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## Article

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### Due Diligence and Technology

By L Burke Files, CDDP, President, Financial Examinations & Evaluations, Inc (01/05/2012)

I love technology when applied to due diligence. It allows the uninitiated to formulate answers to questions that are well documented, timely and utterly and completely wrong. Further some of the initiated prove worse than wrong because they cannot be proven wrong, as they’ve developed a professional mettle, honed by an ill fashioned internal constitution, which exercises a refined and stalwart manifest disregard for facts.

In politically correct speak - they have issues. I type it but I still do not know what ‘have issues’ means - though I have some guesses and the editor has suggested I leave my guesses to the reader’s imagination.

### Example 1: Never Tick off a Programmer

It is the modern version of never mess with someone who buys ink by the barrel. A Baron, a friend and a client, fired two gents in his organisation because they were stealing money. To add bad behaviour to theft one had a very - err unhealthy attraction to the Baron’s wife. The good Baron just fired the two, but his wife let her true feelings be known when one of the terminated gents approached her and suggest they form a relationship. She broke four of his ribs with a garden shovel. Four broken ribs more or less fits my definition of an unhealthy attraction.

The terminated programmers went to the web and began to create no end of mischief for the Baron. They propagated websites that questioned his military history, they hired copywriters and fed them bogus documents to write stories about the medals the Baron had been awarded. They even created almost 30 websites that bashed the Baron. These efforts had an effect of cutting the Baron’s income by £250,000 per year. Several of the Baron’s clients dropped him, citing the material on the web. Ernest and documented rebuttals from the Baron were well received but the answer from his clients was clear - why don’t you sue them? Well he would have if he had acted earlier before it grew so large. But by the time he went to counsel the quoted retainers for this sort of litigation from solicitors was £50,000, with a time horizon of three years and a final cost estimate of £200,000. It was something he could no longer afford. The toll from the Internet barrage eventually cost him his marriage and most of his clients. All of the material posted on the web was fully totally inaccurate - but it was repeated so often on so many different sites- it gained credibility. How bad did it get? The material so inflamed one group that they burned the Baron’s house down.

Twits all - a quick study of the websites showed they were all registered to one of four companies. A more sophisticated study of the postings on the websites for textual analysis, including metadata, grammar, syntax clearly showed that of the over 800 avatars posting over 25,000 posts in three years, 92 per cent were done by eight people. The sites were all shut down and damages assessed against the eight.

The Internet investigators checking out the Baron got it wrong and would not even listen to the Baron and his rebuttal - resplendent with facts and references to be queried, but they just could be bothered to listen to facts.

### Example 2

A medical doctor was to be hired at a hospital in Arizona, but at the last minute he

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was denied a medical license in Arizona. Given no explanation, he tried to get licensed in California and Nevada - having been turned down in Arizona. The other states asked if he had even been turned down for a medical license, he answered truthfully yes, "Arizona" and was denied licensure in two more states. No state would tell him why he was denied his license - until he sued all three states.

Well, as it turned out, he was from New York City, where a MD with the same name, at the same hospital where he practiced, and possessing a similar address profile, had lost his medical license - a MD in his 80s, who lost his license because he had gone blind. The MD applying in Arizona was not eighty plus years of age, he was in his early 30s, he had a different social security number, went to a different medical school and had, not surprisingly, a different date of birth. The MD who lost his license was in fact his father. While they shared the same name, they did have different medical schools, different social security numbers and different dates of birth. It was a cheap and cheerful internet investigation that confused a senior with a junior and took no effort to notice the significantly different data.

What technology offers us is tons of information. The records we review are not primary records or secondary records they are tertiary records - some of them are manufactured and, some are manipulated - it must be hard wired to all who use technology to harvest data that the *Internet Has No Editor*.

Searching this information and acting on this information provides us with the illusion of paying attention, without ever questioning the information we are consuming. If we paid as much attention to the information we consume as we do to what we eat, we would do much better in the art and science of due diligence.

Technology is a tool to help us think, not to take the place of thinking.

Free range chicken is good. Free range information has 'issues'.

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