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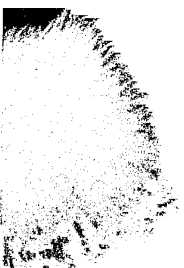
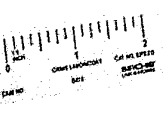
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# FBI Law Enforcement

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**U.S. Department of Justice  
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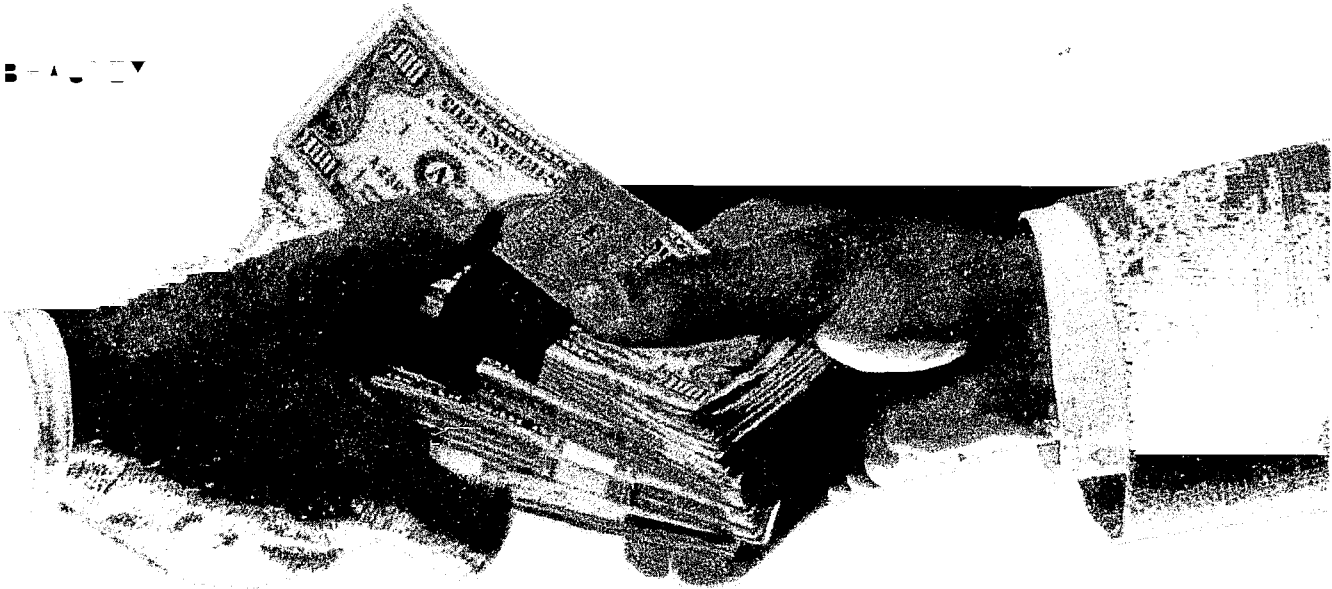
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BY  
JAY COBBLEY



**A**s criminal organizations generate money from illegal activities, they must find ways to conceal or disguise this money—a procedure known as “money laundering.” In response to this problem, Federal, State, and local law enforcement have, in recent years, aggressively investigated and prosecuted violations of money laundering statutes. This, in turn, has led to a deeper understanding of how criminals manage “dirty” money.

Determining where suspects’ cash originates and the means they use to conceal this cash can be exceedingly difficult for investiga-

tors, unless they have reliable informants, cooperating witnesses, or undercover agents. In addition, investigators may find it difficult to distinguish cash gained through legitimate businesses from cash gained through illegal means.

For these reasons, circumstantial evidence becomes critical in money laundering cases. It is often the only evidence available to provide a connection between the funds in question and their original source. In fact, it is this very link, the “specified unlawful activity” (SUA), that is a statutory requirement in Federal money laundering prosecutions.

Today, the Racketeering Records Analysis Unit (RRAU) of the FBI Laboratory in Washington, DC, can establish this necessary link by examining the records kept by criminals who launder money. Criminals, in order to provide proof to their superiors that they properly channeled all of the cash, document the collection and disbursement of all funds. Fortunately, these records also provide critical evidence for investigators, who must prove that the funds were acquired illegally.

This article provides information on the operations of the RRAU and how the unit can assist investi-

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*Special Agent Beasley, formerly assigned to the FBI Laboratory, is now the Senior Supervisory Resident Agent of the Fresno, California, Resident Agency (Sacramento Office).*

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**Documentary evidence  
can be of tremendous  
value when  
investigating and  
prosecuting money  
laundering violations.**  
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gators and prosecutors in developing money laundering cases. It also discusses some of the methods criminals commonly use to hide illegal proceeds. Although these methods vary greatly, experts can now identify characteristics unique to these types of organizations. And, while none of these methods are new, what *is* new is that law enforcement now recognizes the value of forensic examination of these records.

#### **RACKETEERING RECORDS ANALYSIS UNIT**

The RRAU uses the clandestine business documents confiscated from organizations believed to be laundering funds to trace the history of the alleged illicit businesses. These documents reveal valuable information as to the amount of money laundered and how the suspects packaged, transported, disguised, and hid these funds. By providing a more complete picture of the roles and

behaviors of criminals and their illegal operations, the RRAU expands the scope of money laundering investigations.

In addition, this information can aid prosecutors to gain stiffer sentences for individuals found guilty of money laundering. The courts base suspects' sentences on the amounts they laundered, which is determined through their own business records. Current Federal sentencing guidelines<sup>1</sup> allow for these sentence adjustments, and at least one Federal appeals court upheld the use of RRAU testimony in connection with related sentencing adjustments in drug matters.<sup>2</sup>

#### **LAUNDERING TECHNIQUES**

Individuals who launder money use a variety of techniques to avoid detection by law enforcement. Therefore, it is important that law enforcement personnel understand the various techniques and the proof needed to ensure successful prosecution of these cases.

#### **Secreting Funds**

Criminals often hide ill-gotten funds until they can smuggle the money to another destination. Although hiding funds increases the risk of seizure by authorities or theft by other criminals, it eliminates the need for a professional money launderer, who typically charges a fee ranging from 3 to 5 percent to assist in transferring the money through legitimate financial institutions.

This technique was evident in a New York case, where authorities seized millions of dollars in currency, as well as business records, from an alleged furniture and appliance warehouse. Although officials kept the warehouse under surveillance for several months, the evidence acquired during that time was largely circumstantial, consisting mainly of investigators' accounts of activity in and around the warehouse.

In this case, investigators observed that the subjects frequently used telephone paging devices and made numerous attempts to elude, or otherwise mislead, surveillance units. Investigators also found cocaine residue on a piece of duct tape retrieved from a trash receptacle located outside the warehouse. Finally, they noted that although the warehouse moved little furniture, there still appeared to be a lot of activity within the building.

When investigators raided the warehouse, they discovered a collection and storage point for drug proceeds, instead of the cocaine "stash house" that they expected to find. And, although they did not confiscate drugs, they did confiscate approximately \$18 million in U.S. currency, packaged in cardboard

boxes and secreted in a concealed compartment of a truck. In addition to cash, investigators also confiscated numerous handwritten documents from both the warehouse and other search locations, which they then submitted to the RRAU for analysis.

The initial review of the records indicated that they represented transactions involving millions of dollars in cash—recorded as it came into the warehouse—followed by confirmed totals counted by denomination. The suspects assigned the totals to at least 11 accounts before combining the cash into outgoing sums that were packaged in boxes and suitcases and placed in the truck. This method typifies how money launderers hide large sums of cash until they can transport it out of the country.

However, a more detailed analysis of the warehouse documents by the RRAU revealed more damaging evidence to be used at trial. Records showed that the organization received, through at least 114 exchanges, over \$44 million in cash during a 3-month period. Individuals in the warehouse listed the amount of cash received, the date of receipt, the account relating to each transfer of funds, the *alleged* amount at the time of delivery, and the *confirmed* count of each amount. The listing of incoming and confirmed accounts, along with counting the currency by denomination and coded account designations, characterize money laundering records.

Of particular note was an outgoing amount of nearly \$7.5 million, listed on one page of the seized

documents. The same amount appeared on another page of the documents as the sum of three smaller amounts of cash that the suspects placed in boxes and a suitcase. Further examination of the documents revealed a third page, which indicated that the individuals derived the smaller amounts of money by counting it by currency denominations, i.e., \$100s, \$50s, \$20s, etc.

The amount of money seized in the warehouse closely approximated that of the currency listed on an inventory recovered from one of the search locations. By comparing documents, examiners determined



that the criminals sorted the cash according to denomination and boxed it for storage, most likely until they could smuggle the money out of the country.

Finally, the confiscated records revealed that the suspects collected the nearly \$7.5 million over a period of several days just prior to preparing it for shipment. This evidence served to further strengthen the case for prosecutors.

However, in order to prosecute the suspects under the Federal money laundering statutes, prosecu-

tors needed to provide proof that the suspects obtained the funds illegally. Therefore, an FBI examiner testified in court concerning notations on two seized documents. These notations showed the purchase/sale of 35 units at prices of \$13,500 and \$14,000, each, between 8/24 and 10/4. The examiner further testified that there appeared to be a relationship between the units and their corresponding prices: The units were consistent with kilogram prices for cocaine.

This type of bookkeeping—partial dates and an informal accounting flow—typifies drug records. It also provides another indication that the suspects obtained the funds through an illicit drug trade.

It is important to note in this case that even though investigators found the drug documents in one location and the cash documents in another, RRAU experts were still able to establish a circumstantial relationship between the two sets of records. It is this type of evidence that can be so crucial to any such case.

### **Disguising the Source of Illicit Funds**

“Operation Polarcap,” a joint investigation conducted by the FBI, the Drug Enforcement Administration (DEA), and the U.S. Customs Service, represents an excellent example of how business records and paperwork provide critical evidence in money laundering cases. By examining seized documents, examiners gained valuable insights into how the criminals disguised the actual source of the illegal funds.

This undercover investigation, which involved months of surveillance, resulted in the seizure of thousands of documents, many of them found in trash receptacles at various businesses connected to the laundering scheme, including a jewelry store located in Los Angeles, California.

When RRAU examiners received the confiscated documents, their task was to show, based solely on an analysis of the documents, how the suspects received cash and circulated it through legitimate financial institutions in ways designed to conceal its true origin. Their analysis revealed a laundering network that acquired millions of dollars in cash from sources in New York, Los Angeles, and Houston. A large portion of this cash from these cities was delivered to the Los Angeles jewelry store.

RRAU examiners were able to show that when the suspects received the cash, they noted on bills of lading the total number of packages in a given shipment, as well as individual weights and total dollar values of each package. For example, one of the receipts indicated a delivery of five packages weighing 250 pounds and valued at \$1,568,000. A handwritten entry in a seized ledger book showed that same dollar amount under the column heading "\$ Received." Finally, a computerized summary of currency transaction reports (CTRs) filed by several Los Angeles area banks at which the jewelry store maintained accounts showed \$1,568,000 deposited to an account at one of the financial institutions. A comparison of all of these documents confirmed that the numerical notations represented amounts of cash de-

livered from New York to Los Angeles.

Other evidence that indicated the suspects attempted to disguise the illicit funds included a dated ledger entry showing that the jewelry store received \$2,800,000 on September 2. A scrap of paper bearing the same date showed that this figure was a combination of three smaller amounts labeled "L.A." One of these amounts was \$1 million. Other scraps of paper found in the trash at the jewelry store indicated that the \$1 million was counted by denomination on September 2. All of this evidence pointed toward a possible money laundering operation.

### **Fraudulent Documents**

Money laundering organizations also produce fraudulent documents, such as sales receipts, designed to conceal the true origin of a business' cash. For example, in the Los Angeles jewelry store case, investigators found a scrap of paper, dated August 10, 1988, which indicated two amounts of collected cash totaling \$1,034,000 and designated "L.A." This corresponded with a cash deposit of \$1,034,005 made on that date to an account of the business at another Los Angeles bank.

In addition, investigators recovered two consecutively numbered receipts from trash receptacles. These receipts revealed how the suspects broke down this total in an effort to portray the source of the money as cash proceeds from the two sales of 24k gold to a gold refiner in the amounts of \$693,000 and \$341,000. Since cash sales that large would be highly unusual in any legitimate business, the sus-

### **Guidelines for Handling and Submitting Evidence**

- Submit original evidence (Photocopies and facsimiles may be reviewed under limited circumstances, but examiners prefer to use the original documents when preparing a written forensic report.)
- Submit evidence as soon as possible following its acquisition
- Submit all documentary evidence relating to the seizure
- Contact an RRAU examiner in advance to resolve potential problems regarding large volumes of evidence (In some cases, a field examination may be in order.)
- Advise the RRAU of any requested examinations that may necessitate special handling, such as those involving handwriting or latent fingerprint comparisons
- Indicate in a brief cover letter the subject's name, the exact place and date of seizure, any trial date or other reason for expeditious handling, and the name and telephone number of the submitter.

pects produced fraudulent documents designed to conceal the true origin of the business' cash.

At trial, a RRAU examiner testified that these types of business practices are inconsistent with normal business activities. Instead, they are associated with money laundering operations.

Of tremendous importance in this case was the seizure, on an almost daily basis, of many documents from trash discarded at the business. A critical lesson learned from this analysis is that the potential value of garbage in criminal investigations cannot be overestimated.

### **Structuring Financial Transactions**

Another method for laundering money involves structuring financial transactions. This type of activity was evident in another case uncovered through a Federal investigation in Brooklyn and Manhattan in 1990.

The case involved a residential setting—specifically four apartments—where suspects collected, counted, and prepared drug funds for conversion to negotiable instruments, such as bank money orders. When investigators raided the apartments, they recovered \$1,304,595 in cash, along with money orders worth approximately \$73,000, all in amounts of less than \$10,000. Investigators also seized hundreds of additional money order receipts and related handwritten documents, which they submitted for examination.

An RRAU analysis of the seized documents disclosed that the operation received cash totaling at least

\$13,503,441 in 26 deliveries from September 1989, to March 1990. After the suspects received the cash, they listed daily breakdowns that showed, through a series of deductions, how specific amounts were used to purchase money orders at area financial institutions. These purchases totaled a minimum of

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***The Racketeering Records Analysis Unit can assist law enforcement at all levels with money laundering cases.***  
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\$11,022,141 during a 6-month period, allowing authorities to convict the main defendant for laundering over \$10 million in cash.

This evidence resulted in an increase of nine levels in the defendant's sentence under the Federal sentencing guidelines. Based partly on a previously negotiated plea agreement, the defendant received a much longer prison sentence than would have resulted had the documents not been carefully examined.

### **CONCLUSION**

Documentary evidence can be of tremendous value when investigating and prosecuting money laundering violations. Although the methods used to move large volumes of currency generated through illicit activities vary, forensic techniques can be applied to identify characteristics unique to these types

of organizations. These same techniques can also be applied to explain how these activities are represented in the records of these operations. Such clandestine records also provide the evidence needed to show the source of the laundered funds.

The Racketeering Records Analysis Unit can assist law enforcement at all levels with money laundering cases. Without this assistance, many cases may go unprosecuted, and those cases prosecuted may not result in the maximum sentences. RRAU examiners can review the business records of specific money laundering organizations in order to provide investigators and prosecutors with the proof necessary to convict the defendants and gain stiffer sentences.

With the growth of the illicit drug trade comes a growth in money laundering organizations. Law enforcement must respond to this increasing problem not only by proving their money laundering cases but also by gaining the stiffest possible sentence for defendants. ♦

### **Endnotes**

<sup>1</sup> *Federal Sentencing Guidelines Manual*, 1992 Edition (St. Paul, Minnesota: West Publishing Co.), 1991.

<sup>2</sup> See *United States v. Harris*, 903 F. 2d 770 (10th Cir. 1990.)

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*Law enforcement agencies should direct requests for RRAU assistance to:*

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Racketeering Records Analysis Unit  
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Washington, DC 20535  
Telephone inquiries should be directed to:  
RRAU (202) 324-2500.

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