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Knowledge Management in Criminal Investigations: The Case of Fraud Examiners

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ABSTRACT

The activity of private investigations by fraud examiners is a business of lawyers, auditors and other professionals who investigate suspicions of financial crime by white-collar criminals. Private investigations represent an interesting and unique field of knowledge management. In this article, a number of private internal investigation reports are evaluated in terms of their knowledge management approaches.

Keywords: Knowledge management, internal investigations, financial crime, white-collar criminals, case studies.

BIOGRAPHY

Petter Gottschalk is Professor in the Department of Leadership and Organizational Behavior at BI Norwegian Business School in Oslo, Norway. He has been the CEO of several companies including an ABB subsidiary. Dr. Gottschalk has published extensively on knowledge management, information technology strategy, law enforcement, police investigations, private internal investigations, financial crime and white-collar criminals.

Knowledge Management in Criminal Investigations: The Case of Fraud Examiners

1. Introduction

Financial crime investigation is a growing business area for law firms, auditing firms, consulting firms and other professional services firms. Financial crime specialists in these firms are investigating suspicions of corruption, insider trading, embezzlement, tax evasion and other kinds of financial crime. Their clients are organizations wanting to investigate facts, causes and responsibilities for incidents, negative events and general misconduct. Financial crime specialists apply intelligence, investigation, examination, analysis and hypotheses to establish facts and causes. They perform fact-finding, causality studies, change studies and suspect identifications (Gottschalk, 2015; Williams, 2008, 2014).

Private investigations represent an interesting and unique field of knowledge management research for several reasons. A possible white-collar crime has occurred, and examiners are to figure out what, how, who and why. It is a puzzle of information pieces, which investigators have to solve. If one piece is missing in a puzzle of thousands of pieces, investigators will never solve the crime. Second, knowledge workers cannot share knowledge freely. Examiners have to apply knowledge in a sequence of investigative steps, where witnesses and suspects are involved to the extent that the investigation makes progress. Colleagues in the firm and executives in the client organization do only get to know about a current investigation to the extent that they have a role to play in it. A senior investigating person plays the role of a knowledge manager, who monitors information flows. Only when the private investigation is completed, can examiners disclose knowledge from the case in a broader field of stakeholders, media and spectators (Gottschalk, 2015).

This article describes and evaluates thirteen private internal investigation reports in the United States in terms of their knowledge management approaches when investigating suspicions of white-collar crime. By applying knowledge management concepts to these cases, this article challenges how relevant different knowledge categories are to varying fraud examination situations.

2. White-Collar Criminals

White-collar criminals can be described in terms of convenience theory. Convenience seems present in all three dimensions of crime: economic dimension, organizational dimension, and behavioral dimension (Gottschalk, 2015). Convenience in white-collar crime implies savings in time and effort by privileged and trusted individuals to solve a problem, where alternatives seem less attractive, and future threats of detection and punishment are minimal.

Ever since Sutherland (1940) coined the term white-collar crime, there has been a debate who to include in and who to exclude from this category of criminals. For example, Brightman (2009) argues that personal computers and the Internet allow individuals from all social classes to buy and sell stocks and engage in similar activities that were once the bastion of the financial elite. Benson and Simpson (2015) find this insufficient as an argument to include virtually any non-violent act committed for financial gain regardless of one's social status into the term white-collar crime, since the definition of white-collar criminal involves a breach of trust. Since scholars tend to disagree, white-collar crime is in need of additional theory.

Scholars seem to agree that while circumstances have changed over the years, the definition of a white-collar crime has to be both offense-based and offender-based. The offense-based perspective is concerned with financial crime for economic gain. The offender-based perspective is concerned

with the role, profession and position enabling the offender to commit crime. Thus, a white-collar criminal is a privileged person committing financial crime (Gottschalk, and Rundmo, 2014).

3. Private Fraud Investigations

When an organization wants to investigate facts, causes and responsibilities for an event, where there is suspicion of white-collar crime, fraud examiners, financial crime specialists or other investigators can carry out the investigation. A private investigation can comprise elements of intelligence work, detective work and analytic work, as we know it from police work (Williams, 2008, 2014). Characteristics that typically describe private investigations include a serious and unusual event, an extra-ordinary examination to find out what happened or why it did not happen, develop explanations, and suggest actions towards individuals and changes in systems and practices (Gottschalk, 2015)

Criminal investigation is a goal-oriented procedure for reconstructing the past. It is a method 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. Criminal investigation is a reconstruction of past events and sequence of events by collecting information and evidence. An investigation is designed to answer questions such as when, where, what, how, who, and why, as such questions relate to negative events in the past. For a successful reconstruction of the past in a professional manner, there is a need for knowledge management, information management, systems management, configuration management, and ethics management.

Internal private investigations typically have the following characteristics:

- Extraordinary investigation of suspicions by goal-oriented data collection
- Based on a mandate defined by and with the client

- Clarify facts, analyze events, identify reasons for incidents
- Evaluate systems failure and personal misconduct
- Independent, careful and transparent work
- The client is responsible for implementation of recommendations

White-collar crime investigations are a specialized knowledge industry. It is a unique industry, set apart from law enforcement, due to its ability to provide direct and immediate responsiveness to client objectives. The industry provides flexibility and a customized plan of attack according to client needs. Investigations take many forms and have many purposes. The field of evidence is no other than the field of knowledge. There is an issue of whether we can have confidence in knowledge. A private investigator accumulates knowledge about what happened (Williams, 2008, 2014).

4. Knowledge Management

Knowledge is information combined with interpretation, reflection and context. Knowledge is the understanding that an individual has of a certain topic. Knowledge is in the brains of people. Legal knowledge, accounting knowledge, interviewing knowledge and behavioural knowledge are examples of topics that can be relevant in an internal investigation. Knowledge enable people to act and react, to ask questions, and to find answers to questions.

When knowledge is the final product of work for an individual, then we call that individual a knowledge worker. A lawyer is a knowledge worker, since the final product is knowledge in terms of legal advice. A teacher is a knowledge worker, since the final product is knowledge among students. A criminal investigator is a knowledge worker, since the final product is the

reconstruction of the past. Therefore, in our context of internal investigations, knowledge is both the resource applied to investigation as well as the final product from the investigation.

According to the knowledge-based view of the firm, knowledge is a scarce resource, and the ability to manage it determines an organization's competitiveness. Law firms, auditing firms, and other consulting firms employing financial crime specialists and fraud examiners have to invest in knowledge management initiatives to improve their access to the dispersed knowledge of their employees (Beck et al., 2014; Heisig, 2009).

In the following evaluation of 13 investigation reports in the United States, we attempt to analyze the kind of knowledge investigators applied to the investigation, and the kind of knowledge resulting from the investigation. There is no such thing as optimal knowledge in all kinds of investigations. Rather, investigation purpose and situation will determine what knowledge is most appropriate (Gottschalk, 2015).

1 Acar investigated by Sidley

This case is about the office of the chief technology officer in Washington DC. Law firm Sidley (2010) investigated fraud committed by Yusuf Acar at the office of the chief technology officer in Washington DC. The investigation report does not tell names or backgrounds of knowledge workers who conducted the investigation. We may thus assume that investigators were typical employees at the law firm. According to the law firm web site, all employees are lawyers, and there are a total of 270 lawyers in the firm. The lack of forensic accounting knowledge is evident in the investigation report, as there is no sign of deficient procurements, which was at the core of this investigation. Rather, the investigation report is mainly a judgement about recordkeeping and other shortcomings. Recommendations by investigators are accordingly emphasizing

organizational and procedural issues to create a bureaucracy including a procurement compliance officer and conflict of interest procedures. The latter is typical in law firms but probably less relevant in an information technology function.

If investigators had applied forensic accounting knowledge, business knowledge or detective knowledge in the examination, they might have recommended red flag solutions to detect deviance and four eyes principle for approval of invoices. If investigators had applied management consulting knowledge, then investigators might have recommended simplification and transparency, rather than bureaucracy to prevent fraud in the future.

The application of legal knowledge has resulted in an investigation report focusing on formal procedures and bureaucratic improvements.

2 Coatesville investigated by BDO

This case is about Coatesville school district in Chester County. Accounting firm BDO (2014) investigated the Coatesville school district where two directors were suspected of fraud in the athletic department. The scope of their report is specifically limited to the application of forensic accounting procedures. As might be expected from an internal investigation conducted by an accounting firm, investigators filled the investigation report with numbers and charts. Obviously, investigators applied their forensic accounting knowledge in this investigation. While others had already revealed the fraud in the Acar case, this investigation started at an earlier stage where there was only suspicion of fraud. From a contingent perspective, forensic accounting knowledge was thus much more important in the Coatesville investigation than in the Acar investigation.

By means of numbers, BDO (2014) tried to make a case of surprisingly low athletic department revenues and surprisingly high athletic department expenses. These surprises created suspicions of fraud directed at the superintendent Richard Como and former athletic director James Donato. If investigators had applied legal knowledge in this investigation, they would probably have looked more at organizational structure and authorities of both Como and Donato. If investigators had applied behavioral and interview knowledge, they might have succeeded in reconstructing the past by getting Como and Donato to tell them what really went on in terms of revenue collection and expenditures.

3 Enron investigated by Powers

This case is about the collapse of energy company Enron. Powers et al. (2002) investigated transactions between Enron and executives in the firm after the collapse of Enron. William C. Powers was a member of the special investigative committee together with Raymond S. Trough and Herbert S. Winokuhr. Required knowledge to complete this investigation successfully seems to be forensic accounting knowledge as well as management consulting knowledge, since the task was to explain the substance of the most significant transactions as well as highlight their most important accounting, corporate governance, management oversight, and public disclosure issues. Lead investigator Powers obtained his B.A. in chemistry at the University of California, Berkley, and his juris doctor from Harvard Law School. He was a member of the Enron Corporation Board of Directors and chaired the special investigative committee to investigate the causes of Enron's bankruptcy. It seems strange that someone who might be partly responsible for the collapse of Enron in the board position of oversight was chairing the internal investigation. Both the issue of impartiality as well as the issue of integrity arises from such mix of roles. Furthermore, as a law

scholar he may not have had the best knowledge background for the Enron investigation. Powers has held the position of president of The University of Texas at Austin since 2006.

Troubh graduated from Bowdoin College and earned his law degree at Yale Law School. He founded a financial consulting firm. In 2001, he became a member of the board at Enron and shortly after, he became one of three members investigating corporate misconduct at the firm. Like Powers, outsiders might question Troubh's impartiality and integrity.

Third member of the special investigative committee, Winokur, was also in the double roles of board member and investigator. More importantly in terms of possible responsibility for the scandal, he was finance committee chairman when the company was destroyed by the accounting fraud scandal. Winokur holds a Ph.D. from Harvard University, and he has been a director of several companies. He was later one of the principals in Capricorn Holdings, an investment firm. In 2010, Winokur donated his collection of Enron board records to Hagley Museum and Library. With the lack of information in this investigation, and lack of independence of investigators, there was no way of developing knowledge. Lack of information occurred as a result of key people refusing to contribute in interviews to the investigation. The investigation report thus provides few new insights into the Enron scandal. There is little to almost no gain in knowledge from the results of the investigation.

4 General Motors investigated by Valukas

This case is about car manufacturer General Motors. Valukas (2014) from law firm Jenner and Block investigated General Motors Company regarding ignition switch failure where secrecy about the failure was a fraudulent act for many years. The investigation was neither a legal inquiry nor an accounting examination. Rather, it was an investigation into roles and responsibilities of

executives, who were reluctant to react on information about ignition switch failures. Management consulting knowledge would probably be the most relevant knowledge in this case, where organizational structure, organizational culture, as well as executive responsibilities were at the core of the investigation.

Valukas (2014) seems to demonstrate limited understanding of top management responsibilities when he writes in his report about the CEO Barra that she “first began to learn”, that she “was told”, and that she “did not learn more about the matter”. Valukas concludes that none is “evidence that Barra was informed about the Cobalt Ignition Switch issues”. If a management consultant would evaluate the evidence, neglect and ignorance would probably come to mind in the case of Barra. Reluctance on the part of CEO Barra to take charge in a difficult matter might be the conclusion from an investigator with a different knowledge base in the fraud examination..

5 Lehman Brothers investigated by Valukas

This case is about the bankruptcy of the bank Lehman Brothers. Valukas (2010) investigated business practices at Lehman Brothers that caused the collapse of the bank. Business practices mean what is normal risk taking, versus what is irresponsible and possibly illegal business practices. Valukas concluded that the business practices were risky, but still within what one might expect in the banking sector. He concluded that “there are many reasons Lehman failed, and the responsibility is shared”. Like in the GM case, Valukas implies no particular responsibility for top executives in keeping informed and reacting to deviance in the organization.

If a management consultant had conducted this investigation, with business training from the corporate world, the conclusion might have been different. A former business executive would point out that top management is indeed to blame, although not necessarily liable. A lawyer as

investigator will tend to apply the law in a digital manner, where a suspect has or has not violated the law. A management expert would look at it differently, for example along the sliding slope perspective. The sliding slope indicates a slide from ethical business practices to unethical business practices. A management investigator might point at top management failure without implying violations of the law.

As a lawyer, Valukas as examiner concluded that Lehman's senior officers did not breach "their fiduciary duty" of "care", to "inform the board" nor to "monitor" Lehman's risk-taking activities". These conclusions illustrate a digital approach to breach of duties and misconduct, where there is only a Yes or No answer possible. If the examiner had applied a scale, rather than a digital measure, he or she might have concluded that Lehman's senior officers had applied bad judgment, informed inadequately, and monitored inconsistently.

6 Motorola investigated by Securities and Exchange Commission

This case is about telecommunications company Motorola. The Securities and Exchange Commission investigated possible violations of federal securities laws when one of Motorola's senior officials selectively disclosed information about the company's quarterly sales and orders during private telephone calls. Knowledge needed in this investigation relates to the meaning of words and the context in which words were used. The issue was whether "significant" decline in sales means "very large" decline in sales, which in turn could mean "25% or more". While these terms might mean about the same, SEC (2002) argues that since "25% or more" was emphasized at a later stage, then it did not necessarily mean the same. Rather than assessing whether "25% or more" means the same, investigators chose to look at the context where analysts were called in to guide them.

An alternative approach to this investigation might have been to conduct a survey among experts to determine the extent to which the statements are similar: significant / very large / 25% or more. This would require knowledge of survey research.

7 Padakhep investigated by Inspector General

This case is about Save the Children's activity in Bangladesh. The Office of the Inspector General (2012) investigated Padakhep Manabik Unnayan Kendra (PMUK) in Bangladesh. The investigation was concerned with grant funds that supposedly had disappeared from Save the Children. One might expect that forensic accounting knowledge was needed to successfully conduct this investigation. Tracing money must have been a key task for investigators. But instead of tracing the money, investigators just concluded that it had disappeared and blamed local officials in Bangladesh for fraudulent practices.

In addition to forensic accounting knowledge, investigators from the Office of the Inspector General (OIG) also needed bank knowledge and information technology knowledge, as insights into bank accounts became an obstacle in the investigation (Inspector General, 2012: 13):

Upon presenting the authorization letter to the bank on 30 May 2011, a representative of NCC Bank informed the OIG that requested information could not be provided before 1 June 2011 as the IT person with access to relevant information was not in the office on that day. On 1 June 2011, when the OIG called NCC Bank to enquire about the readiness of PMUK's bank statements, NCC Bank's official informed the OIG that PMUK had revoked its approval for the OIG to access the bank information.

While this obviously creates suspicions of hiding wrongdoings, there is also a need for culture knowledge in such a situation for investigators. Rather than "frustrate the investigation" (Inspector

General, 2012: 14), culture knowledge might have prevented investigators from having to wait from 30 May to 19 June before they finally could access bank records.

While it is a good thing that a representative from the Office of the Inspector General did visit Bangladesh, the investigator's ability to handle the local situation seems deficient. Although local executives obviously wanted to hide wrongdoings, an investigator with human and cultural skills would probably not have to be fooled for three weeks before accessing relevant information for the investigation.

8 Peregrine investigated by Berkeley

This case is about Peregrine Financial Group. Berkeley (2013) investigated Peregrine in the form of an analysis of the National Futures Association's audits of Peregrine Financial Group, Inc. Since it was a review of audit, the requirement for successful investigation was auditing knowledge. Based on auditing knowledge, investigators could determine whether the frequency of audits and the contents of audits had been acceptable. We assume that investigators had such knowledge, although the Berkeley (2013) report says nothing about it.

Auditors have a tendency to express opinions about systems and procedures rather than numbers and texts. If a system of accounting, or a system of auditing, looks fine on paper, it cannot be assumed that it is followed in practice. Therefore, a review of auditing needs to evaluate both system and contents. It is not clear whether Berkeley (2013) had or applied knowledge to make analysis of contents of transactions that the National Futures Association had audited.

9 Philadelphia Police investigated by Commission

This case is about Philadelphia police. The Department of Justice in the Commonwealth of Pennsylvania engaged the Pennsylvania Crime Commission to investigate police corruption and quality of law enforcement in Philadelphia (Pennsylvania, 1974). Chairman of the commission was Israel Packel, who was a lawyer and at that time state attorney general. The crime commission is “to inquire into the causes of crime”, “to develop standards and make recommendations”, “to investigate all crime generally”, “to investigate all fields of organized or syndicate crime”, and “to carry out continued research and planning to improve the quality of criminal justice (Pennsylvania, 1974: 40).

Ten special agents were engaged in the investigation. They had little or no prior investigative experience or familiarity with Philadelphia. However, the commission gained the assistance of a veteran official of the Federal Bureau of Investigation as a consultant. He eventually became director of field operations in the investigation. The attorney general also secured the assistance of fourteen state police officers, led by a sergeant who was an experienced undercover agent. In addition, five investigators from the department of justice’s bureau of investigation and one more agent were assigned. When the actual street investigation began, the project had thirty investigators (Pennsylvania, 1974).

It seems that detective knowledge was the dominant knowledge category applied, where search and undercover was a priority. Other knowledge categories, such as business knowledge of illegal enterprises, white-collar crime knowledge, and auditing knowledge were not represented in the project. Seven squads were formed and given “geographic responsibilities” in the city (Pennsylvania, 1974: 42). An alternative to geographic organization would be to organize along business sectors involved in crime. The initial investigative work was done on the street. It could have been done by document search and use of informants.

The knowledge management approach seems concerned with detective work on the street (Pennsylvania, 1974: 42):

A plan was devised to spend the first two months on the street developing a “crime profile” of ongoing centers of illegal criminal activity.

This approach was based upon the view that if the commission could locate ongoing centers of criminal activity, there had to be an explanation for the failure of the police department to close them down. Investigators’ assumption here may seem biased, as there always will be some crime despite police efforts. The existence of crime does not prove that the police are not trying to prevent it. Therefore, the investigative approach seems quite confrontational.

An alternative approach often practiced today by internal investigation units in law enforcement is the questioning of suspected police officers. For those mandated to monitor the police in terms of police oversight, it is important to follow strict guidelines for integrity and accountability in investigations. However, Philadelphia Police had an internal affair bureau with which investigators did not cooperate.

10 Sandstorm (BCCI) investigated by PwC

This case is about the bank BCCI. The bank holding company Sandstorm was suspected of irregularities and related matters. PwC (1991) examined documentation and interviewed former management. They were unable to reconstruct the past:

Whilst the findings are inevitably based on incomplete information, and certain details have not been corroborated, we believe that the enclosed report provides a fair reflection of what has occurred, although detailed analyses of specific transactions given in this report should be treated with care.

Investigators were unable to reconstruct the past where losses were concealed and significant profits were manufactured. Investigators argued that information had been hidden from them. However, when the liquidators of BCCI, auditing firm Deloitte & Touche, filed a lawsuit against PwC as well as Ernst & Young (both had been the bank's auditors), it was settled for \$175 million some years later in 1998.

The work by PwC (1991) was labeled an audit. Maybe undercover knowledge might have been more useful in detecting and confirming wrongdoings of Arab bank management. In 1986, a US Customs undercover operation led by special agent Robert Mazur infiltrated the bank's private client division and uncovered their active role soliciting deposits from drug traffickers and money launderers. Therefore, it is surprising that some years later PwC (1991) based their findings on incomplete information. Maybe it is because they applied the wrong categories of knowledge in the investigation.

11 Walters investigated by WilmerHale and PwC

This case is about the office of tax and revenue in DC. WilmerHale and PwC (2008) conducted mainly a causal analysis of why Harriette Walters' fraud scheme went undetected for so long. Investigators conclude that there was failure of controls, dysfunctional work environment, and lack of oversight. However, investigators provide little evidence for these conclusions. The only evidence they present are lack of formal procedures. However, formal procedures are not necessarily followed in practice, and lack of formal procedures does not necessarily lead to wrongdoings. Investigators looked for documents about approval levels, rather than interviewing people about how approvals actually occurred.

It seems that auditing knowledge is applied in this investigation, where investigators looked for formal procedures. When they found few and ambiguous procedures, then they concluded on the causality of fraud.

A different kind of investigator with organizational knowledge could have established how approvals occurred. By interviewing a sample of key people, investigators would establish whether approvals occurred in a consistent and professional manner. Looking for documents and asking employees whether they were familiar with those documents, as WilmerHale and PwC (2008) did, might be a misleading investigation procedure. All too often, formal documentation of procedures in organizations mainly serves the purpose of window-dressing and has no impact on day-to-day operations.

However, it seems that the private investigators paid close attention to the mandate and avoided biases in order to preserve the integrity of the investigation. In addition to a kind of success in these areas, they were also successful through their professionalism and collection of knowledge (i.e. their process). It is the responsibility of investigators to work carefully in order to prove or disprove financial misconduct which often requires investigators to work with one another and determine the best plan of attack. They must also provide transparency regarding their investigation so as to avoid examiner misconduct and to keep their clients informed.

12 Wildenthal investigated by Breen and Guberman

This case is about the University of Texas. Breen and Guberman (2012) investigated a number of travels and other expenses that Kern Wildenthal had charged his employer, the University of Texas. Investigators indicate skepticism in the report. Their skepticism seems stimulated by newspaper coverage and comparison with rules and regulations as well as tax issues. Investigators

applied their knowledge of rules, regulations and laws to discuss potential white-collar crime. But they found no evidence of crime. They only found that Wildenthal may have had a tendency of abusing his position for personal gain. Investigators with a management perspective might have explained it with a slippery slope that Wildenthal apparently was willing to compensate and pay back the money. The blaming of Wildenthal by investigators is thus questionable.

13 WorldCom investigated by Wilmer and PwC

This case is about the bankruptcy of telecommunications company WorldCom. Wilmer and PwC (2003) investigated the collapse of WorldCom headed by Bernard Ebbers. They worked for the special investigative committee of the board of directors of WorldCom. This is a problem in terms of investigating themselves, like in the GM case, and it thus comes as no surprise that the report states:

We found no evidence that members of the Board of Directors, other than Ebbers and Sullivan, were aware of the improper accounting practices at the time they occurred.

The board is excused in the report by their lack of awareness of accounting fraud. The board received regular financial and operational presentations that included a level of detail consistent with what investigators believe most properly ran boards received at that time. However, if management knowledge rather than legal and accounting knowledge had been applied by truly independent examiners, then the outcome might have been a different one in the report of investigation.

5. Discussion

This article attempts to make an argument for the need to include a knowledge management perspective in white-collar investigations through the process of revealing potential flaws in 13 investigations. All thirteen investigations are from the United States. Some of the investigations are well known, however most are not. Therefore, a brief synopsis was made of the relevant details of each investigation.

Assumptions of characteristics about the investigators are sometimes not well founded, and they might have been stated less assertively. The purpose is to indicate potential flaws in the investigations, rather than to criticize investigators as professionals.

Table 1 summarizes the cases and presents a comparison of issues and problems in the private investigations. The issue is the matter investigated, while the problem is the shortcoming of the investigation.

#	Investigation	Investigator	Issue	Problem
1	Acar	Sidley (2010)	Kickbacks from vendors	Recommendations less relevant
2	Coatesville	BDO (2014)	Accounting fraud	Not sufficient evidence detected
3	Enron	Powers et al. (2002)	CEO fraud causing bankruptcy	Lack of independence and impartiality
4	General Motors	Valukas (2014)	Ignition switch concealment	Lack of top management accountability
5	Lehman Brother	Valukas (2010)	Misconduct in banking	Lack of top management accountability
6	Motorola	SEC (2002)	Sensitive information leak	No definition of sensitivity limits
7	Padakhep	Inspector General (2012)	Foreign aid money disappeared	Unable to handle local culture
8	Peregrine	Berkeley (2013)	Critical review of audits	Formalism rather than contents
9	Philadelphia police	Pennsylvania (1974)	Policing the police	Behaving like police rather than like detectives

10	Sandstorm (BCCI)	PwC (1991)	Bank irregularities	Unable to trace financial transaction
11	Walters	WilmerHale and PwC (2008)	Tax revenue fraud	Formalism rather than contents
12	Wildenthal	Breen and Guberman (2012)	Abuse of position for personal gain	Accusations but no evidence
13	WorldCom	Wilmer and PwC (2003)	CEO misconduct and financial crime	Lack of independence and impartiality

Table 1 Issues and problems in private investigations

The core message from all cases is that a contingent knowledge management approach is needed in internal investigations. The situation should determine what kind of knowledge to apply in a specific investigative challenge. Legal knowledge seems to dominate many investigations, where forensic accounting knowledge and management consulting knowledge might have been more appropriate.

Forensic accounting knowledge, business knowledge and detective knowledge is often more appropriate for the purpose of reconstructing the past. The application of legal knowledge can easily result in a report of investigation focusing on formal procedures and bureaucratic improvements.

Table 2 presents a comparison of the cases discussed from a knowledge management perspective. The table lists knowledge applied versus knowledge needed. It comes as no surprise that law firms as investigators mainly apply legal knowledge independent of critical issues at hand in the investigation. Similarly, auditing firms apply mainly auditing knowledge independent of critical issues in the investigation.

#	Investigation	Investigator	Knowledge applied	Knowledge needed
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1	Acar	Law firm	Legal knowledge	Forensic accounting knowledge
2	Coatesville	Auditing firm	Forensic accounting knowledge	Legal knowledge
3	Enron	Law firm	Legal knowledge	Management knowledge
4	General Motors	Law firm	Legal knowledge	Organizational knowledge
5	Lehman Brother	Law firm	Legal knowledge	Management knowledge
6	Motorola	SEC	Stock market knowledge	Language knowledge
7	Padakhep	Inspector General	Forensic accounting knowledge	National culture knowledge
8	Peregrine	Auditing firm	Auditing knowledge	Forensic accounting knowledge
9	Philadelphia police	Crime commission	Detective knowledge	Organized crime knowledge
10	Sandstorm (BCCI)	Auditing firm	Auditing knowledge	Detective knowledge
11	Walters	Auditing firm	Auditing knowledge	Organizational knowledge
12	Wildenthal	Law firm	Legal knowledge	Management knowledge
13	WorldCom	Law firm and accounting firm	Legal and accounting knowledge	Management knowledge

Table 2 Comparison of applied knowledge versus needed knowledge in investigations

This paper argues that investigator Valukas (2014) seems to demonstrate limited understanding of top management responsibilities. In most corporate cultures, it is not acceptable for a CEO to claim “I did not know”. Therefore, an investigator with business experience might have concluded differently regarding the CEO at General Motors. Similarly, executives at Lehman Brothers might have been blamed for the collapse of the bank by investigators with a top management background.

The investigation at Motorola stands out in terms of the meaning of words. Knowledge needed in this investigation relates to words and the context in which words were used. Linguistic experts might have reasoned whether “significant” means “very large”, which in turn could mean “25% or more” decline in sales.

Knowledge of organizational culture is always important, especially when investigations are conducted in other parts of the world. This is illustrated in the case of Save the Children in Bangladesh.

Internal investigation reports are hard to obtain, because they so often are kept secret because of reputation issues and other concerns. Future research may search for more investigation reports and classify them into categories depending on the main knowledge needed to reconstruct the past.

6. Conclusion

This article applied the knowledge-based view of the firm as its main theoretical perspective to study private investigators in white-collar crime investigations. The knowledge-based view is part of the resource-based view of the firm, which views the firm as a collection of productive resources. The knowledge-based view considers knowledge as the critical input in production of investigative services in the firm. Knowledge is the primary source of value of the firm.

This article presented and evaluated thirteen private investigation reports. It seems that most of them are characterized by random selection of knowledge categories in terms of available knowledge rather than knowledge relevant to the specific investigation. Detective knowledge seems to be lacking, while legal knowledge is frequently applied. This seems surprising, as reconstruction of the past has little to do with the law.

A contingent approach to knowledge management should be applied in future criminal investigations. For example, if the challenge is to identify persons responsible, then detectives with interview knowledge should be employed. If the challenge is to collect evidence from financial transactions, then examiners with forensic accounting knowledge should be employed. If the challenge is to evaluate whether or not a criminal incidence has occurred, then lawyers with relevant legal knowledge should be employed. If the challenge is to examine organizational structures, cultures, procedures and rules, then management consultants with strategic experience should be employed.

The contingent approach to investigations implies that the challenges involved should determine what kind of knowledge is needed. Based on a sample of thirteen reports of investigation, the contingent approach seems to be absent in practice.

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