

# Finding a hidden leaf in a forest

An explosion in the volume of business documents since the advent of word processors and email makes sophisticated search technology an essential tool in the fight against fraud. Azadeh Khalilizadeh reports

“Where does a wise man hide a leaf? Hide it in a forest.” In this pithy quote, e-disclosure consultant Chris Dale encapsulates why electronic disclosure technology is more important than ever in uncovering evidence of fraudulent activity in the tangled undergrowth of information held by companies.

E-disclosure, or e-discovery, as referred to in the United States, is the process of identifying electronic data as evidence, and processing and converting it to a format for use by accountants, lawyers, investigators and regulators. So says Greg Wildisen, international managing director of Epiq Systems, providers of technology and services for the legal profession.

Mr Wildisen underlines the constant pressure for technology to keep up with the growing amounts of data retained by companies. “Before we were dealing with megabytes and gigabytes,” he says. “Now we are dealing with terabytes of information, along with a growing pool of texts, chat, voicemail and instant messaging communication.”

## RECESSION

The pressure to effectively manage data has further increased in times of recession. According to consultant

Chris Dale, as more businesses are being regulated, there is a greater need to comply with investigative procedures, which means being able to locate the relevant documents. “Recession is the mother of invention,” he says. “Recession has bred new tools for fraud detection to sort the useful, relevant evidence from the not-so-useful.”

With the increased need for e-disclosure to get to the heart of a problem as quickly as possible, the result is a range of tools which use keyword and conceptual filtering, de-duplication and near-duplicate processing

“Recession is the mother of invention”

systems. These systems are sophisticated enough to detect patterns of behaviour, sounds that deviate from the norm and capture relevant documents as they are made.

For example, it took software specialists Autonomy “very little time” to trace what rogue trader Jerome Kerviel was doing in France’s historic Societe Generale trading loss incident of



France's second-largest bank Société Générale's Paris HQ; the bank's former boss Daniel Bouton (top) and rogue trader Jerome Kerviel

2008, says Mr Dale. Whether used reactively, retrospectively or in anticipation of fraud, the technology is "pretty powerful stuff", he says.

Vice president of e-discovery consultants First Advantage Eurasia Operations, Robert Brown, recalls an example where the company's software was used to quickly sift through "literally millions of documents" relating to a large corporation in Germany under investigation for alleged bribery. "Five to six years ago, this would have been achieved over 10 years," he says. "With e-disclosure technology it was reduced to two years which is a massive improvement in efficiency."

These systems are also getting smart with language, says Mr Brown. "We have tools that can identify complex non-Latin-based characters and languages," he says. Moreover, concept-based search tools can even spot code or unusual words, as detected in the case of bankrupt US corporate giant Enron.

**SMARTER TECHNOLOGY**

But as technology is getting smarter, villains too are getting more inventive. "There is a constant war going on," says consultant Mr Dale. "Technology constantly needs to modify and change the rules."

Financial and accountancy experts KPMG's forensic director Alex Dunstan-Lee says a potential improvement would be how to effectively spot fraud in structured data, such as databases of accounting systems, rather than in unstructured data, like emails.

"At the moment, e-discovery technology focuses heavily on unstructured data over structured," he says. "But corporations have accounting systems with enormous amounts of data making it very difficult to spot issues such as a figure entered incorrectly or an employee's identity duplicated."

Mr Dunstan-Lee believes the technology has progressed reasonably

well, "as long as it is used and supported in the right way". He says: "Technology is changing all the time at a fast pace, what needs to change is for lawyers to better understand how it works and for technical people to understand how lawyers are using the products."

But, according to Mr Dunstan-Lee, companies' own internal e-disclosure document management systems are failing. "For instance, when the law firm seeks to obtain data relating to a fraud, it can often find that a company doesn't even know where the data is," he says.

"My pet hate is when companies launch into litigation, deliver to their lawyers an enormous amount of rubbish and then complain about huge bills, simply because they had given unsorted and unsuitable documents," Chris Dale says. "Every company ought to consider the decision to integrate e-disclosure technology."