

Investigation in the Post-Enron Era

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Remarks, Christina A. Sultan,

Private Investigator.

I'm a private investigator. Have been for most of my professional career. I'm here to discuss how the industry has changed.

I don't know whether it was September 11th - or the Enron debacle- which had the biggest impact on the private investigation business, but no doubt a sea change has occurred in my industry.

In more innocent times, less than twelve hundred months ago, private investigators were viewed as those guys who talked like Humphrey Bogart and who always showed up just as the cops winched the car with that suspiciously locked trunk, out of the East River. Such clichés in black and white were hardly representative, but there is no doubt that most people felt investigations were mostly focused on brutes in blue collars.

Well, the color of the collars - as well as their nationality - has changed. Today the need for enhanced security, in every city and town, is reshaping law enforcement in a major way. Their needs, directives and mandates are also raising security stakes. And not just in US and Canada, but around the world.

A year ago, my standard speech on this topic stressed globalization, the sophisticated deal rate, and the prominence of traders and trading as justification for increased corporate attention to private investigation. Background checks, screenings, transactional intelligence and business intelligence were the bread-and-butter triad of P.I. and security firms.

Today, those imperatives remain - with renewed emphasis. But the perspective has changed. A year ago, we were asked to assume the vantage point of the CEO, and look for likely fraud, misrepresentation and general malfeasance among the employees and among those who would do business with that CEO.

Today, we find clients seeking reassurance about the CEO's themselves. Their unease is driven by satiric commentary such as this, from Andrew Marlatt and distributed widely on the internet:

Unwilling to wait for their eventual indictments, the 10,000 remaining CEOs of public U.S. companies made a break for it yesterday, heading for the Mexican border, plundering towns and villages along the way, and writing the entire rampage off as a marketing expense.

"They came into my home, made me pay for my own TV, then double-booked the revenues," said Rachel Sanchez of Las Cruces, just north of El Paso. "Right in front of my daughters."

Calling themselves the CEOnistas, the chief executives were first spotted last night along the Rio Grande River near Quemado, where they bought each of the town's 320 residents by borrowing against pension fund gains. By late this morning, the CEOnistas had arbitrarily inflated Quemado's population to 960, and declared a 200% profit for the fiscal second quarter.

This morning, the outlaws bought the city of Waco, transferred its underperforming areas to a private partnership, and sent a bill to California for \$4.5 billion.

Law enforcement officials and disgruntled shareholders riding posse were noticeably frustrated. "They're very hard to find because they always stand behind their numbers, and the numbers keep shifting," said spokesman Dean Levitt. "And every time we yell, "Stop in the name of shareholders!" they refer us to investor relations. In fact, I've been on the phone - all damn morning, and then some..."

This of course compels us to ask, has businesses' reputation as a stronghold for sound reasoning, economic stability, and tradition with progress, lost ground with the public? Undoubtedly. Will those audit numbers be looked at askance? Possibly. There is work ahead of us. Has uncertainty, and the perceived (or real) need to check things out carefully, grown? You bet!

The Enron scandal hardly occurred because of a failure of law and regulation; it occurred because of a failure of morality and ethics. That's the word from a stock exchange president. Others have observed that Enron and other scandals in the corporate sector have produced a mood of skepticism that is discouraging investors in the stock market, which was in disrepute. It isn't the stock market, it is the listed companies and the credibility of their performance, near-term or otherwise.

Throw in vague warnings from Washington every few weeks about the possibility of terrorism, and it is clear that what is needed most is a combined message of: security, *and* integrity. And through some amazing coincidence, private investigators are in the security and integrity business.

Under these circumstances, I see three big changes in the types of assignments given to corporate investigation companies:

- Being investigated is rapidly becoming the norm, and not the exception. We no longer object to taking off our shoes while passing through airport security screenings, and full-body scans have become the norm as well.
- When asked to choose between privacy and security, most of us are inclined to choose security - as one leads to another.
- The corollary is that what we as investigators do is becoming 'normal', it is no longer upsetting or invasive.
- No name is sacrosanct ! Some of us were always suspicious of those numbered companies in the Cayman Islands. ...Now we are suspicious of billion dollar corporations. This delivers to the investigations and security industry a major expansion of market....
- The investigation target is now higher in the organization. Sure, in the past we would always find a stock clerk in cahoots with the loading dock guy, as they swiped a few tons of scrap metal - or some mere cash for their pockets. But now, we have to consider how to catch up with CEO's as they push liabilities off the balance sheet. Repeatedly. You might say we are dealing with a better class of people - or, international crooks.

What does all this mean for the investigations and security world?

4 Things:

1. The sensitivity of the information collected has just multiplied. Tenfold or more.

2. The sophistication of the malfeasance has taken a leap forward. And probably not into the millenium, as expected!
3. Those consequences have grown.
4. The accounting firms, traditional 'watchdogs' of high-level production, finance and integrity, have blotted their books. It will be a while before a new set is produced.

We now see a huge opportunity and a need for the skills, mindset, and talents of the corporate investigator.

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