



Canada Revenue  
Agency

Agence du revenu  
du Canada



## OECD International Academy for Tax Crime Investigation

*Managing Financial Investigations*



# Managing Financial Investigations

OECD – Virtual Program  
June 2023



## **OECD International Academy for Tax Crime Investigation**

*Managing Financial Investigations*



# **Jason Rauh, Operations Manager**

**Criminal Investigations Division, Western Region  
Canada Revenue Agency (CRA)**

# 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 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

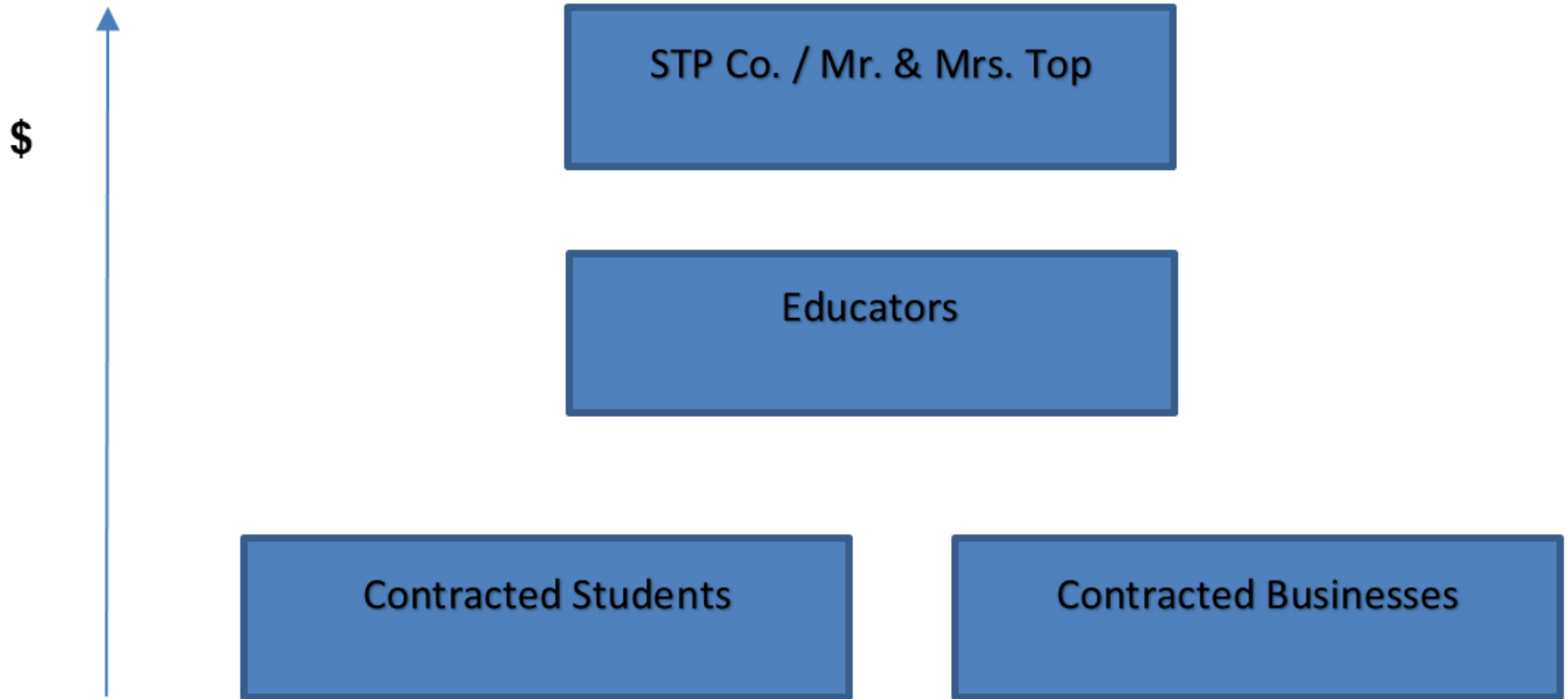
# Case Study – Part I

- 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

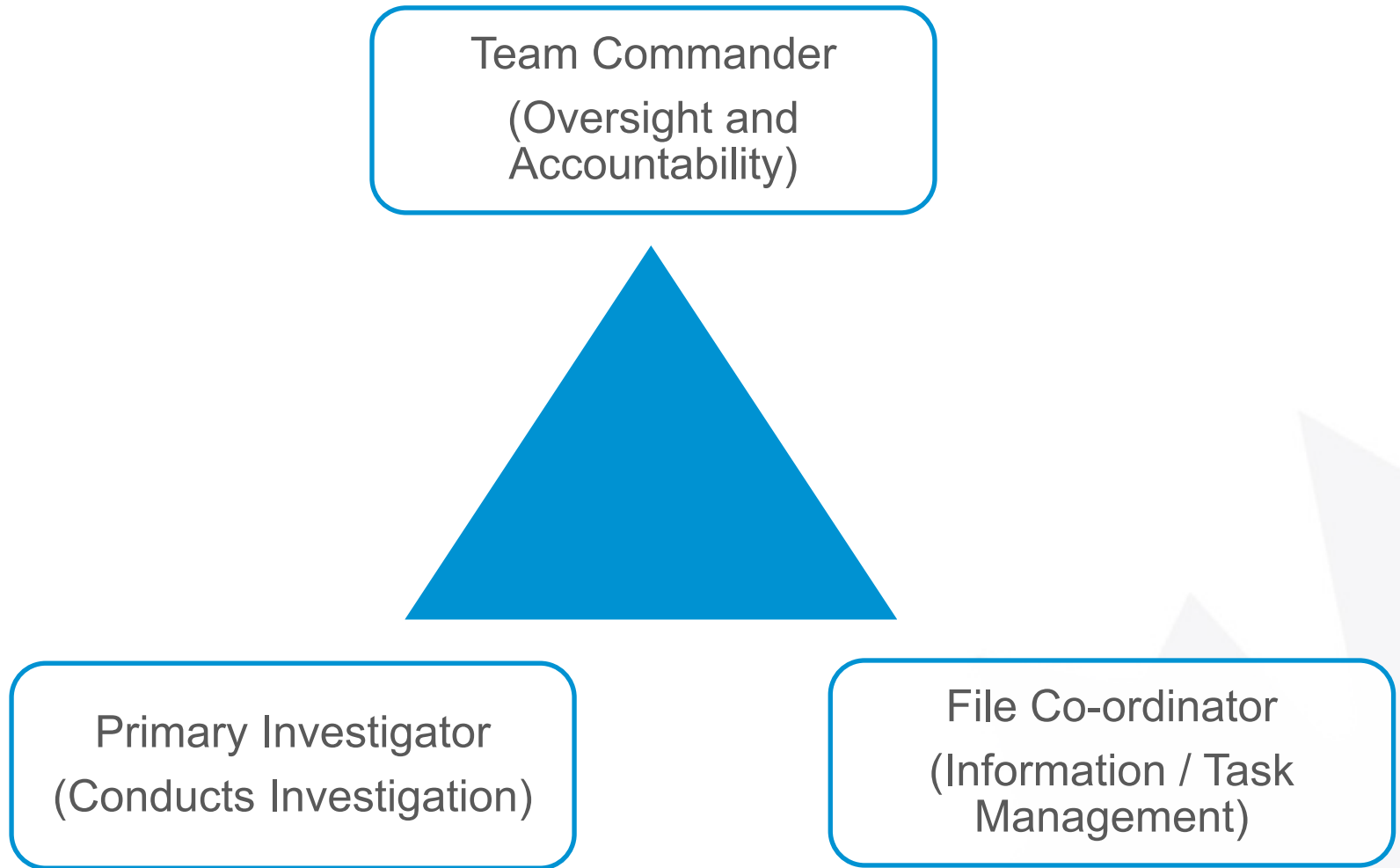
# Major Case Management (MCM)

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

**LEADERSHIP**

**TEAM** **MANAGER** **MOTIVATION** **LEADER**

**INSPIRING** **COMPETENCE** **APPRECIATION** **TRUST** **POWER** **COACHING** **RESPONSIBILITY** **SUCCESS** **NEEDS** **STYLE** **ATTITUDE** **DIRECTING** **FEEDBACK** **MANAGEMENT** **ESTEEEM** **INFORMATION** **TOOLS** **SKILLS** **SELF-RELIANT** **DELEGATING** **COMMITMENT** **EMPOWERING** **SUPPORTING** **RESPECT** **TRAINING** **GOAL** **DISCIPLINE** **COLLABORATING** **MEMBER** **EMOTION** **EXPERT** **BEHAVIOR** **ROLE** **SAFETY** **INSPIRING** **COACHING** **RESPONSIBILITY** **SUCCESS** **NEEDS** **STYLE** **ATTITUDE** **DIRECTING** **FEEDBACK** **MANAGEMENT** **ESTEEEM** **INFORMATION** **TOOLS** **SKILLS** **SELF-RELIANT** **DELEGATING** **COMMITMENT** **EMPOWERING** **SUPPORTING** **RESPECT** **TRAINING** **GOAL** **DISCIPLINE** **COLLABORATING** **MEMBER**

# 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

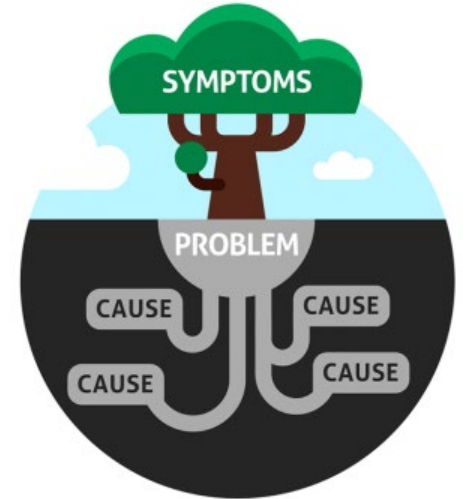
- Formal recognition
  - Award programs
- Informal recognition
  - Positive feedback (timely)
  - Small gifts (e.g. tea, coffee...)
  - Informal team awards
  - Advanced training course



# 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



# 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!





## OECD International Academy for Tax Crime Investigation

*Managing Financial Investigations*



# Questions?



# OECD International Academy for Tax Crime Investigation

*Managing Financial Investigations*





**Case Study: Effective Management for a Financial Investigation**

**Case Study**

**Shiny Tax Protestor Company**

Shiny Tax Protestor Company ("STP Co.):

- STP Co. operates a tax education business which promotes non-compliance with the *Income Tax Act* and *Excise Tax Act (Value Added Tax – "VAT")*. The basis of the instruction is that 'natural persons'<sup>1</sup> do not have to pay tax.
- Mr. Top operates STP Co. in partnership with his spouse, Mrs. Top.
- STP Co. prepares and sells printed and electronic educational and promotional material.
- 'Educators' sub-contracted by STP Co., conduct seminars for students and offer personal mentoring for a fee. Students operate in all facets of the economy including commercial and retail and straight wage earners.
- Students pay the 'Educator' 7% of their income for 24 months to learn 'natural person' theory and acquire the tools and the knowledge to 'legally' shelter their earnings from income tax. The students rely on STP Co. teachings to not report their income and to not pay income tax. Income tax rates are as high as 50%.
- Businesses pay 3% of their payroll for 24 months to enroll in STP Co. courses to learn how 'natural person' theory reduces payroll taxes to zero, and to avoid collection of VAT. Payroll taxes are ~ 8%, VAT is 5%.
- The courts have found that there is no basis in law for 'natural person' theory (as taught by STP Co.).

Allegations:

1. The income earned by STP Co., Mr. Top, Mrs. Top, and the 'Educators' for teaching 'natural person theory' is taxable and is not being reported to the tax authority.
2. VAT is applicable on the sale of STP Co. learning materials and services. The VAT is not being collected or remitted to the tax authority.
3. 'Educators' are counselling students and businesses to commit tax evasion.
4. Many students following the 'natural person' theory are not reporting their income and thereby evading tax collectively estimated in the tens of millions of dollars.

---

<sup>1</sup> A theory whereby tax protestors believe that each person is both a 'natural person' and an 'artificial person'; and laws of the state do not apply to 'natural persons'. Therefore if one is careful to structure their affairs to earn income only as a 'natural person', no income tax or VAT is applicable.





## OECD International Academy for Tax Crime Investigation

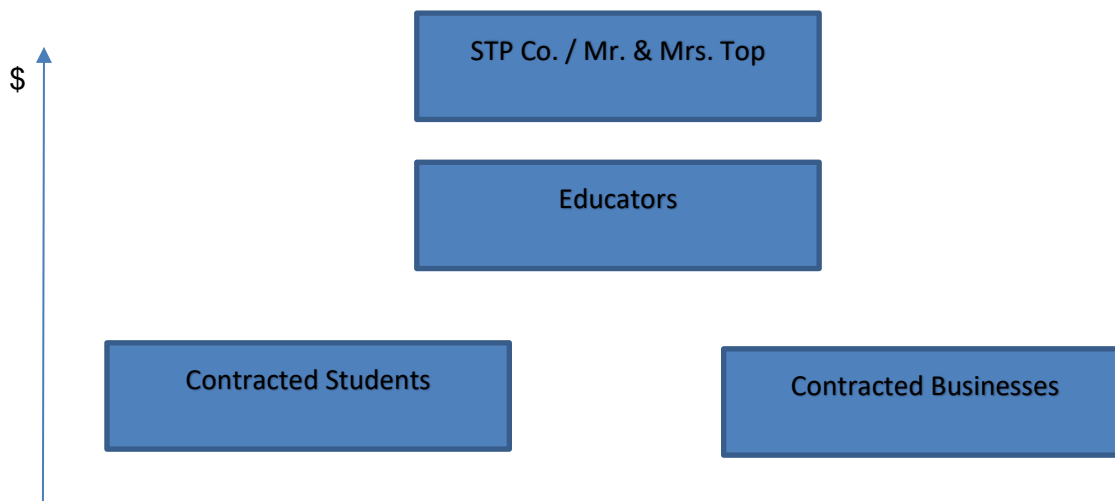
*Managing Financial Investigations*



### Structure:

- The business structure can be characterized as multi-level marketing where fees from the students flow up to 'Educators' and to STP Co. and to Mr. & Mrs. Top.
- There are several 'Educators' and many hundreds of students.

### Flowchart:



### Financial Flows:

#### *Payments to the 'Educator'*

- Students pay 7% of their gross income for 24 months to the 'Educator'.
- Businesses pay 3% of their payroll for 24 months to the 'Educator'.

#### *Payments to STP Co. & Mr. Top*

- 'Educators' pay 10 – 20% of the total fees they receive to STP Co., and an additional 10 – 20% of the total fees they receive to Mr. Top directly.

### Other Information:

- The scheme is conducted in Canada.
- The business address and residence address for STP Co. and Mr. & Mrs. Top are the same.
- 'Educators' operate out of their respective residences. The residential address for one of the 'Educators' is suspected but there are insufficient grounds for obtaining a search warrant.
- An accountant prepares Mr. Top's tax returns.
- Mr. Top's name appears in the 'Panama Papers' database maintained by the International Consortium of Investigative Journalists.



**Shiny Tax Protestor Company (“STP Co.”)**

**Breakout Exercises**

**PART 1**

**Case Analysis & Assignment**

A) Required: Analyze the case.

1. Identify potential suspects - Who are the targets for investigation? Would you investigate all potential targets? Who would you investigate?
2. Identify possible offences - List all the possible offenses you believe have been committed.
3. What evidence will be required, where is it, and how will you obtain it legally?
4. List any other case considerations (e.g. what investigative approach(es) might you suggest to your investigator(s)).

B) Required: Determine case assignment.

1. Would you assign this case to one investigator or a team of investigators?
2. For this case, what qualities/characteristics would you want in your investigator or team?
3. List any other assignment considerations.

Be prepared to discuss your reasoning in plenary. Identify a spokesperson.



## OECD International Academy for Tax Crime Investigation

*Managing Financial Investigations*



### **PART 2**

#### **Managing Resources**

The Criminal Investigation Division has 50 investigators.

The team you manage consists of 6 investigators.

- One investigator (Officer Alpha) is assigned full-time to the STP Co. case.
- One investigator (Officer Bravo) needs to be assigned workload.
- Two investigators (Officers Charlie & Delta) are assigned to a high-risk international file and are scheduled to be away from the office for the next three months.
- One investigator (Officer Echo) is involved in a case that is currently at the court stage. Legal counsel expects the trial to last approximately 8 to 12 weeks.
- One investigator (Officer Fox) is scheduled to retire in three months and is assisting legal counsel at court regarding Officer Echo's case.

Required: Identify required resources.

1. Identify the human resources you would assign to the STP Co. case in order to refer it for prosecution in a timely manner.
2. Identify additional resources of any type required to complete this case in a timely manner.

Be prepared to discuss your reasoning in plenary. Identify a spokesperson.



## OECD International Academy for Tax Crime Investigation

Managing Financial Investigations



### **Managing Performance**

You are the case manager of the STP Co. case team.

- A) You learn that one of the team members was recently convicted of a *Criminal Code* offence.
- B) You receive an anonymous phone call advising you that the Primary Investigator is married to the niece of Mr. Top (STP Co.)
- C) Your Primary Investigator has missed three key meetings with legal counsel, and again has failed to complete an important task. Other investigators are complaining to you regarding this behaviour.
- D) You recently added another investigator to the STP Co. case team. This is an experienced investigator with a good reputation for completing tasks quickly and efficiently. The Primary Investigator advises you that this new investigator does not fit well with the team dynamics, is boasting and bragging, and doing work outside the defined role.

Required:

- 1. Discuss the potential issues of A, B, C, & D.
- 2. Discuss the potential impacts each of these issues could have on the case and/or your team.
- 3. Discuss what actions you, as the manager, would take to address each of these issues.

Be prepared to discuss your reasoning in plenary. Identify a spokesperson.