



# Department of Justice

---

ADDRESS

OF

THE HONORABLE GRIFFIN B. BELL  
ATTORNEY GENERAL OF THE UNITED STATES

BEFORE

THE NATIONAL ASSOCIATION OF CASUALTY  
AND SURETY AGENTS AND EXECUTIVES

TUESDAY, OCTOBER 10, 1978

THE GREENBRIER

WHITE SULPHUR SPRINGS, WEST VIRGINIA

As Attorney General, one of my chief responsibilities in the Justice Department is for its criminal law enforcement policy. Today I would like to address a category of crime that receives too little attention, and presents particular challenges to you as executives in the insurance industry -- the problem of white-collar crime.

Until very recently, the public outcry against white-collar crime has been almost inaudible. Its victims frequently are either ignorant of their loss or embarrassed by it, and it seems less threatening. Some kinds of white-collar crime are erroneously perceived as mere technical violations of law, and thus tend to be tolerated by the public. Finally, the perpetrators, once exposed, can present sympathetic and appealing personal circumstances to the courts and to the public.

Many in our society mistakenly believe that white-collar crime injures only the affluent or the large public and private institutions which can easily bear such losses. I should not have to remind you in the insurance industry of the frightful cost to your companies of that kind of short-sighted thinking.

The costs of white-collar crime to our society are enormous, not only in the cumulative dollar loss to society but also in the human loss and suffering of individuals whose private savings or investments have been looted.

Even in dollar terms, the cost of white-collar crime exceeds the loss sustained as a result of so-called street crimes. We know, for example, that federally insured banks now lose three times as much from white-collar crimes as from armed robberies.

Furthermore, a fraudulent scheme often has indirect economic consequences that are more devastating than the direct loss. Consider for example the simple situation of the errant bookkeeper who defrauds his employer. That firm may be forced into bankruptcy. Co-workers are thrown out of work, and creditors may also suffer because of their inability to secure timely payment

Third party businesses such as the insurance industry can also be gravely hurt in the process. Most of you, for example, are familiar with the sad revelations before a Congressional committee recently about the growth of arson as a major crime perpetrated upon fire insurance companies. But you are surely not alone. Such offenses have indirect impact on all social classes and often inflict their greatest harm on the weak, the poor and the aged. The victims of white-collar crime are found in every segment of our society. A recent land fraud case in Florida involved 550 elderly investors, all of whom lost their life savings. White-collar crime attacks the vulnerable, viciously and without conscience.

White-collar offenses may even inflict great physical violence on their victims. Consider, for example, the company official who bribes a government inspector to ignore hazardous conditions, thereby exposing workers to dismembering injury or death.

Indirect injury and violence to individual citizens must be added to the toll of white-collar crime. And, in your own business, the insurance companies may have to compensate victims under various medical and disability policies.

There is one final victim of white-collar crime: the respect that we Americans should have for our system of justice and laws. Each time that such a crime is successfully perpetrated, the criminals will have less regard for that system. But, even worse, the public will begin to doubt the very integrity of our criminal justice apparatus. I must add here my own observation that, if such doubt is allowed to grow, we shall all suffer in the decline of our nation's moral and ethical values, which must surely follow.

In spite of all this, the traditional response to white-collar crime at all levels of law enforcement has been sporadic, reactive, and inconsistent. In the past, throughout the criminal justice system -- federal, state and local -- only minimal resources have been specifically earmarked for combatting white-collar offenses.

The criminal elements in our society have been encouraged by this fact, and today we are faced with an enormous growth in the quantity and sophistication of white-collar crime. Frauds

of an unprecedented magnitude and in novel ways are being committed every day. The current GSA scandal is one example. But one you in this audience may recognize even better is the Equity Funding case.

This, then, is the picture of white-collar crime today. For these reasons, I have made white-collar crime one of my four chief priorities in all criminal law enforcement.

What is needed, and what the Department of Justice is seeking to develop and implement, is a national enforcement strategy focusing on five key elements: (1) prevention, (2) detection, (3) investigation, (4) prosecution, and (5) punishment. I would like to share with you my thoughts on this five part strategy.

Number one is prevention. A large portion of white-collar illegality is preventable but certainly not by law enforcement alone. In this regard all segments of society have a role to play -- government, the business community and the private citizen.

One of the most important aspects of prevention involves public awareness of the "badges" of fraud. The public and the business community particularly must learn to recognize the tell-tale signs of white-collar crime schemes and quickly report their existence to the appropriate authorities.

Be wary of promises of unusual and guaranteed high returns; fancy company titles with only mail drops for offices; the bargain-no-one-else-can-match; back-dating and post-dating of communications and other documents. All such signs of fraud should be repeatedly publicized to your clients and to the public.

Insurance companies, which deal with virtually all American businesses, large and small, may be in a unique position to observe and discern illegal schemes and practices. It is each insurer's duty to advise clients against strategies which seek to circumvent the law and to report any criminal violations of law they may observe.

All these deterrent measures can contribute to prevention.

The second area of white-collar enforcement that must be improved is detection.

Police agencies historically respond only to specific allegations of wrongdoing and can rarely ferret out such offenses on their own initiative. Nevertheless, the covert nature of white-collar illegality requires us to move from this passive posture to one in which we affirmatively seek out and pursue the evidence of white-collar illegality even absent the filing of a formal complaint. I am pleased that law enforcement agencies throughout the country, led by the FBI, are adopting such a meaningful positive approach now.

As part of our effort to detect signs of possible fraud and abuse in our own government programs, the Department of Justice, in conjunction with other federal agencies, has started pilot projects using computers to pinpoint areas of possible fraud and abuse. One such effort, called Project Integrity, is designed to identify medical providers who may be abusing the Medicaid and Medicare programs based on a computer assessment of their claims submissions. Another effort involves computer matching of the federal payroll records with welfare rolls. The third project involves computer matches of federally funded unemployment insurance rolls to determine if employed individuals are receiving benefits illegally.

Although these projects are still in their early stages, preliminary indications are encouraging. I offer these to you, as representatives of a highly computer-oriented industry, of how you can detect such crime in your own business.

Skilled and well-trained investigators and auditors are also essential, although merely increasing their numbers will not be sufficient. The Department of Defense, for example, has over 4,000 investigators and 6,000 auditors; yet it is still a prime victim of serious fraud and abuse. Of far more importance is the investigators' skill and expertise. Experience has demonstrated that to handle sophisticated economic crimes,

investigators have to possess the ability to penetrate complex schemes, reconstruct intricate financial transactions and follow logical audit trails. The Department of Justice is now making available to federal program agencies and their investigators a "mini-course" on criminal investigations to improve their investigative skills. Again, your own industrial associations should sponsor such training programs in detection methods for your investigative personnel.

The third element is investigation. Investigations of significant white-collar illegality are difficult and time-consuming. Often investigators must look at an entire course of conduct spanning months and even years rather than a single act. Relevant evidence may be spread out across the nation or even around the world in thousands of documents.

Allocating federal investigative resources, whether in the FBI or elsewhere, therefore becomes critical. The Department of Justice has chosen as a matter of policy to focus our resources primarily on those cases which are perceived to have maximum impact and deterrent value. In furtherance of this approach, the FBI has adopted a "quality over quantity" program to ensure that major cases are afforded maximum investigative priority. At the same time the Bureau has been recruiting more accountants and is shifting a greater portion of its agent personnel to white-collar crime investigations.



In addition, we are planning to establish specialized economic crime units in the larger federal judicial districts around the nation. Each unit would have at least three attorneys, and would be responsible for maintaining liaison with all relevant investigative agencies and with state and local prosecutors. These units would ferret out white-collar crime within the jurisdiction. Federal agencies would be requested to assign full-time agents directly to the units. Each unit would work exclusively on these high priority cases.

But I must tell you today, in spite of all the budgetary pressures to cut payrolls and expenditures in government, we must have more resources to combat white-collar crime. Merely shifting around our existing personnel and facilities will not be adequate to the task at hand. For example, the FBI today only has about 800 accountants among its thousands of special agents. Yet it is only with agents trained in accounting and computer technology that we can cope with modern white-collar crime. This requirement for expertise is one reason that we now frequently set up multi-agency investigative teams. We may thus draw upon the special skills and knowledge of each agency to unravel a convoluted series of illegal financial transactions. We have done that in the on-going GSA and HEW investigations.

Prosecution and conviction of white-collar offenses is the fourth area of focus. The overall success of our current efforts to prosecute white-collar offenses necessarily depends

upon the legal weapons at our disposal. There are gaps in our arsenal which need to be filled by new legislation. Many such statutes have already been proposed and are awaiting congressional action. These proposals would, among other things, specifically proscribe computer fraud and abuse, clarify internal corporate responsibility, outlaw pyramid sales schemes, and provide prosecutors with an effective civil injunctive procedure for stopping such schemes as soon as they are detected, rather than waiting until sufficient evidence is gathered to institute criminal proceedings.

Vigorous prosecution of significant cases is also required to achieve maximum deterrence and impact. That is why I have announced that white-collar crime prosecutions is one of my top priorities. When I first became Attorney General, I directed all United States Attorneys to devise two and three year enforcement programs for white-collar crime and public corruption. We have expanded the Fraud Section and Public Integrity Sections of the Criminal Division which provide overall policy direction and support, including supplemental litigating support, to United States Attorneys in the area of white-collar crime prosecutions.

Some of the larger U.S. Attorney's offices have established specialized white-collar crime units to focus on these offenses,

utilizing the team approach I mentioned earlier. These units have proven to be effective in attacking specific white-collar crime problems within their districts. To address multi-district problems, we also use specialized task forces that draw upon resources from the Criminal Division, selected U.S. Attorneys offices and relevant investigative agencies.

Closely related to prosecution is the proper punishment of convicted white-collar offenders. I believe punishment should be more severe than the possible loss of reputation and community standing. Imposition of prison sentences joined with appropriate fines should be the rule, with probation and early parole reserved only for the most excusable cases. Imposition of such punishment in white-collar crime cases would also serve to assure the public there is equal justice before the law in this country, whether the criminal is a poor man who steals a used car or a rich one who steals thousands in a securities fraud. Public support for stiff fines and prison terms as punishment for white-collar crime will assist our national enforcement strategy and also restore a measure of respect in our system of criminal justice.

Most of the measures I have outlined today relate particularly to the Justice Department's federal attack on white-collar crime. Such crime, however, is a large local problem requiring local efforts to counteract it as well. But a major part of that burden also rests on you as representatives of the insurance industry. It is my hope that you will recognize this

problem for its seriousness and for the damage it does to your business communities -- that you will be alert to possible violations of law -- that you will stand ready to condemn those who have committed such white-collar crime -- and that you will support your law enforcement officials who seek to combat it. The Justice Department will try to do its part to provide forceful and creative leadership in this effort.

Thank you very much for the opportunity to speak to you.