

COMMERCIAL INVESTIGATIONS LLC

CI TIMES



Credit Crisis or Credibility Crisis?

The big three automakers recently begged Congress for \$25 billion in bailout funds. The chief executives of Ford, Chrysler and General Motors flew to Washington on luxury corporate jets. The representatives in Congress hinted that although it is a symbolic gesture, cutting their own salaries and refusing bonuses would be an important one.

There is little doubt that the lawmakers skepticism and negative tone towards the executives and the decision to delay a vote on the bailout was influenced by the actions of AIG executives after the insurance giant received \$85 billion in emergency funds.

During an AIG Congressional Hearing, Rep. Elijah Cummings discussed a costly AIG executive retreat that occurred briefly after the government bailout. The costs, he said, totaled \$443,343.71:

"Have you heard of anything more outrageous - a week after taxpayers commit \$85 billion dollars to rescue AIG, the company's leading insurance executives spend hundreds of thousands of dollars at one of the most exclusive resorts in the nation...Let me describe for some of you the charges that the shareholders, taxpayers, had to pay. AIG spent \$200,000 dollars for hotel rooms. Almost \$150,000 for catered banquets. AIG spent \$23,000 at the hotel spa and another \$1,400 at the salon. They were getting manicures, facials, pedicures and massages while the American people were footing the bill. And they spent another \$10,000 dollars for I don't know what this is, leisure dining. Bars?"

House Oversight Committee Chairman Henry Waxman, D-Calif., added during his opening statement:

"Average Americans are suffering economically. They're losing their jobs, their homes and their health insurance, yet less than one week after the taxpayers rescued AIG, company executives could be found wining and dining at one of the most exclusive resorts in the nation."

FOXnews.com further described the panels disdain for AIG executive's actions that led to their financial trouble in the first place:

"The hearing disclosed that AIG executives hid the full range of its risky financial products from auditors as losses mounted, according to documents released Tuesday by a Congressional panel examining the chain of events that forced the government to bail out the conglomerate. The panel sharply criticized AIG's former top executives, who cast blame on each other for the company's financial woes. "You have cost my constituents and the taxpayers of this country \$85 billion and run into the ground one of the most respected insurance companies in the history of our country," said Rep. Carolyn Maloney, D-N.Y. "You were just gambling billions, possibly trillions of dollars." (<http://www.foxnews.com/story/0,2933,434223,00.html>)

Much of AIG's problems could be attributed to the mortgage crisis because of its insurance of mortgage backed securities.

The mortgage crisis itself has countless examples of fraud. In San Jose, CA two brokers were convicted of a combined 62 felony accounts and face up to a combined 60 years in prison for mortgage fraud involving \$10 million in sub-prime lending (CBS5.com).

(Continued on Page 2)

INSIDE THIS ISSUE:

CREDIT CRISIS OR CREDIBILITY CRISIS?	1
CLIENT CLUE: ANNUAL BATCH SEARCHES	1
CREDIT CRISIS OR CREDIBILITY CRISIS? (CONTINUED)	2
INQUIRY SPOTLIGHT:	2
PRESIDENT-ELECT OBAMA'S PHONE RECORDS, PASSPORT DOCUMENTS ACCESSED.	3
LAST "SCENE" FROM DUE	3

CLIENT CLUE

December Discount for Annual Batch Searches

December is a great time to run required annual searches, such as DMV, Nurse Aide Registry or General Services Administration (GSA) exclusion.

CI offers discount for batch submission and delivery of required annual searches. CI is offering an additional 10% off for batch submissions received this December.

Contact a CI representative for pricing and to arrange to have your important annual inquiries run on your current employees.

Credit Crisis or Credibility Crisis? (continued from page 1.)

Along with AIG, mortgage giants Freddie Mac and Fannie Mae are under investigation by the FBI for potential fraud. The FBI is investigating up to 24 large financial firms and how they possibly misrepresented their assets. In 2005, two senior level executives with AIG were charged with security fraud. But it took the financial crisis and housing bubble burst to see that the dishonesty and greed may have been deeper and more widespread than anyone imagined.

With the approved \$700 billion federal bailout, lawmakers and Americans are pleading for accountability of CEOs actions and compensation. But if senior-level executives and CEOs can be tempted by greed and go to great lengths to deceive for financial gain, what about average employees? The executives may be held accountable and made examples of, but they rarely act alone. They may be in a better position to abuse their power but the average employee typically has plenty of opportunity to commit fraud or theft as well.

Background screening can be a tool to help judge the quality and character of job candidates before they join your organization. Looking carefully at past criminal behavior, including Federal Criminal inquiries can be vital before hiring a candidate for any position where they have access to critical information or company assets. Inquiries such as Motor Vehicle Reports and Credit Reports can help employers further evaluate the character of their job candidates.

According to the CRISP Report *Strategies to Detect and Prevent Workplace Dishonesty*:

“Asset protection studies indicate the same thing year in and year out: employees account for much, if not most, of a company’s losses. Research has shown as many as 75% of all employees have stolen or otherwise harmed their employer. Coffin (2003) reports that employee dishonesty is the fastest growing organizational problem for many companies. Employees have the best access to all company assets. They know where cash is stored. They often need or are able to acquire keys, passwords, alarm

codes, and safe combination (Hayes, 2007). Some company associates, aware of security procedures and systems, believe they are able to accurately weigh their risk of being caught if they steal. More significantly, employees assess the attentiveness of other workers. They know when alert, caring managers and colleagues are present as well as when naïve or apathetic associates are in charge. Employee theft and error can account for the majority of losses. A recent survey by Hollinger and Adams (2007) reports that retailers believe employees account for 47% of their inventory losses. Employees steal in a variety of ways, but the result is always the same: loss of profits, low morale, and even the demise of an entire business. Regardless of causal factors or excuses, all types of workplace theft and fraud are wrong and harm organizations, other employees, customers, and reputation.”

For small businesses, it can be even easier for employees to deceive and commit fraud. It is usually more difficult for a small business to recover from an act of employee fraud.

Congress has asked automakers to present a viable restructuring and business plan before they proceed with a bailout. Many feel that the proposed \$25 billion bailout will not make the U.S. automakers more competitive or efficient and that they will only ask for more funding down the road. In this tough economic environment, it is more important than ever to make sure that your organization is competitive and efficient.

One way to improve productivity and your bottom line is to improve the quality of your workforce and mitigate the risk through pre-employment background screening. A good background screening policy can help assure that you hire the best candidates for your company. To implement a background investigations policy, or to discuss your current screening process, contact a CI representative today.

∞ INQUIRY SPOTLIGHT ∞

FEDERAL CRIMINAL

CI's FEDERAL CRIMINAL inquiry is a powerful search, generated for each name and address attributed to the subject based on our SSN & Address Information inquiry. Due to compliance standards, federal criminal searches are typically run for the past 7-10 years at the client's discretion. CI's FEDERAL CRIMINAL search is unique in that it employs additional verification elements via the subject's date of birth and social security number to eliminate false hits. False hits frequently occur when a subject has a common name.

A FEDERAL CRIMINAL inquiry is an important step for eliminating an employer's liability for negligent hiring. Federal searches often reveal serious violations of federal law that state or county searches do not encompass. Examples of federal crimes include drug trafficking, embezzlement, carjacking, kidnapping and many crimes committed across state lines.

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

Obama's Phone Records, Passport Documents Breached by Verizon Employees and Department of State Contractors.

Verizon Wireless has confirmed that unauthorized employees have accessed President-elect Barack Obama's personal cell phone records. They have apologized for the occurrence and put those employees on paid leave while an investigation into the circumstances of their access continues.

This raises the question of whether any of our information is safe. "We apologize to President-elect Obama and will work to keep the trust our customers place in us every day," Chief Executive Lowell McAdam said in a statement.

At a time when concern over identity theft continues to rise, it is more important than ever to monitor employee access to both the personal information of other employees as well as customers.

It is also important to utilize background investigations, including credit reports, to screen employees who will have access to personal identifiers and information.

In March of this year, it was revealed that Obama's passport documents were accessed by unauthorized contractors. According to Infoworld.com:

"Private contract employees working for the U.S. Department of State have repeatedly accessed U.S. Sen. Barack Obama's passport records over the past three months — a breach flagged by the State

Department's in-house computer system but subsequently downplayed by the supervisors of the offices in which the breaches occurred. Two of those workers have been fired by their employers. The Obama campaign is seeking answers as to how it happened, and a broader investigation is now in the works.

The actions of the three separate workers, employees of two different contractors, were described Thursday night by State Department spokesman Sean McCormack as "imprudent curiosity." But he said that is only an "initial finding" and said the department's inspector general has been asked to investigate. Details about the breach emerged in a late-night, hastily called press conference by State Department officials." (http://www.infoworld.com/article/08/03/21/Obama-passport-records-breached_1.html)

CI offers pre-employment background screening packages that can give you greater confidence that your own company assets and information, as well as your customers data, are safe.

Contact a CI representative today to discuss your background investigations policy.

EXERCISE DUE DILIGENCE



DO THE DUE

FOLLOW DUE IN 2009

A New Year for Due Diligence

In 2008, we were able to get to know Due more through his own self-published blogs, MySpace page and other social networking sites. We reviewed Due's online presence through CI's Cyber Investigation Report.

Through his own generated web content, Due had implicated himself with illegal and unethical behavior.

We also reviewed Due's fake diploma he received through an Internet diploma mill.

Stay tuned in 2009 for more adventures from Due Diligence.

To see Due's past reports, view his page online at www.commercialinvestigationllc.com/duespage.

Read previous issues of CI Times to see the full details of Due's life at www.commercialinvestigationllc.com/Newsletter.

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.

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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.

www.commercialinvestigationllc.com

info@commercialinvestigationllc.com

Troy NY 12180

Phone: 800-284-0906

Fax: 212-937-3858

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