prefix Number 59 is Alaska, American Samoa, Guam, Hawaii, Puerto Rico, and Virgin Islands.

Prefix Numbers 60 to 69 are Southeastern States.

Prefix Numbers 70 to 79 are Central States.

Prefix Numbers 80 to 88 are Southwestern States.

Prefix Numbers 90 to 99 are Western States.

**Prefix Numbers of Cities in Numerical Order**

- |                           |                          |                          |
|---------------------------|--------------------------|--------------------------|
| 1. New York, N. Y.        | 18. Kansas City, Mo.     | 35. Houston, Texas       |
| 2. Chicago, Ill.          | 19. Seattle, Wash.       | 36. St. Joseph, Mo.      |
| 3. Philadelphia, Pa.      | 20. Indianapolis, Ind.   | 37. Fort Worth, Texas    |
| 4. St. Louis, Mo.         | 21. Louisville, Ky.      | 38. Savannah, Ga.        |
| 5. Boston, Mass.          | 22. St. Paul, Minn.      | 39. Oklahoma City, Okla. |
| 6. Cleveland, Ohio        | 23. Denver, Colo.        | 40. Wichita, Kan.        |
| 7. Baltimore, Md.         | 24. Portland, Ore.       | 41. Sioux City, Iowa     |
| 8. Pittsburgh, Pa.        | 25. Columbus, Ohio       | 42. Pueblo, Colo.        |
| 9. Detroit, Mich.         | 26. Memphis, Tenn.       | 43. Lincoln, Neb.        |
| 10. Buffalo, N. Y.        | 27. Omaha, Neb.          | 44. Topeka, Kan.         |
| 11. San Francisco, Calif. | 28. Spokane, Wash.       | 45. Dubuque, Iowa        |
| 12. Milwaukee, Wis.       | 29. Albany, N. Y.        | 46. Galveston, Texas     |
| 13. Cincinnati, Ohio      | 30. San Antonio, Texas   | 47. Cedar Rapids, Iowa   |
| 14. New Orleans, La.      | 31. Salt Lake City, Utah | 48. Waco, Texas          |
| 15. Washington, D. C.     | 32. Dallas, Texas        | 49. Muskogee, Okla.      |
| 16. Los Angeles, Calif.   | 33. Des Moines, Iowa     |                          |
| 17. Minneapolis, Minn.    | 34. Tacoma, Wash.        |                          |

**Prefix Numbers of States in Numerical Order**

- |  |                    |                 |
|--|--------------------|-----------------|
| 50. New York   | 64. Georgia        | 82. Colorado    |
| 51. Connecticut  | 65. Maryland       | 83. Kansas      |
| 52. Maine  | 66. North Carolina | 84. Louisiana   |
| 53. Massachusetts  | 67. South Carolina | 85. Mississippi |
| 54. New Hampshire  | 68. Virginia       | 86. Oklahoma    |
| 55. New Jersey   | 69. West Virginia  | 87. Tennessee   |
| 56. Ohio   | 70. Illinois       | 88. Texas       |
| 57. Rhode Island   | 71. Indiana        | 89. . . . .     |
| 58. Vermont  | 72. Iowa           | 90. California  |
| 59. Alaska, American<br>Samoa, Guam,<br>Hawaii, Puerto<br>Rico & Virgin<br>Islands | 73. Kentucky       | 91. Arizona     |
|  | 74. Michigan       | 92. Idaho       |
|  | 75. Minnesota      | 93. Montana     |
|  | 76. Nebraska       | 94. Nevada      |
|  | 77. North Dakota   | 95. New Mexico  |
| 60. Pennsylvania   | 78. South Dakota   | 96. Oregon      |
| 61. Alabama  | 79. Wisconsin      | 97. Utah        |
| 62. Delaware   | 80. Missouri       | 98. Washington  |
| 63. Florida  | 81. Arkansas       | 99. Wyoming     |

Illustration 19

**ROUTING SYMBOLS (IN ITALICS) OF BANKS THAT ARE MEMBERS OF THE FEDERAL RESERVE SYSTEM**

**ALL BANKS IN AREA SERVED BY A FEDERAL RESERVE BANK OR BRANCH CARRY THE ROUTING SYMBOL OF THE FEDERAL RESERVE BANK OR BRANCH**

<b>FEDERAL RESERVE BANKS AND BRANCHES</b>			
		8. Federal Reserve Bank of St. Louis Head Office	$\frac{4-4}{810}$
1. Federal Reserve Bank of Boston Head Office	$\frac{5-1}{110}$	Little Rock Branch	$\frac{81-13}{820}$
2. Federal Reserve Bank of New York Head Office	$\frac{1-120}{210}$	Louisville Branch	$\frac{21-59}{830}$
Buffalo Branch	$\frac{10-26}{220}$	Memphis Branch	$\frac{26-3}{840}$
3. Federal Reserve Bank of Philadelphia Head Office	$\frac{3-4}{310}$	9. Federal Reserve Bank of Minneapolis Head Office	$\frac{17-8}{910}$
4. Federal Reserve Bank of Cleveland Head Office	$\frac{0-1}{410}$	Helena Branch	$\frac{93-26}{920}$
Cincinnati Branch	$\frac{13-43}{420}$	10. Federal Reserve Bank of Kansas City Head Office	$\frac{18-4}{1010}$
Pittsburgh Branch	$\frac{8-30}{430}$	Denver Branch	$\frac{23-19}{1020}$
5. Federal Reserve Bank of Richmond Head Office	$\frac{68-3}{510}$	Oklahoma City Branch	$\frac{39-24}{1030}$
Baltimore Branch	$\frac{7-27}{520}$	Omaha Branch	$\frac{27-12}{1040}$
Charlotte Branch	$\frac{66-20}{530}$	11. Federal Reserve Bank of Dallas Head Office	$\frac{32-3}{1110}$
6. Federal Reserve Bank of Atlanta Head Office	$\frac{64-14}{610}$	El Paso Branch	$\frac{88-1}{1120}$
Birmingham Branch	$\frac{61-19}{620}$	Houston Branch	$\frac{35-4}{1130}$
Jacksonville Branch	$\frac{63-19}{630}$	San Antonio Branch	$\frac{30-72}{1140}$
Nashville Branch*	$\frac{87-10}{640}$	12. Federal Reserve Bank of San Francisco Head Office	$\frac{11-37}{1210}$
New Orleans Branch	$\frac{14-21}{650}$	Los Angeles Branch	$\frac{16-16}{1220}$
7. Federal Reserve Bank of Chicago Head Office	$\frac{2-30}{710}$	Portland Branch	$\frac{24-1}{1230}$
Detroit Branch	$\frac{9-29}{720}$	Salt Lake City Branch	$\frac{31-31}{1240}$
		Seattle Branch	$\frac{19-1}{1250}$



## NATIONAL CREDIT CARDS

### Bank Americard

In the opening paragraph of the "Investigative Steps" section of Chapter III, mention was made that the investigator learned that the Target had obtained a Bank Americard at Bank "A".

No further mention was made of the Bank Americard in the practical exercise until the closing pages of the Chapter under the sub-heading, "Additional Living Expenses." It was suggested that further investigative effort and expense to prove additional living expenses should not be undertaken unless such proof was needed to establish a clear pattern of expenditures beyond a target's legitimate sources of income.

In the event that additional evidence of living expenses is needed, one of the best sources of information is Bank Americard and similar credit card systems.

Records of purchases made by Bank Americard holders are retained on microfilm by participating banks. The record retention period varies according to the record retention policies of member banks. It should be noted that all records relating to customers who have used their accounts, or those of others, in a fraudulent manner, are retained permanently.

Since the records of purchases are stored in facilities maintained by each of the member banks, no attempt is being made to list the location of Bank Americard storage centers in this handbook due to the large number of participating banks. This information can be readily obtained on a local basis.

Illustration 20 below is a sample monthly statement issued to card holders by Bank Americard.

Illustration 20

TYPE OF TRANSACTION		DATE	DESCRIPTION OF CHARGES AND CREDITS	AMOUNT	BILLING FROM NUMBER
PREV BAL			PREVIOUS BALANCE FROM LAST STATEMENT	0.00	
PURCHASE	0410		JAMES RIVER BRASS SHOP RICHMOND VA	44.20	4344041601172550
PURCHASE	0417		HOFMEYERS 40 RICHMOND VA	9.35	4344042601341648
PURCHASE	0420		DRUG FAIR 1A1 RICHMOND VA	15.67	4344042701788163
NEW BAL			**** NEW BALANCE ****	69.22	
			MINIMUM PAYMENT DUE	10.00	

TYPE OF CHARGE	PERCENTAGE	MINIMUM CHARGE	MAXIMUM CHARGE	FINANCIAL INSTITUTION	FINANCIAL INSTITUTION	FINANCIAL INSTITUTION	FINANCIAL INSTITUTION	FINANCIAL INSTITUTION
APRIL - SEPTEMBER 1976	1.00%	12.00%	0.00	0.00	0.00	0.00	0.00	0.00
OCTOBER - DECEMBER 1976	1.00%	12.00%	0.00	0.00	0.00	0.00	0.00	0.00
JANUARY - MARCH 1977	1.50%	18.00%	0.00	0.00	0.00	0.00	0.00	0.00

The first four digits of the account number located in the upper left hand corner of the statement identify the name of the member bank. The statement clearly shows the potential value of this source of information, not only to prove expenditures for the purpose of making the computations demonstrated in Chapter III, but as a general source of leads, target contacts, whereabouts on given dates, etc.

**Master Charge**

Records of purchases made by Master Charge Credit Card holders are also retained on microfilm by participating banks. The record retention period varies according to the record retention policies of said banks.

As stated in the above paragraphs relating to Bank Americard, record storage facilities are maintained by each of the member banks. Therefore, it would be impractical to attempt to include in this publication locations of all record retention centers.

The Master Charge company is presently in the process of converting their record keeping system which, when implemented, will provide card holders with a monthly statement format similar to Bank Americard. It will replace the present system in which copies of charge tags are returned to customers.

### American Express

Records of purchases made by American Express Credit Card holders are retained on microfilm for at least six years. Requests for copies of monthly statements, if circumstances require making a formal request, should be directed to the American Express Company, Box 13779, Phoenix, Arizona 85002.

The monthly statement issued to card holders by the American Express Company is similar in format to the statement issued by Bank Americard.

## TRAVELERS CHEQUES

### American Express

Cancelled American Express Travelers Cheques are retained for a period of six years and one month in storage facilities located in Piscataway, New Jersey. The cheques are filed serially by date of redemption, not by issue date. Requests for copies of paid cheques should be directed to the American Express Company, American Express Plaza, New York, New York 10004.

### Citibank of New York

Cancelled Citibank travelers cheques are also filed, serially, by date of redemption, rather than by issue date. Requests for copies of paid cheques should be directed to the Citibank Travelers Cheque Refund Department, P. O. Box 2202, F.D.R. Station, New York, New York 10022.

### Bank of America

Cancelled Bank of America travelers cheques are also filed, serially, by date of redemption, rather than by issue date. Requests for copies of paid cheques should be directed to the Bank of America Check Corporation, Attention: Claims Department, Fifth Floor, 1 - Powell Street, San Francisco, California 94102.

### Analyzing Customer Security Account Statements

The following rules are applicable in analyzing a target's security account statement.

Illustration 9, originally referred to in Chapter III, is repeated on

page 48 for easy reference with relation to the following explanations.

When a target purchases stock there would be entries in all of the following columns:

1. "Bought or Received" column
2. "Description" column, where the name of the security would be listed.
3. "Price or Symbol" column, where the purchase price per share would be listed.
4. "Debit" column, the amount of the purchase charged to the Target's account.

When a target sells stock there would be entries in all of the following columns:

1. "Sold or Delivered" column
2. "Description" column, where the name of the security would be listed.
3. "Price or Symbol" column, where the sales price per share would be listed.
4. "Credit" column, the proceeds from the sales credited to the Target's account.

When a target purchases stock he has the option of taking "delivery" of the certificates from the broker or leaving them in the broker's custody.

If he takes delivery of the certificates the number of shares would be noted in the "Sold or Delivered" column and the date column would show the date of delivery. In addition there would be no entry in the "price or symbol" column. If there was a price in the "price or symbol" column, the entries would reflect a sale rather than a delivery.

If there are no entries indicating "delivery" of the securities, they are, in fact, being held by the broker and the target is in what is commonly referred to as a "long" position. Usually the broker will list at the bottom of the target's December statement a summary of his "long" position, i.e., a listing of the number of shares of each stock being held for the target.

Period ENDING June 30, 1975		YOUR ACCOUNT NUMBER 247630		STATEMENT OF YOUR SECURITY ACCOUNT WITH STOCK BROKER "A"			
TARGET "A"		KINDLY MENTION YOUR ACCOUNT NUMBER WHEN REFERRING TO THIS STATEMENT OR OTHER TRANSACTIONS.		MEMBER NEW YORK STOCK EXCHANGE AMERICAN STOCK EXCHANGE TORONTO STOCK EXCHANGE AND OTHER LISTING STOCK AND COMMODITY EXCHANGES			
DATE	QUANTITY BOUGHT OR SELLING	QUANTITY BOUGHT OR SELLING	DESCRIPTION	PRICE OR SYMBOL	AMOUNT CREDITED (CHARGED) TO YOUR ACCOUNT	AMOUNT CREDITED TO YOUR ACCOUNT	BALANCE (BY TYPE OF ACCOUNT)
6 19			Check			10,000.00	10,000.00
6 19	100		ABC Corp.	100	10,000.00		-0-
6 20			Check			10,000.00	10,000.00
6 20	100		ABC Corp.	100	10,000.00		-0-
6 23			Check			5,000.00	5,000.00
6 23	200		DEF Corp.	25	5,000.00		-0-

KINDLY DIRECT INQUIRIES CONCERNING THIS STATEMENT TO THE OFFICE WHICH SERVICES YOUR ACCOUNT. SEE REVERSE SIDE FOR ADDRESS AND TELEPHONE NUMBER.

**LEDGER**

FOR DESCRIPTION OF TYPE OF ACCOUNT AND EXPLANATION OF SYMBOLS USED. SEE REVERSE SIDE.

## CHAPTER V

### Summary

The law enforcement profession has been literally inundated over the past several years with so-called advanced training programs, seminars, etc., sponsored by Federal, state and local agencies, private industry, foundations, etc., at which instructors, introduced as highly experienced experts in the field of surveillance, undercover techniques, interrogation and other criminal justice subjects, proceed to offer to their "students" a course of instruction that, on occasion, has been so basic that their presentations are received with laughter and, at times, outright indignation.

This author has attempted to avoid such a mistake in this publication. His prior experience in making presentations similar to the material outlined in this handbook at Organized Crime Conferences and before other law enforcement groups over a period of several years has made it patently clear that (1) basic criminal investigative techniques are taught at the basic schools conducted by the various law enforcement agencies, where they should be, and (2) as stated in greater detail in Chapter I, criminal investigators at all levels of government have already acquired considerable experience in the application of criminal investigation techniques; in many cases, far beyond that of some of the so-called "expert" instructors.

Therefore, what the author is suggesting is that criminal investigators no longer need continued training in the basic "state of the art." Rather, they should expand their areas of expertise by utilizing the Seventh Basic Investigative Technique wherever appropriate. In the interrogation process, therefore, where the technique may enhance results, criminal investigators should develop a line of questioning with which they are personally comfortable, using all of the psychological approaches that they have already mastered over the years, but redesigned to confront targets with the fact that they have been spending money at a rate far in excess of the funds available to them from legitimate sources year, after year, after year.

If a target breaks, then perhaps the seventh technique will have contributed to the success of the interrogation. If an interrogation fails, the investigative efforts will not have been in vain. The information gathered relating to a target's financial transactions should automatically go into the department's intelligence system, and, where appropriate,

should be disseminated to cooperating law enforcement information networks. The information may, as a result, lead to the detection of other crimes, identify havens where a target may be hiding assets, or lead to the identification or location of assets for restitution or collection of fines.

Some of the information may become the missing link in a future investigation of a target or an investigation of one or more of his associates. Its availability to a district attorney may enhance his presentation before a grand jury or during a future trial of a target or one or more of his associates.

The investigative concepts outlined in this handbook are certainly no panacea in solving the Organized and White Collar Crime problems in the United States. However, if the application of these concepts contribute to the successful investigation of only one significant case each year in each of the 50 states or in each of the major metropolitan areas of the United States, the efforts of everyone associated with the development and application of the Seventh Basic Investigative Technique will have paid handsome dividends.

One of the ultimate goals of everyone engaged in the criminal justice system is to control organized crime and white collar crime in the United States. It is the sincere belief of the author that the application of the Seventh Basic Investigative Technique can play, at least, some small part in achieving our mutual objective.

## YOU WILL ALSO WANT TO READ:

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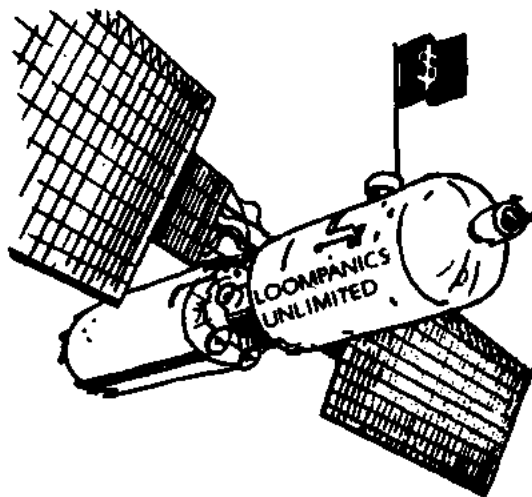
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