

# Working With Business Records

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## Data analysis involves running targeted tests against data to identify anomalies

Has the ability to detect fraud or deception:

- Rule #1: Understand the data you are obtaining
  - If you don't know why it was created and its intended purpose...
- Rule #2: Plan Your approach
  - Understand your tools
  - What is your investigative objective and scope?
- Rule #3: Collect and work data using correct evidence practices
  - Verify the data
  - Cleanse and normalize the data (no GIGO)
    - Known errors
    - Unreadable characters

Be alert to false positives

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# Structured And Unstructured Data

- **Structured Data: Recognizable and Predictable Structures**  
 Spreadsheets, formatted data  
 Sales Records, Payment Records, Expense Details, Payroll, Business Reports
- **Unstructured: Not in a traditional spreadsheet or database**  
 Vendor Invoices, emails, social media, etc.

CUSTOMER SALES DATA

Date	Customer	Invoice	Amount
4/12/2019	B3456	J0901	\$10,000
5/9/2019	B3456	J0901	\$10,000
5/10/2019	B6789	J0910	\$15,365



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# Data Mining

- Search for unclear patterns, finding predictive information, method to examine structured and unstructured business data
- Sources of data:
  - ✓ Central Systems (mainframes, cloud)
  - ✓ Disaster Recovery Systems
  - ✓ Data Warehouses
  - ✓ Laptops
  - ✓ Mobile devices of all types
  - ✓ Business Operation Systems (security systems, GPS, timecard, key card, etc.)
- Consider possible non-digitized data, such as Visitor/Access Logs, Appointment Logs, etc.
- Financial institutions, VASPs

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# Tools in a Network

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## What is a Front?

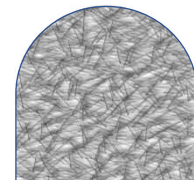
### Location to Introduce Illicit Revenue and Represent as Legitimate

- “ Brick and Mortar ”
- Public Facing
- May Generate “Legitimate” Revenue as well



### What Are Some of the Objectives of a Front?

- Used in Phases in Money Laundering Schemes
- Use in Various Fraud Schemes, Smuggling, Corruption
- Hides Beneficiaries, Larger Networks



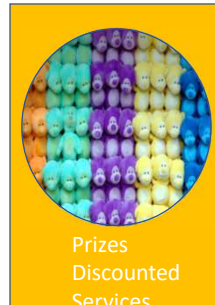
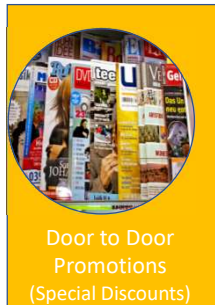
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# Some Methods a Front May Use to Mask Money

- Overstating Revenue
- Overstating Expenses
- Misrepresenting Money Use
- Making Bank Deposits but not recording them as Revenue



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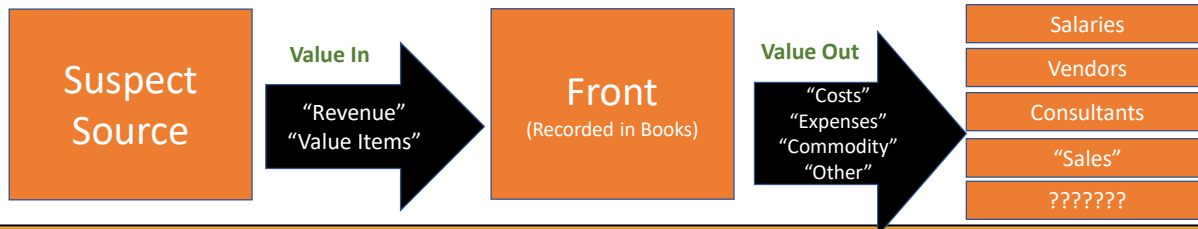
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# Typical Front Characteristics

What makes a Front an easy Placement of Dirty Money?

- Cash Intensive:**
  - Produces revenue from cash transactions with highly variable amounts
  - Money In, Money Out
- Expenses:**
  - Use variable or unusual expenses that are difficult to measure
- Examples: Art Galleries, Pawnshops, Bars, Nightclubs, Restaurants**



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## Layering at Gallery Antiques



Customer makes a purchase of Roman coins

Cash is added to the sale from other sources and recorded in the books



A "special" discount price is offered to customer for cash purchase

or



The receipt for sale shows full amount (no discount)

Reports fictitious sales  
Average 300 coins a month  
When 150 actually sold, add 150 false  
Stay within business standards to avoid suspicion



Sale is booked in Gallery at full amount



Dirty money placed to make up the difference

Other possibilities  
Phantom coin purchases  
Other organization costs



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## Company Business Records Show Transaction And Cost

Legitimate Method

Office Supply Provider

Company Purchases

### Simple Pass-Through Fraud Scheme

Pass-Through Method

Office Supply Provider

Front Purchases From Supplier and Marks Up Price 50%

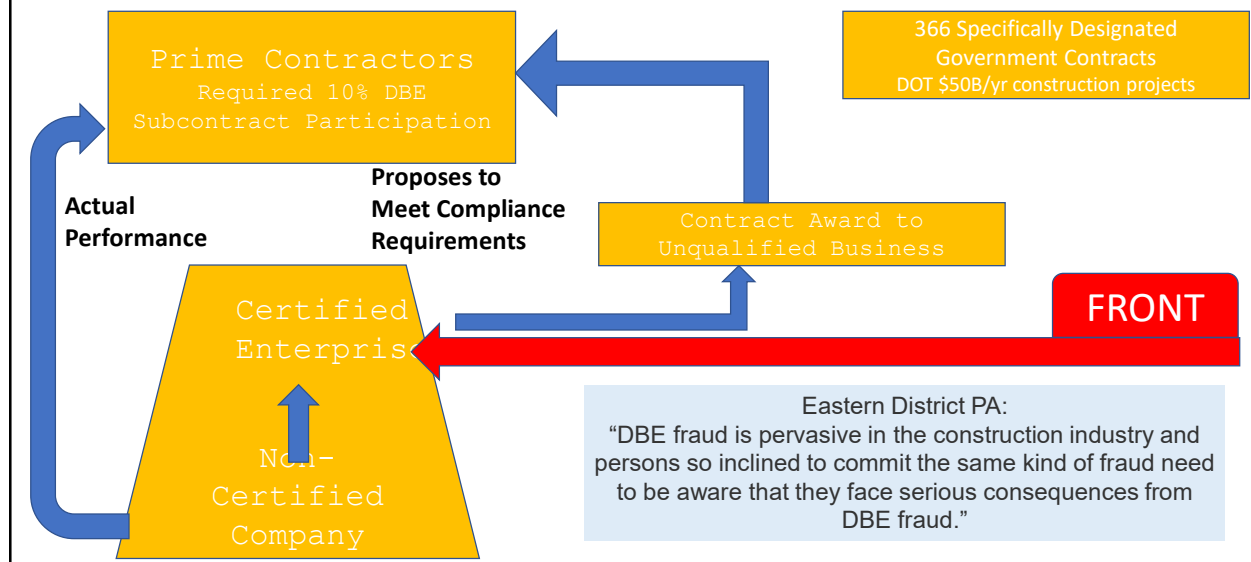
Unknowing Company Pays Higher Cost For Items

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## Fronts In Frauds (Classic Construction Pass-through)



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## Shells: “Corporate Vehicles”

**Businesses that are registered that have no significant operations or assets**

- Companies/LLCs
- Trusts
- Foundations
- Partnerships
- Other types of legal persons or arrangements
- Easily created in multiple countries with ready access to the international financial system
- **Corporate Transparency Act of 2020**

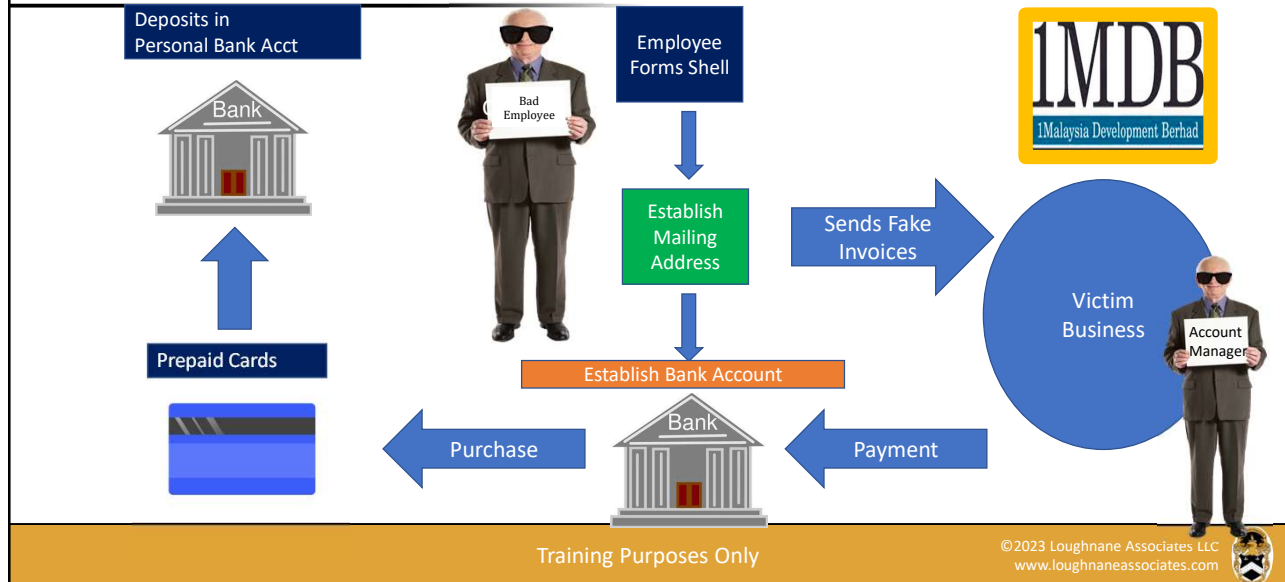


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# Shell Business Used In A Fraud Scheme



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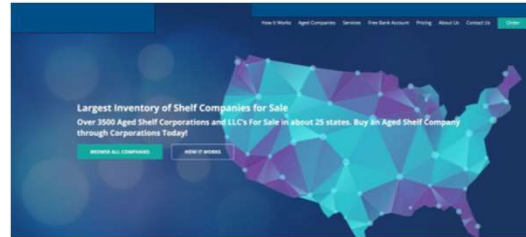
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# Aged Companies (Shelfs)

**Aged Companies** · Select State:  Sort By: Company Name (Ascending) Show: 25

Company Name	Location	Cost	Inc. Date	Buy
24-7 Security Services, Inc.	WY	\$9,995.00	08/07	Buy
307 Capital Management, LLC	WY	\$2,195.00	05/21	Buy
A Commodity Exchange, Inc.	WY	\$1,295.00	04/02	Buy
About Time Consulting, LLC	WY	\$2,795.00	09/20	Buy
Access Holdings, LLC	UT	\$2,895.00	08/20	Buy
Accurate Ventures Inc.	AZ	\$2,795.00	09/20	Buy
Adman, LLC	WY	\$2,195.00	05/21	Buy
Administrative Funding, LLC	WY	\$1,895.00	09/21	Buy
Adrenaline Investing, LLC	WY	\$2,795.00	09/20	Buy
Advanced Equity Holdings, Inc.	SD	\$2,395.00	02/21	Buy
Advanced Global Financial, LLC	WY	\$1,495.00	01/22	Buy
Advanced Holdings Group, LLC	WY	\$2,495.00	12/20	Buy
Advanced Management, Inc.	UT	\$2,895.00	08/20	Buy
Advanced Networking LLC	MT	\$2,095.00	05/21	Buy



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# Beneficial Ownership (Fincen.gov)

Transparency Act of 2020

**Existing Companies Have One Year to File; New Companies Must File Within 90 Days of Creation or Registration**

Today, the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) began accepting [beneficial ownership information reports](#). The bipartisan Corporate Transparency Act, enacted in 2021 to curb illicit finance, requires many companies doing business in the United States to report information about the individuals who ultimately own or control them.

•**Existing companies:** Reporting companies created or registered to do business in the United States before January 1, 2024 must file by January 1, 2025.

•**Newly created or registered companies:** Reporting companies created or registered to do business in the United States in 2024 have 90 calendar days to file after receiving actual or public notice that their company's creation or registration is effective.

Beneficial ownership information reporting is not an annual requirement. A report only needs to be submitted once, unless the filer needs to update or correct information. Generally, reporting companies must provide four pieces of information about each beneficial owner:

- name;
- date of birth;
- address; and
- the identifying number and issuer from either a non-expired U.S. driver's license, a non-expired U.S. passport, or a non-expired identification document issued by a State (including a U.S. territory or possession), local government, or Indian tribe. If none of those documents exist, a non-expired foreign passport can be used.

An image of the document must also be submitted.

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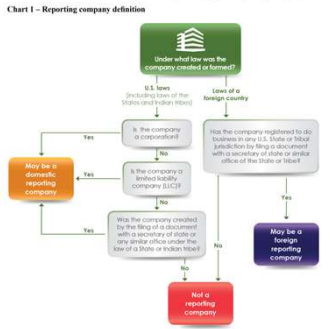
# Beneficial Ownership

The company must also submit certain information about itself,

Name(s) and address.

Reporting companies created on or after January 1, 2024, are required to submit information about the individuals who formed the company.

The following chart shows how to analyze whether your company is a "reporting company".



Beneficial Ownership Information Reporting Requirements  
Small Entity Compliance Guide, December 2023 - Version 1.1

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# Business Records

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# Sample Chart Of Accounts

Index	Account No.	Account Name	Level	Type	Class
1					
2					
3		<b>ASSETS</b>	1	Control 1	Asset
4		Cash and Bank	2	Control 2	Asset
5	1000	Petty cash I	3	Detail	Asset
6	1100	Petty cash II	3	Detail	Asset
7	2000	Bank account - Citibank	3	Detail	Asset
8	2100	Bank account - UniCredit	3	Detail	Asset
9					
10		Accounts Receivables	2	Control 2	Receivable
11	3000	Accounts receivable A	3	Detail	Receivable
12	3100	Accounts receivable B	3	Detail	Receivable
13					
14		Tax Receivables	2	Control 2	Asset
15	3200	Tax receivables	3	Detail	Asset
16					
17		Fixed Assets	2	Control 2	Asset
18	4000	Machinery, equipment, furniture	3	Detail	Asset
19	4200	Vehicles	3	Detail	Asset
20	5000	Buildings	3	Detail	Asset
21	5500	Accumulated Depreciation	3	Detail	Aliva
22					
23		<b>LIABILITIES</b>	1	Control 1	Liability

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# What can we see here?

Medlin General Ledger [Your Company Name Prints Here]

File Chart of Accounts Transactions Reports Bank Reconciliation Configure Help

Enter or Change Transactions

Description	Check Number	Date	Account Number	Amount	*YTD Entry
Gas Bill	12811	01/01/07	880	41.99	
Electric Bill	12812	01/01/07	880	23.04	
Water Bill	12813	01/01/07	880	127.11	
Telephone Bill	12814	01/01/07	874	66.37	
Owner Withdrawl	12815	01/01/07	476	1300.00	
Purchases	12816	01/01/07	611	164.61	
Accounting Fee	12817	01/01/07	744	125.00	
Owner Withdrawl	12818	01/01/07	476	1100.00	
Bldg - Other	12819	01/01/07	770	127.23	
Supplies	12820	01/01/07	863	68.85	
Garbage Bill	12821	01/01/07	880	17.00	
License Fee	12822	01/01/07	870	33.60	
Owner Withdrawl	12823	01/01/07	476	1100.00	
Interest	12824	01/01/07	816	46.68	
Purchases	12825	01/01/07	611	344.91	

Add Total Find Help Posting Total 22.71  
Insert Delete Check 12820 68.85

Edit a single field by clicking on the field.  
Use arrow keys, <PgUp>, <PgDn>, <Home>, or <End> to view entries.

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# Business Records In Small Business

- Financial Statements
  - Gross Receipts (income)
  - Purchases
  - Expenses
  - Travel, Transportation, Gifts
  - Assets
  - Taxes
- Invoices
  - Credit Card charge slips
  - Petty cash slips for small cash payments
  - Asset Documents (purchase, value, deduction, use, selling price)
  - Employment taxes (\*\*names)
  - Cancelled checks
  - Bank Deposit
  - Receipt Books

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# Business Pattern Analysis

What are the types of data you might want to consider in Business Pattern Analysis?

- ☞ Bank Records
  - SARs, CTRs, Cash Sales, Due Diligence and Risk Analysis reports
- ☞ Insurance Records
  - Including Risk Analysis reports
- ☞ Trade Documents
- ☞ Tax Records
- ☞ Other communications
  - Apps
  - Alternate remittance activity
  - Use of hawala or other method consistent with culture and location
  - Bulk Cash
- ☞ Internal business records

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# Record Patterns & Anomalies

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## Financial Transaction Anomalies

- Rapid offshore transfer of deposited funds
- Unrealistic wealth when compared to client profile
- Unrealistic explanations of financial condition
- Unusually complex method of buying/selling financial products
  - Go across town to cash checks
  - Unusual use of MSB or financial services, not consistent with profile
    - A business that uses money orders instead of checks for example
- Avoiding identifying ultimate account beneficiaries
- Financial relationships with individuals/businesses that do not fit the profile
- Rapidly changing, one-time phone numbers, addresses

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# Benford's Law

- ☞ Payment to Invoice Comparison
  - Is the amount consistent the business in the amount they should be?
  - Are they transnational when transnational makes no sense?
  - Are they regular or intermittent or one time? And does that make sense?



Simon Newcomb  
1835-1909



Frank Benford  
1883-1948

First Digit	Probability
1	30.1%
2	17.6%
3	12.5%
4	9.7%
5	7.9%
6	6.7%
7	5.8%
8	5.1%
9	4.6%

☞ Duplicate Payments – an honest mistake that can be used for dishonest reasons

☞ Threshold Authorization Level

☞ The amount of activity

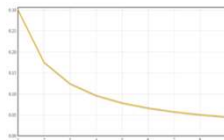
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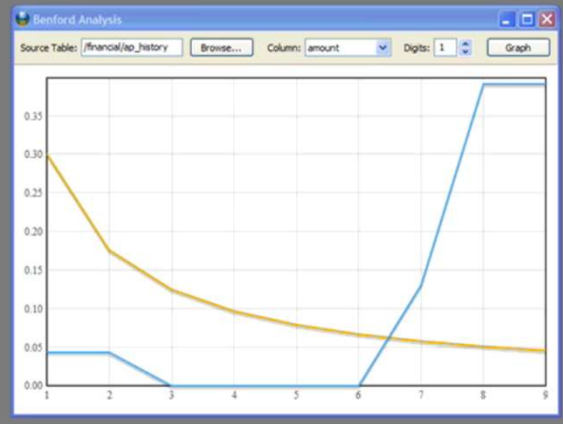


# Benford's Law

Leading Digit	Probability
1	30.1%
2	17.6%
3	12.5%
4	9.7%
5	7.9%
6	6.7%
7	5.8%
8	5.1%
9	4.6%



Vend_no	Check_date	Check_number	Amount
363254	10/09/1992	51248	1,927.48
363254	10/09/1992	51252	27,902.31
363254	10/14/1992	51954	86,241.90
363254	10/14/1992	51955	72,117.46
363254	10/14/1992	51958	81,321.75
363254	10/14/1992	51959	97,473.96
363254	10/19/1992	52104	93,249.11
363254	10/19/1992	52105	89,658.17
363254	10/19/1992	52108	87,776.89
363254	10/19/1992	52110	92,105.83
363254	10/19/1992	52118	79,949.16
363254	10/19/1992	52121	87,602.93
363254	10/21/1992	52128	96,879.27
363254	10/21/1992	52129	91,806.47
363254	10/21/1992	52134	84,991.67
363254	10/21/1992	52138	90,831.83
363254	10/21/1992	52139	93,766.67
363254	10/23/1992	52148	88,338.72
363254	10/23/1992	52149	94,639.49
363254	10/23/1992	52175	83,709.28
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363254	10/23/1992	52185	88,432.86
363254	10/23/1992	52189	71,552.16

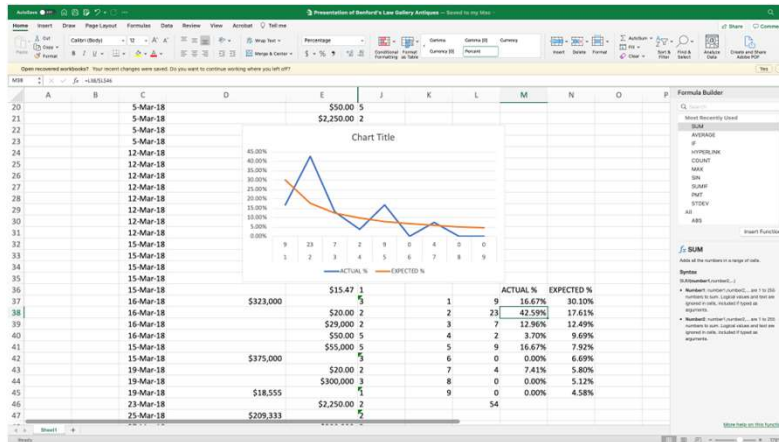


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# Gallery Antiques Analysis



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# Personal Records

- Birth/Adoption certificates
- Payroll statements
- Driver's License
- Passport
- Military record of service
- Alimony/child support
- Citizenship papers
- Check book/Bank Statements
- Tax Statements/Pers. Property
- Investment Accounts
- Leases/Utility Bills
- Retirement Accounts
- Credit Reports
- Notes, records
- Investments
- Deeds
- Promissory Notes
- Insurance Policies
- Vehicle Titles
- Will

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## Changes In Personal Patterns

- Unexplained wire transfers (foreign countries)
- Numerous and frequent cash withdrawals, inquiries of balance
- Frequent domestic travel, paid in cash
- Unrelated or unexplained authorized users to accounts
- Same phone number used by multiple people
- Same address used by multiple people
- No normal living expenses or commonly expected items found in bank records or credit cards



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## Patterns In Business Financial Records

- **Checks**
  - Dates, check number, amount, payee, signer, endorser
- **Credit Card records**
  - Dates, transaction number, amounts, vendor, location, time
- **Wire transfers**
  - Dates, amounts, sender, bank and account of sender, beneficiary, bank and account number of beneficiary
- **Ledgers**
  - Date, amount, purpose of transaction

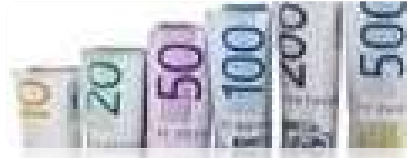
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# Patterns In Business Financial Records

- Source and destination
- Time/date Stamps
- Patterns of payments
  - When are employees paid?
  - When are vendors paid?
  - Any out of cycle payments?
- Frequency of transactions
  - Daily? Weekly? Monthly?
- Change in activity
- Environmental factors



- Check numbers
- Type of transaction
- Cashier's checks?
- Money orders?
- Stamped/Signer Endorser
  - Separation of duties

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## Questions?

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