

NALT RESEARCH INSTITUTE

FORENSIC ANALYSIS | LEGISLATIVE REFORM | FINANCIAL STABILITY

MODULE: Forensic Accounting for Lawyers **EXERCISE:** Practical Lab 1 - "Follow the Money" **MATERIALS:** Mock Bank Statement (CSV) & Forensic Valuation Model (Excel)

OBJECTIVE

You are the Junior Forensic Investigator assigned to the CLICO case. You have been given a raw dump of bank transactions from the year of the collapse (2012) and a valuation model for the Douglas Estate. Your task is to identify **three specific anomalies** that suggest a Non-Arm's Length Transaction (NALT) or asset stripping.

PART 1: THE BANK STATEMENT (CSV Analysis)

Instructions: Open the `Mock_Bank_Statement_CLICO_Case.csv` file. Filter and sort the data to answer the following:

- 1. The "Structuring" Pattern** * **Clue:** Look for payments made to the same beneficiary on the same day or consecutive days that are *just below* the \$10,000 reporting threshold. * **Question:** Which Director received two payments of \$9,900? What was the stated purpose? * **Forensic Significance:** Why would someone split a \$19,800 payment into two checks of \$9,900?
- 2. The "Friday Afternoon" Wire** * **Clue:** Large transfers made late on a Friday often attempt to bypass weekend compliance checks. Look at June 29, 2012. * **Question:** Who was the recipient of the \$250,000 wire? Does the description "Urgent Settlement" match any known legal judgment? * **Forensic Significance:** How does this relate to the "flight of capital" concept?

3. Round Number Bias * Clue: Legitimate business expenses (taxes, utilities, invoices) rarely end in perfect zeros (e.g., \$50,000.00). Fraudulent payments often do. * **Question:** Filter for "Consultancy Services Inc." How many of their invoices are for flat, round amounts? * **Forensic Significance:** What does Benford's Law suggest about this pattern?

PART 2: THE VALUATION MODEL (Excel Analysis)

Instructions: Open the

Forensic_Valuation_Model_Douglas_Estate.xlsx file. Go to the "Variance Analysis" tab.

1. The Missing Millions * Observation: The bridge chart shows a "Market Adjustment" and a "Distressed Sale Discount." * **Question:** Even after these standard deductions, what is the value of the "Unexplained Variance"?

Calculation: If the "Unexplained Variance" (\$7.3M) were added back to the sale price (\$16M), would the company have remained solvent?

2. The Yield Test * Observation: Go to the "DCF Reconstruction" tab. Change the "Discount Rate (WACC)" from 12% to 20% (simulating higher risk).

* **Question:** Does the Present Value drop to \$16M? Or is it still significantly higher? * **Conclusion:** Is there *any* reasonable economic scenario that justifies the \$16M price tag, or is it purely a NALT?

DELIVERABLE

Submit a **1-page Forensic Memo** summarizing your findings. Recommend whether the Judicial Manager should pursue civil recovery against the Directors for the "Structuring" payments and the "Unexplained Variance."