

COMMERCIAL INVESTIGATIONS LLC

CI TIMES



CREDIBILITY CRISIS CONTINUES: MADOFF, BLAGOJEVICH AND RAJU

Desperate times call for desperate measures. Warren Buffett’s classic quote seems very timely in today’s environment: “It’s only when the tide goes out that you learn who’s been swimming naked.” Even in good times, there are those who are dishonest and driven by greed. But during tough times, typically honest applicants can be driven by need. In this economic environment, it is more important than ever for companies to protect themselves. In a competitive job market, once honest candidates can be pushed to further stretch the truth on a resume or go to great lengths to hide a criminal conviction.

The Wall Street Journal article “*Test for Dwindling Retail Jobs Spawns a Culture of Cheating*” (January 7, 2009) reports on desperate measures for online applicants that have to take personality tests:

“Today, many retailers’ are cutting their work forces, but that just makes the test even more critical. So many people now are seeking what jobs remain in retail that the test’s maker says it processed about 29 applications for every opening in 2008, up from 22 in 2001. Meanwhile for retailers, it has become doubly important now to employ only the most productive people...The more critical the test has become to getting a job, the more applicants are trying to game it. They do so by repeating the test sev-

eral times, by comparing notes, by consulting an online cheat sheet or by having a friend take the test for them.”

According to the Wall Street Journal, more than 500,000 Americans lost their jobs in December. In January six CEOs of publicly held companies were replaced in just eight days (*CEO Firings On the Rise As Downturn Gains Steam, The Wall Street Journal* January 13, 2009). With job market conditions never before seen by most employers, and headlines of massive fraud, now is a good time to consider your hiring practices and how you can properly screen any new hires or people you conduct business with.

Perhaps the Bernard Madoff \$50 billion Ponzi scheme illustrates the importance of due diligence even in good times. He wasn’t exposed until the tide went out. During more prosperous times, countless intelligent and wealthy individuals gave tens of billions of dollars to Mr. Madoff. Literally thousands of institutions, non-profit organizations and individuals are counting their losses. Some of them are grappling with the issue that they actually profited from others’ losses.

Ironically, you can enter a Ponzi scheme legally through lack of due diligence, but you cannot exit the scheme because of proper diligence. If you leave because of knowledge that something is illegal or fraudulent, you are yourself complicit.

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CLIENT CLUE

Article 23-A of the N. Y. Correction Law

Effective February 1, 2009, employers will be required to provide applicants with a copy of Article 23-A of the Correction Law whenever an investigative consumer report is requested as part of a background check. Employers are also required to conspicuously post Article 23-A.

CI has attached Article 23-A to its Consent Forms and has provided an Article 23-A poster for its clients. The revised Consent Forms and Poster can be found in your online client packet.

Please contact a CI representative for assistance in accessing your online client packet or with any questions.

**CREDIBILITY CRISIS CONTINUED:
MADOFF, BLAGOJEVICH AND RAJU**
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The recent impeachment of Illinois Governor Rod Blagojevich shows that even those in public service can quickly turn to abusing power for private gain.

Blagojevich was arrested after federal prosecutors alleged that he attempted to sell the vacant U.S. senate seat left by President-elect Obama. There are also allegations that he withheld state money from a children's hospital until a campaign donation of \$50,000 was received.

Also within the last month, the World Bank disclosed that it had blacklisted three Indian Outsourcing firms, Wipro Technologies, Megasoft Consultants Ltd. and Satyam Computer Services. Ramalinga Raju, the co-founder of Satyam admitted to falsifying the company books by over \$1 billion. All three companies were barred because of improper relationships and benefits, including stock, provided to bank employees (*World Bank Blacklists India's Wipro, The Wall Street Journal* January 13, 2009).

India's government fired all of Satyam's board members and began an accounting review of its largest publicly traded company. Eight additional companies related to Satyam are under investigation.

Among the global economic crisis, more U.S. fraud cases continue to develop. Law.com outlines the latest regarding jailed attorney Marc Dreier's \$380 million fraud case:

"Charged with securities and wire fraud, the only equity partner of the now-shattered 250-member Dreier LLP is accused of hijacking the identity of New York City development company Solow Realty to sell fictitious promissory notes to hedge funds in New York City and Connecticut." (<http://www.law.com/jsp/article.jsp?id=1202427323972>)

With consumer and taxpayer confidence near all-time lows, skepticism of

corporate leaders maybe at an all time high. With stunning revelations about AIG executives' lavish retreat weeks after receiving federal funds, the scrutiny and distrust of corporate executives grew.

As more bailout money continues to go into the nation's largest financial institutions and auto makers, taxpayers' anger and the media attention on executive compensation has grown as well.

An AP study shows that \$1.6 billion has gone to executives of banks that have received federal bailout funds:

"Banks that are getting taxpayer bailouts awarded their top executives nearly \$1.6 billion in salaries, bonuses, and other benefits last year, an Associated Press analysis reveals. The total amount given to nearly 600 executives would cover bailout costs for many of the 116 banks that have so far accepted tax dollars to boost their bottom lines. The AP compiled total compensation based on annual reports that the banks file with the Securities and Exchange Commission. The 116 banks have so far received \$188 billion in taxpayer help. Among the findings: The average paid to each of the banks' top executives was \$2.6 million in salary, bonuses and benefits." (http://news.yahoo.com/s/ap/20081221/ap_on_bi_ge/executive_bailouts_3)

As the tide has gone out, it has become evident that fraud and abuse of power can't be entirely eliminated, regardless of how much regulation or government involvement takes place. It is even more important in challenging economic times to protect your own organization from individuals who are dishonest about their past or qualifications.

To review your background investigations policy or to see how you can further protect yourself and your company, contact a CI representative today.

∞ INQUIRY SPOTLIGHT ∞

INTERNATIONAL CRIMINAL

CI recommends an International Criminal Records inquiry for all districts/provinces the subject has lived or worked in outside the U.S. within the past 7-10 years at the client's discretion. CI submits international inquiries through various international criminal records vendors who are experts in foreign court procedures. Our vendors have established vast networks of contacts in the international courts which allow CI to return records from all 6 foreign continents as well as Mexico, Canada and Puerto Rico. Our vendors work closely with the FTC and U.S. Department of State to ensure compliance with international access and privacy data laws.

Most countries provide for three tiers within their justice system. The tiers are usually comprised of a local or district level, provincial level and federal level. Research for relevant criminal court information is best accomplished initially at the district or local court level where available. Court files are usually archived manually with very little automation and require local investigative personnel to travel to remote locations. Records may also be available through a local prosecutor's office requiring a similar approach to data collection.

Crimes and offenses that are reported are comparable to felonies in the United States; less serious offenses (misdemeanors) will be reported if available within a particular country.

To add CI's INTERNATIONAL CRIMINAL inquiry to your background investigations contact a CI representative today.

**RENSSELAER COUNTY REGIONAL CHAMBER OF COMMERCE MEMBER BENEFIT INFORMATIONAL SESSION:
*Who's in Your Cabinet? Protecting Your Office like the Oval Office:
How To Give Your Vetting Process the Presidential Treatment***

When it comes to vetting your own staff, shouldn't you protect your office like it was the oval office? Give your own vetting process the presidential treatment with some easy internal tools and affordable third party options to find out more about your candidates before they join your organization. From effectively utilizing the internet and social networking sites, to reading credit and driving record reports, to utilizing drug screening, you can maintain and even enhance the integrity of your organization.

Background Investigations:

- ◆ Discourage applicants who have something to hide
- ◆ Encourage open and honest communications.

- ◆ Eliminate uncertainty by basing decisions on hard information
- ◆ Demonstrate Due Diligence
- ◆ Promote workplace safety
- ◆ Reduce legal exposure for negligent hiring claims
- ◆ Provide an excellent return on investment (generally costs < 1 day on the job)

Session will cover:

- ◆ How to Properly Utilize the Internet and Social Networking Sites
- ◆ How to Read Credit Reports and why they are important
- ◆ How to Read Driving Record Reports
- ◆ How to Effectively Implement Drug Testing

Registration Information

Online: http://www.renscochamber.com/chamber_events

Contact: Amanda Combs, Programs & Communications Manager
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**RCRCC MEMBER BENEFIT
INFORMATIONAL SESSION**

When:
Tuesday
February 10th, 2008:
9:00 AM—11:00 AM

Where:
Chamber
Conference Room,
255 River Street
Troy, NY 12180

COMMERCIAL INVESTIGATIONS LLC

A LICENSED PRIVATE INVESTIGATIVE AGENCY

Dedicated to providing innovative Private Investigative solutions to its clients and working with them to develop tailored services that meet their needs.

Services provided include:

BACKGROUND INVESTIGATIONS

CI provides accurate, timely, cost-effective and fully compliant reports delivered with exceptional client service.

CONSULTING SERVICES

CI assists you in implementing a compliant background investigation process and provides assistance in implementing in-house procedures.

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