



IREON Insights: 10 hiring mistakes that will destroy your business, part 2 of 4 - by Patrick Brosnan

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Patrick Brosnan

Part 1 of 4 appeared in the August 30, 2024 edition.

3. DO NOT DISMISS THE POSSIBILITY THAT AN APPLICANT MAY HAVE A SECRET COMPANY

The Problem A surprising number of individuals create companies they don't tell anyone about - not their employers; their bankers; or their prospective business partners. Hidden companies can be involved in a range of self-dealing issues and must be uncovered and closely examined.

The Solution Meticulous scrutiny of all corporate filing documents, addresses of record, and related business pedigree data. Often a spouse's maiden name, or a relative's primary address, will be the red flag that help connect the dots.

EXAMPLE

A large sporting goods company in the Bronx retained BRC to provide a forensic audit of their books and background investigations of several existing sales personnel. Investigators discovered that the senior salesman — a 25-year employee — had a secret sporting goods supply company registered under his ex-wife's maiden name. Surveillance established he was stealing inventory from the client's warehouse and shipping through his company on Long Island. The facts of the case were provided to the Bronx District Attorney's office for prosecution.

4. DO NOT RELY SOLELY ON REPORTED FINANCIAL DATA

The Problem individuals who have filed for bankruptcy will often go to considerable lengths to hide their financial pasts. They may "accidentally" transpose digits of their social security numbers or use fraudulent middle names on credit histories. These tactics and other deliberate misrepresentations can often prevent this potentially vital data from being uncovered.

The Solution BRC employs a sophisticated network of cross-checking sources to validate an individual's pedigree data. These "tripwires" will identify anomalies and factual misrepresentations in an individual's purported pedigree and trigger additional research and cross-referencing. For instance, an inverted social security number may not be consistent with an individual's known date of birth and state of birth. The actual digits in a social security number all have geographical and chronological data buried in them and the inversion of numbers can be a serious red flag.

EXAMPLE

BRC was retained by a real estate developer in Miami to investigate a gentleman his mother-in-law was considering marrying. The "gentleman" claimed to be a Russian aristocrat and, at first, and even second, glance it appeared true. He drove a Bentley, wore a Rolex, split his time between residences in New York City and Miami, and seemed to have an endless supply of cash. Research established that he had dropped several letters from his surname, inverted social security numbers, and reduced his age by eight years. All for good reason. He had filed for bankruptcy three times,

owed the Federal government over half a million dollars, and had numerous tax liens and civil filings in his true name. BRC's investigator's drilled deeper into his past. The "gentleman" had been shot in Brooklyn during a gold coin swindle, served three years in federal prison for Medicaid fraud, had three ex-wives (one a renowned Russian pianist), and had an outstanding warrant in Israel for assaulting a woman on an escalator.

5. DO NOT DISREGARD ANY ACCUSATIONS, COMPLAINTS OR EVEN GOSSIP

The Problem subpoenas...reprimands...consent decrees... sanctions...hearings...fines...criminal charges...consumer complaints. These are the kinds of documents in regulators' files that some executives hope you won't find. The challenge in digging them out is that each federal and state agency makes this information public in varying degrees, and through a maze of websites, databases, and freedom of information requests.

The Solution to find the documents you are after you need to know what agency regulates the business the prospective partner, vendor, investor, or employee is in. Information on a trash-hauling company, for example, might be filed with a local consumer bureau, a state environmental agency, an organized crime commission, or, if the company is public, with the securities and exchange commission. The best nugget in regulators' files is often the name of the government investigator on the case. A discreet conversation can provide information not in the file that can clarify the ethics, credibility, and character of the subject.

EXAMPLE

BRC was retained to investigate the background of a commodities trader who was being considered for a high level position. The candidate had been a practicing attorney 15 years earlier and had several complaints filed with the bar association that alleged a too cozy relationship with known organized crime members. A minority ownership in a waste management company in Chicago, under his wife's maiden name, deepened the mystery. BRC's investigator had an informal chat with an SEC investigator regarding the candidate and learned that he was the target of a federal grand jury in the Southern District of New York for RICO violations. He was not hired and was indicted two years later in a highly publicized case.

Part 3 of 4 will appear in October 2024 edition.

Patrick Brosnan, a member of IREON, is founder of Brosnan Risk Consultants, Pearl River, N.Y.

New York Real Estate Journal - 17 Accord Park Drive #207, Norwell MA 02061 - (781) 878-4540