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Private Policing of Financial Crime: Fraud Examiners in White-Collar Crime Investigations

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ABSTRACT

Fraud examiners in white-collar crime investigations represent private policing of financial crime. Examiners in crime investigations reconstruct the past to create an account of who did what to make it happen or let it happen. This article addresses the following research question: What is the contribution from fraud examiners in private investigative policing of white-collar crime? Contributions are considered benefits from an investigation. Benefits should exceed costs to make private policing a profitable investment. Based on analysis of five U.S. cases and eight Norwegian cases, private policing does not seem profitable.

Keywords: private policing, financial crime, white-collar crime, investigation reports, fraud examinations.

INTRODUCTION

When suspicions of misconduct and crime emerge in business and public organizations, private investigators are often hired to reconstruct the past. Private investigators are typically fraud examiners from major accounting firms and law firms. Examiners are hired to conduct a goal-oriented procedure of creating an account of what has happened, how it happened, why it happened, and who did what to make it happen or let it happen (Gottschalk, 2015). When examiners move into the latter question of who did what to make it happen or let it happen, then the examination resembles a criminal investigation normally conducted by law enforcement in the police at local and national levels (Osterburg and Ward, 2014).

Private policing by fraud examinations represents a privatization of law enforcement. Often, results from reports of private investigations are not communicated to public police, even when fraud examiners have collected solid evidence of law violations. There are many reasons for secrecy (Gottschalk, 2016a). Especially in cases where top executives and investors and others from the elite are investigated for potential white-collar crime, then organizations tend to avoid public attention.

As a result, reports of investigations are difficult to find to evaluate the quality of private policing in cases of financial crime suspicions in general and white-collar crime suspicions in particular. After two years of searching in the United States and Norway, it was possible to obtain 13 reports and 40 reports respectively. 5 out of 13 fraud examinations in the United States can be linked to white-collar crime, while 8 out of 40 fraud examinations in Norway can be linked to white-collar crime.

In this article, five U.S. reports and eight Norwegian reports of investigations from fraud examiners are evaluated to answer the following research question: *What is the contribution from fraud examiners in private investigative policing of white-collar crime?*

REPORTS OF INVESTIGATIONS

Fraud examiners conduct private inquiries into suspicions of white-collar crime. There is a small but growing body of research on private white-collar crime investigators. Brooks and Button (2011) and Button and Gee (2013) discuss police prosecutors potential dependence on private examinations of financial crime suspicion. They also discuss punishment and innocent victims of private investigations. In a survey by Brooks et al., (2009), 17 out of 32 companies in the UK responded that they employ dedicated counter fraud staff, which in total accounted to 160 employees, while 13 had no specialist staff, and 2 did not answer the question. Button et al. (2007a, 2007b) and Tunley et al. (2014) discuss the lack of competence among fraud

examiners. As argued by Gill and Hart (1997), private policing is directly accountable to the paying customers rather than democratically elected bodies and tight legalistic procedures and constraints. Meerts (2014) found that corporations and organizations generally value the possibility of secrecy, discretion, and control that private investigations bring to corporate security. Openness could lead to problems such as reputational loss, which can have economic repercussions. In the same book edited by Walby and Lippert, Williams (2014) discusses the private eyes of corporate culture in terms of the forensic accounting and corporate investigation industry and the production of corporate financial security. Button et al. (2009) found that 68 % of fraud victims report strong feelings of anger.

Reports of investigations by fraud examiners are typically written at the final stage of private investigations. Reports are handed over to clients who pay for the work. Reports are seldom disclosed, so that the public never learn about them. Reports are often protected by the attorney-client privilege, when investigating firms are law firms. Therefore, it is quite a challenge to identify and obtain a sample of investigation reports to empirically evaluate and test convenience in white-collar crime. It is not easy to gain access to private investigation reports for research.

This article documents findings from a sample of reports acquired in the United States as well as a sample of reports acquired in Norway. The samples are the result of non-probability purposive sampling, and thus we cannot confidently claim they represent all private investigations in neither the United States nor Norway. At the same time, the method of obtaining the reports included enough versatility in identifying the private investigation cases where investigators wrote reports, and seeking out these reports. Methods of identifying and obtaining reports included media coverage, digital searches, tips from friends and colleagues, and student searches. Therefore, the samples can serve as tentative ways to get an

approximate idea of the variety of white-collar crime suspicions being first detected or further investigated by private fraud examiners.

Reports of investigations vary in length. In the following samples, U.S. reports range from 12 pages to 874 pages, while Norwegian reports range from 4 pages to 555 pages. The shortest ones are typically summary reports or reports from very limited investigations.

A typical example of an investigation report is the report of investigation regarding procurement practices at the Office of the Chief Technology Officer (OCTO) of the District of Columbia. The report was written by law firm Sidley Austin LLP in Washington, DC and submitted by the Committee on Government Operations and the Environment at the Council of the District of Columbia by councilmember Mary Cheh.

The report by Sidley (2010) consists of sixty pages with the following table of contents:

- I. Introduction and executive summary
- II. Scope of investigation
- III. Background
- IV. Findings concerning the execution of Acar's schemes
- V. Findings on procurement and related vulnerabilities
- VI. Recommendations
- VII. Appendix

Focus in the report is on Yusuf Acar, a mid-level manager at OCTO who was arrested in 2009 for fraud related to procurement misconduct. The report documents the private investigation into Acar's procurement fraud at OCTO as well as recommendations for changes to the controls and procedures designed to assist in preventing fraudulent conduct of the type committed by Acar. The investigation did not actively seek to determine whether similar types of fraudulent activity were still taking place at OCTO. Nor did the investigation seek to

determine the guilt or innocence of any of the participants in Acar’s scheme. Those issues were addressed by the United States Attorney’s Office for the District of Columbia.

Reports of investigations vary both in length and in quality. Some reports are ill-structured and difficult to read. Other reports communicate messages very well to readers. Reports contain information that readers have to transform into knowledge by understanding sentences and sections.

SAMPLE OF U.S. REPORTS

In the spring of 2015, it was possible to identify and obtain a total of 13 fraud examination reports as listed in the table. The listed reports are concerned with a variety of issues such as the ignition switch failure at General Motors and the collapse of the bank Lehman Brothers as well as the collapse of Enron and WorldCom. The table lists the case, the investigator, suspicion, and number of pages in the report.

#	Case	Investigator	Suspicion	Pages
1	Acar <i>Manager at DC’s office of technology</i>	Sidley (2010) <i>Law firm</i>	Bribery, conspiracy, money laundering, and conflict of interest	60
2	Coatesville <i>School district superintendent and director</i>	BDO (2014d) <i>Auditing firm</i>	Missing income statements and improper expenses	54
3	Enron <i>Energy company collapse</i>	Powers et al. (2002) <i>Committee</i>	Accounting fraud by top executives in the company	218
4	General Motors <i>Ignition switch failure</i>	Valukas (2014) <i>Law firm</i>	Failure not reported and ignored by executives to maximize profits	325
5	Lehman Brothers <i>Bank collapse</i>	Valukas (2010) <i>Law firm</i>	Bad and fraudulent decision making by executives caused confidence loss	229
6	Motorola <i>Telecommunications company’s results</i>	SEC (2002) <i>Securities Commission</i>	Senior official selectively disclosed inside information about the company’s sales	12

7	Padakhep <i>Bangladesh non-government organization</i>	Inspector General (2012) <i>Official</i>	Acts of misappropriation and a fraud scheme by recipients	32
8	Peregrine <i>Financial group CEO</i>	Berkeley (2013) <i>Research group</i>	How former CEO conducted fraud and caused company failure	160
9	Philadelphia <i>Police department</i>	Pennsylvania (1974) <i>Commission</i>	Police corruption and misconduct in law enforcement	874
10	Sandstorm <i>Bank of Credit and Commerce International</i>	PwC (1991) <i>Auditing firm</i>	Money laundering and illegal transfers of funds from Bank of India	50
11	Walters <i>Tax assessment manager in District of Columbia</i>	WilmerHale and PwC (2008) <i>Law firm</i>	Theft of tax refunds by cashing returned checks and depositing into own bank accounts	126
12	Wildenthal <i>Director at University of Texas Medical Center</i>	Breen and Guberm. (2012) <i>Law firm</i>	Spending of university funds for personal travel and entertainment	365
13	WorldCom <i>Telecommunication company bankruptcy</i>	Wilmer and PwC (2003) <i>Auditing firm</i>	CEO involved in fraud, conspiracy and filing of false documents with regulators	345

Sample of U.S. Reports of Investigations by Fraud Examiners

The variety of financial crime suspicions is interesting to note in the table. Also, the variety in pages is interesting, where the Philadelphia investigation ended up as a thick book published by the Pennsylvania (1994) commission.

SAMPLE OF NORWEGIAN REPORTS

In the spring of 2014, it was possible to identify and obtain a total of 40 fraud examination reports as listed in the table. The listed reports are concerned with a variety of issues such as embezzlement by the chief executive officer in a church foundation and corruption in building maintenance in a municipality.

#	Case	Investigator	Suspicion	Pages
1	Adecco nursing home	Wiersholm (2011)	Work climate violation	23
2	Ahus hospital maps	PwC (2013a)	Procurement fraud	15
3	Andebu municipality	BDO (2014a)	Executive roles abused	23
4	Betanien foundation	BDO (2014b)	Embezzlement committed	10
5	Briskeby sports	Lynx (2011)	Construction fund abused	267
6	Eckbo foundation	Thommessen (2009)	Foundation fund abused	119
7	Fadder foundation	BDO (2011)	Documentation falsified	46
8	Military contracts	Dalseide (2006)	Procurement corruption	184
9	Furuheim foundation	Hald (2006)	Building fund abused	164
10	Gassnova controls	BDO (2013a)	Procurement abused	27
11	Hadeland broadband	PwC (2014a)	Embezzlement committed	32
12	Hadeland energy	PwC (2014b)	Embezzlement committed	25
13	Halden ice hall	KPMG (2012)	Construction funds abused	121
14	Halden municipality	Hjort (2013)	Manager bribed	46
15	Hordaland police	Wiersholm (2015)	Whistleblower harrassed	111
16	Kraft & Kultur	Ernst & Young (2012)	Accounting manipulated	31
17	Kragerø boating	Deloitte (2012)	Leader overpaid	109
18	Kvam Auto	Wikborg (2015)	Private expenses covered	93
19	Langemyhr building	PwC (2008a)	Municipality overbilled	27
20	Lindeberg nursing	Kommunerev. (2013)	Assault committed	92
21	Lunde bankruptcy	Vierdal (2012)	Funds disappeared	86
22	Moskva School	Ernst & Young (2013a)	Private expenses covered	52
23	NFF soccer players	Lynx (2012)	Sport clubs mislead	48
24	NIF sports players	BDO (2014c)	Sport clubs bribed	4
25	Norsk Tipping betting	Deloitte (2010)	Funds wrongly transferred	61
26	Omsorgsbygg Spain	PwC (2009)	Funds abused	92
27	Oslo Vei bankruptcy	Kvale (2013)	Funds wrongly transferred	53
28	Romerike water	Distriktsrevisjon (2007)	Assets privatized	555
29	Samferdselsetaten	PwC (2007)	Department bribed	88
30	Skjervøy fisheries	KomRev (2015)	Assets abused	138
31	Stangeskovene owners	Ernst & Young (2013b)	Stock transfer prevented	103
32	Stavanger Turkey	PwC (2013b)	Public money abused	13
33	Sykehuset hospital	Haavind (2011)	Executive power abused	15
34	Terra Rana funding	PwC (2008b)	Funds disappeared	52
35	Troms Kraft energy	Norscan (2013)	Funds abused	38
36	Undervisningsbygg I	Kommunerev. (2006a)	Project manager bribed	30
37	Undervisningsbygg II	Kommunerev. (2006b)	Property manager bribed	44
38	Verdibanken funds	Wiersholm (2012)	Stroh man abused	5
39	Videoforhandlere	BDO (2013b)	Subsidy misdirected	20

It is interesting to note that out of forty investigations, twenty-four were conducted by auditing firms, thirteen by law firms, and three by other firms. While the auditing firms are global, such as PwC, BDO, and Ernst & Young, all law firms are local.

CRIME IN U.S. REPORTS

Only 5 out of 13 fraud examinations from the United States can be linked to white-collar crime, where one or more white-collar criminals were convicted to prison in each case. These 5 investigation reports are listed in the next table. The table applies convenience theory to the sample. Convenience theory suggests that white-collar crime is convenient in the economical, organizational as well as the behavioral dimension (Gottschalk, 2016b).

#	Case	ECONOMICAL DIMENSION Threat or opportunity as motive for crime	ORGANIZATIONAL DIMENSION Opportunity in trusted position to commit crime	BEHAVIORAL DIMENSION Personal acceptance of criminal activity
1	Acar <i>Manager at DC's office of technology</i> Sidley (2010) law firm	Acar had lost money as owner of a firm. He found it convenient to recover his loss by abusing his new position	Acar perpetrated a wide-ranging fraud involving technology contracts by favoring certain vendors. As security officer, he could monitor all other activities	Acar had a deal with vendors that he expected never would be detected. He ran operations so efficiently that no real loss was caused
3	Enron <i>Energy company collapse</i> Powers et al. (2002) committee	It was important for top management to show a successful and profitable company to the stock market and their friends	Top management manipulated accounting figures and create fake transactions between entities to make it look as though the company was profitable	Top management found they could justify financial statements and found themselves eligible to large payments

9	Philadelphia <i>Police department</i> Pennsylvania (1974) Commission	Police officers were not very well paid, so they found it convenient to supplement their income with bribes from organized criminals	Organized criminals found it useful to bribe police officers, since they represented law enforcement that could create obstacles for their gambling and prostitution businesses	Taking bribes from organized criminals to look the other way was very common in the police force. Everybody did it to some extent, and it had become regular practice
11	Walters <i>Tax assessment manager in District of Columbia</i> WilmerHale and PwC (2008) law firm	She wanted to help family, friends, colleagues and herself to a better standard of living	When tax returns were issued to people who in the meantime had died, she could cash the checks herself. It was her responsibility to handle tax returns in the tax administration	People were dead anyway, so there were no victims. Also, she found the tax administration inefficient and bureaucratic
13	WorldCom <i>Telecommunication company bankruptcy</i> Wilmer and PwC (2003) Auditing firm	Ebbers wanted to acquire all kinds of properties based on substantial loans from banks	He initiated false and unsubstantiated accounting entries to create a stock value that could support his loans	His narcissistic trait was based on previous success with WorldCom and as a private businessman

Convenience theory applied to the U.S. sample of investigation reports

The first case is concerned with Yusuf Acar, who was convicted to prison for bribery, conspiracy, money laundering, and conflict of interest related to procurement improprieties. He exploited his position within the security division at the District of Columbia's Office of the Chief Technology Officer. In terms of convenience, Acar found it convenient to solve his problems in the economical dimension by means of white-collar crime. His problem or threat was that he had lost money as one of the owners of an information technology firm. He never got paid when he transferred his stocks to someone else. To compensate for his previous loss, he found it convenient to recover the loss by abusing his new position as a manager at DC's office of technology (Sidley, 2010).

In the organizational dimension, Yusuf Acar went into a criminal partnership with vendors.

An important partner in crime was Sushil Bansal, the president and chief executive of a local

vendor, Advanced Integrated Technology Corporation. Their fraud scheme grew more and more, reflecting that Acar and Bansal's growing confidence that there were no mechanisms in place to detect their fraud. The initial scheme was a basic kickback procedure. Bansal's company had been awarded a contract to provide temporary contractors to the security division. Bansal had tendered a number of candidates, but Acar had rejected them as unqualified. After failed attempts to place Bansal's people, Farrukh Awan, a contractor, approached Acar and proposed the following: Acar would independently locate qualified candidates for the security division and allow Bansal to hire those individuals. Bansal would then offer the candidates to Acar, and Acar would approve them. In exchange, Acar and Awan would receive a kickback from Bansal for part of the value of each contract. Over time, Awan's role was phased out, while Bansal and Acar continued the arrangement on their own (Sidley, 2010).

In the behavioral dimension, Acar explained that from his perspective, the arrangement provided him with a bonus payment for hiring individuals he would have hired anyway, and had the additional benefit of allowing him to do his job at OCTO more effectively by retaining more competent contractors (Sidley, 2010).

CRIME IN NORWEGIAN REPORTS

Only 8 out of 40 fraud examinations Norway can be linked to white-collar crime, where one or more white-collar criminals were convicted to prison in each case. These 7 investigation reports are listed in the next table. The table applies convenience theory to the Norwegian sample of investigation reports (Gottschalk, 2016b).

#	Case	ECONOMICAL DIMENSION	ORGANIZATIONAL DIMENSION	BEHAVIORAL DIMENSION
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		Threat or opportunity as motive for crime	Opportunity in trusted position to commit crime	Personal acceptance of criminal activity
4	Betanien foundation BDO (2014b)	Opportunity for private real estate and parties with prostitutes	CEO was in complete control over money transfers from Norway to Spain	Lack of self-control made his desire for adventure
9	Furuheim foundation Hald (2006)	Their own corporate enterprises needed more business to become profitable	As board members they were able to allocate lucrative contracts to their own enterprises	They had learned in the maintenance business
11	Hadeland broadband PwC (2014a)	He wanted to impress his new girlfriend with a luxury lifestyle	He was alone in charge of money transfers between subsidiaries	He blamed lack of control and poor auditing work
12	Hadeland energy PwC (2014b)	He wanted to impress his new girlfriend with a luxury lifestyle	He was alone in charge of money transfers between subsidiaries	He blamed lack of control and poor auditing work
21	Lunde bankruptcy Vierdal (2012)	Desire to develop a business empire in the shortest time possible	A number of acrobatic financial transactions in the conglomerate of companies	Lunde blamed banks for having caused bankruptcy
28	Romerike water Distriktsrevisjon (2007)	Ambition to become a hero locally and rich abroad	Controlled and threatened individuals to comply with his instructions	Found that he deserved admiration as well as benefits
36	Undervisningsbygg I Kommunerev. (2006a)	Suppliers were his friend with whom he entered into a fraudulent scheme of kickbacks	It was accepted in the organization that Nettli was not competent in formalities and procedures and thus ignored them	He found that the organization was so inefficient that it did not really matter
37	Undervisningsbygg II Kommunerev. (2006b)	Murud was so greedy that he wanted more cars, larger house, and bigger boat	Lack of approval control made him exceed his approval limit for invoiced that were fake	He blamed Undervisningsbygg for not having proper controls of employees' financial transactions

Convenience theory applied to the Norwegian sample of investigation reports

The first case is concerned with Are Blomhoff, who was convicted to prison for embezzlement. He was a priest and a trusted CEO in the Betanien church foundation. While

establishing a nursing home run by the Christian foundation in Spain, he transferred some of the money from Norway to Spain to his private bank account in Spain. He spent the money on his own housing project in Spain as well as on parties with guests and prostitutes in Spain (BDO, 2014b).

In the economical dimension of convenience theory, Are Blomhoff had a strong desire for a personal real estate in Spain as well as enjoyed sex with paid younger women. He felt strongly attracted to spending some of the foundations money on private parties where some of his trusted colleagues participated. He felt a desire to establish himself in Spain with a completely different lifestyle than at home in Norway (BDO, 2014b).

In the organizational dimension, Blomhoff was completely in charge of all activities in Spain as well as all money transfers from Norway to Spain related to the new nursing home.

Nobody was required to approve his transactions, and nobody were granted insight into his transactions. The board at the Christian foundation had complete trust in him as the chief executive and as a priest (BDO, 2014b).

In the behavioral dimension, the priest regrets what he has done. He blames his lack of self-control when phased with opportunities for fun and parties in the sunny and warm Spanish environment. He admits to wrongdoing and applies no neutralization techniques. Blomhoff believes that his completely different lifestyle in Spain as compared to his lifestyle back home in Norway can be explained by his desire to experience new adventures he never could allow himself at home (BDO, 2014b).

ANALYSIS OF U.S. REPORTS

In this article, five U.S. reports and eight Norwegian reports of investigations from fraud examiners are evaluated to answer the following research question: *What is the contribution*

from fraud examiners in private investigative policing of white-collar crime? First, we analyze five private policing reports from the United States.

The Committee on Government Operations in the District of Columbia charged Sidley (2010) with investigating Acar's procurement fraud at the office of the chief technology officer and recommending changes to the controls and procedures designed to assist in preventing fraudulent conduct of the type committed by Acar. While Acar was arrested and charged on March 12, 2009, the committee authorized the investigation on April 2, 2009. Since the private investigation was initiated after the public arrest, the question arises whether or not Sidley (2010) was able to reveal new facts and evidence that were not already known to the public prosecutor. While the report of investigation details various fraud schemes applied by Acar, it seems that nothing new emerges from Sidley's investigation. The only contribution seems to be that a chronological sequence of events is documented in the report. When the report is evaluated as an investment, where examiners' costs have to be compared to potential benefits, the only benefits seem to be recommendations starting on page 37 and ending on page 43 in the report. Most – if not all – recommendations are quite obvious.

The Board of Directors at Enron charged Powers et al. (2002) with investigating transactions between Enron and investment partnerships created and managed by Andrew S. Fastow, Enron's former executive vice president and chief financial officer, and by other Enron executives who worked with Fastow. The mandate is different from the focus of the public prosecutor, and investigators were able to explain the substance of the most significant transactions and highlight their most important accounting, corporate governance, management oversight, and public disclosure issues. However, as argued by examiners Powers et al. (2002: 1), "An exhaustive investigation of these related-party transactions would require time and resources beyond those available." Furthermore, "Certain former Enron employees who (we were told) played substantial roles in one or more of the transactions

under investigation – including Fastow, Michael J. Kopper, and Ben F. Glisan, Jr. – declined to be interviewed either entirely or with respect to some issues. We have had only limited access to certain work papers of Arthur Andersen LLP, Enron’s outside auditors, and no access to materials in the possession of the Fastow partnerships or their limited partners. Information from these sources could affect our conclusions.” Given these limitations, results from the private investigation documented in the examiners’ report are questionable. Consequently, considered as an investment, the benefits of the investigation do not necessarily exceed the costs.

The Governor of the Commonwealth of Pennsylvania charged the Pennsylvania Crime Commission with investigating police corruption and the quality of law enforcement in Philadelphia. The Pennsylvania (1974) report clearly documents substantial evidence of systematic patterns of corruption in Philadelphia. The report details results of the commission’s eighteen-month intensive investigation. While the investigation required substantial resources over a long period of time, the benefits do also seem to be substantial. Police officers were later sentenced to prison, and the Philadelphia police department was completely reorganized. Investigators were far ahead of public prosecutors in this case.

The Council of the District of Columbia charged WilmerHale and PwC (2008) with determining how Harriette Walters was able to embezzle more than \$48 million of District funds over nearly 20 years and with recommending changes in controls, work environment, and oversight structures. Harriette Walters had already pleaded guilty to federal charges related to the theft of over \$48 million when WilmerHale and PwC carried out their investigation. The investigation focused on three fundamental questions. First, how did the fraud occur? Second, why did the scheme go undetected for so long? Third, what changes can be made? Given this mandate, private investigators had a wider mandate compared to the criminal investigation and prosecution of Walters in court. WilmerHale and PwC (2008) were

able to report convincing answers to the three questions. Consequently, the benefits of the investigation seem to be substantial, while the costs may not have been that large. Cost-benefit in this investigation seems to be a favorable ratio.

The Board of Directors of WorldCom charged Wilmer and PwC (2003) with investigating accounting irregularities at WorldCom including certain actions by the board of directors or its members, including the authorization of large loans and guaranties by WorldCom to CEO Ebbers. The scope of the authority granted to investigators was very broad, making it necessary for them to refine and focus their undertaking. Wilmer and PwC (2003: 35) conclude that in sum, “WorldCom was a company driven overwhelmingly by a perceived need to meet unrealistic securities market expectations that its own executives had fostered, without any institutional culture in which integrity was valued, without the benefit of policies and procedures covering important matters of governance, and without effective oversight of an active and engaged board of directors. It was headed by a chief executive officer with a dominant personality, who was able to act largely unchecked. The chief financial officer – himself a strong figure – could direct employees to take action they knew or believed was improper, and the employees would comply.” This is interesting, but certainly no news in 2003. Already the year before, WorldCom admitted to four billion dollars in accounting misstatement. This initiated a series of police investigations and public legal proceedings, which focused on Bernard Ebbers. It seems that the only benefit from the Wilmer and PwC (2003) investigation was to get a 345 pages report that documented transactions and actors. The cost of this investigation, however, seems to have overrun the benefit.

ANALYSIS OF NORWEGIAN REPORTS

After five U.S. reports, eight Norwegian reports of investigations from fraud examiners are evaluated to answer the research question concerned with contributions from examinations.

The Board of Directors at the Betanien Foundation charged BDO (2014b) with investigating and detecting further misconduct and financial crime by the chief executive officer.

Investigators were able to detect twice as much embezzled money than was previously known. The embezzled amount rose to 21 million Norwegian kroner, which is equivalent of 3 million U.S. dollars. Assuming that the investigation costs were about one million kroner, benefits from the investigation seem to have exceeded the costs.

The board at Furuheim Foundation charged Hald (2006) with investigating management and business practices in the foundation. In the course of investigation, suspicions grew towards two persons involved in misconduct. After a while, public police got involved, and private investigators completed their job. Assuming that public prosecution and court sentencing would not have happened if Hald (2006) were unsuccessful in their investigation, we may conclude that the investigation made a significant contribution.

The Board of Directors at Hadeland Energy charged PricewaterhouseCoopers with investigating both the energy company (PwC, 2014b) and the broadband company (PwC, 2014a) to detect potentially more embezzled money by the chief financial officer.

Investigators made no new findings, and thus made no contribution except documenting what was already known.

The District Court of Stavanger charged Vierdal (2012) with investigating the Lunde bankruptcy. The bankruptcy lawyers were able to identify misconduct and potential crime that was later publicly prosecuted in court. Therefore, the extended bankruptcy audit may represent a profitable investment.

The Board of Directors at Romerike Water Supply charged Distriktsrevisjonen (2007) with investigating fraud by the chief executive officer and other key actors. The private investigators followed up on newspaper accounts concerning misconduct and crime. They found substantial evidence of white-collar crime, and evidence was handed over to the police.

In the sequence of events, it seems that the private investigation represented a profitable investment.

The City of Oslo charged Kommunerevisjonen (2006a, 2006b) with investigating two independent fraud suspicions in the same organizational unit. Investigators did not provide any information or insight that was not already known to the city and public prosecutors at that time. Therefore, these two investigations seem to result in negative cost-benefit analysis.

CONCLUSION

In a perspective of comparative criminal justice, this article has presented empirical evidence from both Norway and the United States. There seems to be no relevant differences between legislation or private investigations in the two nations, making the findings comparable.

An investment is only profitable if benefits exceed costs. Cost-benefit analysis for an investment is concerned with whether or not the investment is profitable. When cost-benefit analysis is applied to private policing of financial crime in terms of fraud examiners in white-collar crime investigations, then it should be expected that benefits exceed costs. In this article, five U.S. reports and eight Norwegian reports of investigations from fraud examiners were evaluated to answer the following research question: *What is the contribution from fraud examiners in private investigative policing of white-collar crime?* Contributions were here defined as benefits from investigations. In our sample, most investigations had limited contributions, and costs seem to have exceeded benefits, thereby making private policing an unprofitable investment in most cases.

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