

**THE VALUE OF INVESTIGATIVE PROFILING OF FRAUD OFFENDERS BY
FORENSIC INVESTIGATORS**

by

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ABSTRACT

The problem that the researcher encountered was that forensic investigators were found not to be formally using offender profiling as an investigative technique during investigations into fraud. This research was conducted to ascertain how offender profiling may be useful in expediting the forensic investigation process.

The purpose of this research was to establish what offender profiling is, and what aspects or ingredients constitute such an offender profile. As offender profiles will serve as an aid in future forensic investigations into fraud, this study attempted to create an understanding and awareness of the value of offender profiling. In order for forensic investigators to use offender profiling during routine fraud investigations, it is extremely important that they understand the concept and its practical implementation.

The overall purpose of this study is to provide practical recommendations for the implementation and use of offender profiling to forensic investigators both in the public and private sectors.

Key Terms:

Criminal investigation; Forensic investigation; Fraud; Modus operandi; Motive; Opportunity; Red flag; Offender profiling; Investigative profiling; Crime intelligence;

DECLARATION

I declare that this dissertation, submitted in part fulfilment of the requirements for the degree of MTech: Forensic Investigation at the University of South Africa, represents my own work, and all sources which I have used or quoted have been reflected and acknowledged by means of complete references.

RANESH SIVNARAIN

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TABLE OF CONTENTS

CHAPTER 1: GENERAL ORIENTATION	1
1.1 Introduction	1
1.2 Research Aims	3
1.3 Research Purpose	4
1.4 Research Questions	4
1.5 Key Concepts	5
1.6 Value of the Research	6
1.7 Research Design and Approach	6
1.8 Target Population and Sampling	7
1.9 Data Collection	8
1.9.1 Literature Study	9
1.9.2 Interviews	10
1.9.3 Case Analysis	13
1.9.4 Personal Experience	14
1.10 Data Analysis	14
1.11 Validity	15
1.12 Reliability	16
1.13 Ethical Considerations	17
1.14 Chapter Outlay	18
 CHAPTER 2: OFFENDER PROFILING AS AN AID TO FORENSIC INVESTIGATIONS	 20
2.1 Introduction	20
2.2 Offender Profiling	21
2.2.1 Types of Offender Profiling	23
2.2.2 Purpose of Offender Profiling	28
2.2.3 Aspects that may be Included in an Offender Profile of a Fraudster	28
2.3 Forensic Investigation	30
2.4 Criminal Investigation	33

2.4.1	Purpose of Investigation	34
2.4.2	Objective of Investigation	35
2.5	The Role of Crime Intelligence in Investigation	36
2.6	Fraud	38
2.7	Summary	39

CHAPTER 3: OFFENDER PROFILING 41

3.1	Introduction	41
3.2	Personal Particulars of the Offender	41
3.3	Obtaining Modus Operandi Information	42
3.4	Determine the Motive of the Offender	45
3.5	Opportunity to Commit the Crime	47
3.6	Identify Indicators of Possible Fraud (Red Flags)	51
3.7	Information Sources for Profiling	51
3.7.1	Credit Record Searches	52
3.7.2	CIPRO	53
3.7.3	Windeed	53
3.7.4	Other Databases	54
3.7.5	SAPS Crime Intelligence Office	55
3.8	Lifestyle Change	57
3.9	Summary of Aspects to be Included in an Offender Profile	59
3.9.1	Personal Particulars of the Offender	59
3.9.2	Red Flags	60
3.9.3	Lifestyle Changes	60
3.9.4	Modus Operandi	61
3.10	Summary	62

CHAPTER 4: THE VALUE OF OFFENDER PROFILING IN FRAUD INVESTIGATIONS 63

4.1	Introduction	63
4.2	Modus Operandi	64

4.3	Identifying the Motive of the Offender	65
4.4	Advice on Interview Strategy	65
4.5	Identifying Internal Financial Control Weaknesses	66
4.6	Assisting in the Detection of Fraud	67
4.7	Databases as a Valuable Source of Information	69
4.8	Operational Value of Offender Profiling	70
4.9	Access to a Pool of Investigation Experience	71
4.10	Sharing Relevant Information	72
4.11	Summary	72
CHAPTER 5: CONCLUSION		74
5.1	Introduction	74
5.2	Findings	74
5.3	Recommendations	77
5.4	Conclusion	81
List of References		82
Interview Schedule (Annexure A)		90
Approval to Conduct Research (Annexure B)		92
Editor's Certificate (Annexure C)		93

CHAPTER 1

GENERAL ORIENTATION

1.1 Introduction

In South Africa, crime statistics provided on the South African Police Service (SAPS) website for the 2008/2009 financial year, reflect that there has been a significant increase in commercial crime from 53 931 in 2004/2005 to 77 474 in 2008/2009 (*Crime statistics* ..., 2009). The increase in commercial crime coincides with the researcher's experience – namely, that cases of fraud are indeed increasing in South Africa, costing businesses and organisations millions of rand in losses.

The researcher decided to conduct this research, because his experience has indicated that investigators do not formally use offender profiling as an investigative tool when they undertake investigations into fraud. By not using offender profiling as an investigative tool, it could potentially result in lengthy and costly investigations, because a significant amount of time will be spent by the investigators in identifying likely offenders.

There are various types of offender profiling in use today, and it is important to understand the differences. According to Bekerian and Levey (2005:53), the purpose of offender profiling is to understand why and how the crime was committed. Firstly, there is offender profiling, where the offender is unknown but their identity can be deduced from the clues left behind at the scene of the crime. Secondly, there is the profiling of an offender who has already been identified. Thirdly, there is a further type of offender profiling, when the offender is arrested and an offender profile is compiled.

According to Jackson and Bekerian (1997:2), specific profile analysis, offender profiling, psychological profiling, criminal profiling or criminal personality profiling, are all terms that have been interchangeably used to describe the same technique. There is confusion about the definitions of the various forms of offender profiling. The researcher has attempted to briefly elaborate on these forms, gleaned from the literature study. For the

purpose of this particular study, however, the researcher has made use of the term ‘offender profiling’, which refers to, and includes, the profiling of a fraud offender, that is applied or used by investigators of fraud cases, and therefore also resorts under ‘investigative profiling’. The different types of offender profiling are discussed in more detail in the following chapter.

While the researcher was conducting this research, he was employed as a senior manager in the forensics department of Ernst & Young in Durban. During the past twenty years of investigative experience, the researcher found that offender profiling is not formally utilised in fraud investigations by investigators in private companies. The researcher’s experience is that investigators normally collate various pieces of information about an offender during the investigation, but they do not compile any offender profile using this information. This non-compilation of offender profiles is in contrast with best practices described in textbooks on crime intelligence and criminal investigation. These best practices are supported by Osterburg and Ward (1997:151) and Zinn (2007:81), who assert that offender profiling is a useful aid to investigators.

For the purpose of this research, the researcher refers to, and make use of, the name “South African Police Services” (SAPS), as it is currently still known, as no promulgated name change could be found after the militarisation of the rank structure of this organisation. The researcher’s experience is that the entities also involved in the investigation of fraud, such as the Special Investigation Unit (SIU), South African Police Service (SAPS) and the former Directorate of Special Operations (DSO), do not formally employ an offender profiling methodology during fraud investigations. The Investigative Psychology Unit (IPU) of the SAPS does not compile offender profiles for fraudsters (Labuschagne, 2009). According to Professor Labuschagne, the IPU only uses offender profiling for contact crimes such as violent and sexual crimes. This further convinced the researcher that urgent research was necessary into the profiling of fraud offenders by investigators.

The researcher was concerned with the fact that the profiling of fraud offenders, after an offender is identified, is also not done at Ernst & Young. Valuable information on offenders is therefore not being used for profiling purposes by investigators. This information could have been used in the identification of fraud offenders in future fraud investigations.

Currently, there is various terminology used to refer to an investigation and an investigator. In this research, for clarification purposes and for ease of referencing, reading and consistency when the terminology of investigation is used, this term will also refer to, and include, the terms 'forensic investigation', 'criminal investigation' and 'corporate investigation'. In this regard, the term 'investigator' will also refer to, and include, the terms 'forensic investigator', 'criminal investigator' and 'corporate investigator'.

According to Zinn (2007:10), the in-depth phase of an investigation includes the collection and collation of available crime intelligence on the crime, as well as the profiling and tracing of the suspect. Zinn (2007:77), is of the opinion that the profiling of offenders is neither the solution to crime, nor the alternative to investigation, but an aid in building up a database for the purposes of crime intelligence, which can assist in identifying and tracing offenders. Jackson and Bekerian (1997:7), point out that it is important for investigators to understand the nature and use of offender profiles, and also understand the theory and research behind offender profiling techniques.

1.2 Research Aims

Firstly, the aim of the research was to ascertain the nexus between offender profiling and investigation. Secondly, the aim of any research is to establish facts, gather new data and to determine whether there are interesting patterns in the data (Mouton, 1996:103). The aim of this research was to establish what offender profiling is and what aspects or ingredients constitute such a profile. Thirdly, the research aimed to ascertain the value of offender profiling in the investigation of fraud cases. The main objective was to make

valuable recommendations that would encourage investigators to profile fraud offenders, and understand the value thereof.

1.3 Research Purpose

The research purpose, according to Denscombe (2002:25), has to do with the focus of the research, and it provides the researcher with criteria to evaluate the results or outcome of the research. Maxfield and Babbie (1995:70), on the other hand, explain that research, and, in particular, criminal justice research, can serve many purposes, such as description, exploration, explanation and application. This research, therefore, had more than one purpose. It was explorative, because it discovered information on the profiling of fraud offenders – a topic on which little is known. As Denscombe (2002:27), explains, the results of the research may change and improve the procedures applied by the investigators in the way in which they operate. The need to make improvements to a working environment is one of the characteristics of applied research. Last, but not least, the purpose is to empower the subjects of the research – as Denscombe (2002:27), points out: “how can it help those who are being researched?”.

The outcome of the research will be shared by presenting the findings at conferences and training workshops with South African fraud investigators, in order to enhance their knowledge and skills, and assist the entities involved in the investigation of fraud to benchmark their methods and identify the best practices for offender profiling.

1.4 Research Questions

Research questions need to be specific about what should be investigated. According to Denscombe (2002:31), research questions provide a basis for any research in which specific aspects are “observed, measured and interrogated” to answer the broader research questions.

The research questions for this study were, therefore, the following:

- How does the profiling of a fraud offender relate to forensic investigation?
- What should an offender profile consist of?

- What value or assistance does offender profiling provide in fraud investigations in South Africa?

1.5 Key Concepts

1.5.1 *Fraud* is the unlawful and intentional making of a misrepresentation which causes actual or potential prejudice to another (Snyman, 1984:456).

1.5.2 *Criminal investigation* is a systemised search for the truth and is primarily aimed at the positive clarification of the crime situation on the basis of objective and subjective traces (Marais & Van Rooyen, 1990:17).

1.5.3 *Forensic investigation*, and, in particular, the term *forensics* as a noun, refers to the art of debate, but the adjective *forensic* simply designates a connection with, or use in, public discussion and debate – more specifically, in a court of law (Inman & Rudin, 2001:4).

1.5.4 *Crime intelligence* is defined, in section 1(vii) of the National Strategic Intelligence Act 39 of 1994, as intelligence used in the prevention of crime, or to conduct investigations and prepare evidence for the purposes of law enforcement and the prosecution of offenders (South Africa, 1994).

1.5.5 *Offender profiling*, according to Bekerian and Levey (2005:53), is a method of collating various pieces of information and data about an offender, with the intention of establishing the most likely offender who committed the crime, and is used to understand why and how the crime was committed.

1.5.6 *Intelligence profiling* consists of the collation of information about an identified person, and includes such information as: identity number, address, criminal record, weapons owned, vehicles owned, employment records, verification of academic qualifications, cellphone records and bank statements (Pistorius, 2005:14).

1.5.7 *Investigative profiling*

According to Pistorius (2005:14), the creation of an investigative profile would include data that is gathered on an offender, such as: identity number, address, criminal record, weapons owned, vehicles owned, employment records, verification of academic qualifications, cellphone records and bank statements.

1.6 Value of the Research

According to Denscombe (2002:43), the research must be relevant, in terms of contributing to existing knowledge, solving practical needs and being of relevance to current issues. This research will contribute to knowledge regarding the profiling of offenders. Also, this knowledge will be available to Unisa and the greater academic community. It can be used both in curriculum development and as a source for students and researchers.

The outcome of this research will be useful for investigators, because it can enhance investigations into fraud cases. All investigators would benefit from this research, because it will empower them with knowledge on offender profiling. They will also be able to benchmark their current practices against the findings of this research. South African society will benefit, if fraud cases can be solved speedily and perpetrators prosecuted.

1.7 Research Design and Approach

According to Mouton (2001:55), “a research design is a plan or blueprint of how you intend conducting the research”. According to Leedy and Ormrod (2001:91), a research design provides a foundation and form to the research procedures as well as to the collection and analysis of data. According to Leedy (1993:114), properly designed research will yield positive results. The primary source of information for this study was gathered from interviews, and secondary source information from a thorough literature study. The researcher also used case study and personal experience as sources for gathering information.

The researcher therefore chose to conduct the research based on an empirical design, because it involved going out into the field and ascertaining the personal experience and knowledge of the participants, as explained by Mouton (2001:149). According to Maxfield and Babbie (1995:4), experience and observation are key contributors of knowledge in an empirical design. The empirical design allowed the researcher to obtain information from the participants on the purpose for profiling offenders and on what the likely ingredients would be that may make up such a profile. This design had an advantage, in that it allowed the researcher to probe the responses from the participants in much more detail.

The researcher chose to gather data by means of an interview schedule with a qualitative approach. A qualitative approach entails conducting interviews with individuals or focus groups (Leedy & Ormrod, 2005:95). According to Leedy (1993:139), an interview with a view to gathering information involves a qualitative research approach. The researcher therefore made use of a qualitative research approach, because face-to-face interviews, with a semi-structured interview schedule, were conducted with investigators to obtain information about their practical knowledge and personal experience (Creswell, 1994:21).

1.8 Target Population and Sampling

A population, according to Welman and Kruger (1999:47), is the study object made up of people, organisations, human products and events, or the conditions to which they are exposed. The size of a population often makes it impractical and uneconomical to include the whole population in a study. The ideal population for this study should have been all investigators working for Ernst & Young in South Africa. However, due to financial and practical constraints, it was not possible to interview all the investigators in South Africa.

The researcher therefore decided to regard the 31 investigators at Ernst & Young in Durban as the study population for the purpose of this study. Huysamen (1991:183-190), indicates that a sample of 25 or more is a preferable unit for analysis. No sampling was done, as the whole sample was chosen for this research. However, out of the sample of 31 participants, only 25 participants were interviewed, due to the four participants who were

unavailable for interviews because of urgent work commitments, and the two participants who had resigned from Ernst & Young during the research. Also, the finalisation of the research was approaching, and it was not possible to indefinitely continue attempting to interview the remaining four participants.

Sampling, according to Denscombe (1998:11), refers to a small portion of the entire population. Purposive sampling is a type of non-probability sampling where units or people, according to Leedy and Ormrod (2001:219), are chosen as a sample for a particular purpose, or who represent a wide perspective on an issue. In a second set of interviews, the researcher decided to use the purposive sampling method to approach and interview five participants, due to their expertise in this specific field. Of the five participants, two individuals were experienced in investigations, and three individuals were known to be offender profilers. The purpose for interviewing these five individuals was to obtain their views on offender profiling, the benefits thereof, and also to ascertain from them what likely aspects may constitute an offender profile.

Regarding sampling, the researcher also conducted an analysis of case files in cases that were investigated by Ernst & Young in Durban. There were 36 fraud cases investigated between 1 July 2007 and 30 June 2008 by investigators based at Ernst & Young in Durban. The researcher was only able to conduct an analysis of 35 case files, to determine what aspects could be included in the profile of a fraud offender. There was one case which was still pending investigation when the case files were reviewed by the researcher, and was therefore unavailable to the researcher for review.

1.9 Data Collection

According to Denscombe (2002:70), it is crucial to gain access to documents and people for the purposes of research, or else researchers will engage in speculation on the subject. According to Leedy and Ormrod (2001:158), various forms of data collection methods may be used by qualitative researchers in a study. The researcher gathered data by means of data collection techniques such as literature reviews, interviews, analysis of case files, and personal experience. The interviews with participants constitute a qualitative research

approach, as explained by Leedy (1993:139), to gather data by means of interviews. The researcher chose to gather data by means of an interview schedule with a qualitative approach.

1.9.1 Literature Study

According to Mouton and Marais (1994:77), there are various documentary sources from which data could be gathered. Such sources could be records, documents, library collections or mass media material. The researcher was guided by the aims of the research, as well as the research questions, when reviewing the literature. Literature was then sourced in respect of the various concepts, and studied. Initially, a preliminary review of literature was conducted at research libraries in Durban and the University of South Africa (Unisa), as well as the Internet, to ascertain if similar research had been conducted on the exact topic, nationally and internationally.

Literature sources, such as a dissertation on crime intelligence, documents on the Internet and study guides, were also consulted. The library catalogues and the Internet were scrutinised for literature on the same topic as this research, but the researcher found none. According to Mouton (2001:87), it is important to conduct a literature review in order to establish what has already been done in a specific field of study. The objective of the literature review is to inform the researcher about what is already known on the subject, so that this knowledge can be used as a background for an investigation which will progress and guide the study through new learning (Denscombe, 2002:86).

Since none of these sources contained literature on the same topic, the researcher broke down the topic into concepts, and conducted further literature searches on these concepts. The researcher found various items of literature on related topics. According to Welman and Kruger (1999:34), keywords are important when tracing relevant literature for a study. The researcher took the topic and split it into various key concepts and research questions such as fraud, investigation, crime intelligence, offender profiling, intelligence profiling and investigative profiling.

Literature on various research methodologies was studied, with a view to obtaining a wider understanding of the various research methodologies in use, and identifying the most appropriate methodology to be used in this study.

1.9.2 Interviews

According to Welman and Kruger (1999:167), the use of semi-structured interviews plays an important role in clearing out ambiguous or incomplete responses from participants. The questions in this study were both open-ended and closed-ended. The open-ended questions were designed to allow the participants to elaborate on their responses and thus obtain qualitative data. The advantage of such questions is that participants may volunteer information that is least expected and very important for the research.

The researcher submitted the interview schedule to his Unisa co-supervisor (Ms Marilize Van Zyl) for review and comment. The interview schedule is attached to this research report as Annexure A. A pilot study was carried out to test the interview schedule, by interviewing three randomly chosen highly experienced investigators at Ernst & Young in Durban, who were part of this study. The interview schedule was refined after the pilot study, and incorporated some minor changes.

A total of 25 investigators at Ernst & Young in Durban, were interviewed. Twelve of the 25 investigators were interviewed on a face-to-face basis, with a semi-structured interview schedule containing closed- and open-ended questions. The participants were asked specific questions based on the research questions and aims of the research contained in the interview schedule. All the participants were asked the same closed- and open-ended questions. The responses of the participants were written down in the form of interview notes. The interviews were conducted in the privacy of meeting rooms located at the Ernst & Young offices. The participants remained anonymous, and the interviews were not tape-recorded. The participants were allocated numbers and identified as participants 1 to 25.

Unfortunately, due to work commitments, the other 13 of these 25 participants could only be interviewed by means of email, whereby the interview schedule was emailed to them and returned after completion. These 13 participants agreed to respond via email to the questions contained in the interview schedule. The researcher forwarded the interview schedules to these participants, and obtained their responses via email. The researcher subsequently conducted telephonic interviews with those participants where clarity was sought regarding their emailed responses to the questions contained in the interview schedule.

In a second set of interviews, the researcher decided to use the purposive sampling method to approach and interview five experts in this field of study – namely, two individuals who are highly experienced in investigations, and three individuals who are known to be offender profilers. Therefore, in total, five individuals were interviewed during the second set of interviews. The researcher interviewed these five highly experienced individuals, and obtained their input by means of email. The individuals were:

- Mr J.P. Willemse – a highly experienced investigator at the Asset Forfeiture Unit (AFU)
- Mr J. Garvin – a highly experienced investigator at the Special Investigating Unit (SIU)
- Mrs K. Delport – involved in crime trend analysis and profiling of offenders at the Westville Police Station (SAPS)
- Professor Gerard Labuschagne – a highly experienced and renowned offender profiler of the Investigative Profiling Unit (IPU) within the SAPS
- Doctor Micki Pistorius – a highly experienced and renowned offender profiler who has written numerous books about offender profiling

Willemse (2010), and Garvin (2010), were emailed the same interview schedule that was used in interviews with Ernst & Young investigators. Interviews were also conducted, by means of email, with two experts who are known profilers – namely, Professor Gerard Labuschagne and Doctor Micki Pistorius. Furthermore Delport (2010), who compiles

offender profiles at Westville police station, was also interviewed by means of email. Professor Labuschagne, Doctor Pistorius and Mrs Delpont were asked the same two questions which were sent by means of email. The questions, based on the aims and research questions of the research, to ensure that the problem statement was addressed, were:

- Do you compile offender profiles for fraud offenders?
- What aspects should be included in a profile for a fraud offender?

As the researcher is based in Durban, and these participants in Gauteng, he decided to make use of email to gather information from the participants. He also made use of telephone interviews, as explained by Leedy and Ormrod (2005:185), to clarify any uncertainties.

There were 21 male and six female investigator participants. The average age of the participants was 38 years. There were 21 participants who had tertiary qualifications, while three participants had a post-matriculation certificate, and the remaining three participants had no tertiary qualifications.

The position of the participants in their organisations were: Associate 2 (1 of 27); Associate 3 (1 of 27); senior associates (3 of 27); assistant managers (7 of 27); manager (7 of 27); senior manager (5 of 27); associate director (1 of 27); chief forensic investigator (1 of 27) and head of investigations (1 of 27). There were 25 participants from Ernst & Young, one participant from the SIU and one participant from the AFU.

The average years of investigation experience that the 27 participants possessed was nine years, which ranged from two years to 20 years. There were 26 participants who had received some sort of training in the investigation of crime, while one participant had received no training at all. There were 25 participants who had attended internal training courses offered by their organisations, one participant had been trained in the United States of America and the United Kingdom, while one participant had not attended any courses. All 27 participants specialised in fraud and corruption investigations. On

average, the 27 participants investigated an average of ten cases per year, which ranged from two cases to ninety cases.

The advantage of open-ended questions is that it affords the researcher an opportunity to ask follow-up questions in instances where the responses were not clear or where other issues came to light during the questioning. According to Vithal and Jansen (2004:22), semi-structured interviews give the researcher an opportunity to probe initial responses. All the questions were in English, as the participants use English as their business language.

The researcher adhered to all the considerations for effective interviewing, as outlined by Leedy and Ormrod (2005:147), when conducting the interviews. The researcher established a rapport with the participants and obtained their written consent to participate in the interviews. Confidentiality was maintained during and after the interviews. Questions were identified in advance, before the interviews. Permission was obtained from Ernst & Young to conduct the interviews with the investigators, in the form of a letter which is attached as Annexure B.

1.9.3 Case Analysis

There were 36 fraud cases investigated between 1 July 2007 and 30 June 2008 by investigators based at Ernst & Young in Durban. As the total number of fraud cases investigated was not too large, it was not necessary to select a sample from the 36 cases for this study (Bailey, 1987:78). The sample for this study was, therefore, all 36 case files. However, during the analysis of the case files, there was one case file that was not available to the researcher, as the matter was still under investigation. Case file analysis was therefore conducted on 35 cases, to determine what aspects could be included in a profile of a fraud offender. The following is an indication of the type of information that was extracted from the case files:

- the manner in which the fraud was committed – modus operandi of perpetrator(s)
- the value of the loss
- methods used to identify the offender

- particulars about the offender
- the motive of the offender
- the outcome of the disciplinary enquiry, criminal or civil litigation

1.9.4 Personal Experience

The researcher is a former police officer with nine years' investigation experience in the SAPS. Furthermore, the researcher has 16 years of investigative experience in the private sector, involving the investigation of fraud. The researcher has a National Diploma in Police Administration as well as a BTech Degree in Policing. This personal experience assisted the researcher in analysing and evaluating the data that was gathered during the interviews, literature reviews and case file analysis.

1.10 Data Analysis

Mouton and Marais (1994:102), define analysis as a process aimed at resolving a complicated problem by means of fragmenting data into smaller segments for analysis. According to Vithal and Jansen (2004:27), there are three steps in data analysis whereby the data is:

- scanned and cleaned
- organised
- re-presented

Vithal and Jansen (2004:27), are of the view that scanning and cleaning entails reviewing the data for completeness, accuracy and relevance. Organising the data entails arranging the data in a manageable form, in order to understand it. Re-presenting the data entails depicting the data in the form of tables, graphs and statistical summaries, in order to reflect meaningful summaries of voluminous data.

The researcher decided to follow the spiral analysis method to analyse the data obtained in this research. According to Leedy and Ormrod (2001:161), the four steps of data analysis spiral entails the following:

- Organising the raw data by breaking down the units of data into smaller parts. The researcher arranged the data into categories for analysis.
- In perusing the data and understanding it, the researcher obtained an overview of all the data that was collated during the interviews, literature reviews and case analysis. At this stage, the researcher attempted to review the data a few times, and made some initial notes and reflected on the data gathered.
- The researcher then broke down the data into units for classification and analysis, and identified relationships and themes in the data.
- Finally, the researcher synthesised the data by creating hypotheses and propositions, and compiled tables and graphs. During the analysis of the data, the researcher made certain inferences, as explained by Mouton and Marais (1994:106).

1.11 Validity

According to Denscombe (2002:100), validity is about the accuracy of the questions that are asked, the answers provided, as well as the data that is gathered. Validity is important, in that it ensures that the research is not based on poor quality data or incorrect interpretations. According to Leedy and Ormrod (2001:98), the measuring instrument is valid insofar as it measures what it sets out to measure. The researcher was therefore guided by the aims, the research questions and the key concepts, when formulating the interview questions, to ensure that the instrument measured what it was supposed to measure. The literature search was also guided by the aims and research questions. Leedy (1993:40), is of the opinion that a measuring instrument should be sound and effective, to be valid. The interview schedule as a measurement instrument was therefore accurate, as it was scrutinised by the researcher's supervisor from Unisa, and piloted or pre-tested, as explained by Mouton (2001:103).

The measuring instrument, in the form of an interview schedule, which the researcher used, ensured content validity, because Leedy and Ormrod (2001:98) are of the view that content validity measures people's achievement in a particular area, such as their knowledge gained or skill acquired. The sample of participants was investigators who are

experienced in their field. A sample of 25 participants was considered to be representative of the population as it included all the investigators from Ernst & Young in Durban. The experts that were also interviewed, are all experienced and knowledgeable on the topic. The researcher himself is an experienced investigator who ensured both careful and accurate data collection and the interpretation thereof. The use of the spiral analysis method, as explained by Leedy and Ormrod (2001:161), further enhanced the validity of the research. The fact that the researcher made use of more than one method to obtain information for the research, enhanced the validity of the research (Mason, 1998:148).

1.12 Reliability

Reliability of a measurement instrument, according to Leedy and Ormrod (2001:99), refers to obtaining consistent results from various sources, using the same measuring instrument. According to Leedy and Ormrod (2001:100), the measuring instrument should be applied consistently and have specific criteria, if the researcher intends making judgments. Leedy and Ormrod (2001:100), are of the view that measuring something accurately also entails the consistent measurement thereof.

According to Welman and Kruger (1999:143), reliability refers to the results which may be generalised to different measurement occasions, tests and users. This refers to consistency of application of the measuring instrument to yield the same results, to ensure that the results are reliable and valid. According to Denscombe (2002:100), reliability is about the evaluation of the methods and techniques that were used for the collection of data, in order to ensure that they are consistent and do not distort the findings.

According to Babbie (1998:129), reliability means that the testing of an item with a particular instrument should produce exactly the same result every time it is tested. However, Babbie (1998:130), warns that a reliable instrument may not be accurate, due to bias. To overcome this, the researcher used the same interview schedule to interview all the participants, to ensure that the same results were obtained if the research were to be repeated by another researcher.

Conversely, Leedy (1993:42), is of the opinion that reliability involves accuracy. This needs to be considered when accepting the reliability of a technique. Furthermore, the researcher conducted in-depth literature reviews in order to gather reliable data. A thorough analysis of case files revealed what is documented, thereby ensuring that the data gleaned from the case files was accurate and reliable.

1.13 Ethical Considerations

Ethical considerations have to be inherent throughout the research. The researcher obtained written permission from the director of Ernst & Young, to conduct the research. According to Unisa's *Policy on Research Ethics of the University of South Africa*, (Unisa, 2007:7), researchers should respect and protect the dignity, privacy and confidentiality of participants. The researcher adhered to this policy during the research. According to Leedy and Ormrod (2001:107), ethical considerations can be categorised into: protection from harm, informed consent, right to privacy and honesty with professional colleagues. Participants should be protected by not exposing them to physical or psychological harm. They should understand the nature of the study and their right to participate in it. The participant has a right not be identified in the study. Researchers must report their findings honestly, and provide full acknowledgment to other sources (Leedy & Ormrod, 2001:108). The employees who were chosen as the sample of participants, agreed to be interviewed. They were informed of the purpose of the research by the researcher. The employees of Ernst & Young were also assured that their identities would not be revealed when the research findings were made known (Welman & Kruger, 1999:181).

The participants' right to privacy would be respected and maintained. According to Leedy (1993:128), participants should not participate in a research which could cause them embarrassment. Interviews were conducted at their convenience and at suitable venues chosen by the researcher. They were informed that they could withdraw from the interview at any time, should they wish to do so. They were told that they had the right not to answer certain questions. The participants were not offered reimbursement for participating in the research.

With regard to honesty with professional colleagues, the researcher acknowledged all sources by reflecting the appropriate acknowledgement to the authors of the literature, within the text as well as in the list of references (Leedy & Ormrod, 2005:102). The researcher has refrained from committing plagiarism (Mouton, 2001:240).

1.14 Chapter Outlay

The research is divided into four further chapters, wherein the identified research questions are elaborated on.

Chapter 2: Offender Profiling and Forensic Investigation

In this chapter, the relationship between offender profiling and forensic investigation is explored. In particular, the following aspects are discussed: offender profiling, the purpose of offender profiling, forensic investigation, criminal investigation, the purpose of forensic investigation, the objective of forensic investigation, the crime of fraud, crime intelligence, intelligence profiling and investigative profiling.

Chapter 3: Offender Profile

This chapter focuses on the detailed contents that an offender profile of a fraudster should comprise. In particular, the following aspects are elaborated on: personal particulars, modus operandi, motive, opportunity, red flags, lifestyle changes and information sources for profiling.

Chapter 4: Value of Offender Profiling

The value of offender profiling in fraud investigations is elaborated on in this chapter. The main topics that are discussed in this chapter are as follows: modus operandi, motive, interview strategy, identifying areas of internal control weaknesses, detection of fraud, databases as a valuable source of information, the operational value of offender profiling, access to a pool of investigation experience and sharing relevant information.

Chapter 5: The Conclusion

This final chapter concludes the study by elaborating on the findings and making recommendations to address the issues that are highlighted.

CHAPTER 2

OFFENDER PROFILING AS AN AID TO FORENSIC INVESTIGATIONS

2.1 Introduction

Kruger (2006:20), provides a simplistic meaning of ‘forensic investigation’ – that it is an enquiry aimed at ascertaining the facts which will lead to the reconstruction of a crime. However, Van der Merwe (2008:97), specifically points out that a forensic investigation refers to a court-driven investigation for the purposes of legal proceedings. Berning (2008:76), is in agreement with Van der Merwe, when pointing out that a forensic investigation is conducted in order to institute criminal and/or civil proceedings in a court of law.

Jackson and Bekerian (1997:66), are of the opinion that there is no universally accepted definition of offender profiling, and most profiling in Britain, in their reporting period, is done on an amateur basis. The researcher has further found, during the literature review in this study, that offender profiling has been defined in various ways by many authors. However, the investigative technique, most commonly referred to as offender profiling, has recently risen in popularity, both in practical use and media portrayals. There has always been a relationship, albeit to a limited extent, between offender profiling and investigations, whereby the modus operandi of known perpetrators is reviewed in order to shorten the list of likely suspects in subsequent investigations (*Crime Library ...*, 2008).

The use of offender profiling during investigations is not entirely a new technique. The researcher’s experience is that the profiling of suspects using modus operandi data, has been in existence in the SAPS for many years. However, the word ‘profiling’ was not used. The information obtained from offenders was called crime information, and this information was available to investigators for use in their investigations.

The suggestion by Hesselink-Louw (2003:88), is that the objective of offender profiling, after arrest, is to establish the causes of criminal conduct and to generate predictions

about future behaviour. Bekerian and Levey (2005:53), are of a similar view, when they point out that offender profiling is used when the offender has already been arrested. The researcher supports this view, because such offender profiling will be helpful in identifying likely suspects in future cases. According to Jackson and Bekerian (1997:3), offender profiling should be regarded as a useful investigative tool in investigations, as offender profiles do not solve crimes on their own. Offender profiling is considered to be an aid in investigations; therefore, there is a relationship between offender profiling and investigations.

In this chapter, the researcher further elaborates on the relationship between offender profiling and investigation, the difference between criminal and forensic investigation, the purpose and objective of investigation, crime intelligence, offender profiling, intelligence profiling, investigative profiling and fraud.

2.2 Offender Profiling

Ainsworth (2001:98), explains that offender profiling has a short history, in which the past thirty years have seen a serious attempt to develop profiling. Hesselink-Louw (2003:102), points out that criminal profiling has been known by various names, such as offender profiling, behavioural profiling, crime-personality profiling, crime scene profiling and psychological profiling. Criminal profiling or offender profiling is an investigative medium, whereby the investigator focuses on the investigation, crime scene analysis and geographical profiling.

Bekerian and Levey (2005:53), believe that offender profiling is a method of collating various pieces of information and data about an offender, with the intention of establishing the most likely offender who committed the crime; and that the profiling of an offender is used to understand why and how the crime was committed. From the researcher's experience, this kind of information is very useful for an investigator, because it can give direction to an investigation.

Snook, Eastwood, Gendreau, Goggin and Cullen (2007:437), are of the view that literature on offender profiling, and the use of offender profiling, has increased, despite the lack of a well-defined profiling framework and empirical knowledge on this subject, and that profiling appears to be an irrelevant and redundant technique for use in investigations. In contrast, however, in South Africa there is a unit within the SAPS which specialises in psychological profiling, with the purpose of assisting investigators with serial rapes and murders. The unit is called the Investigative Psychology Unit (IPU) and is headed by Professor Gerhard Labuschagne. Although psychological profiling is a different type of profiling from that which is being researched in this study, it is still profiling for use in investigations. In support, Osterburg and Ward (1997:151), argue that offender profiling is a useful aid to investigators. This is contrary to the assertion by Snook et al. (2007:437), that profiling is an irrelevant and redundant technique.

Bartol (1999:239), however, is of the opinion that profiling in general is guesswork, with 90% being an art and 10% being science. The researcher does not agree with this, because experienced and knowledgeable investigators can obtain important information from suspects, such as modus operandi – in other words, the method of operation of suspects, background information on suspects, financial position, previous convictions and other important information that can be used to profile a suspect.

There was a total of 27 investigators, comprising 25 investigator participants from Ernst & Young and two experienced investigator participants from the AFU and SIU, who were requested to give their opinion on what they understood fraud offender profiling to mean. There were 12 participants who shared the view that an offender profile reveals certain characteristics of those likely to commit fraud, such as individual traits, personality, age and common trends, and is a tool to aid the investigation. One participant remarked that profiling based on individual characteristics of offenders and red flags, was a manner of profiling offenders. One participant indicated that an offender profile of a fraudster is based on the psychological makeup and motive of the offender. There were seven participants who indicated that the modus operandi of previous fraud offenders would be crucial in offender profiling. Four participants indicated that red flags would

indicate the likelihood of fraud being committed, and should therefore form part of an offender profile. Then there was one participant who believed that the offender should be profiled based on the reasons (motive) why they committed the fraud. It was found that one participant did not know what offender profiling meant.

From the discussion it is clear that offender profiling during fraud investigations should not be based only on psychological factors, as a trained psychologist would be required to carry out this process. Investigators are generally not trained psychologists, but require practical guidance in order to profile fraud offenders themselves. Therefore, specific characteristics, red flags, modus operandi and motive of fraud offenders, appear to be useful in offender profiling.

The understanding of the investigator participants regarding offender profiling is based largely on their practical experience in working with offenders, as none of them have received any formal training in offender profiling. Their differing answers on what exactly offender profiling is, is not surprising, because even in the literature consulted by the researcher, it became evident that there is confusion among authors about the different types of profiling. It is therefore discussed in the next section.

2.2.1 Types of Offender Profiling

During this study the researcher established that there are various types of offender profiling. Furthermore, there appears to be confusion about the types of offender profiling, as offender profiling has come to be understood (or misunderstood) to mean different things to different people. The researcher has found, during this study, that offender profiling has been defined by different authors using different terminologies over the years. This has contributed to the current confusion about offender profiling. The underlying concept on which these definitions are based remains the same: that behaviour is exhibited at a crime scene which, when studied, allows inferences to be made about the likely offender (Jackson & Bekerian, 1997:2). The researcher agrees with Jackson and Bekerian (1997:2), in that fraud offenders, although intending to misrepresent the truth, do leave behind a trail which, in most instances, does lead directly to the offender. For

example probing the audit trail of a transaction will lead to the fraud offender whose computer username and password was used to create the fraudulent transaction.

Gudjonsson and Copson (1997:76), are of the view that it is easy to understand why there is confusion about what profiling involves, as it is “neither a readily identifiable nor a homogeneous entity”, and they also note that little has been published in the academic literature on what profilers actually do and how they do it. It is interesting to note that many years later, this confusion about offender profiling has still continued. According to Kocsis (2006:1), some of the confusion can be attributed to the different nomenclature that is often used interchangeably, such as criminal profiling, criminal personality profiling, investigative profiling and psychological profiling.

According to Ainsworth (2001:152), there are already numerous profiling techniques in use in many countries, despite the fact that these techniques remain to be proven empirically. Ainsworth is also of the opinion that the following are different types of offender profiling:

- criminal personality profiling
- criminal profiling
- psychological profiling
- inductive criminal profiling
- deductive criminal profiling
- intelligence profiling
- investigative profiling

Despite the inherent confusion about the definitions of the various forms of offender profiling, the researcher has attempted to briefly define and describe these types of offender profiling which were gleaned from the literature study. However, for the purpose of this particular study, the researcher has made use of the term ‘offender profiling’. It refers to a profile of a fraud offender, that is suitable for fraud investigators, and therefore also resorts under ‘investigative profiling’.

2.2.1.1 Criminal Personality Profiling

Campbell and DeNevi (2004:14), hold the view that criminal personality profiling is a valued means of narrowing the field of the investigation, as it indicates the kind of person most likely to have committed a crime, by focusing on certain behavioural and personality characteristics. Montgomery and Majeski (2005:62), share a similar view, in that criminal personality profiling has been useful to corporate companies when they conduct employment interviews by means of questionnaires. The objective is to identify individuals who were involved in corporate crime, by narrowing down the number of potential suspects from a large group. The researcher, however, believes that ordinary investigators do not possess the requisite skill to accurately analyse human behaviour and personality, and, as such, will not be able to practically implement this type of offender profiling in their daily investigations. The assistance of a qualified psychologist will be required to compile such a profile. The researcher has already explained that the SAPS Investigative Psychology Unit (IPU) compiles these types of profiles to assist investigators who are responsible for serial murder and rape investigations.

2.2.1.2 Psychological Profiling

According to Montgomery and Majeski (2005:64), the term ‘psychological profiling’ evolved over time into ‘criminal personality profiling’. It would appear from the view of these authors, that these two types of offender profiling are one and the same.

2.2.1.3 Criminal Profiling

Levy (2008:4), is of the view that criminal profiling attempts to determine the kind of person who committed a particular crime or series of crimes, and is based on the idea that behaviour reflects personality. Shone (2008:6), shares a similar view, in that criminal profiling is mainly used in crimes of violence where the culprit is a repeat or serial offender. Professor Labuschagne of the IPU uses this type of offender profiling for contact crimes such as violent and sexual crimes, within the SAPS. As the study deals with the crime of fraud, this particular type of offender profiling was not the focus of this research.

2.2.1.4 Inductive Criminal Profiling

Turvey (1998:2), defines inductive profiling as the process of profiling criminal behaviour, crime scenes and victims, from the known behaviours and emotions suggested by other criminals, crime scenes and/or victims. This form of offender profiling requires the assessment of behaviours and emotions which can only be adequately carried out by qualified psychologists, and therefore was not appropriate for this study.

2.2.1.5 Deductive Criminal Profiling

According to Turvey (1998:6), this form of offender profiling is more specific than inductive criminal profiling. It uses the unique characteristics of the offender for profiling, as opposed to generic ones which are deduced from the “behavioral reconstruction of a single offender's crime scene”. It is the researcher’s view that this type of offender profiling is best left to qualified psychologists to deal with, as opposed to investigators.

2.2.1.6 Intelligence Profiling

Ronczkowski (2004:71), is of the view that the objective of offender profiling by means of intelligence gathering, is to deal with future danger, and emphasises that it is not intended to punish past crimes. Pistorius (2005:14), argues that intelligence profiling consists of the collation of information about an identified person, including information such as identity number, address, criminal record, weapons owned, vehicles owned, employment records, verification of academic qualifications, cellphone records and bank statements. This type of offender profiling requires that the offender be identified, in order to gather such information. The researcher supports the view of Ronczkowski (2004:71), that intelligence profiling is appropriate in dealing with future risks.

2.2.1.7 Investigative Profiling

Another form of offender profiling is called investigative profiling. According to Bekerian and Levey (2005:53), investigative profiling involves a psychologist during the investigative stage. This is where the offender is unknown and there are few leads, and the profiler provides a description of the offender in respect of age, marital status and

history of employment. Pistorius (2005:14), differs from this viewpoint, by pointing out that the creation of an investigative profile would include data that is gathered on an identified offender, such as identity number, address, criminal record, weapons owned, vehicles owned, employment records, verification of academic qualifications, cellphone records and bank statements. The researcher supports the view of Pistorius (2005:14), in that the term ‘investigative profiling’ is more appropriate in instances where the offender is known. The confusion around the terminology for particular types of offender profiling exacerbates the definition of each type of offender profiling.

It is the researcher’s experience that certain of these records, such as bank statements and cellphone records, would have to be requested through a court of law, by means of a subpoena under section 205 of the Criminal Procedure Act 51 of 1977 (South Africa, 1977). The researcher is of the view that bank statements can provide information on the financial status of an offender, and where and how the money was obtained and spent. It can also provide other information – for example, cars and other assets that were purchased. The cellphone data can provide useful information about links between other individuals and the offender.

The researcher has found that investigators who are not members of law enforcement agencies such as the SAPS, would find it difficult to acquire certain information such as the offender’s criminal records, weapons owned or vehicles owned, unless a criminal case has been opened at a police station. Even if such information was obtained, it would not be legal to divulge it to unauthorised persons. On the other hand, if these investigators are co-opted onto the joint investigation team with the SAPS, such information will be useful in profiling the offender.

From the researcher’s experience, however, there are various public databases such as Trans Union, Experian, the Deeds Search and the Companies and Intellectual Property Registration Office (CIPRO), that are available to investigators, which provide vital data about offenders that could be used to profile the offender. Investigators have to subscribe to such a service, and pay a fee for the information provided.

2.2.2 Purpose of Offender Profiling

The researcher is of the view that it is important for investigators to understand the purpose of offender profiling, so that they can see the benefit of such an investigative tool and are able to actively utilise it in their investigations. Jackson and Bekerian (1997:83), are of the view that the purpose of offender profiling is to predict the characteristics of the offender and to prioritise a list of likely suspects during an investigation. Similarly, Kocsis (2007:249), believes that offender profiling remains a tool in investigations, despite concerns about its effectiveness.

The researcher agrees with the views of these authors, in that offender profiling is a useful aid in investigations and should be regarded as such. The researcher believes that the task of gathering evidence to prove or disprove a case against the offender does not lie in offender profiles. Offender profiles merely point the investigator in a particular direction where corroborating evidence has to be forensically gathered. The researcher has found, in his experience, that narrowing down the number of suspects in any investigation leads to expediting the investigation process and the apprehension of the suspect.

2.2.3 Aspects that may be Included in an Offender Profile of a Fraudster

Arising out of the interviews with the 25 investigator participants, as well as the two experienced investigator participants, various aspects were revealed which had proved valuable, from an offender profiling perspective, to those participants during investigations that they had conducted. The investigator participants were asked what aspects should be included in the profile of a fraud offender. Ten participants shared the view that an offender profile should include modus operandi information. Three participants indicated that the motive for committing the fraud should be included. Two participants were of the view that the opportunity to commit the fraud should be included in the profile. Seven participants shared the view that background and personal information from public databases should be included in the profile. Five participants were of the view that red flags, which are indicators of potential fraud, should be included in the offender profile. From the discussion it is clear that many important aspects should

be included in an offender profile. These aspects are discussed in more detail in the following chapter.

According to Labuschagne (2009), he was not aware how offender profiling was used in fraud investigations. He did point out that investigators deal with a known or identified suspect in a fraud investigation, which is unlike profiling unknown offenders involved in violent and sexual crimes. Labuschagne did not have experience in the use of offender profiling in fraud investigations. He pointed out that the business community refers to profiles during employee selection and recruitment. These profiles are based on psychological and biographical characteristics which are used to determine what the characteristics of people are who commit fraud, and may include age, race, educational qualifications, criminal record, level and type of position in the company, and employment record. The objective is to avoid employing individuals who fit the profile of a fraudster.

According to Pistorius (2009), she is not aware of any specific profile for a fraudster, and neither does she have any experience in this regard. This view is also shared by Labuschagne (2009). Pistorius (2009), did not specialise in fraud matters, but believes that information such as identity number, address, criminal record, weapons owned, vehicles owned, employment records, verification of academic qualifications, cellphone records and bank statements would be useful in compiling a fraud offender profile. It is therefore apparent from both these experienced and renowned offender profilers that the profiling of fraud offenders is a relatively new area of expertise.

According to Delport (2010), from the Westville police station, an offender profile can be compiled, as long as one of the following numbers is provided to her about an offender: identity, passport, landline telephone, passport or vehicle registration number. She has access to a computer system that is uniquely available to the SAPS.

By gathering relevant information to compile an offender profile, the investigator is able to prepare relevant questions for the interview with the offender. The evidence gleaned

during the profiling of the offender provides immense value during the interview phase with the offender. In the researcher's experience, he found that he was able to ask questions of the offender, to which he already had the answers. Such an approach creates the impression to the offender that the investigator knows more than he actually does about the crime committed by the offender. The researcher's experience is that an offender is taken by surprise when the investigator questions him about his shareholding in a close corporation or other business entity implicated in the fraud. Such information is, for example, obtained prior to the interview phase from public databases such as Trans Union.

Profiling the suspected offender prior to the interview phase will therefore be highly beneficial during the questioning of the offender. Offender profiling has resulted in the researcher yielding success in various investigations during the actual interview phase with the fraud offender. These have led to admissions and/or confessions by fraud offenders in many instances. In such cases the offenders believed that the investigation team had sufficient evidence against them to secure a conviction in a court of law.

All 27 investigator participants were unanimous in their belief that the purpose of offender profiling was to narrow down the list of likely suspects, based on established offender profiles. This concurs with the view of Labuschagne (2003:68). Furthermore, indicators of possible fraud, called 'red flags', also assist in confining the list of likely suspects. This would lead to the early identification of offenders and assist the investigator in preparing questions for the interview with the offender.

2.3 Forensic Investigation

The term 'forensic investigation' is widely used in South Africa, but there appear to be differing views about its true meaning. According to Levy (2008:4), the term 'forensic' is derived from the Latin word *forensis* meaning "public" or "of the forum", and that in ancient Rome the forum was the city's government and legal centre where the law courts were located. The *Concise Oxford Dictionary* (1990:460), describes 'forensic' as being used in connection with courts of law – which appears to be in agreement with the

definition offered by Levy (2008:4). Kruger (2006:20), provides a simplistic meaning, in that a forensic investigation is an enquiry aimed at ascertaining the facts which will lead to the reconstruction of a crime.

Comer (1977:294), argues that the integrity of the evidence gathered during an investigation must be preserved, and a chain of evidence maintained. During an investigation, evidential integrity pertains to the acceptability of physical evidence in court (Marais & Van Rooyen, 1990:63). The continuity of possession of evidence is therefore crucial to its admissibility in court. The researcher concurs with both these authors, as he believes that the successful finalisation of a criminal case in a court of law is largely dependent on how evidence is initially gathered and collected at a scene of crime, and preserved.

The researcher is of the view that criminal investigation and forensic investigation are one and the same thing, whereby all evidence and information that is gathered is presented in a court of law. During the researcher's more than two decades of investigation experience, he found that the term 'forensic investigation' began to emerge during the mid-1990s when reference was being made to white-collar crime investigations. This term appeared to gain more prominence when private firms began to employ former police investigators to carry out investigations into white-collar crime. Newburn (2007:373), points out that Edwin Sutherland coined the term "white collar crime" in 1939 and defined it as "a crime committed by a person of respectability and high social status in the course of his occupation". It was during the mid-1990s that there was an exodus of experienced fraud investigators from the SAPS to the private sector in South Africa. Soon, the terms "forensic investigations" and "forensic audits" became buzzwords in the marketplace, and the forensic investigation industry in the private sector expanded at a rapid rate.

According to Van der Merwe (2008:97) and Berning (2008:76), a forensic investigation is conducted in order to institute criminal and/or civil proceedings in a court of law. In support of this standpoint, the researcher's experience is that even the police and the

media are currently referring to all sorts of investigations as forensic investigations. The researcher's experience is that forensic investigations may also include a civil investigation for the purposes of recovering losses through a civil court. As a former policeman, the researcher is aware that the SAPS does not conduct investigations into civil claims on behalf of the public, as their role is to investigate criminal cases on behalf of the State.

The investigator participants were asked to provide their understanding of the term 'forensic investigation'. Nineteen of the investigator participants were of the view that a forensic investigation involves the gathering of evidence for presentation in a court of law. However, four of the participants believed that forensic investigations are conducted into white-collar crimes only. One participant remarked that a forensic investigation is intended to determine whether there has been any violation of the system of internal controls within the organisation. There were two participants who viewed a forensic investigation as gathering evidence for presentation in a court of law, as well as determining internal financial control weaknesses. One participant was unable to define forensic investigation.

It is clear from the above discussion that a forensic investigation is conducted into all types of transgressions, including white-collar crimes, which need to be presented in a court of law. The issue of detecting internal control weaknesses within an organisation, is not the purpose for which a forensic investigation is intended. It may, however, be something which a forensic investigator may report on as part of his findings into how the crime was committed. This may result in modifications to the internal financial control environment of the organisation, in an attempt to prevent any recurrence of such crime. This study found that 19 investigator participants correctly defined the term 'forensic investigation'. A further four participants were of the view that a forensic investigation pertained only to the investigation of white-collar crimes such as fraud and corruption. Three of the participants believed that forensic investigations are intended to determine internal control weaknesses. One participant did not know how to define forensic investigation.

The researcher contends that investigators in the private sector typically conduct investigations for their clients, with a mandate to detect the crime, identify the offender, present evidence in support of the allegations, recover losses and recommend improvements to the client's systems of internal financial control. However, an investigation is not intended to determine weaknesses in the internal financial control environment; nevertheless, such weaknesses are generally detected during the investigation process.

2.4 Criminal Investigation

The investigation of crime forms the core of any investigator's daily task. Comer (1977:271), offers a wide and unspecific definition of an investigation as a process that involves the detection, through to the resolution, of the crime by criminal prosecution or some other course. The *Concise Oxford Dictionary* (1990:624), describes 'investigation' as a "formal examination or study". Marais and Van Rooyen (1990:17), further elaborate that criminal investigation means to observe intensely, question systematically and gather information and evidence which will reveal the truth. According to Marais and Van Rooyen (1990:17), a criminal investigation is a "systematised search for the truth and is primarily aimed at the positive clarification of the crime situation on the basis of objective and subjective traces". Van der Westhuizen (1996:1), describes criminal investigation as a methodical probing for the truth in order to solve a crime. The researcher supports the view of both these authors, in concurring that a criminal investigation is a structured search for the truth aimed at solving a crime. A criminal investigation, however, only refers to criminal investigations, while a forensic investigation can also include an investigation into a civil matter (Berning, 2008:76). All these authors allude to the premise that an investigation is a search for the truth which results in the gathering of evidence to be presented to a court of law to support or refute a 'guilty' verdict.

The 27 investigator participants were asked whether they considered there to be a difference between forensic investigation and criminal investigation. Fourteen of these participants shared the view that there was no difference between the two. Significantly,

ten of the investigator participants embraced the view that a forensic investigation is for purposes of criminal, civil and disciplinary prosecution, while criminal investigation is conducted for criminal prosecution. One participant was of the opinion that a forensic investigation involves the use of scientific methods, while a criminal investigation does not. Another one participant was of the view that a forensic investigation involves the use of accountants, while a criminal investigation does not. This view is questionable, as the researcher is aware of accountants who have been subpoenaed to testify in criminal cases in a court of law. Finally, there was one participant who had a completely different opinion, in that a forensic investigation focuses on circumstances whereas a criminal investigation focus on individuals.

It is evident that one important difference exists whereby a forensic investigation may involve civil litigation and/or criminal prosecution in a court of law, whereas a criminal investigation only involves criminal prosecution in a court of law.

2.4.1 Purpose of Investigation

The researcher is of the opinion that every investigator should continuously be aware of the purpose of his investigation, as this forms the cornerstone of the investigation process. Van der Westhuizen (1996:4), comments that the purpose of an investigation is to identify the crime that was committed, gather the evidence, individualise the crime, arrest the suspect, recover stolen property and assist in the prosecution process. Marais and Van Rooyen (1990:13), point out that the purpose of an investigation is to identify and individualise from the commission of the crime until the guilt or innocence of the perpetrator has been positively proved. Bennett and Hess (1981:5), are of the view that by observing intensely, questioning systematically and gathering information, the truth will be revealed. Grau (1981:1-9) and Marais and Van Rooyen (1990:17), believe that the purpose of an investigation is whereby facts for positive investigation are detected, identified, collected, preserved and prepared for the judicial process. The researcher supports this view, as it is generally accepted that the purpose of an investigation is such.

On the question of the purpose of an investigation, there was a significant majority of (25) investigator participants who shared the view that the purpose was to gather evidence and uncover the truth, and present these to a court of law. Their viewpoint also mirrors the views of Bennett and Hess, as stated above. There were two participants who were of the opinion that the purpose of an investigation was to prosecute the offender.

2.4.2 Objective of an Investigation

It is important for all investigators to understand the objective of an investigation, in order to achieve them and ensure that their investigation is successful. According to Horgan (1979:9-10) and Bennett and Hess (1981:8), the objectives of an investigation are the following:

- **Identification of the crime:** it also known as situation identification, whereby it is ascertained whether a crime has been committed, and initial observations at the crime scene are noted.
- **Gathering of evidence:** this begins at the crime scene, whereby the experience of witnesses is documented, and other physical clues and evidence are gathered.
- **Individualisation of the criminal:** this entails linking the offender with the crime, through available information, so as to justify an arrest.
- **Arrest of the criminal:** this should occur upon positive individualisation and identification of the offender, to ensure his or her presence in court.
- **Recovery of stolen property:** this is in order to return it to the victim and to present the recovered property as evidence during the trial.
- **Involvement in the prosecution process:** this is whereby the investigator presents the collected evidence and ensures that witnesses are present at court.

Ward (1975:120), believes that an evaluation of gathered information will determine not only whether it is relevant or decisive, but also whether it has any positive meaning to reveal the complete truth of what took place. The researcher agrees with this view, as it is certainly the overall objective of any investigation.

The investigator participants were asked what the objective of an investigation is. Twenty-two of the participants shared the view that the objective is to establish the facts which either prove or disprove the allegations. There were five participants who were of the opinion that the objective of an investigation is to establish the facts to either prove or disprove the allegations and also recover the losses sustained by the victim.

From the discussion it is clear that all the participants considered the objective of an investigation to be the establishment of the facts which prove or disprove the allegations. However, the recovery of losses is an objective which seems not to be prominent among the participants.

2.5 The Role of Crime Intelligence in Investigation

Crime intelligence is defined in section 1(vii) of the National Strategic Intelligence Act 39 of 1994, as intelligence used in the prevention of crime, or to conduct investigations and to prepare evidence for the purposes of law enforcement and the prosecution of offenders (South Africa, 1994). Zinn (2007:29), describes crime intelligence as “the product of information that has been taken from its raw state and processed, refined, verified and evaluated”. Osterburg and Ward (1997:151), explain that, if correctly administered and applied, crime intelligence, in the form of offender profiling, could serve as another useful tool in the hands of the investigator in solving crime.

According to Osterburg and Ward (1997:152), offender profiling and crime intelligence will only be valuable if experienced investigators analyse the information. Ronczkowski (2004:71), supports the use of intelligence, but is of the view that the objective of intelligence gathering deals with future danger, and is not to punish past crimes. However, Ratcliffe (2008:7), discounts the use of intelligence, as people perceive it to have negative connotations associated with secrecy, subversion and possible illegality, and there is an implication of dubious and immoral activity used to protect a police State.

According to Van Rooyen (2001:163), crime information is raw data which has to be analysed to produce crime intelligence. He elaborates on three groups of sources of

information – namely, human intelligence (informers and agents), technical intelligence (satellite tracking and telephone records) and data intelligence (public information databases managed by entities such as Trans Union, Experian, the Deeds Office and the Companies and Intellectual Property Registration Office (CIPRO). Silverstone and Davia (2005:3), describe anonymous reporting, which was referred to many years ago as a “poison pen letter”, whether from a loyal employee or vindictive ex-employee, still to be an important key to the discovery of fraudulent activity.

According to Ratcliffe (2004:18), crime intelligence has been a development of the investigatory arm of law enforcement. Investigators collected their own intelligence, controlled their informants, and analysed their crime intelligence – and still do so. Ratcliffe (2004:26), is of the view that intelligence-led policing was not derived in response to ineffectiveness or failure of patrol, but from the positive evolution of street tactics. The techniques and methods used by modern offenders are far more sophisticated, and require an equally intelligent approach – otherwise the crime rate will continue to escalate (Ratcliffe, 2004:27).

In the researcher’s experience, an example of meaningful crime intelligence would be where numerous procurement frauds were perpetrated and the suspect had always been the senior buyer. With such intelligence in hand, investigators should concentrate on senior buyers in the procurement departments.

According to Tonry and Morris (1992:364), there are three types of crime intelligence – namely, prospective, retrospective and applied crime intelligence. *Prospective* refers to crime intelligence available before the event, such as a possible crime that will be committed and the likely suspects who may be involved. This type of intelligence is used to plan proactive policing techniques to prevent the crime from occurring, and is referred to as intelligence-led policing.

Retrospective refers to crime intelligence obtained during the event. An example is when the investigator would arrest a fraud offender and request previous conviction records.

The previous conviction records would be able to throw light about the suspect's criminal record and pending court cases.

Applied refers to crime intelligence that is actively used to trace a suspect, e.g. during an investigation. In the case of applied crime intelligence, there should be readily available profiles on offenders, in the form of analysed and processed data, on time, location, modus operandi, opportunity and motive. This type of intelligence would be able to link a suspect to a crime. The researcher has focused on applied intelligence, which is used to trace a suspect during an investigation (Tonry & Morris, 1992:364).

Ratcliffe (2008:6), defines intelligence-led policing as a process whereby data analysis and crime intelligence are central to an objective decision-making framework that facilitates crime reduction through strategic management and effective enforcement strategies that target prolific and serious offenders. This means that intelligence can be gathered before a crime is committed. In other words, the police or private organisation can use the intelligence to plan strategies to combat crime.

According to Zinn (2007:77), certain types or groups of criminals committing a specific type of crime exhibit the same behaviour patterns, and knowledge of these patterns can be of value during the investigation and in the combating of crime, as well as when assessing potential suspects. The researcher agrees with Zinn (2007:77), as he has experienced that fraudsters display similar patterns when committing, for example, procurement fraud. The researcher has found, during investigations into fraud, that documents, exhibits, informers, witnesses, suspects, accomplices, prisoners, other investigators, the crime scene, offender profiling, dockets and databases, are all sources of crime information which are crucial in solving the crime of fraud.

2.6 Fraud

In an attempt to understand the crime of fraud, it is important to note that fraud is commonly categorised under the broad definition of “white-collar crime”. Fraud is a crime which is derived from Roman law (Snyman, 1984:456), and is referred to as

“common law” in South Africa. The *Concise Oxford Dictionary* (1990:229), describes “common law” as law derived from custom and judicial precedent, rather than statutes. In a South African context, fraud is defined by Snyman (1984:456), as the unlawful, intentional making of a misrepresentation which causes actual or potential prejudice to another. The researcher has experienced in most fraud cases that he has investigated, that the motive of the offender has almost always been greed for money. A motiveless crime which results in financial loss to a company can only result in an internal disciplinary charge of negligence, if it is found that there was no intention to commit the crime. As the important element of intention is lacking in such a situation, fraud cannot be committed.

Van der Walt, Cronje and Smit (1989:101), explain that superior intellect plays a role in white-collar criminality. According to Doig and Croall (2006:1), ‘fraud’ means persuading people to part with their money by using deception or misrepresentation through words and documents.

According to Silverstone and Sheetz (2007:5), the FBI definition of fraud is that white-collar crimes are characterised by deceit, concealment or violation of trust, and are not dependent upon the application or threat of physical force or violence. The researcher supports this view, as he has experienced that fraud, by its very nature, is carefully disguised to avoid detection, and the fraudsters are generally highly trusted employees within the company, often holding management positions. Such acts are committed by individuals and organisations to obtain money, property or services, to avoid the payment or loss of money or services, or to secure a personal or business advantage.

2.7 Summary

It is clear that there is a direct relationship between offender profiling and investigation, because offender profiling is a valuable tool in the investigation process, that can be used to achieve the objectives of an investigation, such as to obtain information. From the above discussions it has become evident that there are different types of offender profiling and that authors very often overlap their views and beliefs. One thing is certain: offender profiling should form part of any investigation.

The various definitions of offender profiling offered by authors only address one aspect of profiling – that is, the formulation of a profile of an offender before arrest, and omit to address the profiling of arrested offenders. The value of profiling arrested offenders is immense, as it will be valuable in investigating future cases, as well as, and more importantly, the creation and implementation of anti-crime strategies to prevent any recurrences.

Various authors have pointed out that offender profiling on its own can never replace thorough and well-planned investigations, nor will it replace the experienced, highly skilled and knowledgeable investigator. Offender profiling is a valuable aid in building up a database from which crime intelligence can be inferred and on which strategies can be based, providing background information for information management, identifying and tracing criminals, and better understanding of crime and criminals.

It is the opinion of the researcher that there are differing interpretations of the various types of offender profiling, which create confusion about profiling. The various types of offender profiling terms that are used interchangeably by different authors, also contribute to this anomaly. A common lineage emanating from the various authors is that offender profiling can be a useful aid in investigations.

In the following chapter the researcher discusses the compilation of a fraud offender profile and the aspects that should be included in such a profile. There is also a discussion on how and where the relevant data and information may be collated from, which will be useful in compiling fraud offender profiles.

CHAPTER 3

OFFENDER PROFILING

3.1 Introduction

The term ‘offender profiling’ would generally appear to uninformed people as something pertaining to science and psychologists. Due to popular investigation television series, offender profiling has grown in popularity (Newburn, 2007:847). However, offender profiling is arguably not a science, but a practical process which can be used by all investigators to create offender profiles. Offender profiling is a practical tool which can be used by all investigators on a routine basis to aid them in their investigations into fraud. Investigators need to understand what aspects should be included in an offender profile of a fraudster. The question is, therefore: What should an offender profile consist of?

This chapter elaborates on aspects that should be included in an offender profile, and how and where the data and information may be collated from, for processing into offender profiles. Some of these aspects are personal particulars of the offender, modus operandi information, the motive of the offender, opportunity to commit the crime, indicators of possible fraud ‘red flags’, lifestyle changes, sources of information for profiling, and a summary of aspects to be included in an offender profile of a fraudster.

3.2 Personal Particulars of the Offender

As indicated earlier, the profiling of a fraud offender involves an already identified offender. For investigators, it is important to understand who is being dealt with. The researcher believes, therefore, that an appropriate starting point in the investigation process would be to obtain the personal particulars of the fraud offender, in order to understand who the offender is, together with other relevant information.

Marais and Van Rooyen (1990:84), are of the opinion that personal information on a suspect is important, and advise that the following information be included:

- name of the offender
- offender's home and work addresses
- offender's nationality
- level of education of the offender
- record of the offender's previous criminal convictions
- identity or passport number of the offender

According to the researcher's experience, the home and cellphone numbers can also provide valuable information, as can financial information, such as the offender's bank account information and email information.

The investigator participants were asked what type of personal information would be useful to compile an offender profile. Eight investigator participants shared the view that personal particulars, such as name, address and telephone number, should be included in an offender profile. Eight participants suggested age should be included, while two participants suggested gender. Another two participants were of the view that education should be included. Four participants suggested race. Two other participants held the view that identity or passport number should be included. Lastly, one participant suggested that the nationality of the offender should be included in the offender profile. Certain participants expressed a combination of these personal particulars. It is clear that an offender profile will not be complete without personal particulars of an offender.

3.3 Obtaining Modus Operandi Information

Horgan (1979:59), explains that 'modus operandi' is derived from Latin, and that it means "operational method of procedure". Marais and Van Rooyen (1990:66), assert that modus operandi is "an offender identification technique". It is more commonly known as method of operation, or "MO". According to Marais and Van Rooyen (1990:80), the use of modus operandi can speed up the investigation process by narrowing down the number of suspects, and so provide guidance to the investigators. For example, if offenders who commit procurement fraud are generally found to be favouring a particular supplier, his modus operandi may involve receiving 'cover quotes' from the preferred supplier. Cover

quoting is an irregular procurement practice, where the buyer obtains three quotes from three companies that are owned by one individual. This procurement process would appear legitimate, because three quotes were obtained, whereas one individual actually owns all three companies. Further probing by investigators would lead to the detection of the fraud.

Jackson and Bekerian (1997:2), believe that the types of motives and modus operandi involved in the commission of crimes, are limited. These authors argue that a crime and an offender are not altogether unique. Therefore, if one examines the traces left at the crime scene, it will offer some insight into who the likely offender may be (Jackson & Bekerian, 1997:2). Campbell and DeNevi (2004:15), argue that when an offender shows repeated patterns at the crime scene, it will be crucial to establish the modus operandi, as this may be a serial criminal. This is, however, unlikely in fraud investigations, as the researcher has experienced, in the numerous investigations that he had conducted, that the number of motives and modi operandi are limited, making the solving of fraud much more difficult. The researcher found that the motive is generally greed, and the modus operandi generally lies in manipulating and misrepresenting documentary records. Knowledge of the modus operandi used by fraud offenders will be beneficial to investigators, as it will serve as a useful reference point when such investigations are carried out.

The investigator participants were asked what type of information would be useful to profile the offender. There were ten investigator participants who indicated that modus operandi information should be included in an offender profile. Three investigator participants were of the view that information about motive should be included, while a further two participants believed that information about opportunity to commit the fraud should be included. A further seven participants shared the view that information about 'red flags' should be included in an offender profile. Five participants held the view that information obtained from databases should be included. A discussion on the topics of motive, opportunity, red flags and databases is contained in more detail in the next sections, following the discussion on modus operandi.

In the researcher's experience, there is more than one method used by fraud offenders to commit fraud. Therefore, information about the date, time, place, tool used and method used, constitute important information that form part of modus operandi. Knowledge and understanding of these various modi operandi can serve as a point of reference to investigators on possible modus operandi used by fraud offenders.

There were 36 cases investigated during the period 1 July 2007 to 30 June 2008, by investigators based at Ernst & Young in Durban. There was one case which was still pending investigation when the case files were reviewed by the researcher, and was therefore unavailable to the researcher for review. The researcher analysed the 35 case files as part of this study, to determine whether the modus operandi was reflected in the cases. The outcome of ten of these cases was that no fraud was detected. The modus operandi that emanated from the remaining 25 cases was as follows:

- Stolen passwords and user names used to transfer funds to fake vendors with no available documentation (7 of 25)
- Falsified financial documents such as tenders and leases (5 of 25)
- Bank accounts changed and false payments effected (3 of 25)
- Suppliers overcharging for goods in collusion with employees (3 of 25).
- Payments effected with no supporting documents (2 of 25)
- Personal purchases made on the business account (2 of 25)
- Suppliers making short deliveries of goods in collusion with employees (2 of 25)
- Cover quoting involves obtaining, e.g., three quotes from three companies that are owned by one individual (1 of 25)

It is evident that valuable information on the modus operandi of an offender can be obtained from case files. If this kind of information is not included in an offender profile, it will be lost and will serve no purpose in future. The results from the analysis of the case files indicate that the predominant modi operandi are the use of stolen passwords to effect funds transfers, as well as the falsification of financial documents.

Berning (2008:24), conducted research on *modus operandi*, and interviewed experienced SAPS detectives, asking them what they believed to be the elements of *modus operandi*. The majority of the investigators interviewed gave the elements of *modus operandi* as follows: ascertaining the manner in which the crime was committed, why it was committed, when it was committed, who committed the crime, and the motive of the offender. These five basic questions are important when attempting to establish what comprises the elements of *modus operandi* of offenders.

3.4 Determine the Motive of the Offender

The term “motive” is described in the Concise Oxford Dictionary (1990:773), as “a factor or circumstance that induces a person to act in a particular way”. In the researcher’s experience, the question that is normally asked by friends, colleagues, relatives and neighbours, after a crime has been committed, is: “Why did they do it?”. In essence, this is a simple and non-complicated question aimed at establishing the motive of the offender. By understanding the motive of the offender, one can put the pieces of the puzzle together – i.e. the reason why and by whom the crime was committed.

Van der Walt et al. (1989:67), are of the opinion that alleviating a financial need may be a motive for an offender to commit fraud, and that social pressure plays a significant role in the cause of criminality. This brings into the equation the issue of socioeconomic factors such as unemployment. It would therefore appear that motive and *modus operandi* appear to share a relationship – a view which is supported by Marais and Van Rooyen (1990:73).

The researcher believes that investigators need to create a hypothesis about a crime at the commencement of an investigation, in order to determine the motive for the commission of the crime. This hypothesis needs to be an educated guess based on experience, the circumstances of the crime, and clues left at the scene. This belief is supported by Bekerian and Levey (2005:46), as they deem the establishment of motive as being necessary for the process of narrowing down likely offenders. The researcher concurs with Bekerian and Levey (2005:52), that investigators need to establish upfront what end state the offender desired when he committed the crime – hence, motive. It is, however,

the researcher's experience that every case is different. Certain offenders will voluntarily provide the motive for committing the offence, while others will not share this kind of information with the investigator. The investigator will then have to rely on the circumstances of the case to determine the motive of the offender.

Robertson (2000:193), believes that economic motives are to be found among offenders who commit fraud against businesses. The researcher, for example, investigated a case where a senior manager working for a client, was convicted a few years ago for fraud in excess of R500 000.00. The senior manager had 32 years of service, was 60 years old and well paid by his employer. His only motive for committing the crime was greed – which is an economic motive.

There were three investigator participants who specifically believed that motive is an important aspect which should be included in an offender profile. Emanating out of the case analysis was the result that in all 25 cases reviewed, the motive was greed, in the form of financial enrichment. The researcher has also found, through experience, that greed is usually the motive for committing fraud. Therefore, greed as a motive should be evaluated so that specific interventions could be formulated to address it. For example, pamphlets could be distributed within an organization, warning people that strict action will be taken against fraudsters. It is evident that offender profiling, as a method, can provide valuable information – not only to investigators, but also for fraud prevention purposes.

Ainsworth (2001:19), remarks that an understanding of crime patterns and offender motives will lead to an understanding as to why people commit such crime. This view is shared by Campbell and DeNevi (2004:26), who also believe that by understanding motive, it will provide an indication about the offender's reason and ability to commit the crime.

Robertson (2000:193), argues that economic motives are to be found among offenders who commit fraud against businesses. Silverstone and Sheetz (2007:18), concur with this

view and point out that financial motives are the major cause of financial crime; this ranges from an employee's inability to pay his utility bills to a senior executive who is under financial strain because market factors have adversely affected the business. The researcher concurs with both authors, as financial motives in the form of greed for money were generally the motive in fraud cases he investigated.

Understanding what motivates a fraud offender to commit fraud, will be helpful in the profiling process. Knowing the motive of the fraud offender will guide the investigator in looking at those individuals who may have a motive to commit the fraud.

3.5 Opportunity to Commit the Crime

'Opportunity' is described in the Concise Oxford Dictionary (1990:832), as a chance or opening offered by circumstances for good fortune. Robertson (2000:194), defines opportunity to commit a crime in a business or company environment as a situation where an offender circumvents internal financial controls, or takes advantage of a lack thereof. In the opinion of Gottfredson and Hirschi (1990:13), an opportunity to commit a crime has to be coupled with "immediate" gratification where there is little or no resistance, or risk of being caught out. Comer (1997:13), concurs with this view and argues that fraud is committed during the presence of opportunity coupled with a limited possibility of detection of the fraud. The researcher supports the common views of both authors, as he has found, in many cases he investigated, that the offenders were generally under the impression that they would not be detected. It must be borne in mind that fraud is a misrepresentation which disguises the truth and is intended to deceive.

Comer (1997:205), argues that some offenders rely on fraudulent income, and will take advantage of very risky opportunities to defraud. This argument is open to criticism, as the researcher has experienced that fraud offenders increased the amounts that they defrauded over a period of time because they became comfortable that they were not being detected. They did not exploit more "riskier" opportunities, but rather increased the value of the fraudulent loot. Johnson, Ryan and Tian (2005:2), are of an alternate view, that employees occupying executive positions in the corporate world may choose to

commit fraud because there are more opportunities available at some companies, due to poor internal controls and governance, rather than for the reason that the financial gratification is more attractive. In effect, this means that companies and organisations that have well-established corporate governance structures and strong internal financial control environments, will provide fewer opportunities for fraudsters, and will, in all probability, deter them from committing the fraud.

According to Robertson (2000:194), an opportunity is a situation where a fraud offender circumvents internal financial controls, or takes advantage of a lack thereof, for a financial gain where there is little or no risk of being caught out (Gottfredson & Hirschi, 1990:13). It is therefore important that environmental and situational factors be considered, apart from the individual factors of the offender (Ainsworth, 2001:22). Newburn (2007:377), argues that white collar crimes such as fraud, occur in private, and involve an abuse of trust which is integral to the position which the offender occupies. The researcher believes that the abuse of trust, coupled with an opportunity to commit a crime, are important components in the commission of a crime. The identification and understanding of this will be useful from a crime prevention perspective, so that the level of opportunities available and the likelihood of detection can be addressed.

Sorgdrager, Coertzen, Bezuidenhout and Nel (1993:9-10), elaborate on the decided case of *R v Blom* 1939 AD 188 at 201, where circumstantial evidence was presented to the court, which formed the basis for the conviction. One of the three aspects of the circumstantial evidence was the opportunity which the accused had had to commit the crime. The court considered all aspects of the circumstantial evidence in making its decision, and convicted the accused. It is apparent that likely offenders must be considered, if evidence points to them having the opportunity to commit the fraud; however, opportunity in itself is no grounds for guilt.

In answer to the question about what type of information would be useful to profile the offender, two investigator participants specifically asserted that the aspect of opportunity to commit fraud should be included in an offender profile. During an investigation into

fraud, it is vital to understand which individuals had the opportunity to commit the fraud, or where the opportunities existed to commit fraud. This information will be useful when profiling the offender or determining in which area to seek the fraud.

An analysis of the 25 cases revealed that in all cases the offender exploited an opportunity to commit the crime. An example of one of these cases was where the offender requested the goods and also received them. In this case there were no other employees available to confirm whether or not the goods were received, except the offender. This is an example of an existing opportunity that was exploited to commit fraud. However, the researcher has found, in his experience, that should an opportunity not exist, then the offender would create the opportunity where there is limited chance of being detected. An example of an existing opportunity would be where duties are not adequately segregated, such as in this case where the offender is able to execute multiple tasks such as ordering and receiving the goods.

An ideal example of a created opportunity was found in one of the case studies that the researcher carried out during a previous investigation, where the manager was able to override an internal control in order to create an opportunity to commit fraud. In this case the manager exceeded his delegated limit (more commonly known as delegated signing authority) and approved the purchasing of goods over a predetermined value. This purchase should have gone to his superior for authorisation, but the manager decided to approve it himself. The manager was cognisant of the fact that his superior would have questioned the purchase and thereby uncovered the fraud, so he therefore created his own opportunity by overriding an existing system of internal financial control.

Existing opportunities are an indication of internal control weaknesses in the system and a lack of compensating controls. The researcher has found, through experience, that companies retrench employees in order to curtail operational costs. This results in fewer employees carrying out more duties, and a heavy reliance is placed on trust of these employees. The duties of these employees are not segregated, and they perform incompatible tasks such as ordering and receiving goods. This is fertile ground, whereby

opportunities are exploited by dishonest employees to commit fraud without being detected.

Ainsworth (2001:22), is of the view that the environmental and situational factors need to be considered apart from the individual factors of the offender. On the other hand, Silverstone and Davia (2005:4), argue that an honest employee with a high degree of integrity may commit fraud, given a set of situational pressures and high opportunity. Conversely, an employee with low integrity may not commit fraud if he is not exposed to situational pressures and if there are strong internal financial controls that provide little or no opportunity to commit fraud.

The researcher has found, in his many years of investigation experience, that an opportunity to commit a crime is a critical component in the commission of a crime, and can be useful from a crime prevention perspective, especially if a recurrence of the crime is not welcome. It is apparent that opportunity on its own is not a catalyst for fraud to be committed. Honest and dishonest employees may commit a crime, depending on the level of opportunities available, the situational pressure at the time and the likelihood of detection. In this regard, Ainsworth (2001:52), explains that a combination of three elements must be present for the commission of a crime – namely:

- a motivated offender
- a suitable (and vulnerable) victim
- the absence of a capable guardian

An example of a created opportunity, in a case investigated by the researcher, was where a stores clerk issued a stock item from the stores against a written stores requisition form. When the stores clerk captured the requisition on the computer he added on an additional quantity for himself – in a few instances, on the stores requisition form, and in other instances, electronically, on the computer system.

3.6 Identify Indicators of Possible Fraud (Red Flags)

The term ‘red flag’ is described in the Concise Oxford Dictionary (1990:1005), as “a warning of danger”. The Chairman of the Association of Certified Fraud Examiners, J.T. Wells (2009:1), emphasises that lavish spending on “outrageously ostentatious lifestyles” by employees serves as a red flag that fraud is occurring. The researcher has experienced that red flags are an early warning sign that something is amiss. One of the case studies revealed that the fraud was initially uncovered when employees at a chain of clothing stores discovered that a clerk was driving to work every day with various luxury vehicles. His colleagues found this to be a red flag, as his income did not match his lifestyle. The investigation revealed that he was siphoning funds from his company by changing the bank accounts of creditors and diverting the money to his personal bank account.

When the investigator participants were asked to indicate what type of information would be useful to profile the offender, seven investigator participants specifically stated that red flag information should be included in the profile of an offender. It must be emphasised that not all these red flags may be indicative of fraud, but it is worth probing anyway, just to reassure stakeholders that there is no fraud, and also to vindicate the employee. It must be further emphasised that there are genuinely hard-working and loyal employees that display such red flags; therefore, due care and circumspection must be exercised to encourage such positive behaviour. From this discussion it is clear that possible indicators of fraud should be regarded as an early warning sign to the authorities, and which should be included in a fraud offender profile.

3.7 Information Sources for Profiling

There are various sources available to investigators, which provide valuable information that could be used to profile fraud offenders. On the question of what type of information would be useful to profile the offender, there were five investigator participants who specifically expressed the view that information obtained from databases should be included in an offender profile. An interview was conducted with Dr Micki Pistorius, and she expressed the view that details such as identity number, address, criminal record,

weapons owned, vehicles owned, employment records, academic qualifications, cellphone records and bank account statements, are all valuable sources of information.

The researcher is aware that access to some of these databases is restricted to subscribed members, upon payment of a fee. Other State-controlled databases provide limited or no access to information to ordinary members of the public. These sources of information are discussed in some detail below.

3.7.1 Credit Record Searches

Van Rooyen (2001:166), explains that credit reports are available from Internet-based service providers such as Trans Union and Experian, and whenever an individual makes an application for credit, the information submitted is loaded onto either or both databases. A fee is charged to members who subscribe for the provision of various types of information about an individual. The credit record searches usually reveal information such as full name, other names used, names of immediate family members, current address and phone number, recent address and phone numbers, employers, credit history, judgments, and any other adverse financial reports, including information about the individual's shareholding (Van Rooyen, 2001:166).

The Trans Union database can only be accessed by approved subscribers on the Internet, by using a login name and password. One needs to digitally accept the terms and conditions of Trans Union, before being authorised to proceed any further on the website. Reference is made, in the Trans Union terms and conditions, to section 68 of the National Credit Act 34 of 2005. Section 68 stipulates that "any person who receives, compiles, retains or reports any confidential information pertaining to a consumer or prospective consumer must protect the confidentiality of that information, and, in particular, must use that information only for a purpose permitted or required in terms of this Act, other national legislation or applicable provincial legislation". Section 156(2)(b) clarifies that it is not an offence to disclose any confidential information concerning the affairs of any person or juristic person obtained, if it is for the purpose of the administration of justice (South Africa, 2005).

Section 67 of the National Credit Act stipulates that any inconsistency between a provision of this Part, read with any relevant definition in section 1, and a provision of the Promotion of Access to Information Act 2 of 2000, then the provisions of this Part and that Act apply concurrently. The provisions of this Part are not excluded in terms of Section 5 of that Act”. Section 5(a) of the Promotion of Access to Information Act stipulates that this Act applies to the exclusion of any provision of other legislation that prohibits or restricts the disclosure of a record of a public body or private body (South Africa, 2000). Therefore, it is apparent that investigators who utilise the information gleaned from Trans Union strictly for purposes of fraud investigation or fraud prevention, are not guilty of an offence.

3.7.2 CIPRO

In the researcher’s experience, the Registrar of Companies, which falls under the Department of Trade and Industry, manages the Companies Intellectual Property Registration Office, which is also known as “CIPRO”. The information usually provided by CIPRO includes company registration information, such as details of directors, their addresses, auditors and percentage shareholding. According to Van Rooyen (2001:166), the information from CIPRO is not as detailed or current as Trans Union or Experian, and does not give any credit history.

3.7.3 Windeed

According to Van Rooyen (2001:166), the Deeds Office provides information on all nine provinces in South Africa, using software called Windeed 2000 to access its database, which allows properties to be searched by erf number. It is possible to locate hidden assets by using an individual’s particulars, as the software will accept companies as “people” to reveal a property that may be hidden in a company (Van Rooyen, 2001:166). Furthermore, the database also provides information on property-related contracts such as bonds, anti-nuptial contracts and sequestrations.

3.7.4 Other Databases

According to the researcher's knowledge, there are other public databases where an investigator can find valuable information, such as the South African Revenue Services (SARS), where the value added tax (VAT) numbers of companies could be verified, as well as the name of the company being queried. The researcher has also found valuable information for offender profiling purposes on an Internet search engine called Google.

There are also other databases which provide invaluable information and data about individuals, such as records about previous criminal convictions and weapons owned. Only the SAPS and other law enforcement agencies have access to such databases. Should investigators from the private sector be co-opted onto a joint investigation team with the SAPS, such information will be useful in profiling the offender.

Most investigators in the private sector are not, however, allowed access to these records. Only when investigators carry out investigations on behalf of, or in conjunction with, the SAPS, are they granted access to information and documentation that has been secured by means of a subpoena issued in terms of section 205 of the Criminal Procedure Act (South Africa, 1977).

The investigator participants were asked which public databases they had used to obtain information about fraud offenders. There were 18 investigator participants who expressed the view that they utilised Trans Union (previously known as Trans Union ITC), CIPRO and Deed Search, to obtain information about fraud offenders. Certain of these participants also used a combination of other databases such as the SARS website, Internet search engines such as Google, and Experian. Arising out of this discussion it is clear that there is a vast range of valuable information available on different databases which can be helpful to investigators. There were nine investigator participants who indicated that they did not utilise any databases to profile fraud offenders.

The investigator participants were asked what type of information they were able to gather from these databases. All 27 participants expressed a combination of views about

the type of information that they were able to gather. In essence, the following types of information were gathered:

- Business entities where the offender has interests
- Auditors' details
- Personal particulars, including telephone numbers and address details
- Identity numbers
- Spouse and children's details
- Default judgments on bad debts
- Previous employment
- Previous companies that conducted a vetting on the individual. This means that the name of any company who carries out a credit-worthy check on the individual will leave a 'footprint' on the database, which will reflect that the relevant named company had been approached by the individual for their service
- Valued Added Tax ("VAT") registration numbers
- Fixed properties owned

It is evident that investigators will have to be creative in obtaining information for profiling purposes.

3.7.5 SAPS Crime Intelligence Office

The researcher interviewed Mrs Karen Delport from the Crime Intelligence Office (CIO) at the Westville Police Station. Mrs Delport indicated that her office requires certain details about an offender to enable her to compile a profile. She requires any one of the following five numbers to commence the process:

- Identity document number
- Home telephone number
- Firearm number
- Passport number
- Motor vehicle registration number

By utilising any of these five numbers, Mrs Delport is able to provide the following information about the offender:

- Personal details
- Family and relatives
- Physical description
- Distinct features
- Educational qualifications
- Addresses
- Employment history
- Contact details
- Circulated person
- Wanted case history
- Pending case details
- Arrest details
- Detention details
- Hearing details
- Sentence details
- Stolen vehicles
- Stolen goods
- Recovered goods
- Photographs
- Deeds

Mrs Delport pointed out that this information is only available and provided to members of the SAPS. Labuschagne (2003:69), concurs that the SAPS is able to profile a known offender by means of a name, identity number or date of birth. This information is captured on the SAPS Case Administration System (CAS), Department of Home Affairs, Vehicle Registration System, Firearm Register, or other databases to which the SAPS has access. The investigator from the SAPS then has access to all available information about the offender, such as registered addresses, whether the suspect was previously the suspect

in other cases and has any convictions, whether the suspect was previously the complainant in a case, what vehicles the suspect has owned, and any firearms licensed to the suspect. Such information is therefore not accessible to investigators in the private sector. However, it is important, as part of this research, to alert members of the SAPS to the fact that offender profiles can be compiled by their relevant CIO, who has this vast range of information readily available on a national database.

An interview was conducted by the researcher with Professor Labuschagne from the SAPS. He was asked what aspects should be included in an offender profile. Professor Labuschagne indicated that he was not aware how offender profiling was used in fraud investigations, but pointed out that the business community refers to profiles during employee selection and recruitment. These profiles are based on psychological and biographical characteristics which are used to determine what the characteristics of people are who commit fraud, and may include age, race, educational qualifications, criminal record, level and type of position in the company, and employment record. He stated that the objective was to avoid employing individuals that fit the profile of fraudster.

3.8 Lifestyle Change

The researcher is of the view that when there is a change in the lifestyle of an offender, such change may be openly displayed by the offender and is a form of a red flag. Should the change in lifestyle be unexplained or suspicious, it should be regarded as an early warning sign which requires further probing. It is important for investigators to take note of different types of information around lifestyle changes, because it will be useful for the purposes of profiling fraudsters.

The investigator participants were asked what type of lifestyle changes may be regarded as red flags. There were 22 participants, who each indicated differing combinations of lifestyle changes, such as:

- gambling, cars and jewelry (1 of 22)
- private school fees, luxury cars and bond repayments (1 of 22)

- assets, shopping and schooling (1 of 22)
- cars, property and travel (1 of 22);
- living expenses, luxuries schooling (1 of 22);
- cars, home improvements, household goods, endless parties (1 of 22);
- clothes and cars (1 of 22);
- home improvements, cars and gambling (1 of 22);
- gambling, debt repayment and lavish lifestyle (1 of 22);
- lavish lifestyle, car and furniture (1 of 22);
- personal expenses (1 of 22);
- cars, clothing and parties (1 of 22);
- furniture, home improvements, overseas holidays, lavish lifestyle (1 of 22);
- living expenses and luxuries (1 of 22);
- gambling, cars, holidays, home improvements and furniture (1 of 22);
- clothes, cars, home improvements and holidays (1 of 22);
- self enrichment (1 of 22);
- debt repayment and lavish lifestyle (1 of 22);
- debt repayment (1 of 22);
- home improvements, clothes and personal care (1 of 22);
- child support (1 of 22);
- assets (1 of 22).

There were five (5) investigator participants who did not know what lifestyle changes could be regarded as red flags. This can be attributed to the fact that the participants have not been trained in offender profiling.

It is apparent that the defrauded money is used by fraud offender for various items that enhance their lifestyle. Investigators need to ascertain how the money was spent as this may be helpful in tracking what assets were purchased and will be useful in any asset forfeiture process or recovery through civil litigation. There were five (5) investigator participants who were unable to state what the indicators of lifestyle changes are. This

type of information on lifestyle and even attitude (defensive when challenged) can be included in a profile of a fraud offender by an investigator during his investigation.

3.9 Summary of Aspects to be Included in an Offender Profile

The investigator participants were asked to list all possible aspects that can be included in the profile of a fraud offender. The researcher summarised the information provided by the 27 participants into various categories as follows:

3.9.1 Personal Particulars of the Offender

- Age
- Gender
- Marital status
- Educational qualifications
- Position held in the organisation
- Years of service
- Business entities where the offender has interests
- Telephone and address details
- Identity number
- Spouse and children's details
- Default judgments on bad debts
- Previous companies that conducted a vetting on the offender
- VAT numbers
- Deeds that reflect details about properties owned by the offender
- Links to family and relatives
- Physical description
- Distinct features
- Employment history
- Details of the offender if he/she has been a circulated person in the SAPS computer system
- Details of the case history if the offender is a wanted person by the SAPS

- Particulars of pending criminal cases against the offender
- Details about previous arrests of the offender
- Details about the previous detention of the offender
- Details about court hearings pertaining to the offender
- Details about the sentence imposed on the offender after conviction
- Details about any vehicles stolen by the offender
- Details about goods stolen by the offender
- Details about goods that were recovered which were stolen by the offender
- Photographs of the offender

3.9.2 Red Flags

- Lifestyle of the offender is not in line with the salary earned.
- Offender does not take any leave.
- Offender is early at work, leaves late in the evenings and works on weekends.
- Offender is highly trusted.
- Offender is protective of the work environment.
- Offender is defensive when challenged.
- Documents of the offender are always locked away and not accessible to any other staff.
- Internal financial control weaknesses identified within the offender's area of work responsibility.
- The offender makes significantly high expenditure on a single supplier of goods by manipulating the procurement process.
- The analysis and review of financial data of the organisation reveals suspicious transactions on the part of the offender.

3.9.3 Lifestyle Changes

- Unaffordable luxury cars owned by the offender
- Expensive jewelry owned
- Wearing expensive designer clothing

- Lavish entertainment of family and friends
- Going on expensive overseas holidays
- Offender has a gambling addiction
- Paying for unaffordable private school fees for children
- Unaffordable bond repayments
- Expensive home improvements undertaken
- Purchasing of expensive household appliances and furniture
- Repayment of unaffordable debt

3.9.4 Modus Operandi

- Date, time, place and method used to commit the fraud
- Financial documents falsified by the offender to conceal the fraud
- Stolen passwords and usernames used to transfer funds to fictitious suppliers
- Bank account numbers changed and false payments effected
- Suppliers overcharging for goods in collusion with employees
- Payments effected with no supporting documents
- Personal purchases made on the business account
- Suppliers making short deliveries of goods in collusion with employees
- Cover quoting, whereby the buyer carries out an irregular procurement practice by obtaining three quotes from three companies that are actually owned by one individual

By using a combination of personal particulars, red flags, lifestyle changes and modus operandi information, it is possible for an investigator to compile a comprehensive profile of a fraud offender which will be useful when conducting the investigation and inherent interviews. It is the researcher's view that once investigators understand what aspects should be included in an offender profile, only then would they be comfortable and receptive to its use in compiling offender profiles. In this regard, Jackson and Bekerian (1997:7), point out that it is important for investigators to understand the nature and use

of offender profiles. Furthermore, an offender profile should be compiled after the fraud offender has been identified or arrested (Bekerian & Levey, 2005:53).

3.10 Summary

Compiling an offender profile will require pooling in data and information from various sources. It must be noted that offender profiling of fraudsters involves profiling an offender who has already been identified. The profiling process involves collating data from a myriad of sources, with the sole aim of understanding how and why the fraud was committed by the particular offender.

An offender profile will prove priceless when the investigator is preparing for that all-important interview with the offender. Such information in an offender profile is vitally important, as it provides the investigator with that extra bit of ‘ammunition’ in his ‘arsenal’ of questions. This forms a lever during the interrogation process, and creates the impression with the offender that the investigator knows more about him than he actually does. Red flags are a warning sign that there may be fraud taking place. If those red flags are probed, it is likely that something irregular or fraudulent will be encountered.

The following chapter deals with the value that offender profiling can provide to fraud investigations. Aspects such as modus operandi, motive, lifestyle changes, advice on interview strategy, identifying internal control weaknesses, detection of fraud, capturing information onto a database, operational value of offender profiling, access to a pool of investigation experience and the sharing of relevant information, are discussed in more detail.

CHAPTER 4

THE VALUE OF OFFENDER PROFILING IN FRAUD INVESTIGATIONS

4.1 Introduction

The question is whether offender profiling has any value or can be of assistance in fraud investigations. The researcher is of the opinion that it does have a role to play, as the mere fact that the SAPS has an Investigative Psychology Unit (IPU) which specialises in psychological profiling of offenders, with the purpose of assisting the investigators with serial rapes and murders, indicates that profiling can, indeed, play a role in investigations. Professor Gerard Labuschagne, who is Head of the IPU, confirmed to the researcher that the IPU does not compile offender profiles of fraudsters, but does profile offenders for contact crimes such as violent and sexual crimes only.

The researcher is aware that the SAPS has been actively using *modus operandi* in the investigation of various types of crimes in South Africa. Therefore, offender profiling by means of *modus operandi* is not a new phenomena in investigations. The researcher agrees with Holmes and Holmes (2002:15), in that an offender profile on its own does not solve a crime, but remains one of many tools at the disposal of an investigator, that can be used during an investigation. As various authors have pointed out, offender profiling can be a valuable aid, but investigators need to understand how it can be put to best use during an investigation and remain a reliable tool. Jackson and Bekerian (1997:7), offer sound advice when they advocate that profiling fraud offenders can be successfully and consistently used by investigators, as long as they know and understand the nature and use thereof.

Newburn (2003:350), argues that investigators need to consider offender profiling to be an important and pragmatic tool to be used in investigations, and should not be drawn into the broader debate about its aim, definition and impact.

Offender profiling should be regarded as a pragmatic tool that will add value to investigations. With this objective in mind, the following topics are therefore expanded on in this chapter: modus operandi, identifying the motive of the offender, advice on interview strategy, identifying internal financial control weaknesses, assisting in the detection of fraud, capturing information on a database, operational value of offender profiling, access to a pool of investigation experience and sharing relevant information.

4.2 Modus Operandi

Modus operandi is the action an offender generally uses to commit a crime. Zinn (2002:39), points out that an early example of crime pattern analysis was through Sir Llewelyn W. Atcherley, who gave prominence to the term ‘modus operandi’ with his view that an offender may be identified by the manner in which he committed the crime. Marais and Van Rooyen (1990:66), believe that modus operandi is “an offender identification technique” which can speed up the investigation process by narrowing down the number of suspects, and provide guidance to the investigators. Zinn (2007:83), elaborates that modus operandi information could be useful to investigators in identifying and tracing likely offenders, and could assist the investigator to refine his interrogation techniques and trace physical evidence at the crime scene. This study has revealed that modus operandi information is valuable in the profiling of fraud offenders.

An analysis of various cases in this research revealed the modus operandi of fraud offenders to be stolen passwords and usernames used to transfer funds from a computer, to fake vendors with no available documentation. Furthermore, there is the falsification of financial documents such as tenders and leases, changing of bank account numbers and effecting false payments. There are also suppliers who overcharge for goods in collusion with employees. The other types of modus operandi are: employees effecting payments without any supporting documents, making personal purchases on the business account, suppliers making short deliveries of goods in collusion with employees, and providing cover quotes for purchases.

Analysing and evaluating modus operandi of fraud offenders will assist the investigator in focusing on the various available modi operandi to narrow down the search area at the crime scene. However, Berning (2008:25), cautions that modus operandi evolves over time, as offenders become more experienced and confident. It is therefore valuable to continuously update such information on a database for offender profiling purposes. Berning (2008:31), points out that the SAPS captures modus operandi information on the Crime Administration System (CAS) under code 8111. All modus operandi information is then transferred to various systems by the CIO, for use by the investigators.

4.3 Identifying the Motive of the Offender

Identifying the motive of a fraud offender is an important ingredient for compiling an offender profile, because it forms an integral part of the commission of a crime. Investigators must identify the motive in order to assist them to solve the case and link the fraud to the money that was stolen. For example, an employee who has a gambling habit may misappropriate funds to feed the habit. Various authors, such as Robertson (2000:193) and Silverstone and Sheetz (2007:18), believe that financial motives are the major cause of financial crimes such as fraud.

The investigator should ascertain whether there are any red flags which will indicate the possible motive of the offender. The offender may be a lowly-paid clerk who drives an expensive luxury motor vehicle. This is indicative of a change in the offender's lifestyle, which will require further probing to ascertain whether or not the purchase of the motor vehicle was funded by defrauded money.

4.4 Advice on Interview Strategy

It is crucial to have an interview strategy, especially when interviewing fraud offenders, because simply profiling an offender will not provide all the answers. Investigators can glean skilled professional advice on interview strategy of both witnesses and suspects, from offender profiling (Jackson & Bekerian, 1997:83). According to Labuschagne (2003:72), offender profiling will be valuable in assisting investigators during the interviewing of offenders and witnesses.

According to Zinn (2002:41), when an investigator is aware of behaviour patterns of suspects, he could use it to his advantage in an investigation. The investigator participants were asked what the benefit of profiling fraud offenders would be to the investigation process. Eight investigator participants expressed the view that offender profiling will assist the investigator in preparing relevant questions for the interview with the offender. This view is supported by Zinn (2002:41). Nineteen investigator participants held the view that offender profiling will enable the investigators to focus on individuals who are most likely to be the offenders.

The researcher's experience is that reviewing and analysing all the information and documentation from an offender's profile during the investigation, will prove significantly useful when interviewing the offender about the allegations. For example, the investigator obtains a Trans Union report which contains details about a business entity in which the offender has interests. If this entity is implicated in the investigation, it would be crucial to question the offender about this information. As part of the interview strategy, it would be appropriate to compile a list of preferred questions to ask an offender.

4.5 Identifying Internal Financial Control Weaknesses

Jackson and Stent (2007:3) define internal control as a

process effected by the company's board of directors, management and other personnel and designed to provide reasonable assurance regarding the achievement of objectives in economy, efficiency and effectiveness of operations; internal financial control; and compliance with applicable laws and regulations.

On the question, "Would offender profiling assist in identifying areas of internal control where opportunities exist to commit fraud?", all 27 investigator participants were of the unanimous view that offender profiling would be useful in identifying areas where internal control weaknesses are prevalent, in order to prevent fraud. When a fraud offender is questioned, it is important that information about the vulnerable areas where

fraud may occur, is gleaned from the offender. This will guide investigators into searching for evidence about the existence of fraud in those likely areas where internal controls are weak or deficient. Knowing in which areas to search for clues and evidence, would save time and effort during the investigation process.

It is important to understand that internal financial control is a people-driven process, which does not only consist of policies, procedures, manuals and forms, but involves people carrying out an array of tasks within the organisation (Jackson & Stent, 2007:3). In terms of a crime prevention perspective, the objective of internal financial controls is to ensure that assets are safeguarded against theft, as well as the prevention and detection of fraud (Jackson & Stent, 2007:4). The researcher concurs that it is critical to identify weaknesses in internal control systems within organisations, as the objective would be to eradicate any opportunity to commit fraud. In the absence of any opportunity in the internal financial control environment, no fraud would be committed. This, in effect, is termed 'fraud prevention'.

According to Jackson and Stent (2007:5), however, the limitations of internal financial controls may inherently manifest themselves where an employee circumvents internal controls by colluding with parties outside or inside the organisation, to commit fraud. A further limitation of internal control is where a member of management abuses his responsibility and overrides the internal control. The researcher's experience, in both these instances, is that the effectiveness of the internal control is rendered useless – which then exposes the organisation to undue risk.

4.6 Assisting in the Detection of Fraud

The word "detect" is described in the *Concise Oxford Dictionary* (1990:317), as "to reveal the guilt". A detective is therefore an individual who is tasked with revealing the truth during an investigation. The investigator participants were asked whether offender profiling would assist in the detection of fraud. There were 25 investigator participants who agreed that information from an offender's profile would assist in the detection of fraud. Two investigator participants were unsure whether offender profiling would assist

in the detection of fraud. This can be attributed to the fact that the investigator participants do not have experience in the use of offender profiling.

The investigator participants were also asked how offender profiling would assist in the detection of fraud. Twelve investigator participants expressed the view that the existence of red flags would be indicative of potential fraud, which would need to be probed further. Information on red flags should therefore be included in the profile of an offender, as red flags act as a trigger for investigators to become suspicious and begin a probe to detect any fraud. Seven investigator participants were of the view that previously profiled modus operandi would be useful in identifying vulnerable areas where fraud may exist. Six investigator participants shared the view that both red flags and modus operandi would be useful in the detection of fraud. From this discussion it is evident that both red flags and modus operandi information would be useful in the detection of fraud, and should be included in the profile of an offender. These aspects need to be probed with discretion, however, as the suspected employees may be innocent, despite the red flags. Red flags are just indicators about fraud, and modus operandi information will guide the investigator in where to look, based on previously profiled modus operandi of fraud offenders. Two investigator participants did not believe that offender profiling would assist in the detection of fraud.

Zinn (2002:84), points out that modus operandi can be used to identify and arrest an offender, but modus operandi information can also be valuable in formulating strategies for preventing such crimes in the future. For example, an identified modus operandi of fraud offenders, such as changing the bank account numbers of suppliers in order to facilitate fraudulent payments, can be used to conduct proactive fraud detection investigations. The investigator can review the electronic audit trails which reveal all changes effected to the bank account numbers of suppliers. As this is a known modus operandi of fraud offenders, there is a significant likelihood that fraud will be detected from such a fraud detection exercise.

The researcher believes that the identification of how fraud is committed is inherent in the offender profiling process. Investigators therefore need to understand the various methods used to commit fraud, as this will ensure that they are adequately equipped to detect it in future.

This type of information from the profile of a fraud offender can be valuable to an investigator, as it can also serve as an early warning sign, because lavish spending on “outrageously ostentatious lifestyles”, for example, is a red flag which is indicative of the occurrence of fraud (Wells, 2009:1). The researcher has experienced that red flags are a warning sign that something is amiss, but cautions that not all red flags may be indicative of fraud. It is worth probing, however, to reassure stakeholders that there is no fraud, and also to vindicate the employee who is suspected, as there are genuinely hard-working and loyal employees who display such warning signs. Due care must be exercised to prevent them from being unduly labelled.

4.7 Databases a Valuable Source of Information

Labuschagne (2003:71), points out that electronic databases are a valuable source of information for investigators. It is important to capture information from previous investigations on a database, as this will be useful to less-experienced investigators in understanding how previous frauds were committed and detected.

The investigator participants were asked how their respective organisations maximised the benefits of the lessons learnt from successful investigations. Five investigator participants said that lessons learnt from previous successful investigations are shared with their colleagues by capturing relevant information about the investigation on a database. Fourteen investigator participants reported that they shared the lessons learnt from successful investigations with their colleagues within their teams. Three investigator participants stated that they shared lessons learnt from successful investigations with their clients. Five investigator participants expressed the view that they did not share the lessons learnt from successful investigations with their colleagues.

From this discussion it is apparent that a small number of investigators are capturing information gleaned from successful investigations onto a database. It is evident that such a database is crucial for offender profiling purposes, and needs to be formalised to a certain extent. This valuable information will otherwise be rendered useless if left in isolated pockets of highly experienced investigator's memories.

Public databases are valuable to investigators, as they provide vital information which could be used to profile fraud offenders. Research on the Trans Union database, for example, can reveal information such as full name, other names used, names of immediate family members, current address and phone number, recent address and phone numbers, employers, shareholding in entities, credit history, judgments and any other adverse financial reports on an individual (Van Rooyen, 2001:166). This sort of information is valuable when profiling offenders.

4.8 Operational Value of Offender Profiling

According to Jackson and Bekerian (1997:88), the Association of Chief Police Officers (ACPO) and the Home Office in the United Kingdom commissioned a review to establish what the operational value of offender profiling was, to a detective. Some of the important findings were that offender profiling is viable, and that national data sets should be created to afford sufficient statistical analysis to enhance profiling. The statistical validation of offender profiling methods has been hampered, to date, by a lack of data sets sufficiently large to stand up to rigorous analysis (Jackson & Bekerian, 1997:89).

The investigator participants were asked whether offender profiling would be important in the investigation process. It was the unanimous view of all 27 investigator participants that profiling fraud offenders is important to the investigation process.

On the question of what benefit offender profiling would be to the investigation process, 19 investigator participants expressed the view that offender profiling would benefit the investigation process by enabling the investigators to focus on individuals who are most

likely to be the offenders. Eight investigator participants were of the view that offender profiling would benefit the investigator in preparing relevant questions for the interview with the offender.

In support of the investigator participants, Newburn (2007:851), points out that offender profiling can make investigations more efficient by reducing time that is spent on irrelevant suspicions, and advising on what aspects should be probed further. From this discussion it is apparent that offender profiling has a valuable role to play in investigations – not only in focusing on individuals who are most likely to be the offenders, but also by enhancing the quality of the interview process with the offender.

4.9 Access to a Pool of Investigation Experience

Individual investigators gain little or no experience of low-volume serious crime, despite there being a significant number of such cases, collectively, in the United Kingdom. A possible way of developing support for these individual investigators would be to provide them with access to a pool of experience (Jackson & Bekerian, 1997:100). In this instance it was decided that investigators close to retirement would be debriefed, in order to collate their experiences to aid future investigations of a similar type (Jackson & Bekerian, 1997:101).

According to Jackson and Bekerian (1997:108), the two basic principles that underlie the Dutch profiling unit are that offender profiling is a combination of detective experience and behavioural scientific knowledge. Furthermore, an offender profile is not an end in itself, but is purely an instrument for steering an investigation in a particular direction.

It is evident from this discussion, that highly experienced investigators possess vast knowledge which can be invaluable to the offender profiling process. It is crucial for investigators to ensure that this highly sought after knowledge is tapped into and captured onto a database and regularly updated.

4.10 Sharing Relevant Information

The investigator participants were asked how their respective organisations maximise the benefits of the lessons that are learnt from successful investigations. Fourteen investigator participants reported sharing relevant information about successful investigations within their teams only. Five investigator participants did not share this information with anyone. A small number of (three) investigator participants revealed that they shared lessons learnt from successful investigations with their clients, to enable the clients to prevent any recurrence of fraud in the workplace. Five investigator participants captured information about successful investigations onto a database.

It is evident that not all investigators share information about fraud offenders with their colleagues in any structured or formal manner. In this regard, Forsyth (2010:2), states that individuals seek personal or private objectives in a group and yet this same group constrain, guide and sustain them. The risk is that valuable information, if left unshared, can be an obstacle in the profiling of offenders. This is because critical crime information that is in the possession of experienced investigators, is not being appropriately utilised to combat fraud. Offender profiling should include capturing relevant information about previous cases that were investigated, to enable other investigators to share this information and understand how previous frauds were committed and how they were detected.

Investigators can exploit the benefits of the lessons learnt from previous successful investigations. There is no need to ‘reinvent the wheel’, as experienced investigators have a vast amount of information readily available to them which can be used to profile future fraud offenders. This information cannot be adequately maximised and utilised, however, if it remains as experience in investigator’s minds.

4.11 Summary

Offender profiling certainly has a role to play in investigations. The unanimous view of the investigator participants supports this statement. Modus operandi is a useful tool in identifying the manner in which frauds are committed. As the number of motives for

fraud offenders appears to be limited, it remains an aspect that an investigator needs to take cognisance of during the investigation process.

A further benefit of offender profiling would be the assistance it would provide to the investigator in preparing relevant questions for the interview with the fraud offender. Preparation for the interview with the offender is extremely important; therefore, offender profiles would provide critical information which should be used in the interview.

As part of offender profiling, and based on past experience, it is important to identify areas within an organisation where internal financial controls are the weakest. This will benefit organisations which are serious about preventing and combating fraud in the workplace, because they can focus on proactive oversight of such vulnerable areas within their work environment. Profiling offenders, based on established red flags and modus operandi, will be beneficial to the investigation and fraud detection process.

Lessons learnt from successful investigations should be shared with other investigators. The most appropriate way to do this would be to capture such information in a formalised manner onto a database. The database should be regularly and continually updated, in order for it to remain relevant. Highly experienced investigators will be able to contribute enormously to this database through their vast experience in this field. Furthermore, the database should be accessible to all relevant investigators. The following chapter provides the reader with the findings and recommendations of the research, as well as suggestions for further research.

CHAPTER 5

CONCLUSION

5.1 Introduction

This research was initiated with the aim, firstly, to ascertain the relationship between profiling fraud offenders and investigation; secondly, to establish what offender profiling is and what aspects or ingredients constitute such a profile; and, thirdly, to ascertain the value of offender profiling in the investigation of fraud cases.

The researcher achieved the aim of this research by conducting literature studies, interviews with investigator participants, profiling experts and case analysis. The findings of this research, as well as recommendations, are elaborated on in more detail below.

5.2 Findings

The following findings are reported which emanate from this research:

5.2.1 Research Question 1: How does the profiling of fraud offenders relate to forensic investigation?

- The research has revealed that offender profiling has a role to play in investigation.
- There are various types of offender profiling, most of which require the involvement of trained psychologists in the profiling process.
- The profiling of fraud offenders does not require the involvement of a trained psychologist, as it involves a known offender. This type of profiling is also termed ‘investigative profiling’, which can be compiled by investigators.
- An offender profile would include data that is gathered on an identified offender, such as identity number, address, criminal record, weapons owned, vehicles owned, employment records, verification of academic qualifications, cellphone records and bank statements.
- Investigators in the private sector are not authorised to access certain information such as the offender’s criminal records, cellphone records, banks

statements or weapons owned, unless a criminal case is opened with the SAPS.

- The purpose of offender profiling is to provide critical information, to a certain extent predict the characteristics of the offender, and to prioritise a list of likely suspects during an investigation.
- Offender profiling is an essential tool for investigators.
- Information on modus operandi, motive and opportunity on the part of the fraud offender, are important elements that should form part of the offender profile.
- Profiling the offender prior to the interview phase will be highly beneficial when preparing the interview strategy for the questioning of the offender, as information gleaned during the profiling phase will guide the interview process.
- An investigation is conducted in order to institute criminal and/or civil proceedings in a court of law.
- There is some confusion among investigators about the difference between a criminal investigation and a forensic investigation.
- The purpose of an investigation is to gather evidence and uncover the truth, and present these to a court of law.
- The objective of an investigation is to establish the facts which prove or disprove the allegations and to recover any loss.
- Crime intelligence in the form of offender profiling, is a useful tool in the hands of the investigator in solving crime.

5.2.2 Research Question 2: What should an offender profile consist of?

- Investigators will have to be creative when considering what should be included in the profile of a fraud offender.
- Personal particulars about the fraud offender, such as name, identity or passport number, home and work addresses, telephone numbers, nationality,

age, gender, level of education and previous criminal convictions, are crucial for offender profiling.

- Modus operandi information is a very important ingredient for the profiling of an offender, and should include the date, time, place and method used by the offender.
- Examples of modus operandi are stolen passwords and usernames used to transfer funds to fake vendors with no available documentation, falsified financial documents such as tenders and leases, bank account numbers changed and false payments effected, suppliers overcharging for goods in collusion with employees, payments effected with no supporting documents, personal purchases made on the business account, suppliers making short deliveries of goods in collusion with employees and cover quoting.
- It was established that the motive of an offender should be included in an offender profile.
- Information about the opportunity to commit fraud is important for offender profiling, because investigators need to establish which individuals had the opportunity to commit the fraud or where the opportunities exist to commit fraud.
- Red flags are valuable early warning signs that something may be amiss, and will be valuable in the detection of fraud if it is included in an offender profile.
- Changes in the lifestyle of a fraud offender is a type of red flag which would be useful during the investigation process, when linking changes in the lifestyle of the offender to motive. Changes in lifestyle may include the purchase of luxury cars, jewelry, designer clothing, entertainment, holidays, gambling, private school fees, bond repayments, home improvements, household appliances, furniture and debt repayment.
- Information that can be included in a profile of a fraud offender can be sourced from the databases of Trans Union, Experian, CIPRO, Windeed, SARS and Google, for the purposes of offender profiling.

- Valuable information about fraud offenders still remains in the memory of highly experienced investigators – which is important for offender profiling purposes.
- Crucial information is available from public databases, which will be valuable for purposes of offender profiling.
- The SAPS Crime Intelligence Office (CIO) provides crucial and comprehensive information about offenders to members of the SAPS, which can be included in the profile.

5.2.3 Research Question 3: What value or assistance does offender profiling provide in fraud investigations in South Africa?

- Modus operandi information in the offender's profile would be useful in identifying and tracing likely fraud offenders, and will assist the investigator to refine his interrogation techniques and trace physical evidence at the crime scene.
- Review and analysis of all information in the profile of an offender will be beneficial when formulating questions and interviewing the offender about the allegations.
- Offender profiling will assist in identifying areas where internal financial control weaknesses are prevalent, in order to detect and prevent fraud.
- Red flag information from an offender profile would be useful in the detection of fraud, as they are indicators about possible fraud.
- Databases would be the ideal medium to store information about the profiles of offenders.
- Investigators believe that offender profiling is an important tool in the investigation process, as it will assist in expediting the process.
- The information that an offender profile can provide to an investigator cannot be underestimated.

5.3 Recommendations

Emanating out of the findings of this research, the following recommendations are made:

5.3.1 Research Question 1:

- Individuals who are tasked with the training and development of investigators, should ensure that investigators are trained to understand the importance of profiling an offender in the investigation process.
- There are varying levels of understanding (and misunderstanding) among investigators, about the definition of forensic investigation. It is therefore recommended that training is provided to them regarding these definitions.
- As offender profiling of a fraudster is a relatively new concept, it is recommended that the training and development departments within the SAPS, Corporate Investigations, SIU, AFU and other organisations involved in investigations, compile a training manual on profiling of fraud offenders, for investigators.
- Investigators must be encouraged to profile offenders before the interview or questioning phase takes place, to enable the investigator to use the information compiled or collected from the profiles, during the interview.

5.3.2 Research Question 2:

- Investigators should gather personal particulars about the offender, as part of the initial phase of the investigation.
- It is recommended that the relevant training and development departments within the SAPS, Corporate Investigations, SIU, AFU and other organisations involved in investigations, design and create a pro forma which captures all possible information that is necessary for the purposes of profiling a fraud offender.
- This pro forma should assist investigators in ensuring that crucial information is obtained, in order to pursue the profiling process.
- The pro forma should include information about the modus operandi used by the fraud offender.
- The pro forma should be updated on a regular basis, as fraudsters evolve and modify their methods as time goes on.

- The pro forma should also include the motive of an offender as an element of offender profiling.
- Combating crime not only involves investigation. Investigators should therefore focus on identifying vulnerabilities (weaknesses) in the internal financial control environment, so as to thwart the opportunities to commit fraud. In this regard, a pro forma containing likely internal control weaknesses which provide an ideal breeding ground to commit fraud, should be compiled by the training and development departments within the SAPS, Corporate Investigations, SIU, AFU and other organisations involved in investigations, and form part of the training curriculum for their investigators.
- A pro forma of the various types of red flags should be created by the training and development departments within the SAPS, Corporate Investigations, SIU, AFU and other organisations involved in investigations, and form part of the training curriculum for their investigators, to enable them to identify the potential presence of fraud.
- It would be useful for investigators to be aware of how the defrauded money was spent on lifestyle changes. The training and development departments within the SAPS, Corporate Investigations, SIU, AFU and other organisations involved in investigations, should compile a pro forma which would reflect the items on which the defrauded money was spent. Training in this regard will be valuable to the investigator, should there be a need to forfeit assets or conduct an audit on the financial lifestyle of the fraud offender.
- There are various sources and databases which can provide useful information to profile a fraud offender. Investigators should receive training covering these sources and the type of information that can be obtained.
- Highly experienced investigators should be interviewed by the training and development departments within the SAPS, Corporate Investigations, SIU, AFU and other organisations involved in investigations, in order to tap into their vast experience and knowledge.
- Information on the experience and knowledge of investigators would be valuable for offender profiling. The training and development departments

within the SAPS, Corporate Investigations, SIU, AFU and other organisations involved in investigations should therefore create and manage a database which should be made available for training and development, as well as offender profiling purposes, to their investigators.

- Investigators in the SAPS should access the CIO at police stations where valuable offender profiling information can be obtained, to assist them in their investigations.

5.3.3 Research Question 3:

- The training and development departments within the SAPS, Corporate Investigations, SIU, AFU and other organisations involved in investigations should train their investigators to understand the importance and value of offender profiling.
- Investigators should compile a profile of all fraud offenders, which should be used as an information tool during the investigation process and for reference purposes later.
- Investigators should collate relevant information and compile an offender profile before the interview with the offender. This will place them in an advantageous position during the interview process with the fraud offender. By being armed with relevant background information about the offender and the crime, will lead the offender to believe that the investigator knows a lot more about the crime than anticipated.
- It is recommended that details gleaned from the offender profile should be regarded as important by the investigator when the interview strategy is being devised and relevant questions are being formulated.
- Investigators should focus on areas where internal financial control weaknesses are identified, through the offender profiling process, with the objective of proactively detecting fraud.
- Investigators should be aware that information in the profile, such as red flags and modus operandi, can serve as a valuable point of reference during future investigations.

- Investigators need to capture information about the profiles of fraud offenders onto a database that should be specifically created by the training and development departments within the SAPS, Corporate Investigations, SIU, AFU and other organisations involved in investigations, for investigation purposes.

5.4 Conclusion

By means of the design and methodology of this research, the researcher has been able to address the research questions, which indicates that there is a definite relationship between offender profiling and investigations. This research has been able to establish what a fraud offender profile should consist of. Lastly, the research has established that there is value that offender profiling can provide to investigations into fraud. Notwithstanding these findings and recommendations, it is imperative that investigators in the private and public sectors synergise their efforts to give effect to offender profiling. Training initiatives on the use of offender profiling is of vital importance.

As there is no available literature which specifically pertains to fraud offender profiling, further research is recommended into

- aspects that should be included in a fraud offender profile; and
- the creation of a common database for use by all fraud investigators.

The results of this research have revealed that offender profiling is an important aid to investigators which will enhance the quality and success of investigations in the future. The training and development departments within the various investigation entities must therefore ensure that investigators are trained in the use of offender profiling.

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INTERVIEW SCHEDULE

The value of investigative profiling of fraud offenders by forensic investigators

Historical Information

1. Respondent number
2. Gender
3. How old are you?
4. What are your tertiary qualifications?
5. What is your current position?
6. What is the name of your employer?
7. How many years of forensic investigation experience do you have?
8. Have you undergone any training in the investigation of crime?
9. What types of training courses have you attended in this regard?
10. What types of investigations do you specialise in?
11. How many fraud cases have you investigated in the past 12 months?

Relationship between the profiling of fraud offenders and forensic investigation

12. How would you define forensic investigation?
13. What is the difference between forensic investigation and criminal investigation?
14. What is the purpose of conducting a forensic investigation?
15. What are the objectives of a forensic investigation?
16. What do you understand fraud offender profiling to mean?
17. What is the purpose of fraud offender profiling?
18. What is the relationship between fraud offender profiling and investigation?
19. Have you been trained in any offender profiling techniques? Elaborate.
20. What type of personal information could be useful to compile an offender profile?
21. Do you gather crime information in your work situation? Elaborate.
22. How is crime information currently stored in your work situation?
23. If you use crime information as an aid in your investigations, please describe this process.

24. On how many occasions did you use crime information as an aid in your investigations?

Components of an offender profile

25. Based on your experience, can you list all the aspects that you think can be included in a fraud offender profile?
26. What type of lifestyle changes may be regarded as red flags?
27. Do you research any public databases to profile the offender?
28. Which databases do you use?
29. What type of information would be useful to profile the offender?
30. Do you know whether other entities such as SAPS or SIU use such databases for profiling purposes?

Value and assistance that offender profiling provides in fraud investigations in South Africa

31. Do you think that offender profiling is important in the forensic investigation process?
32. If yes, of what benefit would this be to the forensic investigation process?
33. Would you be able to ascertain the motives of fraud offenders by means of offender profiling?
34. Would offender profiling assist in identifying areas of internal control where opportunities exist to commit fraud?
35. How would offender profiling assist in the detection of fraud?
36. How does your organisation maximise the benefits of the lessons that are learnt from successful forensic investigations?

APPROVAL TO CONDUCT RESEARCH



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Mr Ranesh Sivnarain
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Dear Ranesh

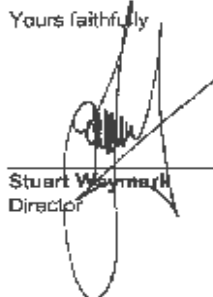
APPLICATION FOR APPROVAL TO CONDUCT RESEARCH

It is with pleasure that I take this opportunity to grant you permission to conduct research on your topic "The Value of Investigative Profiling of Fraud Offenders by Forensic Investigators".

I wish you well in your studies and look forward to a well researched dissertation which will be beneficial to stakeholders in the forensic investigation arena.

Should you have any queries or require any further assistance with your research please do not hesitate to contact me on (031) 576 8050.

Yours faithfully



Stuart Wynne
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I, Marlette van der Merwe, ID 4802060118085, hereby declare that the master's dissertation,
"The value of investigative profiling of fraud offenders by forensic investigators" by
Ranesh Sivnarain, has been edited by me according to the Harvard method and style as used
By Unisa.



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