

INVESTIGATIVE DUE DILIGENCE

Ten Key Questions to Ask When Outsourcing Due Diligence

Thorough and timely investigative due diligence is critical to any major investment, lending or hiring decision. As the recent Wall Street financier scandals and their fallout evidence, there can be devastating consequences when you fail to learn as much as possible about the people you're thinking of doing business with.

Unfortunately, instead of being committed to safeguarding you and your business, many so-called due diligence firms are only looking to make a quick buck by offering substandard research and less-than-adequate database searches.

Proper investigative due diligence doesn't come cheap. But, failing to conduct it can be extremely costly. To navigate the extensive due diligence landscape and ensure that you're getting the best possible investigations for your money, we recommend that you ask prospective providers the following questions:

1

What exactly are you searching?

Your provider must always conduct searches for the individual subjects as well as their companies. In 16+ years of conducting due diligence investigations, there have been numerous instances where the BackTrack Report has uncovered critical information on the individual subject that didn't reference his/her company and critical information on the company that didn't cite the individual subject.

2

How extensive are your litigation searches?

To conduct a proper litigation search, providers must search state, county and federal court records in every county, state and country where the subject has lived and worked. People are more mobile than ever and it's the investigator's job to track their every move. It's not enough to search online databases. Since many jurisdictions don't post information online, your provider must manually search and retrieve documents from the court houses.

3

How do you determine whether a lawsuit pertains to my subject?

Retrieving court records is often the only way due diligence investigators can ensure that a lawsuit they discover pertains to your subject. But, many legal databases and so-called due diligence providers only deliver a list of lawsuits citing people who share your subject's name. This leaves you with inaccurate information on which to base your very important business decision.

4

How do you investigate news coverage on my subject?

If your subject has been featured or quoted in the news you need know about it. News articles searches enhance due diligence investigations in a number of ways. They enable providers to cross-reference their findings, learn about your subject's titles and employments and uncover information about lawsuits that might not have come up in other legal checks.

5

How do you conduct news searches?

Many investigative due diligence providers limit their searches to news items that contain negative terms like “crook” or “criminal.” You need to be aware that they conduct these limited searches to avoid finding too much data - data that has to be read, analyzed and reported to have value. You lose while the investigator wins by cutting costs. To make matters worse, these searches typically don’t even catch the negative stories they’re set up to find because the search terms are simply too narrow.

6

How many news databases do you search?

Too many providers only search Lexis-Nexis for news articles. Although this database is one useful tool, many news outlets, including The Wall Street Journal, don’t sell all, or even part of, their content to Lexis-Nexis. To find all available news stories on an individual and his/her company, investigators must search multiple databases to make sure they capture as many stories as possible.

7

Does your report point out discrepancies in my subject’s employment or education history?

Your due diligence provider’s report must highlight any discrepancies between the employment and education information your subject gives you and the information the investigation discloses, so you can take appropriate action. This information can’t be pulled from search engines alone. To ensure you’re getting a complete profile, a seasoned researcher must contact the subject’s previous employers and conduct thorough news, corporate and regulatory searches.

8

Do you direct me to people I should interview about my subject?

Due diligence providers should identify, and present you with a list of, people who worked with your subject or were involved in a lawsuit with them. They should highlight this information so you can talk to these people directly and fill in any information that public records omit.

9

How do you present the results of your investigation?

The results of the investigation should be memorialized in a clearly written report. There’s no pile of data, fancy legal jargon, cop-talk or discussion of who reached out to who necessary. You just need an overview explaining in simple, straightforward language where the subject has worked, what happened at those posts and what issues or problems presented, among other key details.

10

Do you tell me if I should do business with the subject of the investigation?

A good investigative due-diligence provider will never tell you what decision you should make based on the information an investigation reveals. Aside from the liability issues, the investigator is only privy to the risk side of the risk-reward ratio. In fact, he/she only knows one aspect (albeit an important one) of the risks inherent in the deal. A high-quality background investigation and report point out inconsistencies, discrepancies and gaps that are relevant to your decision-making process, but leave you to make the decision based on your own assessment of all the factors involved.