

NCOC

**THE
SEVENTH
BASIC
INVESTIGATIVE
TECHNIQUE**

147817

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



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Law Enforcement Assistance Administration.

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THE SEVENTH BASIC INVESTIGATIVE TECHNIQUE

**Analyzing Financial Transactions
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and
White Collar Crime Targets**

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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.

A handwritten signature in cursive script, reading "Richard W. Velde".

Richard W. Velde
Administrator

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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

_____ 19 _____ hereby designate
and appoint _____

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.

Lessee

Lessee

Deputy

Witness:

Address of Deputy

The Appointment Of The Above Deputy Is Hereby

Revoked _____ 19 _____

Lessee

Witness:

_____ 19 _____ hereby designate
and appoint _____

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.

Lessee

Lessee

Deputy

Witness:

Address of Deputy

The Appointment Of The Above Deputy Is Hereby

Revoked _____ 19 _____

Lessee

Witness:

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															CAT. NO. 1-1321.2																			
1974	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	1974	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																		
1975	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	1975	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			
<input type="checkbox"/> JOINT <input type="checkbox"/> INDIVIDUAL		ACCOUNT NUMBER _____	
_____ Please STAMP Bank Name Here		_____ SEAL	
1	Account Name	_____ SEAL	
2	Account Name	_____ SEAL	
	Social Security Number	_____ SEAL	
<p>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.</p> <p>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.</p>			
Date Opened		Opened by	Approved by
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

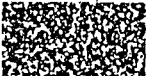
CHECKING STATEMENT													
Beginning Date			Ending Date			Account Number			Dial				
6-2-75			6-30-75			00-000-000			788-2823			For Information Regarding Your Account	
TARGET													
Balance Last Statement				We Have Added				We Have Subtracted			Resulting In A Balance Of		Items Enclosed
				Number	Deposits Totalling	Number	Items Totalling		Service Charge				
		933	83	3	26,500.00	10	26,021.00		1		412	83	10
CK = Check	DB = Other Debts	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

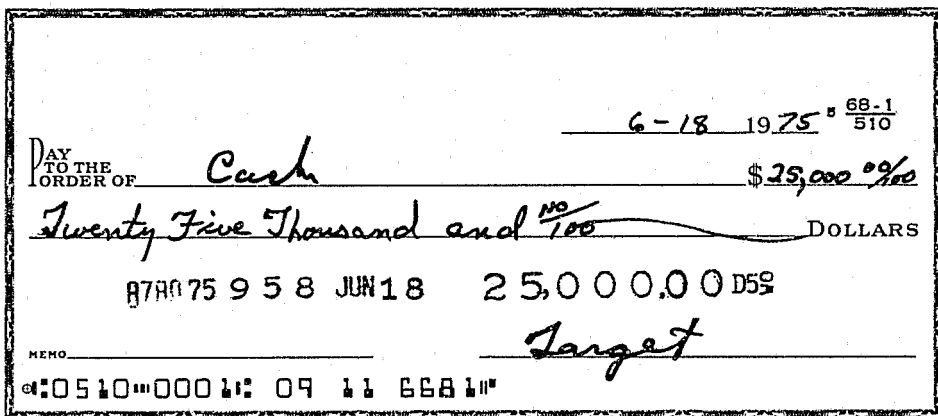
CHECKING ACCOUNT DEPOSIT TICKET																																
NAME	TARGET																															
DATE	6-16-	19	75																													
		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;"></td> <td style="width: 15%; text-align: center;">CASH</td> <td style="width: 15%; text-align: right;">25,000</td> <td style="width: 15%; text-align: right;">00</td> </tr> <tr> <td style="text-align: center;">C H E C K S</td> <td></td> <td></td> <td></td> </tr> <tr> <td colspan="2">TOTAL FROM OTHER SIDE</td> <td></td> <td></td> </tr> <tr> <td colspan="2" style="text-align: center;">TOTAL</td> <td style="text-align: right;">25,000</td> <td style="text-align: right;">00</td> </tr> <tr> <td colspan="2">LESS CASH RECEIVED</td> <td></td> <td></td> </tr> <tr> <td colspan="2">TOTAL ITEMS</td> <td style="text-align: center;">NET</td> <td style="text-align: center;">DEPOSIT</td> </tr> <tr> <td colspan="2"></td> <td style="text-align: right;">25,000</td> <td style="text-align: right;">00</td> </tr> </table>				CASH	25,000	00	C H E C K S				TOTAL FROM OTHER SIDE				TOTAL		25,000	00	LESS CASH RECEIVED				TOTAL ITEMS		NET	DEPOSIT			25,000	00
	CASH	25,000	00																													
C H E C K S																																
TOTAL FROM OTHER SIDE																																
TOTAL		25,000	00																													
LESS CASH RECEIVED																																
TOTAL ITEMS		NET	DEPOSIT																													
		25,000	00																													
		 5 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																														
USE OTHER SIDE FOR ADDITIONAL LISTING																																
© 1975 BANK OF AMERICA NATIONAL ASSOCIATION DELUXE CHECK PRINTERS NO. 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



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"		1- 59198
June 18, 1975		$\frac{68-750}{560}$
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⑆

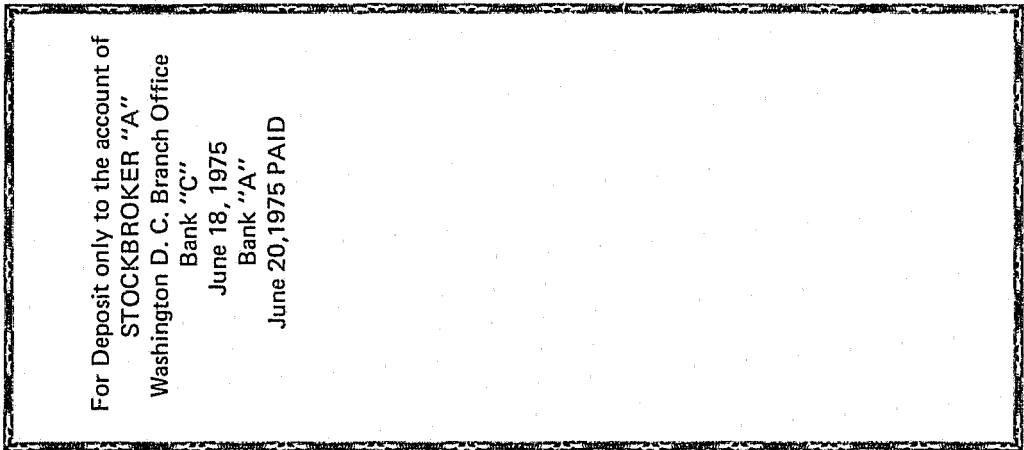


Illustration 8

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
ENDING

JUNE 30, 1978

YOUR ACCOUNT NUMBER
247630

STATEMENT OF YOUR SECURITY ACCOUNT
WITH

STOCKBROKER "A"

TARGET "A"

MEMBERS NEW YORK STOCK EXCHANGE, AMERICAN STOCK EXCHANGE,
TORONTO STOCK EXCHANGE AND OTHER LEADING STOCK AND COMMODITY EXCHANGES

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

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.

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

CAR INVOICE



CADILLAC COMPANY

06488

DATE March 10, 1975		DESCRIPTION OF MOTOR VEHICLE		TERMS OF TIME CONTRACT	
SOLD TO TARGET		MAKE CAD ** ELDORADO YEAR 1975 MOTOR NUMBER G809671 SERIAL NUMBER G8R38880 MODEL ELDORADO "r h10" BODY STYLE Tudor IGN. KEY Same 6168072 TRUNK KEY NEW CADILLAC CAR TRADED 1973 Chev		FINANCE COMPANY PAYMENTS OF \$ EACH PAYABLE ON THE _____ DAY OF EACH MONTH BEGINNING	
SAI F5MAN TELEPHONE		SUMMARY OF INSURANCE COVERAGE FIRE \$ _____ TERM THEFT \$ NONE TERM COMPREHENSIVE \$ _____ TERM COLLISION-UPSET \$ _____ TERM P.D. & P.L. \$ _____ TERM		COMPANY - BROKER - AGENT N/A	

OPTIONAL EQUIPMENT AND ACCESSORIES

DESCRIPTION PRICE

Included in purchase price

BASIC PRICE OF CAR
TRANSPORTATION
OPTIONAL EQUIPMENT AND ACCESSORIES

13,500.00

ALL OTHER CHARGES

TITLE OR SALES TAX
PERSONAL PROPERTY TAX
INSPECTION FEE
REGISTRATION FEE
CERTIFICATE OF TITLE
NOTARIAL AND RECORDING FEES
OTHER (ITEMIZE)


Included
in purchase
price

CASH SALE PRICE	13,500.00
DEPOSIT	5,000.00
CASH ON DELIVERY	2,500.00
TRADE-IN ALLOWANCE	
TOTAL CASH PRICE BALANCE	6,000.00
TOTAL COST OF INSURANCE	-0-
CREDITOR'S LIFE INSURANCE	-0-
AMOUNT OF FINANCE CHARGE	-0-
TOTAL TIME PRICE BALANCE DUE FROM THE PURCHASER	6,000.00

Bank
"B"

NO LIABILITY INSURANCE INCLUDED

Illustration 11

CAR INVOICE		CADILLAC COMPANY		06488	
					
DATE March 10, 1975 SOLD TO Target's Girl Friend ZSMAN TELEPHONE		DESCRIPTION OF MOTOR VEHICLE MAKE Chev Caprice YEAR 1975 MOTOR NUMBER 07057689 SERIAL NUMBER SAL50697864 MODEL Caprice BODY STYLE Tudor IGN. KEY Same 47689736 TRUNK KEY NEW TRUCK CAR TRADED None		TERMS OF TIME CONTRACT FINANCE COMPANY EACH PAYABLE ON THE DAY OF EACH MONTH BEGINNING SUMMARY OF INSURANCE COVERAGE FIRE \$ TERM THEFT \$ NONE TERM COMPREHENSIVE \$ TERM COLLISION-UPSET \$ TERM P.D. & P.L. \$ TERM COMPANY - BROKER - AGENT N/A	
OPTIONAL EQUIPMENT AND ACCESSORIES		BASIC PRICE OF CAR			
DESCRIPTION PRICE		TRANSPORTATION			
Included in purchase price		OPTIONAL EQUIPMENT AND ACCESSORIES		6,500.00	
		ALL OTHER CHARGES			
		TITLE OR SALES TAX PERSONAL PROPERTY TAX INSPECTION FEE REGISTRATION FEE CERTIFICATE OF TITLE NOTARIAL AND RECORDING FEES OTHER (ITEMIZE)		Included in purchase price	
		CASH SALE PRICE		6,500.00	
		DEPOSIT			
		CASH ON DELIVERY		6,500.00	
		TRADE-IN ALLOWANCE		-0-	
		TOTAL CASH PRICE BALANCE		-0-	
		TOTAL COST OF INSURANCE		-0-	
		CREDITOR'S LIFE INSURANCE		-0-	
		AMOUNT OF FINANCE CHARGE		-0-	
		TOTAL TIME PRICE BALANCE DUE FROM THE PURCHASER			
NO LIABILITY INSURANCE INCLUDED					

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

QUAN.	Denom-ination	AMOUNT	CHECKS NUMBERED			S O L D B Y
			SERIES	FROM	TO - INCL.	
	\$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
TOTAL FUNDS APPLIED	<u>\$30,200</u>	<u>\$37,800</u>	<u>\$62,000</u>	
 <u>SOURCE OF FUNDS:</u>				
Income from Furniture Store	<u>\$16,250</u>	<u>\$11,750</u>	<u>\$14,375</u>	7
 <u>INCOME FROM UNIDENTIFIED</u>				
<u>SOURCES</u>	<u>\$13,950</u>	<u>\$26,050</u>	<u>\$47,625</u>	

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

CHAPTER IV

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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."

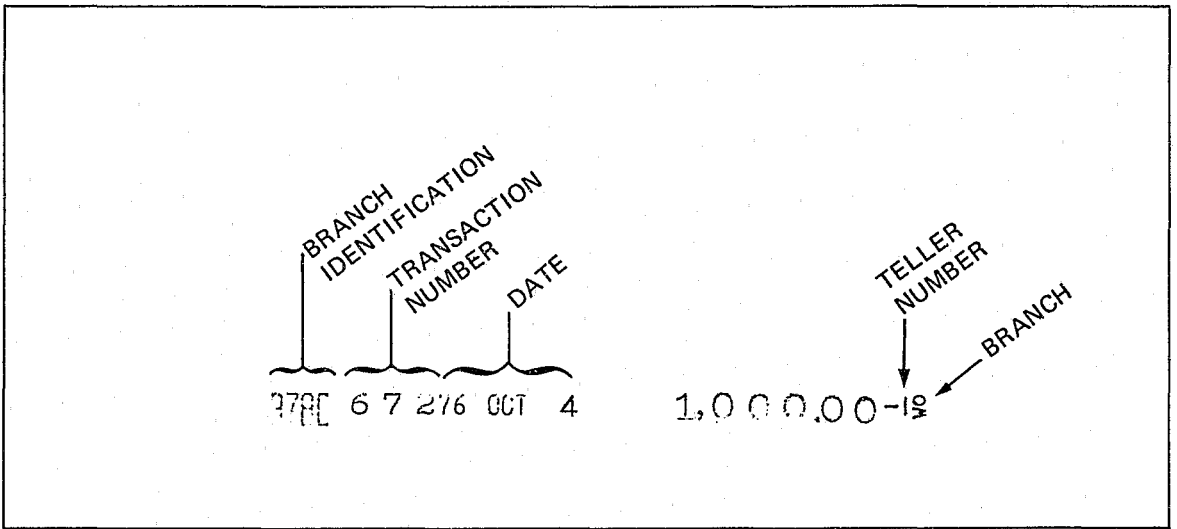
Requests should be addressed to the Deputy Assistant Secretary (Enforcement), The Department of the Treasury, Washington, D.C., 20220.

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.

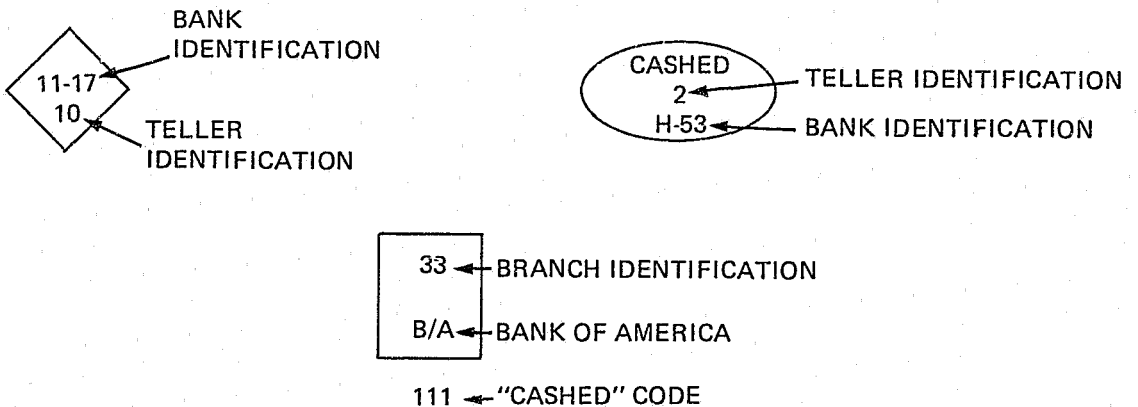
Illustration 15 below shows the "cashed" code used by one of the major banks in the Mid-Atlantic States. It is one of the most commonly used codes, and is stamped on the face of cashed checks.

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 illustration shows a check form with the following elements:

- Upper Right Corner:** A circular symbol containing the text "68-1" above "510" and a star to the right.
- Payable To:** A line for "PAY TO THE ORDER OF" followed by a blank space.
- Amount:** A line for the amount in dollars, followed by a "\$" symbol and a blank space.
- Unit:** A line for the unit, followed by the word "DOLLARS".
- Memo:** A line labeled "MEMO" followed by a blank space.
- Bottom:** A MICR line with the text "⑆0510⑆⑆000⑆⑆09 11 668⑆⑆".

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

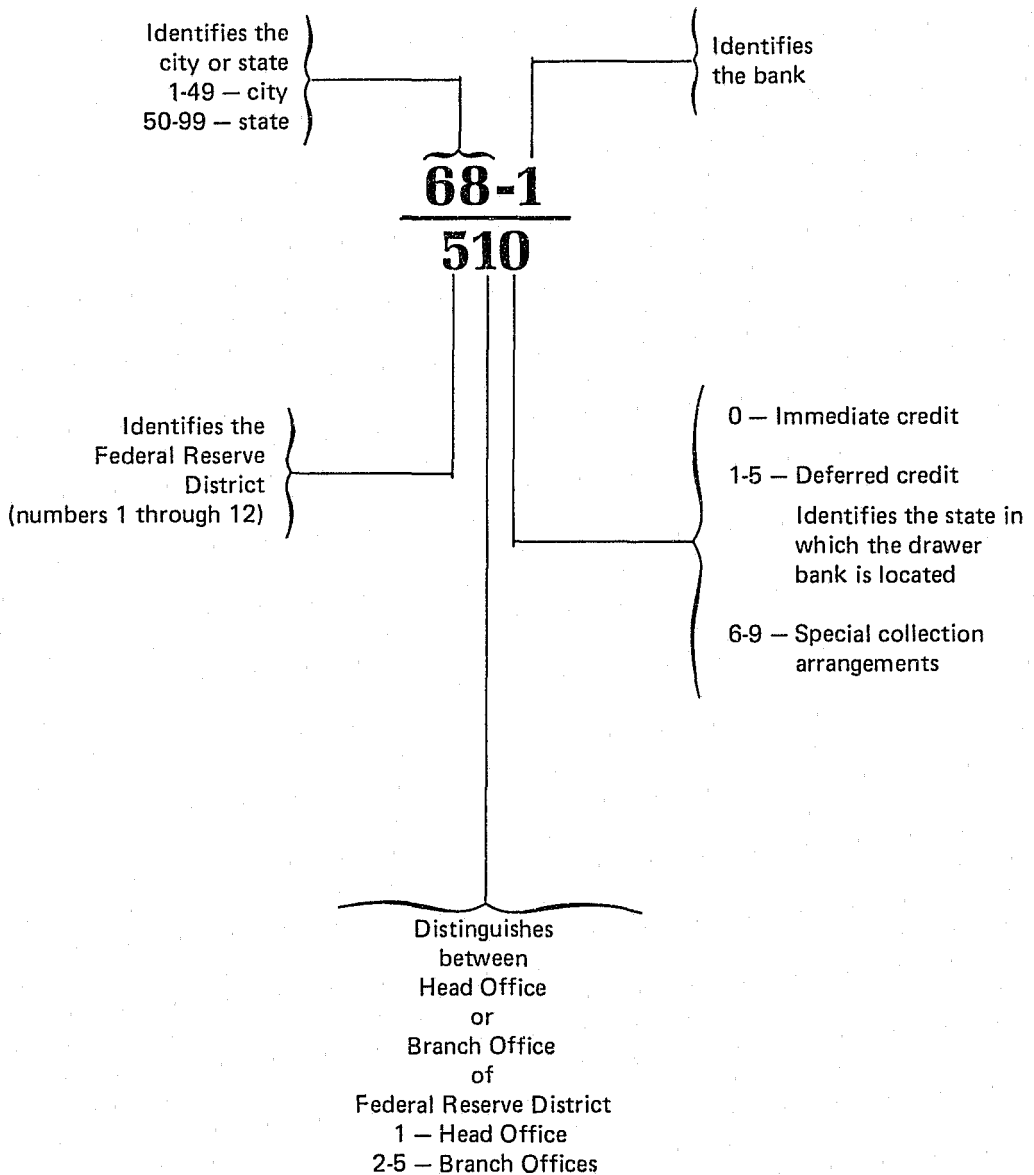


Illustration 18

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
Samoa, Guam,
Hawaii, Puerto
Rico & Virgin
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

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

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

BANKAMERICARD STATEMENT		NOTICE- SEE REVERSE SIDE FOR IMPORTANT INFORMATION						
BANKAMERICARD ACCOUNT NUMBER 4368 110 388 839		STATEMENT DEDUCTION DATE 05-03-76	CREDIT LIMIT 1000	AVAILABLE CREDIT 930	FOR YOUR RECORDS	DATE PAID	CHECK NUMBER	AMOUNT PAID
NOTICE- SEE ACCOMPANYING STATEMENT FOR IMPORTANT INFORMATION REGARDING YOUR RIGHTS TO DISPUTE BILLING ERRORS								
TYPE OF TRANSACTION	DATE	DESCRIPTION OF CHARGES AND CREDITS	AMOUNT	BILLING ITEM NUMBER				
PREV BAL		PREVIOUS BALANCE FROM LAST STATEMENT	.00					
PURCHASE	0410	JAMES RIVER BRASS SHDP RICHMOND VA	44.20	4368041661173550				
PURCHASE	0417	HDPHEIMERS 40 RICHMOND VA	9.35	4366042601341648				
PURCHASE	0420	DRUG FAIR 161 RICHMOND VA	15.67	4366042701788163				
NEW BAL		***** NEW BALANCE *****	69.22					
		MINIMUM PAYMENT DUE	10.00					
TYPE OF CREDIT	PERIODIC RATE	ANNUAL PERCENTAGE RATE	BALANCE ON WHICH FINANCE CHARGE IS COMPUTED	FINANCE CHARGE	ANNUAL PERCENTAGE RATE ON WHICH FINANCE CHARGE IS COMPUTED	FINANCE CHARGE	FINANCE CHARGE	ANNUAL PERCENTAGE RATE FOR THIS BILLING PERIOD
NEW CASH ADVANCES - 18.00%	1.00%	12.00%	0.00	0.00	0.00	0.00	0.00	05-28-76
PREVIOUS BALANCE	1.00%	12.00%	0.00	0.00	0.00	0.00	0.00	FOR THIS BILLING PERIOD
OTHER EXTENSION OF CREDIT	1.50%	18.00%	0.00	0.00	0.00	0.00	0.00	0.00%
BAC 4368 220311								© SERVICE MARK OWNED AND LICENSED BY BANK AMERICA SERVICE CORPORATION

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

TARGET "A"

YOUR ACCOUNT NUMBER
247630

STATEMENT OF YOUR SECURITY ACCOUNT
WITH

STOCK BROKER "A"

MEMBERS NEW YORK STOCK EXCHANGE AMERICAN STOCK EXCHANGE
TOPONTC STOCK EXCHANGE AND OTHER LEADING STOCK AND COMMODITY EXCHANGES

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

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.

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.