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Money Trail Probe Unlikely To Pay

By Peter Benesh, Investor's Business Daily

Investor's Business Daily British Prime Minister Tony Blair says he's seen proof Osama bin Laden was behind the Sept. 11 attacks in New York and the Pentagon. "I have seen absolutely powerful, incontrovertible evidence of his link to the events of Sept. 11," he said on British TV, without elaborating. Britain's Guardian newspaper reported Monday that money transfers from Florida to Dubai on Sept. 8 and 9 may be the smoking gun. The transfers appear to be funds the killers didn't use, The Guardian says. The newspaper says the money went to a man who was bin Laden's financial manager in Sudan in the early 1990s.

Cold Trail?

With U.S., British, European and even Middle Eastern countries seizing or freezing bank accounts, following the money used by the killers back to its source is a key part of the probe. But forensic accountants on both sides of the Atlantic Ocean doubt that the paper trail will be conclusive. Foreign intelligence agencies must give unstinting help, says Rakesh Kapila, a forensic accountant in London. "Tracing the funding is difficult unless you have intelligence information of all the associated entities. The question is, do they have that information?" he asked. "We work on a lot of cases where a lot of money stays hidden because of government inaction. Money may come through South America, flow through London and then go off to Liechtenstein," Kapila said.

Real Friends

"Everyone talks the talk. But my experience is that no one wants to take action. And when you ask for information from an offshore jurisdiction, very often the funds get transferred before you can act," he said. Often no paper trail exists, he says. "In certain jurisdictions the institutions won't produce it, or say they don't have it. They may say they sent the papers to the individual concerned and don't have any original documents." How might an international criminal organize his funds? "It's easy to set up an offshore company in one country with a bank account in another. Get shareholders who are related to you but don't share your family name. Then transfer money through their accounts," Kapila said. A system common in South Asia and the Middle East is "hawala," he says. That's a chain of friends and relatives who will move money to and from personal accounts on behalf of the real owner. It works on the honor system.

The Mafia Way

"There may be a Middle Eastern businessman in Houston with 20 million pounds in his bank account. He may be a legitimate businessman. But he's controlling it on behalf of bin Laden," Kapila said. "It's a Mafia practice. They trust each other implicitly. This is why I am skeptical whether it will be possible to tap into Osama bin Laden's funding," Kapila said. The big difference now is that other countries are cooperating, says a California forensic accountant who works for the FBI and would not be named. "The money seems to have come through

Germany. But governments can't disclose everything about how they can track it. If they did, the terrorists would get around it the next time," he said. Terrorists can hide their funding from forensic accountants by using cash, he says. "If it comes into this country in cash and they pay in cash, then there's no trail." Trying to track the money abroad may be a dead end, says D. Larry Crumbley, editor of the Journal of Forensic Accounting and professor at Louisiana State University. "They could have brought the money into the U.S. in a suitcase. Tracing can't start if people start with cash," he said. Even that cash could have been laundered offshore, he says. "The killers could have put their money into U.S. banks and got a debit card. With a debit card, they could get a credit card. When they used the credit card, they could pay that off with the debit card. And we can never get back to anybody except those 19 guys," Crumbley said.

Document Search

"Once the money trail goes cold, agents have to pound the pavement," he said. Those agents then look for other documents, says George Magula, a forensic accountant with RGL Gallagher in Los Angeles. "You get names on paper when people use cash for transactions like airline tickets and rental cars. With a name you can start investigating a person's banking, financing and living expenses," he said. "But a credit card will let you trace only money going out. If the cash got here in a suitcase, you'll have a hard time," Magula said. Even if a link can be made to an offshore account, getting help from foreign banks is no sure thing, Magula says. "Many are secretive and many are limited in their ability to retrieve information," he said. To break through bank secrecy takes subpoena power, says Warren Schneider, a New York forensic accountant with Schneider & Ciccone.

Resource-Thin

"We have dealt with Caribbean and offshore U.K. banks. They tend to protect their depositors for tax purposes. But they do make a distinction between tax havens and criminal havens," he said. "You need the cooperation of that country's legal system, and that's a tedious process. It involves old-fashioned detective work, bank by bank and entity by entity. The FBI may be overtaxed in the short term," Schneider said. Not only overtaxed, but hampered by long-standing rivalries with other agencies, says the forensic accountant who has helped the FBI. The FBI should have had more information from the CIA, he says. "They've built bureaucracies that protect their own and turned them into dynasties," he said. But at least countries that didn't cooperate before in providing financial information are doing so now, he says. "As President Bush said, if they don't cooperate with us, they're cooperating with the terrorists."

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