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# Probers Work Backward on Madoff

## *Chief's Alleged Confession Forces Investigators to Go From*

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The unusual nature of how Bernard Madoff's alleged \$50 billion Ponzi scheme surfaced — with a confession from the key figure himself — is complicating a high-profile investigation by the Securities and Exchange Commission.

The SEC recently issued subpoenas to a Madoff lieutenant and a brokerage firm affiliated with Mr. Madoff, and is preparing to issue a second subpoena to another Madoff associate, according to a person familiar with the matter. The developments — six weeks after Mr. Madoff confessed to the scheme and was arrested — signal that the agency now is seeking to find out who else could have helped Mr. Madoff, who said he acted alone.

**INDICTMENT SOON?** Bernard Madoff leaves the federal courthouse in Manhattan after a bail hearing on Jan. 5.

Regulators often quickly issue subpoenas when developing enforcement cases. It's unclear what is behind the slower timing of the SEC's recent subpoenas. The SEC had no comment on the status of the case.

Typically, investigators begin with a tip or whistleblower and cut deals with lower-ranking employees to build a case against the suspected mastermind of a fraud. In this case, investigators started with a confession from the mastermind, Mr. Madoff, according to a government affidavit, and they are trying to work backward to piece together what happened.

People familiar with the investigation say the Madoff firm's records on what it was actually doing with investors' money are either in disarray or nonexistent.

As a result, investigators have stepped up efforts to gain information from those who worked with Mr. Madoff. A longtime employee, JoAnn "Jodi" Crupi received a subpoena Jan. 16 for documents about her compensation and her dealings with certain firm clients, including charities, according to a person familiar with the matter. The agency also asked for access to her personal computer, this person said. Her response is due next week.

"We have been served with a subpoena and we will comply with it as the law requires," said Ms. Crupi's lawyer, Eric R. Breslin.

Ms. Crupi and a more senior employee, Frank DiPascali, were part of a group that dealt with clients who deposited and redeemed funds from the firm. The SEC now is preparing to issue a subpoena to Mr. DiPascali in the case, according to the person familiar with the matter. Marc Mukasey, Mr. DiPascali's lawyer, has said his client hopes investors get back as much money as possible.

The group also helped generate monthly and quarterly client statements that are now believed to be fraudulent. Ms. Crupi and Mr. DiPascali haven't been charged with any wrongdoing.

Investigators also are delving further into the role of Mr. Madoff's wife, Ruth. Authorities have found information that Mrs. Madoff had reconciled the firm's bank accounts, according to another person familiar with the matter.

That development by itself isn't an indication that she was aware of the fraud. And there's nothing public that has surfaced that indicates Mrs. Madoff knew of her husband's activities. She hasn't been accused of any wrongdoing. Ira Sorkin, a lawyer for both Mr. and Mrs. Madoff, declined to comment.

Authorities don't believe Mr. Madoff's assertion that he acted alone in pulling off a scheme that is believed to date back at least three decades and involve thousands of investors, people familiar with the matter say. But no one else has been charged in the case. Family members who worked at his securities firm say they knew nothing of the alleged fraud.

The government has asked for additional time to file an indictment against Mr. Madoff, a formal charging document from a federal grand jury that starts the clock for a speedy trial. Mr. Madoff agreed to the extension, and the new deadline for an indictment is Feb. 11. Extensions aren't unusual and can benefit both the government and defendant by giving them more time to prepare their case and defense or negotiate a plea deal.

Early on, the SEC focused on family members and hedge funds who acted as feeders for Mr. Madoff's money-management business. More recently, the focus has extended to include certain people who aren't investment advisers or hedge-fund managers but acted as intermediaries in luring money to Mr. Madoff's funds, one person familiar with the matter said.

Also, prosecutors in Manhattan have joined the SEC in looking at the big feeder funds that took billions of dollars of their clients' money and invested it with Mr. Madoff, according to the person familiar with the matter.

Yet another tentacle of the Madoff affair getting attention from prosecutors is the role of vendors that did work for the Madoff firm. To create the appearance of a legitimate investment-advisory business, Mr. Madoff paid an unnamed research firm for work, even though the Madoff firm's investment arm made few, if any, trades for its clients, according to a person familiar with the matter.