



## OECD International Academy for Tax Crime Investigation

*Managing Financial Investigations*



# Managing Financial Investigations

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## OECD International Academy for Tax Crime Investigation

*Managing Financial Investigations*



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# Agenda

## **PART I:** Importance of Managing Financial Investigations

## **PART II:** Managing Major Criminal Investigations

1. Major Case Management (MCM) Methodology
2. MCM Model
3. Major Case Operational Plan
4. Communication with Stakeholders
5. Leadership

## **PART III:** Case Management Tools

# PART I:

## Importance of Managing Financial Investigations

# Why Is Case Management Important?

The work of the most dedicated, skillful, and highly motivated investigators and supervisors and forensic scientists can be defeated by the lack of effective case management systems and the lack of systems to ensure communication and co-operation among law enforcement agencies.

One of the key concepts of the case management system is that there needs to be standardized investigation techniques — the same processes and procedures used in each and every major investigation — because one can never know which investigations may later be linked. (The Campbell Report)

# Manager's Responsibilities

- Program responsibilities
  - Managing active cases
- Performance responsibilities
  - Recognizing achievements and addressing performance issues
- Organizational responsibilities
  - Meeting business strategy

# Manager's Considerations

- Financial budgets
  - Overtime
  - Travel
  - Equipment needs
- Training
  - Formal courses and informal training
  - Knowledge transfer
- Staffing plans
  - Talent management
  - Hiring specialist

# Group Discussion

As a manager, why is effectively managing financial investigations important for your organization?



# Case-Specific Considerations

1. Case Selection
2. Case Assignment
3. Case Planning & Progress Approval

# Case Selection

## **The decision to criminally investigate a file**

Adopt a strategic risk-based approach to file selection and focus on the most serious cases. Examine all sources of information, and if the information warrants further investigation, the file is then assigned to one of the six regional offices.

1. Program Mandate
2. Prioritization and National Standards
3. Significant Sectors

# Prioritization and National Standards

- Use of timelines and guidelines
- Focus on the best cases to ensure timely case conclusions:
  - Refining years
  - Refining schemes
  - Focus on issues rather than complete non-compliance picture

# Case Assignment

- One Investigator vs. Team approach
- Management of financial resources
- Allocation of human resources
- Priority / complexity rating
- Major Case Management considerations

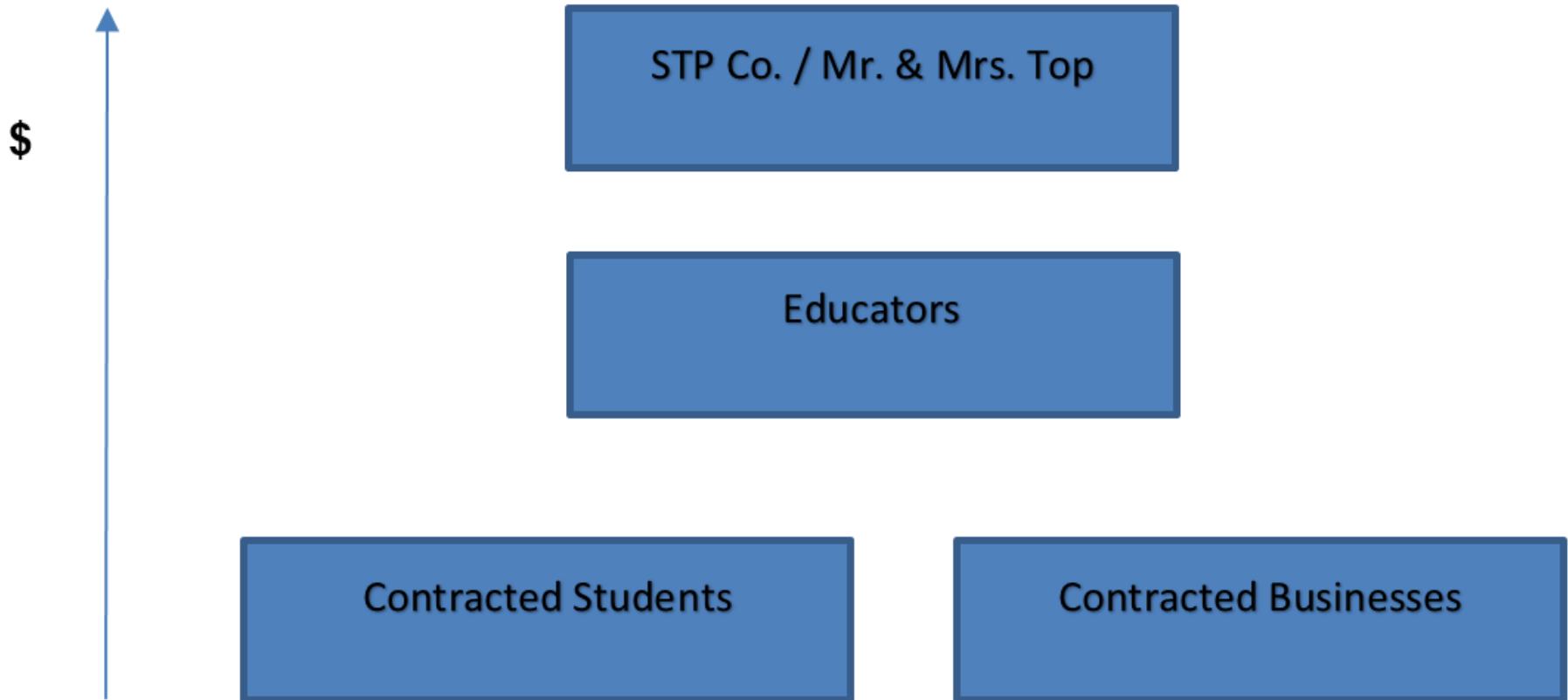
# Case Study – Part I

- Shiny Tax Protestor Company (STP Co.) operates a tax education business that promotes non-compliance with the Income Tax Act and Excise Tax Act (VAT)

# STP Co.

- Students
  - Pay 7% of their gross income for 24 months to their Educator
- Contracted businesses
  - Withhold 7% of their employee's pay for 24 months, where the employee was a contracted STP Co. Student
  - Remit the 7% withheld pay and 3% of the Student's income to the Educator on the Student's behalf

# STP Co.



# Case Study - Debrief

Discuss the merits of this case

- Possible offences, potential suspects, evidence, and considerations

Discuss the case assignment

- Who would you assign this case to?
  - One investigator or a team of investigators?
- What qualities / characteristics would you want in your investigator(s)?
- Any other considerations?

# Recap

## Why is managing financial investigations important?

- Manager's responsibilities and considerations
  - Program, performance, and organizational
- Case-specific considerations
  - Selection, assignment, planning and approval

# PART II:

## Managing Major Criminal Investigations

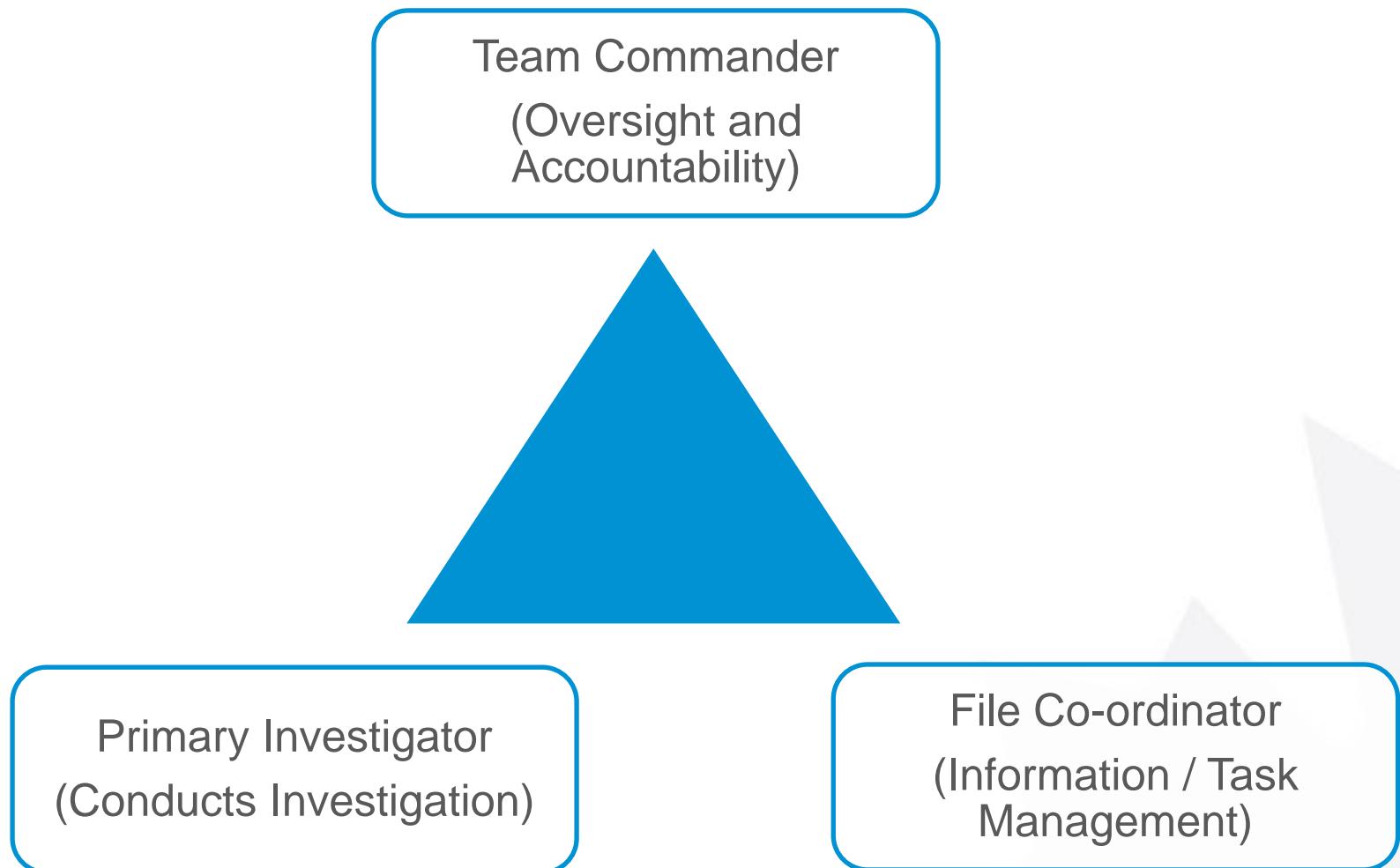
# Major Case Management (MCM)

MCM is a method for managing large complex investigations, and it should include:

- Structure and accountability
- Clearly defined goals and objectives
- Specific case direction and assignment of tasks
- Proper investigative techniques
- Information sharing and management
- Operational plan
- Prosecution plan
- Budget / plan for resource utilization



# Command Triangle Structure



# Team Commander

- Flexible and realistic with goals / objectives
- Able to (re)assign tasks and resources
- Willing and able to make the tough investigative decisions
- Has oversight and is accountable for the case
- Liaison with senior management and Crown Counsel

# Primary Investigator

- Knows the case thoroughly
- Must be assigned to the case full-time
- Must be prepared to testify as to the case status
- Must work with other investigators on the case, as needed

# File Co-ordinator

- Ensures there is a reliable system for managing documents in the case
- Information management in its truest sense of tracking and managing of all tasks
- Maintains an accurate account of documents, evidence, and witnesses
- Generally responsible for case disclosure requirements



# Major Case Management Model

- The case manager has overall charge of the case and supervises a team of between three and five investigators
- Each of the investigators in the team has assigned tasks and responsibilities, which are monitored by the case manager

# Features of the Major Case Management Model

- Clearly structured roles for each team member (match the skill set to the task)
- An organized task log / reporting system to provide a case overview and task control
- Regular team meetings to ensure everyone is aware of case goals, progress, and deadlines
- Early consultation with Crown counsel to develop a file management system that can be easily rolled into a disclosure / evidence package

# Major Case Investigative Team

## Case Manager

- Oversight
- Secures human / financial resources
- Maintains relationships with 3<sup>rd</sup> parties
- Senior Management liaison
- Controls speed, flow & direction
- Develops operational strategies / objectives
- Identifies & delegates tasks
- Facilitates investigational briefings
- Prosecution Report and Internal reports



## Investigator

- Interviews
- Search coordination
- Obtaining judicial authorizations
- Identification/elimination of suspects
- Research

## Investigator / File Coordinator

- Manages materials & information
- Exhibit management / Disclosure
- Management of tasks
- Maintains briefing minutes
- Manages/Coordinates Identified Tasks

## Investigator / Analyst

- Analysis Research
- Data support

# Group Discussion

What are the challenges of managing a complex case?



# Characteristics of a Major Case

- Voluminous evidence including digital evidence
- Complex schemes
- Inter-jurisdictional issues
- Complex money flows
- Legal issues
- Disclosure issues
- Numerous accused and potential witnesses
- International transactions and foreign evidence

# Characteristics of a Major Case (continued)

- Voluminous evidence including digital evidence
  - Trends towards larger digital seizures
- Complex schemes
  - Tax protestors
  - Carousel scheme (VAT Scheme)
  - Immigration fraud
  - Capital market fraud

# Characteristics of a Major Case (continued)

- Inter-jurisdictional issues
  - Accountability in other jurisdictions
- Complex money flows
  - Offshore transactions
  - Multiple corporate layers
  - Underground financial systems

# Characteristics of a Major Case (continued)

- Legal issues
  - Presumptive ceiling on case lengths in court
  - Regulatory vs. Criminal
  - Admissibility
- Disclosure issues
  - Electronic disclosure

# Characteristics of a Major Case (continued)

- Numerous accused and potential witnesses
  - Tax protestor cases
  - Donation scheme cases
- International transactions and foreign evidence
  - International requests
  - How best to obtain and enter into evidence

# Supervisory Challenges

- Being flexible but with a focus on the best case concept
- Task coordination and time management
- Effective management of human resources
- Effective management of financial resources
- Consultation with the various stakeholders

# Major Case Operational Plan

This is a plan that incorporates both the detailed **investigative plan** and the **prosecution plan**. It features the following:

- Case description
- Summary of the investigation
- Proposed structure
  - Criminal Investigations & Crown
- Financial impact
- Detailed investigation plan
- Detailed budget
- Team chart
- Prosecution plan



# Communication

## Internal Stakeholders

- Public Affairs
- Senior management

## External Stakeholders

- Law enforcement partners
- Prosecutors
- Government
- International partner investigative agencies

# Case Study – Part II

- Managing resource issues
- Managing performance

# Case Study - Debrief

Discuss the management of resources for completing this case in a timely manner

- Human resources, financial resources

Discuss the management of the team's performance

- Potential issues of A, B, C, and D
- Potential impacts on the case and the team
- Appropriate managerial actions

# Major Case Key Success Factors for Case Managers

- 1. Strong leadership skills**
2. Task oriented skills that focus team members towards the accomplishment of tasks - delegation
3. Organizational skills
4. Interpersonal skills
5. Communication skills
6. Team building skills
7. Experience and investigative ability
8. Knowledge of criminal investigations and the law



# Management Considerations

## Leadership & Performance Management

- Goal setting
- Ongoing monitoring
- Provide ongoing feedback to investigators on their progress & their achievements
- Recognize performance results and address performance issues



# Management Considerations

## Recognizing Achievements

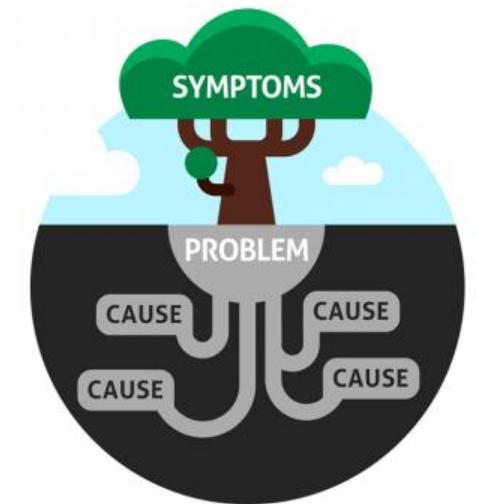
- Formal recognition
  - Award programs
- Informal recognition
  - Positive feedback (timely)
  - Small gifts (e.g. tea, coffee...)
  - Informal team awards
  - Advanced training course



# Management Considerations

## Performance Issues

- The Root Cause(s)
  - Environmental vs. Individual Barriers
  - Structure, Competence or Commitment
  - Non-Culpable (unable) vs. Culpable Behaviour (unwilling)
  - Organizational or Other Environmental Constraints



# Group Discussion

Recall one of your former (or current) managers / leaders – who you considered to be a great leader.

What made this person a great leader? What qualities or characteristics do you want in your leader?



# Leadership Challenges in a Major Case

- Ensuring the right people are available for the case to be undertaken
- Ensuring that the leader or case manager has the necessary skillsets to lead the team (i.e. to get the team member to do something that has to be done because they want to do it)
- Embracing the diverse knowledge, abilities, and skills possessed by others
- Ability to be tolerant of the diverse personalities and styles of team members
- Ability to see the “big picture”
- Being innovative but practical



# PART III:

## Case Management Tools

# Case Management Tools

- Electronic file management
- Scanning
- Digital forensic analysis
- Electronic courtroom

# File Management

-  01 Search Warrants
-  02 Production Orders
-  03 Foreign Requests (MLAT)
-  04 Seized Items
-  05 Produced Items
-  06 CRA Records
-  07 Public Records
-  08 Other Documents
-  09 Witnesses
-  10 Accused Statements
-  11 Auditor's File
-  12 Investigator's Analysis
-  13 Notes and Reports
-  14 Related Applications
-  15 Court Documents from PPSC
-  16 News Releases and Media Reports
-  17 Privileged Material
-  18 Disclosure Correspondence

# Example of a File Index

John Doe Disclosure Index.xlsx [Read-Only] - Excel

FILE HOME INSERT PAGE LAYOUT FORMULAS DATA REVIEW VIEW ACROBAT

D19 :

	A	B	C	D	E	F	G	H	I
1	04 SEIZED ITEMS								
3	LOCATOR #	ITEM	DESCRIPTION	PAGES	DATE	SEIZED BY	E/D	Remarks	
<i>*Can use format provided by Scanning Centre with modification* - see example</i>									
8	1	Seized Records from Search Location 1							
9		Location: Personal Residence of Smith at 1223 4th Avenue							
10		Date: January 1, 2017							
12		Seized Paper Records							
13	S01-01-AAA-001	<a href="#">Tax documents for Smith dated for December 2012 - January 2013</a>							
14		44 2017-01-01 Andy Anderson							
15		Seized Electronic Records							
16	Report	<a href="#">Forensic Report for electronic evidence seized from computers at residence of Smith</a>							
17		22 2017-01-01 Sandy Sanderson							
19	2	Seized Records from Search Location 2							
20		Location: Business Premises of Smith at 1223 5th Avenue							
21		Date: January 1, 2017							
23		Seized Paper Records							
24	S02-01-AAA-001	<a href="#">Corporation documents for Smith &amp; Friends dated for July 2013</a>							
25		44 2017-01-01 Andy Anderson							
26		Seized Electronic Records							
27	Report	<a href="#">Forensic Report for electronic evidence seized from computers at business premises of Smith</a>							
		22 2017-01-01 Sandy Sanderson							

# Scanning

- National scanning centre vs. In-house
- Certified true copies
- Continuity of records
- Specialized software – Bank statements
- Timelines

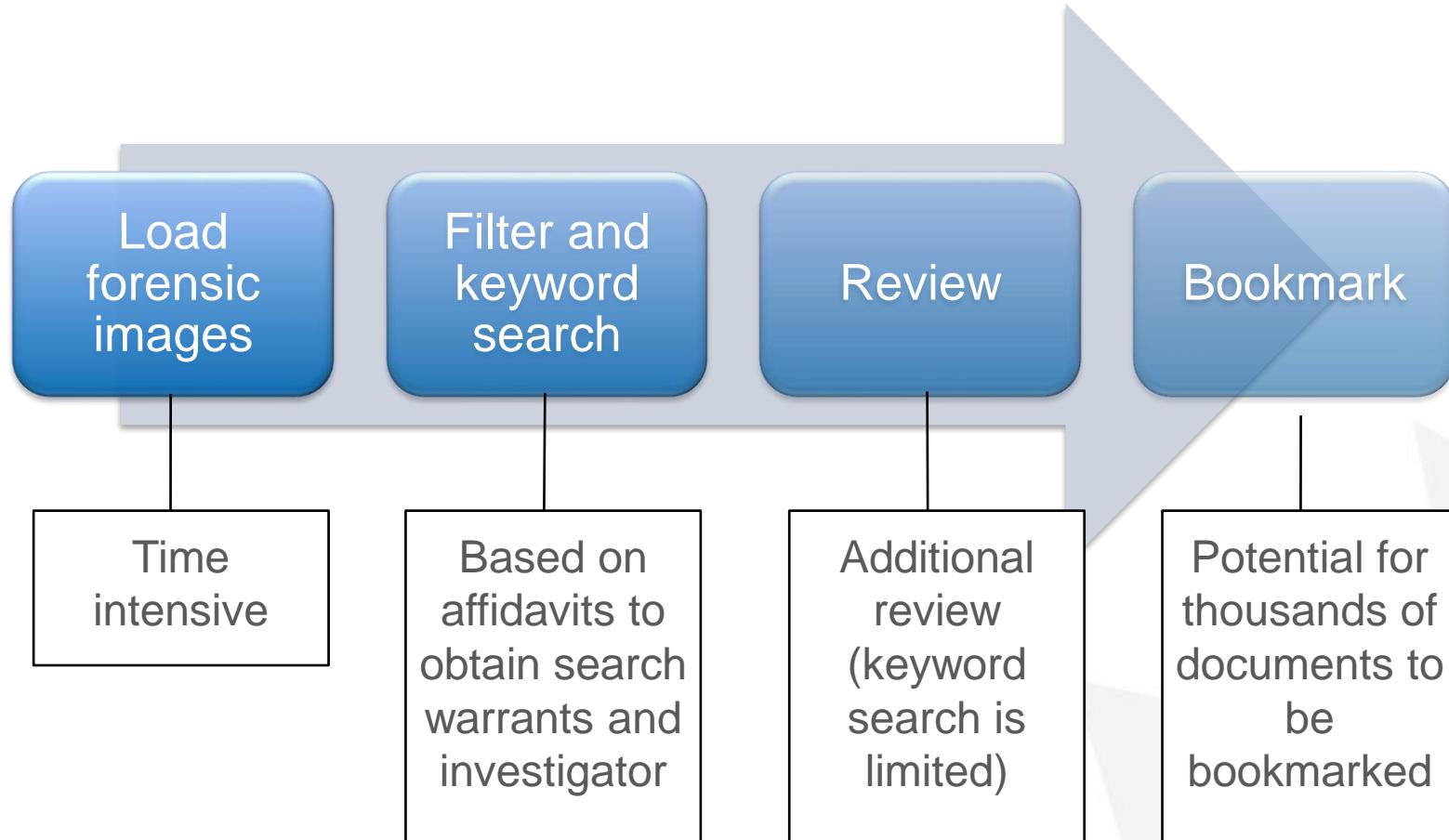


# Digital Forensic Analysis

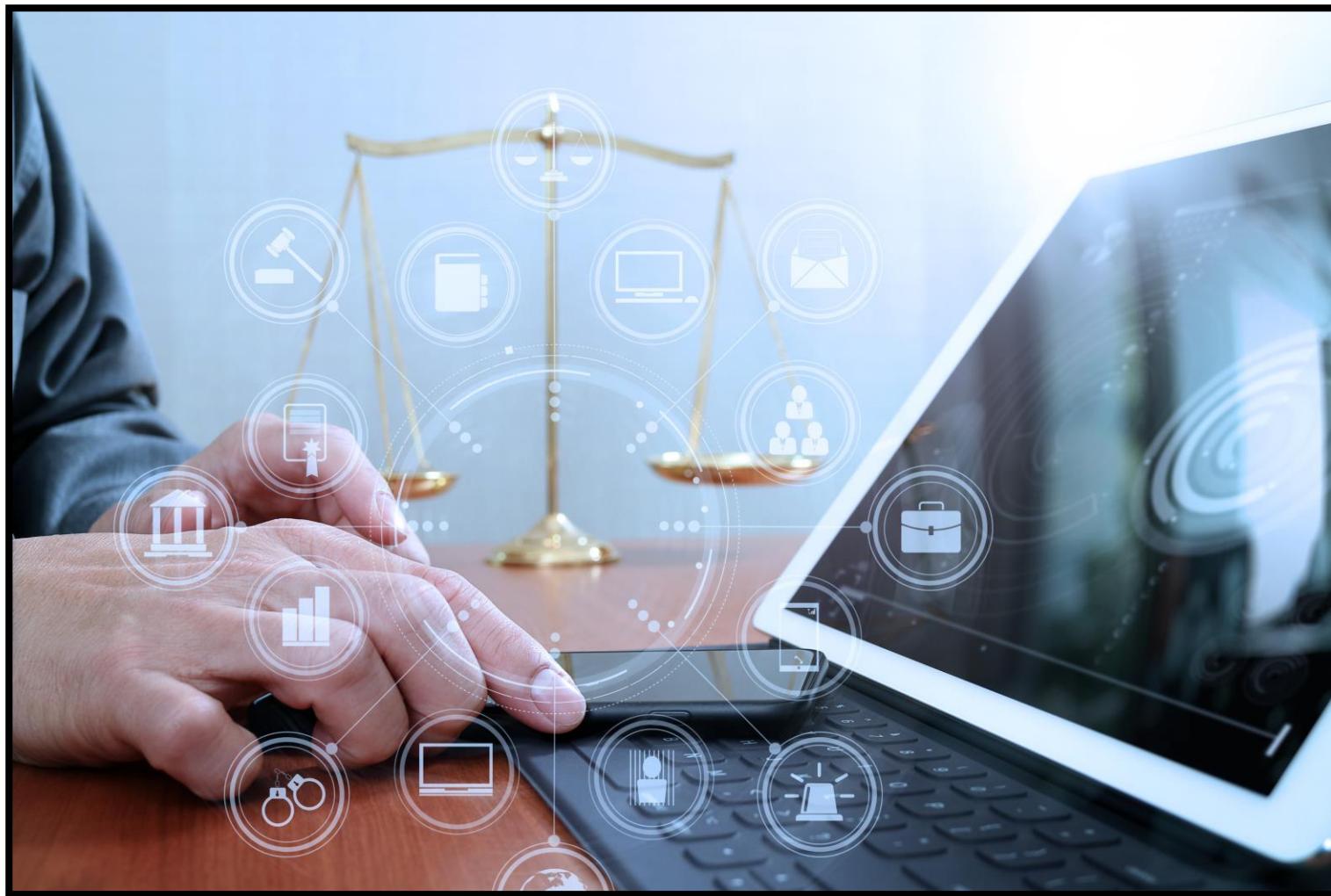
- Computer Forensic Analysts (CFA)
  - Who are they?
  - What do they do?
    - Pre-Search
    - During search
    - Post-Search
- Gatekeeper
- Challenges



# Post-Search – Digital Forensics



# Electronic Courtroom



# Recap

- The Command Triangle Structure is used by law enforcement to manage complex cases
- The Major Case Management (MCM) model can be used for tax investigations
- Strong leadership skills and defined roles are critical to successful outcomes when using MCM

# Key to Successfully Manage Financial Investigations

Managing a financial investigation to a standard where it can withstand the scrutiny of court requires a structured approach, careful planning, appropriate resources, skilled investigators, and a great leader!





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# Questions?



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thank you