

Long search looms in fraud claims

Web posted at: 3/30/2009 1:4:48

Source ::: FINANCIAL TIMES

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THE SEARCH for billions of dollars in assets tied to Sir Allen Stanford and Bernard Madoff is likely to be a long, hard struggle, according to lawyers with experience of asset tracing. The US authorities are seeking to track down assets worth a total of \$8bn in the investigation into Sir Allen's alleged "Ponzi" investment scheme, and \$50bn related to that of Madoff.

"Asset tracing is a challenge," says Dan Nardello, founder of Nardello & Co and a former federal prosecutor. "You typically don't find anywhere near the numbers people talk about," says Nick Peck, who worked on tracing the assets of Saddam Hussein and is a managing director of Nardello & Co, an international investigation firm. "If parties want to obscure the money trail, they can make it quite difficult," says Philip Hilder, whose firm, Hilder & Associates represented Sherron Watkins, the Enron whistleblower. "Traditionally people engaged in fraud think through ways to hide the money trail."

The two most common ways to hide assets are to set up bogus companies and pay them for fictitious services or overpay for goods, said Jeff Harfenist, who leads the fraud and forensic practice at UHY Advisors, the tax and business consultancy.

There are about 30 screening practices that investigators use to find abnormalities in accounts, including spotting companies paying invoices faster than the average 50-day turnaround time and using consecutive invoices, indicating there is only one entity being billed, Harfenist said. He expects the economic downturn to generate more fraud, as an increasing number of people come under pressure, with falling values for retirement portfolios, homes and other assets: "Pressure drives fraud."

While the authorities have strong powers to weed out assets, including compelling people to co-operate through subpoenas, and laws detailing co-operation between countries, private groups sometimes have an easier time operating through unofficial channels to get information, Peck says. They follow paper trails, identifying assets, such as property, antiques, jewellery and art owned by individuals.

They also identify personal or business contacts, who might hold assets on behalf of the person under investigation. Generally, however, much of the money has been spent by the perpetrators. A good portion of the proceeds, particularly in the Madoff case, could have been spent keeping the Ponzi scheme going, Nardello believes. "What's actually left is the open question," he said.

Disgruntled employees and former spouses are good sources, though they can be prejudiced, in which case documents are key. Unusual assets can also provide good leads for investigators.