MILLIONS ARE MISSING: WHO YOU GONNA CALL?

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DIVORCE MONEY GUIDE

If You Have Financial Records

- A forensic accountant will analyze the records and tell you if things aren't adding up
- May do a lifestyle analysis - tracing funds to find hidden sources of income and/or secret spending

Incomplete Financial Records

- An investigator will look for hidden assets, financial interests, business ownership
- May look into the backgrounds of individuals and their associates to help locate some of these things

When you NEED BOTH

Complicated Issues

Multiple financial issues that require both the analysis of financial documents AND research into backgrounds, public records, and other available information

Tracing Money

Following the money trail through accounts may not be enough to uncover all of the assets or business interests

Investigative Techniques

Background investigations and asset hunting may not tell you enough about the numbers themselves

Finding a new business is not the same as going over that entity's books and records

Lifestyle Analysis

Used to uncover hidden income, hidden assets, secret spending, and analyze known spending to determine the lifestyle of the parties

Hidden Assets

- Cash
- Offshore bank accounts
- Real estate that does not produce income
- Collectibles
- Side companies
- Assets sold or transferred to related parties

Hide Assets

- Hide cash or use cash to purchase assets
- Open secret accounts
- Purchase overlooked items
- Undervalue assets
- Overpay creditors

Hide Income

- Underreport on tax returns
- Offshore accounts
- Reduce or withhold pay
- Get paid cash
- Receive perks and benefits
- Don't disclose a business
- Divert income of business
- Reduce profits of business

Financial Analysis

- Income tax returns
- Account statements
- Credit reports
- Accounting records
- Insurance policies
- Loan applications
- Miscellaneous records

Beware the Shell Game

Judges are smart! (But we might have to remind them.)

Stops Taking a Salary

Business is Now Losing Money

Family or job is "loaning" or "gifting" money

All profits are reinvested

Secret Databases of Assets

Don't Exist

There are no secret databases that are legal to access. If we could get them, so could you.

Legal Access

- TLO
- Westlaw
- LexisNexis
- Bloomberg Law
- Offshore Leaks (Panama Papers and other)

Just Use Google!

- Most things are NOT on Google
- Google is NOT neutral - it's a business
- Ask Google to help you find where to look for the answer

Public Records

Companies Organized by State

State Litigation by County

3,069 counties, parishes, and boroughs

All keep records differently

Courthouse Visits Often Essential

> Be nice to your databases.
>
> They are like the flawed people who set them up... Quirky, inconsistent, sometimes cranky...
>
> ... and often WRONG!

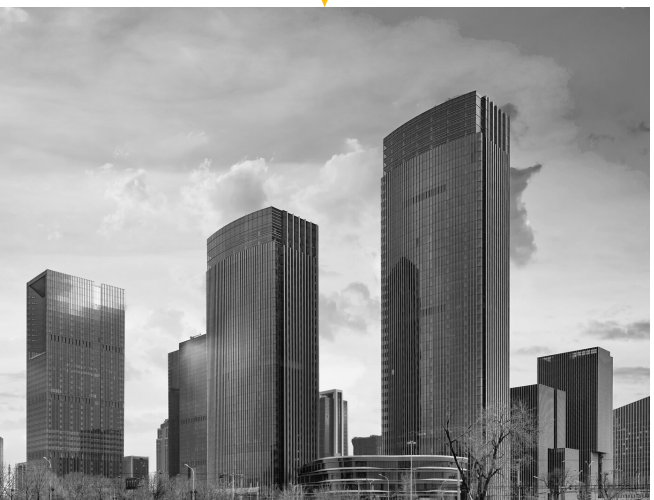
Forget Deductive Logic in the Open Universe

With billions of places to look, you need:

Inspired guesswork. Not Deduction...Abduction!

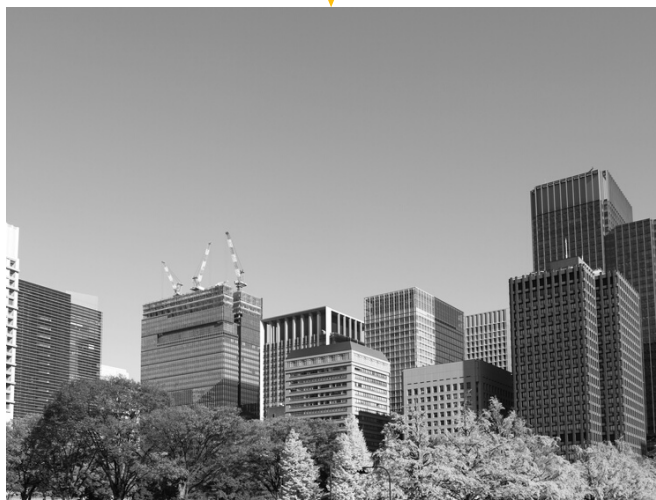
It's not logical that a secret company is in the Cayman Islands...

...just more likely than an easy-to-guess name in your home state



Use reputable sources of information

Have a game plan going into it



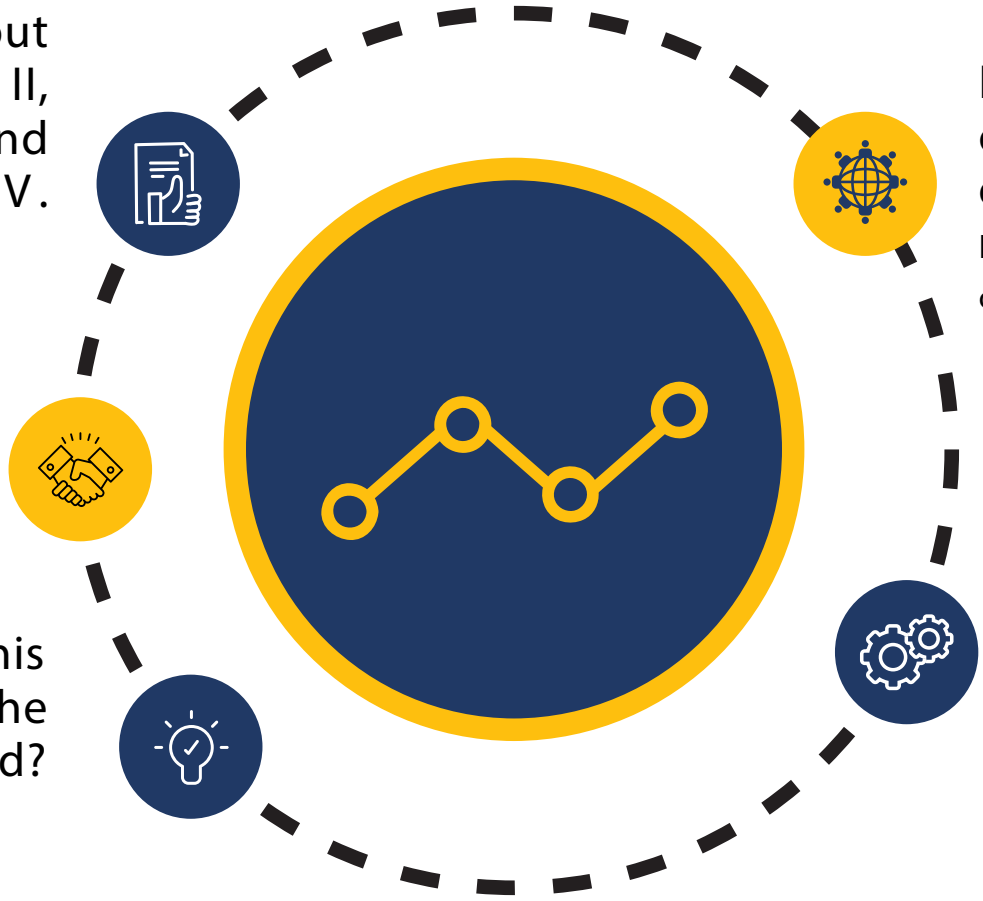
Thirty Forgotten Companies

Find a string and keep pulling.

If you know about Alpha I and Alpha II, chances are you'll find Alphas III, IV, and V.

If a company is the landlord, who controls it?

If he rents his house, who is the landlord?



Named two companies after operas

Easy to guess the names of others

Can you have two companies with the exact same name?

Yes! In two different states!

Tracing Funds (Lifestyle Analysis)

- Uncover clues to hidden assets
- Determine whether known income has been deposited
- Find evidence of unreported income
- Find undistributed income from business entities
- Discover income disguised as expenses
- Prove income via expenditures (Spending can substantiate income)

Income or Not?

- Manufacturing of parts and service of machinery AND owned the real estate
- Disclosed income of $498,000 per year ($41,500 per month) - wages, interest income, rental income
- Ignored income of business (C-Corporation) and personal expenses paid by business
- If he doesn't take the income from the business, is it really income?

How We Analyzed It

- Income of business - income tax returns
- Interest income - income tax returns
- Personal expenses paid by business - bank statements, credit card statements, general ledger
- Income from rental properties - bank statements, QuickBooks file (used cash flow rather than income on tax returns)

Results

	Disclosed	Actual
Wages	$ 180,000	$ 180,000
Interest Income	3,600	31,000
Business Income	-	550,000
Personal Expenses	-	61,000
Rental Income	314,400	270,000
Total Annual	**$498,000**	**$1,092,000**
Per Month	$ 41,500	$ 91,000

Process of Tracing

Prepare the Data

- What are you trying to prove?
- Select a time period
- Document management and data entry

Categorize Transactions

- Use categories that will translate well to your financial affidavit

Analyze the Transactions

- Review items line-by-line and in summary
- Compare to other financial information
- Evaluate in light of known facts
- Garbage in, garbage out

Results

- Identify categories to investigate further
- Do numbers match what was reported?
- Clues to hidden assets?
- Does cost of lifestyle match reported income?

Good Places to Start

- Courthouses where subject lived and worked, and then more if merited
- Litigation – People get sued along with their companies
- Liens – Broke people can't borrow. If there's credit, there's often cash too.
- Licenses – Great sources for addresses. What companies operate there?
- Newspaper articles – Information offered in times of candor and low stress can help when cone of silence has descended

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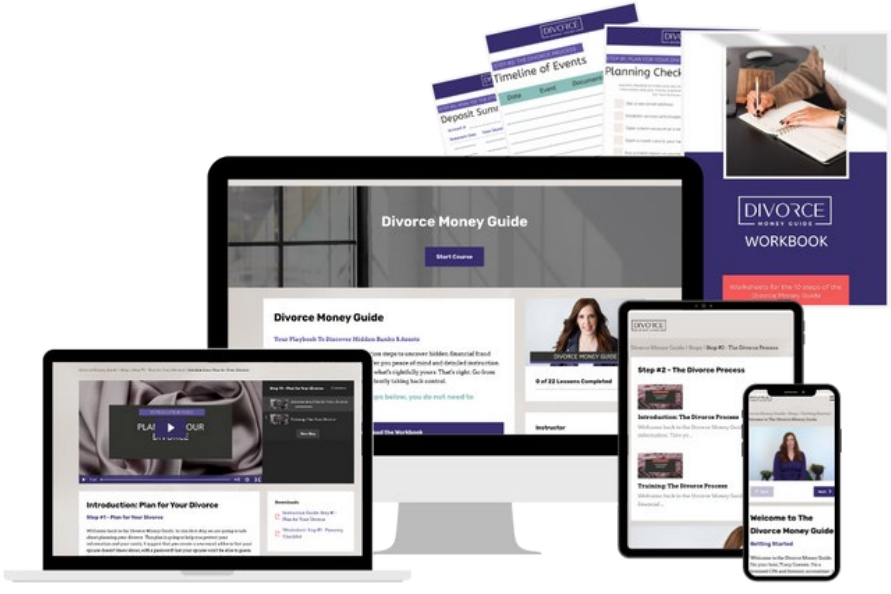
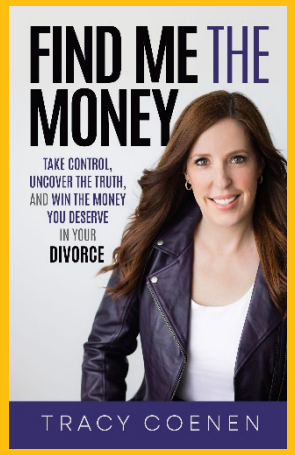
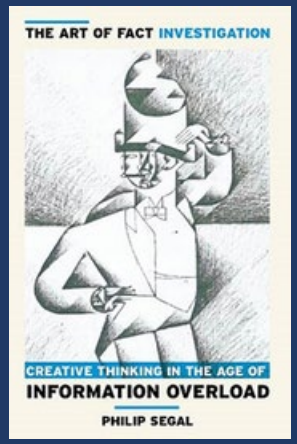


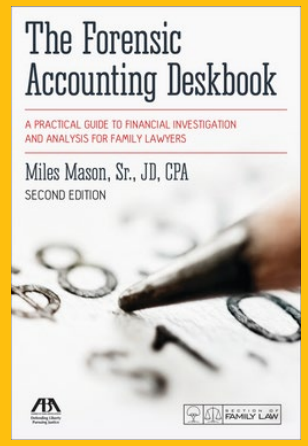
Do-It-Yourself Forensic Accounting

- 10 Steps - videos, written materials, worksheets, checklists
- Divorce process
- Red flags of fraud
- Financial documents needed
- How to get them
- What to look for
- Putting it all together for your attorney

Resources For Investigating the Money







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