

RE: markopolos

From: Suh, Simona
To: Cheung, Meaghan S. [CheungM@SEC.GOV]

11/4/2005 2:18:38 PM

We might want to talk to Mike Garrity in Boston about the □past work [Markopolos] submitted to the SEC's Boston office.□

From: Cheung, Meaghan S.
Sent: Friday, November 04, 2005 2:17 PM
To: Suh, Simona
Subject: RE: markopolos

I have some qualms about a self identified independent fraud analyst, but who knows.

From: Suh, Simona
Sent: Friday, November 04, 2005 2:16 PM
To: Cheung, Meaghan S.
Subject: markopolos

Some prior statements from Harry Markopolos:

From Bloomberg, 8/16/04, article re: Bush's prospects:

"If Iraqi cities go up in flames, so do Bush's re-election hopes," said Harry Markopolos, who oversees \$900 million as chief investment officer at Rampart Investment Management in Boston. "And if oil prices keep rising, so do Kerry's chances of winning."

[I understand Markopolos has left Rampart since then.]

From The Billings Gazette, 9/20/05

Fraud 'starts at the top,' says analyst

NORWALK, Conn. - If you're considering blowing the whistle on your company's illicit activities, it may be best to have someone like Harry Markopolos on your side.

Markopolos, a chartered financial analyst and independent fraud analyst, has worked with a long list of people who were fed up with their companies' officials betraying investors' trust or pilfering millions of dollars through corporate fraud.

Over 90 percent of fraud by dollar volume involves collusion by senior management, and 70 percent involves the chief executive officer, Markopolos told about 20 members of the Connecticut chapter of the Society of Competitive Intelligence Professionals yesterday at the Fat Cat Restaurant in Norwalk.

"Fraud starts at the C-level. It starts at the top," said Markopolos, a former Army intelligence officer based in the Boston area. "I can teach you how to spot fraud and what to do about it, so you aren't in the hot seat." Sometimes a company uses fraudulent activity as standard operating procedure to compete, he said. Officials high on the corporate ladder may encourage fraud because impressive financial results bring bonuses, protect jobs and drive up salaries.

A major culprit in fraud by a CEO can be the board of directors, particularly if its members are appointed by the CEO, said Markopolos, a former Stamford resident, stressing the need for an independent audit committee and internal auditors.

While some whistle blowers have benefited financially from exposing a company by earning a bounty from a government agency, Markopolos said much depends on which agency is contacted.

Generally, the Department of Justice pays the highest return to a whistle blower through the False Claims Act, he said.

Other options available to whistle blowers include the Internal Revenue Service, the Securities and Exchange Commission, the chair of a company's audit committee, a company's anonymous fraud hotline, a whistle blowing program through the Sarbanes-Oxley Act or the media. Of course, blowing the whistle often means losing a job or even facing a lawsuit.

"You've got to be real courageous to be a whistle blower," Markopolos said. Fred Wergeles, SCIP coordinator and president of Fred Wergeles & Associates in West Simsbury, said he has investigated companies that have not been forthcoming in disclosing data as required by law. "Harry has some great tips," he said. "From a tools and techniques standpoint, I've learned a lot about how to find out corporate information. He also has excellent advice on the human side of corporate intelligence.

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