



OECD International Academy for Tax Crime Investigation

Managing Financial Investigations



ANALYSIS & PRODUCTION

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NARRATIVES MATTER:

*Data isn't just numbers; it's stories
waiting to be told.*

**HOW CONVINCING IS YOUR CRIME
STORY?**



Intelligence Analysis

- Intelligence analysis aids investigations by;
 - Helping to target available resources,
 - Identifying information gaps,
 - Focusing the investigation more clearly and prevent straying into areas of no relevance.
 - Helping to avoid duplication of effort.



Analysis and Production Elements

Intelligence Evaluation

Assessment of reliability and quality of information.

Source rating

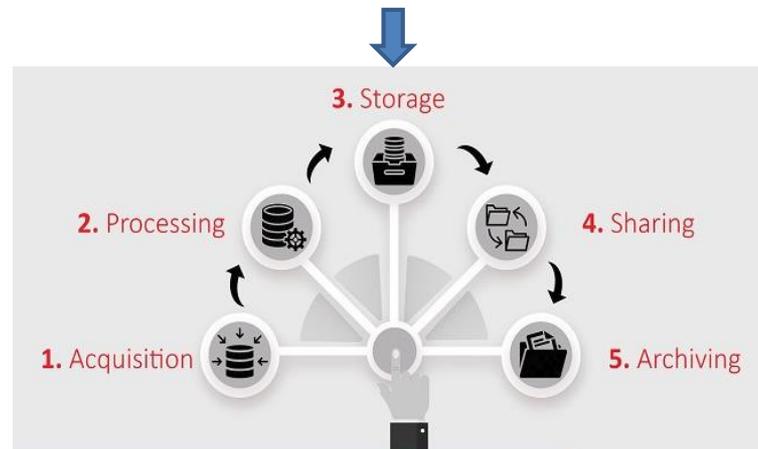
Collation

Storage, Chain of Custody(chronologies), Working Documents(to do lists)

Analysis

Examination to make meaning; Look for indicative elements, links and associations.

Consider forensic examination, expert examiners





Evaluation Considerations

What do you have???

–Is it information?

–Is it intelligence?

–Is it Evidence?



Intelligence Evaluation

- The careful examination of information to discover its Meaning and essential features;
- Involves
 - Data Integration - combining information from different sources in preparation for the formulation of inferences.
 - Interpretation/Logical Reasoning – making Inferences



Intelligence Evaluation

- Intelligence gathered should sufficiently address;
- What – Identify the Criminal/Illegal Activities – Law/Process
 - Why – Motive(beneficial gain/Value)
 - Who – Identify Key Individuals
 - Where – Geographical Scope/Jurisdiction considerations
 - When – Time Frame
 - How – Modus Operandi(method of operation)



Intelligence Evaluation

- Requires Scrutiny of all intelligence and/or evidential material gathered.
 - Has all the material been gathered?
 - What is the worth of the material gathered?
 - What other lines of enquiry can be pursued?
 - What lines of enquiry can be closed?
 - Are there other considerations? Think Trial

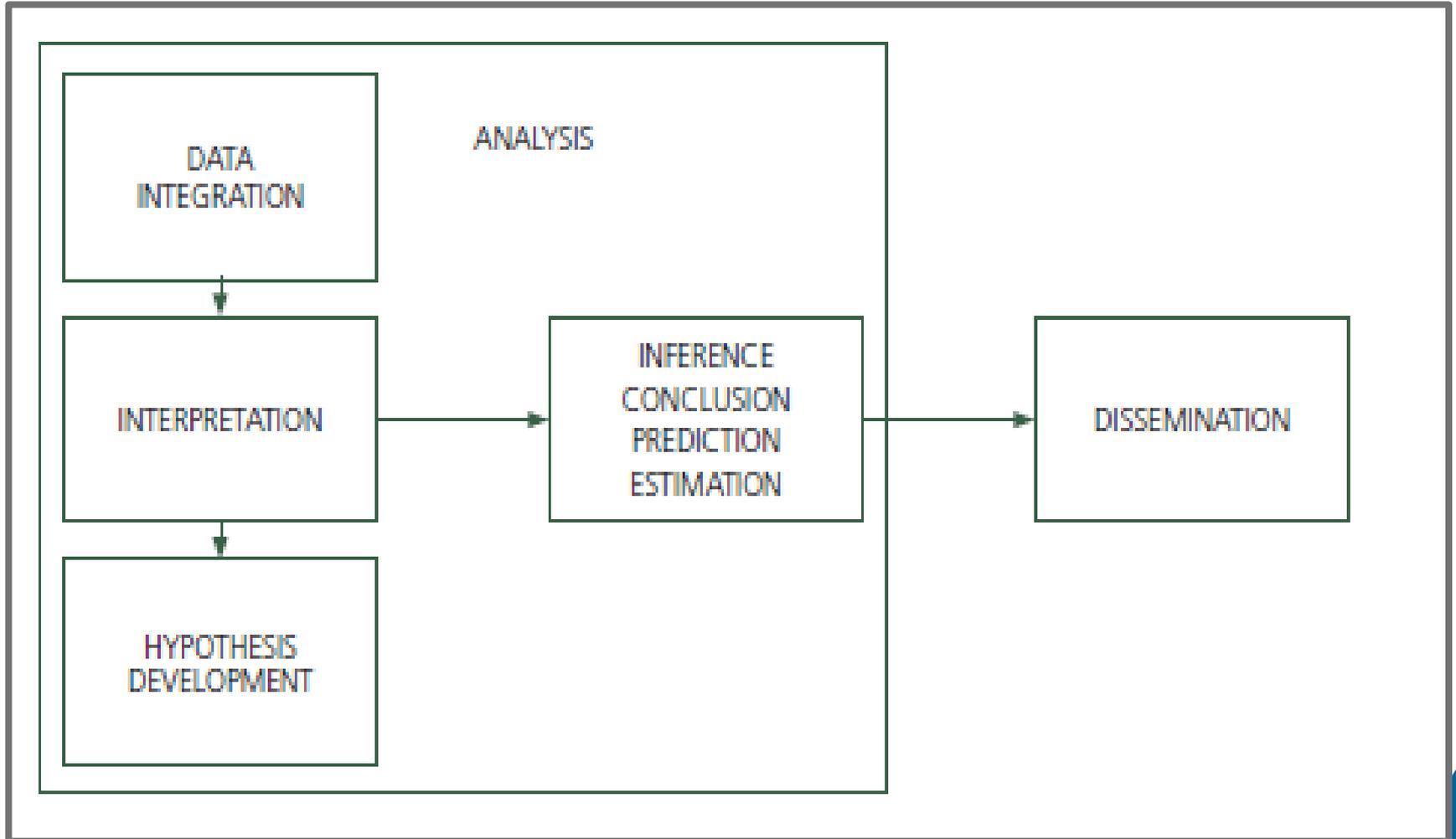


Common Evaluation Considerations

- Accuracy – Support Allegation
- Sufficient - Comprehensive
- Reliable - Dependable
- Relevant – Supports the facts alleged
- Representative - Whole
- Admissible – Think Evidence



Intelligence Evaluation





Analysis Methods



Document Analysis

- Data pertinent to the analysis of the criminal enterprise or suspected criminal activity is frequently voluminous, and varied in form.
- The basic problem for intelligence analysts is putting this data together in an organized way so that the extraction of meaning from the assembled information is made easier.
- Document Analysis Methodologies:
 - Semiotics - signs and symbols and their use or interpretation.
Emojis
 - Discourse analysis – Content(what's said) and Structure(how its said)
 - Conversation analysis – Gaps and Discrepancies
 - Interpretive Analysis – Establishing links, drawing conclusions
 - Grounded Theory – Analyze documents based on pre determined ideas



Document Analysis

- Consider
 - Identification of documents
 - Resources Required for retrieval and analysis
 - Search warrants
 - Transcription
 - Chain of Custody
 - Certifications required
 - Presentation



Financial Analysis

- Financial analysis techniques can help investigators discover and examine unexpected relationships in financial information.
- Analytical procedures are based on the premise that relatively stable relationships exist among economic events – You must know the economic relationships!
- Unexpected deviations in relationships most likely indicate errors, but also might indicate illegal acts or fraud that require further investigations.
- Two main criteria
 - i. Direct methods**
 - ii. Indirect methods of proof**



Financial Analysis Techniques

- Comparative Techniques – Third party data sets, Sector disparities
- Financial Relationships – Ratio Analysis
- Unexpected Relationships – Missing Trader Schemes, trend analysis



Financial Analysis Techniques

- Business Profile Analysis – how is the organization legally structured
- Cash flow/Money Flow analysis
- Net worth Analysis - Simply put, is the amount by which the assets of a person/entity exceed the liabilities.
- Source and Application Analysis/Expenditure Approach - Comparing money earned (Source) and money spent (Application).
- Financial Statement analysis, check out for;
 - Overbilling Schemes
 - Ghost Employees
 - Fictitious Expenses
 - Off book payments
 - Capital and Financing Components



Financial Analysis Techniques

- Case Study: Flowers Case



Microsoft Excel
Worksheet



Follow the Money

- Identify & Document Movement of money
- Demonstrate that the money flows from unknown sources - from economic crime
- Time line
- Identify assets for evidence or future restraint/confiscation
- Provide evidence of unlawful conduct



Analysis of financial records

Basic Rule: Follow the Money

- Where did it come from?
- Who deposited?
- Who withdrew?
- Where did it go?
- How long in account?
- ATM location?



Financial Analysis – Indirect methods

- Net Worth
- Expenditures(source and application)
- Bank Deposits
- Cash method

LIFESTYLE AUDITS!

- The percentage markup method
- The unit and volume method (input output method/Instrumentation)



When To Use Indirect Method?

- Books and records are not available or are inadequate
- The subject is accumulating assets which can not be explained by declared incomes.
- The subject is spending money beyond declared incomes
- The subject is depositing funds in bank accounts which cannot be traced to their declared sources
- There are tests that can be done to help you decide whether an indirect method should be used
 - bank deposit analysis;
 - drawings analysis;
 - rough net worth; and
 - ratio analysis.



Network Analysis – Investigative Questions

- Who is central in this organization?
- Which names in the database appear to be aliases?
- The removal or incapacitation of which three individuals would sever a supply network?
- What role(s) does a specific individual appear to be playing within a criminal organization?
- Which communication links are most worth monitoring?
- What patterns of interaction can be seen and how do these patterns allow us to understand and predict behavior?
- What is the nature of information exchanged between individuals in the group?



Network Analysis – Investigative Questions

- What group pressures or unwritten rules govern the activities of its members?
- How often are the interactions?
- Who is the initiator of the interactions?
- Who forms a bridge or liaison between distinct organizations?
- Who are the people who can take over the roles of the key personalities if they are removed?
- **What do the organization's financial links tell us about its operations?**
- **What business links does it have?**
- **What links to other criminal activities does it have?**
- What are the links to geographical locations, 'the territory'?



Network Analysis – Investigative Questions

- What is the hierarchy of the organization?
- How is the criminal activity organized?
- Does the group organization make it vulnerable to infiltration?
- Could the organization be prosecuted under racketeering or continuing criminal enterprise statutes?
- Have the links changed over time?
- What previous bonding elements are known?
- Are the links changing in strength or centrality?
- Are certain members connected to some other members to the exclusion of the others?



Network Analysis – Investigative Questions

- Typologies of participants - Are there criteria for membership in the organization?
- What is the organization's propensity towards use of violence?
- Are there any links between the criminal group and a regulatory or government structure?
- What is known of the management philosophy of the group's leader?
- Future threat - Can this model of linkages be applied to other criminal organizations?
- Does this group's structure enable us to predict the structure of future similar crime groups?
- History/Background - Have there been other groups with similar structures before in this or other jurisdictions?



Network Analysis Process

- i. Collect data
- ii. Organize/collate data
- iii. Extract association material
- iv. Prepare association matrix
- v. Prepare link chart
- vi. Produce biographical summaries of entities in the chart
- vii. Summarize chart
- viii. Apply questions/issues as appropriate to organization or network
- ix. Establish what necessary information is present and what is absent
- x. Draw interim hypothesis(es)
- xi. Develop a list of unanswered questions and recommendations for collecting that information and for further investigative or prosecution steps to be taken
- xii. Present findings and a written report to management



Data Integration

Various tools and techniques include:

- Financial profiling—to identify concealed income of individuals or business entities and to identify indicators of economic crime
- Link charting—to show relationships among entities featuring in the investigation
- Event charting—to show chronological relationships among entities or sequences of events
- Commodity flow charting—to explore the movement of money, narcotics, stolen goods or other commodities
- Activity charting—to identify activities involved in a criminal operation
- Frequency charting—to organize, summarize and interpret quantitative information
- Data correlation—to illustrate relationships between different variables



Tools for Data Visualization and Analysis

Free Tools vs Purchased Tools

- i. Ms Excel
- ii. Oracle Business Intelligence, Case ware Idea
- iii. Tableau: <https://www.tableau.com/products/desktop/download>
- iv. <https://clipchamp.com>, Movieclips.com
- v. yEd: <https://www.yworks.com/products/yed>
- vi. IBM i2® <https://www.ibm.com/security/resources/demos/i2-analyze-demo/>



Reporting & Dissemination

Report Structure

- An executive summary of the findings of the analysis.(BLUFF)
- An overview of the group with the answers to those questions pertinent from the previous list of linkage issues.
- A link chart or series of charts, depicting the targets.
- Biographical summaries on each investigation target and potential target.
- Conclusions about the target.
- Recommendations for further tactical or strategic action, including a list of questions to be answered, and
- The possible sources of information (highlight intelligence gaps).



Sample Report/Profile



Microsoft Word
Document





Reporting & Dissemination

- When collecting intelligence, Have the end in mind – Intelligence led Investigations/audits.
- Your report should provide a clear picture of the offender or the *modus operandi* or the matter under review.
- Report must be **accurate, clear, relevant** and **timely**.
- Consider:
 - Format: Intelligence Summaries/Reports/Oral Briefing
 - Supporting materials – Recorded Statements, Evidential Matter, Emails, Pictures, samples, exhibits
 - Classification of Intelligence material(Restricted, Confidential, Internal, Public)
 - Legal considerations for written reports – libel, privacy, privileges, disclosure
- Ensure you have a feedback mechanism



Testing the validity of Inferences

Always bear in mind that the material gathered in an investigation is open to challenge. Therefore;

- Self Review: Check your work
- Peer Review:- Get opinion from colleagues
- Expert review:- Run it by an expert
- Formal review:- If complex case run it by qualified officers
- Confer with the Prosecutor in pre-trial



Sufficiency of Evidence

There is no simple answer to this question.

To a large extent it's a matter of individual judgment, based on what you know about a topic, the assumptions you make, your ability to draw conclusions from the facts available.

Illustrations.

- New acquisitions – corruption?



Additional Material

- There is always the possibility that new material will become available at any time even after drafting of charge which may affect the outcome of the case.
- Any new material ‘intelligence and/or evidential material’ should be scrutinised to ensure it will be available to the courts in an evidentially acceptable format
- Always provide for inclusion of additional information even after dissemination of report/commencement of case work.



Evidence Matrix - Intelligence, Evidence and Trial

Is a key investigative work product that;

- Focuses - ensures that the investigation remains focused and that the investigative steps being undertaken are directed at gathering evidence relevant to the alleged crime(s)
- In the initial stages, the evidence matrix looks to identify evidence the investigator has obtained and how it aligns with the elements of a criminal offense. The evidence matrix exercise helps identify those gaps and focus the subsequent work to be undertaken.
- As the case develops, the same matrix is then used to summarize the evidence relevant to each element being proved and to provide a cross-reference to the exhibits supporting or providing that evidence.
- It is also used to brief newly assigned investigators as well as management on the progress of the investigation.



Evidence Matrix

Example of an Evidence Matrix

Allegation	(Who is under investigation and a brief description of the allegation being investigated)				
Offense	Bribery by a Public Official (short title)				
Section	(Section of the legislation) (Penalty)				
	Element	Avenue of Enquiry	Task	Who	When
1	An Official (What is the definition of “an official” in the law being applied?)	Government gazette showing appointment as official	Obtain certified copy of gazette	Name of person to undertake enquiry	When assigned
2	Corruptly accepts or obtains (What is the definition and legal interpretation of “corruptly,” “accepts,” and “obtains?”)				
3	Any bribe for himself or any other person (What is the definition of a “bribe” and “any other person?”)				
4	In respect of any act done or omitted: (What is the definition of “any act done” or “omitted?”)				
5	In his or her official capacity (What is the definition of “official” and “capacity?”)				



Inferences

Direct	Indirect
Specific illegal or unreported transaction by suspect	Overall financial condition of subject
Actual proof of wrongdoing	Inferences of wrongdoing



Admissibility of Intelligence as Evidence

- Take note that NOT all intelligence material will pass the evidence test
- Forethought and planning will maximise the amount of material available that will be accepted as evidence
- Think trial
- All ‘evidential material’ should be scrutinised to ensure it will be available to the courts in an evidentially acceptable format.
- Indicate limitations if any e.g.

“The information provided through this form shall be used for Intelligence Purposes only and shall not be used or disseminated for evidential or judicial purposes”



Dictum of an Analyst

- **Intelligence is of no value if it is not disseminated**

Communicate the intelligence, conclusions and recommendations clearly and effectively and in a timely manner. What your client does not know has no value.

- **Believe in your own professional judgment**

You are the expert. Believe in your work and stand your ground if the intelligence supports your position

- **Be a risk taker**

Do not be afraid of being wrong when forecasting trends or events. Taking risks is part of the job.



Dictum of an Analyst

- **Your client does not care how much you know, tell them just what they need to know**

Excessive details merely obscure the important facts.

- **Form is never more important than the substance**

A professional appearance and appropriately selected formats are important, but they do not outweigh substance.

Clients want to know what intelligence means, and they want it when they need it.

- **Aggressively pursue collection of information that you need**

Never settle for less than all you need. If you fail to get access to the vital data source for any reason, you will be held responsible.



Dictum of an Analyst

- **Do not take the editing process personally**

If editorial changes do not alter the meaning of your message, accept them. If they do, speak up. Even then, it might be that a brighter mind has seen what you have missed. Believe in your product, but be self-critical.

- **Know your intelligence community counterparts and talk to them**

You are not competitors; you are of the same breed. Become part of the network. Do not pick up the phone only when you need something.

- **Do not take your job, or yourself, too seriously**

Avoid burnout. Writing you off as an asset will be a net loss to your agency (although it may not immediately see it exactly like this).

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FEEDBACK SESSION