



Know Your Customer - A person and Their Data

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“Getting caught is the mother of invention.”

Robert Byrne

“The very purpose of existence is to reconcile our glowing opinion of ourselves with the appalling things that other people think about us.”

Quentin Crisp

KYC - A Person and Their Data

If you think many people look similar in person, you should see how many look the same on paper. This chapter is about the care and feeding of a person and the virtual person. It is about how to reconcile the many inconsistencies between the records you'll find and the real person in whom you have an interest. As humans we will make errors, it's almost as if we are coded to do so. Yet we often view data – records created by humans – as infallible. When research indicates an inconsistency between the record and the person – the data is wrong, the person is wrong, or you have matched the wrong data to the right person. We must be able to reconcile the gross data with the net person.

In the process of reconciliation and verification of data – you will perform the same set of tasks when doing Know Your Customer work, front-end control of customers, clients and employees – as when trying to find a person who has caused you or your client harm.

Bill collectors coined the term “skip-tracing.” "Skip" refers to someone who has skipped town, and the skip-tracer is the person looking for the skip. Today the term has a broader meaning, and is applied to the process of locating any person for any reason. To reiterate, the same set of skills used by a skip-tracer can be used to deal with a host of KYC issues – the information is simply consumed for different purposes. The primary difference is, in a KYC investigation the process is used to confirm representations made by a person as opposed to locating the person.

This form of due diligence requires you to verify representations made to you, and included in these representations will be addresses for residences and places of business. These are critical representations, assuming that in the future you may have some need to get in touch with those making the representation. One way to approach this problem is to independently verify addresses, and then use some form of delivery service to confirm the postulant's presence at the address.

I am going to present much of this information as if I were trying to locate a person of interest as opposed to performing due diligence in a KYC case. I approach the subject this way because, trying to locate someone who is hiding provides all of the same challenges needed in a due diligence case to verify that someone is where they say they are.

Preliminary Search

When doing due diligence work, we treat everyone equally. We verify everyone and everything.

In reality, most people are going to be easy to find – because they're going to be exactly who they say they are. If John Smith tells me that he owns a home at 123 Elm Street, I can attempt to verify that fairly simply. I go to the county recorder's office, and I find that 10 years ago John Smith purchased the house at 123 Elm Street. I also notice that there has been no transfer of title *recorded* since his purchase. What I don't know is if the John Smith who purchased the home is *our* John Smith – and for that matter, how did I verify that *our* John Smith is actually named Smith? How do I know the house hasn't been *recently* sold? Hopefully, I have other information – possibly a copy of some form of identification, a Social Security number, a credit report, recent real estate listings, or even a phone number that is registered to that address. Together, confirming all of this information leads me to conclude that *our* John Smith is *the* John Smith who owns the residence at 123 Elm Street.

But what if I have very little information, and my attempts to confirm what I have provides little additional information – or if the records I do find are inconsistent with Mr. Smith's disclosures? This raises my suspicions. If I can't independently confirm any of the information provided to me, I'm dealing with a missing person – missing from the public record. People attempt to live under the radar of public records for numerous reasons. For some it's simply hard times, and they're looking for a new start. For others, it's to avoid criminal prosecution. More commonly, people who are difficult to find are generally hoping to avoid some obligation they've left behind – monetary or social. In any case, if you've been given the job of finding this person, assume he/she is keeping as low of a profile as he can (or knows how to). The researcher's job, quite simply put, is to locate the missing person. While it's generally a detective or investigator who's given the task, it could just as easily be a debt collector, journalist, pre-escape locator, or anybody else who has an interest in the missing person.

For the person who's trying to connect this person of interest with their public record, finding inconsistencies in the record becomes a pivotal point in the investigation. You have to ask yourself whether continuing the search is worth it. Whether you want to continue a relationship or abandon a relationship with someone whose past could not be confirmed is a question of risk, rewards and sanctions. Whether you want to continue your investigation is simply a question of risk and reward.

Extending the Search

In the not too distant past, locating people depended upon knowing who to contact for information. Social service organizations, the railway express agent, the postmaster, even the local union hall and grocery store were excellent sources. Contacting these people or organizations is going to the loci of community information. Similarly, professional associations and licensing bodies represent a locus of information for their members. Not much has changed in the process, but today much of the information that was once exclusive to disparate organizations is now available in central databases that have been optimized for information retrieval. Databases have become so sophisticated that detailed information is readily available to anyone who has access to them, and the reports do not necessarily require a sharp investigator to decipher.

A researcher's job begins with collecting information. Recent efforts to organize and sort information have been growing geometrically, roughly keeping pace with advancements in computer technology, and show no signs of slowing down. This tsunami of personal data is collected, normalized, cross-referenced, and sold on levels we couldn't have even imagined

several years ago. It's now almost impossible for an individual to go through life without leaving some electronic trail. Never before in history have we had as much information available for making informed decisions regarding people and investments.

Despite the proliferation of databases, they're increasingly unavailable to private citizens using front-door techniques. Concerns for privacy rights have strengthened laws that restrict access to anyone without a license claiming a legitimate use, or a warrant. To make the best use of your time, it's important to gain access to a consolidated database, which has been designed to provide the most comprehensive access to data based upon your legal rights. Many of these databases are also used for Know Your Customer compliance and insurance underwriting.

Technology is a double-edged sword, and can assist the mouse as well as the cat. The same technology that creates an electronic trail can be used to conceal or fabricate a trail. People can easily access cell phones and Internet phones that provide no indication of their identity or location. Phone blockers and caller ID allows people to identify calling parties before deciding whether to identify themselves – or to accept a call. Hundreds of services provide anonymous e-mail accounts. The bad guys have the knowledge and ability to game new systems ahead of the safeguards provided by improved systems. The bad guys will exploit any lack of understanding or failure to review processes by the good guys – they will continue to profit by identifying new system vulnerabilities.

When opening bank accounts in the past, banks needed to know their customer – not just have a computerized record of the person. Today, the customer can show up with a forged identification along with a credit card in that name and open a bank account in that assumed name. The fact that you have a photo ID and a credit relationship provides the bank two forms of vetted ID. The photo ID they can see, the credit card is evidence that some other financial institution knows you, and has given you credit. It is both that preposterous and that easy. Actually when presented with this statement, we challenged the exponent to prove it. He was correct. We tested his boast three times (that I'll admit to) and opened accounts. The exercise proved a point – in the United States, KYC means Konsult Your Computer, and has little to do with any real knowledge. We have erred on the side of convenience, not of knowledge. Our lack of knowledge allows the bad guys to game and take advantage of our systems.

In modern society, people can disappear in many ways. The term disappear is misleading, what actually happens is people attempt to keep all of their financial and personal records from being recorded. For example, if you are driving and get a ticket, it is recorded. If you request credit or apply for insurance, a record of the inquiry and the information you provided will be recorded on your credit report. Tenant screening is captured on your credit report. If you are involved in any litigation, that is recorded. Utility service contracts, phone, cable, power and water are all recorded. All of this information is retrievable. To disappear, there must be a near-conscious choice not to live a life of recorded events. If you live in the cash economy, rent from a landlord who doesn't do background checks, don't drive, and don't work in a licensed profession – you will be hard to find (even if you are not hiding).

Understanding the Information

To understand how data needs to be interpreted and filtered, let's consider cases where a fraud has been committed. Keep in mind that while these new technologies might make it easier to locate a person, it's often these same new technologies that make it easier to commit a fraud in

the first place.

Le Charade

An electronic identity and fictitious business relationship can be created in minutes using a borrowed address or mail drop, a couple of throwaway cell phones, the purchase of a domain name, and the setup of e-mail accounts. Here's a scenario -- I buy the domain SeemsLegitimate.com and create a Web page for my business using a cell phone as the contact number, I then forward the company number to a private answering service that in turn connects callers to my personal cell phone. I tell you that I work for SeemsLegitimate (learn more about us at www.seemslegitimate.com), and you can e-mail me directly using skippy@seemslegitimate.com. If you want to verify my employment and income, you can contact the company using either the phone number or mail-drop address on the company Web site. If you need to contact me directly, here's my personal phone number and mail drop. This all looks pretty legitimate, doesn't it? This entire facade can be created for under a couple hundred dollars. To make it more interesting I'll pay for everything using a prepaid gift card that I register online using any identity I choose.

If my little charade works, there was a serious lack of due diligence. You probably won't be able to find me, even with subpoenas. It's for these reasons that we have to be just as aware of disinformation as we are of information, and one of the first things to find out is whether or not any of the information we have is real. If you're working in a closed corporate environment where you are responsible for validating information, it's important that you add your knowledge to the due diligence process the company uses when originating a new relationship. It's a lot less expensive to check the accuracy of information a client provides before you establish a relationship than after you find out there has been a fraud.

Assuming we're not dealing with an elaborate case of identity theft, and that we can identify the person of interest, the information collected will almost always identify third parties who can help us. Pretexting employers, neighbors and relatives to learn more about the target is by far the easiest way to locate people. Using public online information resources such as the county recorder's office, assessor's records, criminal databases and corporation filings will often provide a road map to the target's location.

Let's look at a normal case – the ones we see every day. We've run all of the reports we have access to, and searched the public records. We know the person is real, because they had a very public profile prior to their disappearance. Wherever they are currently located, it becomes clear that they haven't contracted for any of the services recorded in our databases. They haven't forwarded their mail through the National Change of Address (NCOA) database, or if they have it's to a post office box. At this point we have to assume that they're rooming with a friend, renting a room, or staying with a relative – but where?

If their last known address is a post office box, we can attempt to confirm that it's active. Sometimes a call to the postmaster of the zip code is sufficient. If the box is active, we can safely assume that they're currently in the zip code area. This narrows things down a lot. We

can also use searches for phone numbers – but in today’s world that’s only a tentative link to their location, as Internet and cell phones can be set up with the user’s choice of area codes.

If we can't narrow their location to a limited geographical area, we need to start making phone calls to get some idea of what city or town they are living or working in. The best sources of information will be family, friends, former employers and known associates. I would start with a simple pretext, such as calling a former roommate or parent, and asking for "Skippy." If the other party seems confused, simply respond "I'm Tracy Goodman, and Skippy gave me this number saying it would be a good number to reach him when I got back in town." That pretext can bring forth a flood of interesting information; you usually won't get an address, but frequently you will get another phone number, a roommate, an employer or a new city. People want to be helpful, and the pretext call is an attempt to exploit their desire. Pretexting for information may or may not be legal, depending upon which state you are in, calling, and how any information obtained is ultimately used. Check with your legal counsel for laws that apply.

If we can't locate our target using family or friends, we need to review the information we do have. Have they lived in, or do they have family in other cities? Where did they go to school? People usually don't leave a town unless they're going somewhere they have a support network. What line of work were they in? People don't change careers easily – especially if they're in need of money. If you know they last worked as a cook for Mom's Restaurant, find out if Mom's is a franchise – call the central office and attempt to verify employment – “And which location was that?” If they managed a Home Depot, check with Lowe's. If you have access to a credit report, don't underestimate its value in determining employment, addresses, and the movements of a target. If you're participating in a due diligence process, don't discount the value of validating this type of information before a problem appears.

Assuming you can't contact the target by phone, but believe you have a good address – delivery services are your friend. Don't spend your time driving around and knocking on doors – let them do it for you. While sending a certified letter might seem to be the correct course of action, people who don't want to be found ignore certified letters – and the post office is less than inefficient at making sure non-certified mail is properly delivered to the addressee. Try using UPS, FedEx, or florists. You might get good results with a few CDs from the dollar store sent to the best address you have, along with an invoice for their Music-of-the-Month club subscription. Make sure the invoice has a prominent phone number for any billing or subscription questions (call 877-SeemsLegitimate). People always open packages and letters that appear to contain something of value – use that to your advantage, and get them on the phone.

There is no end to the creativity that you can use to get information. The important thing is to maintain focus on important information, and discard or ignore all information that is noise. Whenever you have anyone on the phone that is in any way connected to the skip, you have a potential solution to your locate. Be conversational, be polite, and be friendly. Chances are you're not the only person looking for the target, and every other investigator is using the same data that you are. This means that the person on the other end of the phone is already a bit suspicious of anyone they don't know. Be creative, be friendly, and by all means don't sound like a detective.

There are always going to be cases that hit a dead end. At some point you have to consider what value this locate has to you. If it has value – let the project age for a while. Running database checks 30 or 60 days after you've been frustrated by a case will often bring surprising results.

As we observed earlier, it's almost impossible to go through life without leaving an electronic trail that will eventually be incorporated into a public database. If your reason to trace the subject allows you the time, develop a procedure to periodically review cases as opposed to closing them. People will surface – eventually. Sometimes people die, leave the country, or land in prison – but more frequently they will get married, buy a home, land a great job, or have other changes in their life that prevent them from living under the radar. Persistence pays off.

In conclusion, this is a game of cat-and-mouse. The mouse has the same tools available to him as the cat, but rarely the same experience in how to use them. This is the difference between a researcher and a competent investigator employing their tradecraft. Due diligence, background checks, and locates often seem like a boring task simply because there are so many dead ends that have to be explored. In our boredom, we often forget that it's this persistence that gives us our experience, and experience is the cat's edge over the mouse.