

# Watching The Detectives

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Image by: Adam Blasberg

A day in PI Scot Filer's life is not the glamorous stuff of dime-store novels, but involves a lot of sitting, watching and waiting.

**With economic crime on the upswing, private investigators are hotter than a Rolex in Times Square. Just don't call them gumshoes.**

**10:27 a.m.** “Discretion is the better part of valour,” says Scot Filer, the co-founder of Lions Gate Investigations Group, as he drives past the home of the “target” on a quiet street in a tony Vancouver suburb, turning around only after we're out of eyesight.

The 54-year-old with a trim salt-and-pepper goatee, wearing jeans and black motorcycle boots, parks his rolling office – an unremarkable dark blue Silverado truck that could pass for a rental vehicle – about 18 metres from the target’s house. He reaches into a briefcase for binoculars and a video camera, placing them on the console beside his constantly vibrating BlackBerry.

Today’s stakeout, on a warm spring morning, involves an individual engaged in a significant lawsuit against a large corporation. Filer’s duty is to observe the subject and provide video footage that may or may not impact the lawsuit. His client, a lawyer working on the corporation’s behalf, provided limited data about the target: his address and a basic physical description. “Only information that they’re legally allowed to give you,” stresses Filer. “The companies that hire us usually have no tolerance for cowboys that cross the line on privacy laws. Or corporations will call us in as a fixer to plug leaks: employee fraud or security leaks that might make them vulnerable to competitors. They don’t want a lot of noise or a legal battle; they just want the problem to go away.”

Filer worked as a plainclothes detective in the Major Crimes Unit of the RCMP for the majority of his 30-year career, specializing in behavioural sciences and geographical profiling. He left in 2008 to launch Lions Gate with Fred Pinnock, a fellow Mountie with 29 years of service in undercover operations and forensic evidence collection. “As the manager, I don’t get out into the field as much as I’d like to because we’re so busy these days,” says Filer, taking a swig from his Grande Americano. “It’s good to be out doing surveillance again. I like getting my hands dirty; I like the chase, the creativity, solving problems.”

After reaching staff sergeant, he felt he wanted a change and

decided to retire from the forces and harness his expertise in the private sector. “In law enforcement, you become a cog in the machine. I needed to re-energize myself, do something new and challenging, and there are so many opportunities to work outside law enforcement now,” he says, pointing to the growing need for private eyes in a world increasingly plagued by fraud and multiple threats to public and corporate security, from the bean-counters skimming company funds to the fired employees turned rogue snipers to the Ponzi schemers who have recently shaken the financial world. In one recent high-profile example, the B.C. Securities Commission imposed a record fine of \$26 million and trading bans on four local individuals – Hal McLeod, Kenneth McMordie, Dianne Rosiek and David Vaughan – for operating a Ponzi scheme that allegedly defrauded 800 investors to the tune of \$16 million. The case has been under criminal investigation by the RCMP Commercial Crime Unit since late 2007.

“Economic crime is an especially low priority for law enforcement,” says Filer. “They set such a high dollar limit on cases they’ll investigate and have few resources and clout to fight it. With so much crime going on these days and law enforcement so tangled up in bureaucracy, private investigators fill a crucial gap.”

As the industry has grown and become more professional, private eyes have tried to distance themselves from the stereotype of gumshoe work: stakeouts, installing covert devices in offices and homes, bartering with informants and even “garbology” (dumpster diving for incriminating evidence). But as surveillance operations such as this one indicate, old-fashioned spadework continues to pay the bills.

“The term gumshoe still has that low-level, sleazy connotation,” says Filer, while we wait for the target to make an appearance.

“Back in the day, the clichés were probably justified. But the industry is so much more sophisticated now.”

Economic crime, which includes everything from theft of assets to accounting fraud to money laundering, increased 10 per cent in Canada between 2003 and 2009, according to a recent survey by Price-waterhouseCoopers. Fifty-six per cent of the companies surveyed experienced some sort of economic crime, with 24 per cent reporting losses of more than US\$500,000. Globally, up to 10 per cent of companies’ annual revenues are lost to fraud, according to a survey by MacIntyre Hudson, while BDO LLP reports corporate fraud increased 76 per cent worldwide in 2009, with \$3.8 billion in lost revenues and predictions of a threefold increase by 2013. The U.S. Justice Department has recently cracked down on economic fraud, with corporate fines surging from an average of US\$6.4 million between 2004 and 2007 to US\$86.4 million in 2009. The Harper government has pledged similar tough action, with proposed national regulations set for 2012.

The climate is ripe for private investigators, and the more progressive ones have started rebranding themselves as risk mitigators with full-service shops, offering employee background screening, corporate whistle-blower hotlines, computer and accounting forensic investigations, VIP security and an arsenal of overt and covert surveillance. With the establishment of strict privacy laws, new regulations and the complexities of operating in expanding global markets, private eyes working for corporations and law firms have to sign thick confidentiality agreements and tread carefully in an increasingly litigious world, necessitating information that can stand up in court.

The field is now dominated by large global outfits such as New York-based Kroll Inc., which pulled in US\$667 million in

revenues in 2009, and Stockholm-based Securitas Group, which netted about \$8.9 billion in sales last year (and has rapidly been gobbling up other private-eye companies, including the legendary Pinkerton Agency). Yet the majority of PIs operating in B.C. – which includes 233 firms, 563 licensed PIs and another 506 PIs under supervision (trainees who must have 2,400 hours of experience and nine courses completed before graduating to full PI status) – are sole proprietors, with few outfits having more than five full-time investigators on staff.

Lions Gate – whose board includes the world-renowned expert in psychopathy Robert Hare, co-author of *Snakes in Suits: When Psychopaths Go to Work* – counts 15 contract employees in addition to its two co-founders, including specialists in financial crime investigations, security threat assessment and covert surveillance. The firm has handled about 200 high-profile cases since opening shop two years ago, ranging from insurance fraud (the bulk of its work) to missing persons investigations to uncovering a counterfeit cigarette ring for a tobacco company. While Filer won't provide specifics on revenues, he says they're up 32 per cent in the past year, "exceeding expectations."

After two hours of surveillance, I still feel as inconspicuous as a tarantula on a peach, yet even the hawk-eyed mothers emerging occasionally from neighbourhood homes to ferry the kiddies around don't seem to notice us. It's quite thrilling to hide in plain sight. Then a woman exits the target's house carrying cleaning supplies to a black SUV parked on the driveway. And seconds later, a taupe four-door sedan pulls into the driveway, and a man matching the description of the target gets out.

"I think we got him," says Filer, reaching for his video recorder as the man chats with the woman. Both are seemingly oblivious to our presence as Filer shoots about five minutes of footage. After

the target has gone inside his house – all the blinds on the windows drawn tighter than a snare drum – Filer circles around the block to powwow with Jag Gill, his 35-year-old backup private eye, stationed in a brown SUV, and give him a two-way radio. Gill takes over as primary “eye,” and we take a quick “nature break” at a gas station before relocating to a nearby intersection in case the target goes mobile again.

Did Filer gauge anything useful from the target’s apparent lack of watchfulness? “No. Unlike criminals, regular people are rarely ever suspicious or vigilant. That doesn’t mean they’re not guilty of something,” says Filer. “We did a background check, mostly through open-source sites like online court databases and Facebook, and there appears to be nothing untoward about this guy. Of course, I’m a cop; I think everybody is guilty.”

Once in a blue moon, corporate spying hits the public radar, and many large corporations have been outed for hiring private eyes to shadow employees, lobby groups and environmental organizations. Hewlett Packard’s former chair, Patricia Dunn, was infamously indicted in 2006 for conspiracy, identity theft and violating California privacy laws after she hired private eyes to spy on employees and journalists suspected of leaking business secrets. The charges against Dunn were later dropped, but HP had to pay US\$14.5 million in civil suits. Other corporations reported to have hired PIs to engage in corporate espionage include Oracle, Procter & Gamble, Volkswagen and chocolate giants Nestlé and Mars.

Here in Canada, our juiciest corporate skulduggery case pitted Air Canada against Westjet. After a massive civil suit, a shamefaced Westjet paid a \$15.5-million settlement in 2006, admitting its senior execs had accessed passenger-load data from Air Canada via a former Air Canada employee and still had

access to its proprietary data. Ironically, the case initially made news after a Westjet executive, who had a screen scraper program created for the Air Canada data, sent photos to the media of the private eyes hired by Air Canada carting away garbage from his Oak Bay home.

“We obtained that garbage, including shredded documents that implicated a Westjet executive,” says Kim Marsh, who led that investigation as the head of Phoenix-based IPSA International’s Canadian office.

Marsh, a tall, clean-shaven 56-year-old wearing a navy suit (not a fedora or trenchcoat in sight), worked for the RCMP for 25 years, specializing in covert surveillance in drug enforcement and money laundering. He worked with U.S. authorities in L.A., New York and at Miami’s DEA office before starting his own Vancouver-based investigations firm, West Coast Investigations & Consulting, in 1998. Four years later, after a series of plum assignments – including a “deep op” tobacco case that involved “befriending an executive implicated in a smuggling ring in a Caribbean tax haven” – IPSA came knocking with a buyout offer that gave Marsh reign over its new Canadian headquarters.

Marsh’s downtown office, overlooking Vancouver’s law courts, has eight full-time staff and 10 contractors juggling approximately 500 cases annually. Clients include the B.C. government, ICBC (which contracts private eyes to investigate 3,700 of its approximately one million annual claims) and various corporations, the majority of which are American owned and can’t be named due to confidentiality agreements. “Most of our investigations are basic and aren’t that challenging,” Marsh admits as we sit in his tidy, large corner suite. “About 10 per cent are exciting. We’re working on two substantial Ponzi scheme investigations. I’m also tracking an entrepreneur in Europe and

dealing with an informant, a very mercenary individual with a hefty price tag on his information.”

Marsh concedes there are some drawbacks to what has become an increasingly sophisticated industry. “To do investigations now in the States, you have to have a graduate degree,” he says. “But many of these guys with excellent pedigrees have no clue how to do undercover work, which is sometimes hard and nasty. You have to handle thinking at your target’s level but not let it take over your life. There’s also a lot of bureaucracy and HR issues with the big firms. Today’s PI may look great in the boardroom, but they can’t tell if they’re being lied to. You need the right combination, and the right combination is hard to find.”

Yet like every other private eye I’ve spoken with, he thinks the stereotype of the shady gumshoe puts a five o’clock shadow on business, particularly in cities such as Vancouver, which has few corporate headquarters.

“The whole investigative industry in Vancouver is about 10 years behind Toronto and the U.S., where lawyers and corporations are very used to working with PI firms,” says Marsh, adding that the local industry was “virtually non-existent” a decade ago. “It has evolved, but the majority of people still see you as a gumshoe. They don’t want to bring you into their confidence. They arrogantly think you chase cheating spouses. But there are enough progressive law firms in town to keep us busy,” he says, noting that his revenues have climbed about 60 per cent since 2008. One key advantage for IPSA in Vancouver, according to Marsh, is that unlike its U.S. and Toronto markets, there isn’t a lot of competition here from big global players.

IPSA’s most significant competitor on the local scene is Canpro Global. Canpro is B.C.’s largest private investigation firm with 200 full-time employees, 50 of whom are focused strictly on PI

work. The firm's clients include some of Canada's largest companies in aerospace, telecom and energy, as well as many U.S.-based Fortune 500 companies. Its services range from corporate pre-employment screening to security and threat assessment for large multinationals to policy development and training for security firms operating in far-flung countries such as Afghanistan, Iraq and the United Arab Emirates. While the burgeoning field of private security has put Canpro on the world map, 30 to 40 per cent of the firm's revenues (which in 2009 topped \$12 million) are still generated by the approximately 500 investigative files it is working on at any given time.

"Today corporations and insurance companies spend millions of dollars on private investigations, and they expect expertise within a large firm of our size," says Ken Cahoon, the company's 42-year-old managing partner. Cahoon started out in the business 20 years ago, under the tutelage of his father, Herb Cahoon. Herb worked for the RCMP for 25 years, then ICBC's special investigations unit for 15 years before joining with Fred Bodnaruk Investigations Group (FBIG) in 1988. In 2002 FBIG merged with another Burnaby-based firm, Canpro Pacific Services Inc., and the two entities rebranded in 2006 as Canpro Global. The company has steadily expanded its services and territories throughout Western Canada, buying other B.C.- and Alberta-based PI firms and security companies and growing revenues by an average of 35 per cent each year since 2003.

"We're dealing with the commodity of information, and in the year 2010 that is one of the biggest commodities," says Cahoon. "It used to be timber, water, natural resources, but today it's information. And as proprietors of that information, we have very rigorous operational procedures."

If Canpro's walls could talk, they'd spin some wild tales, but

Cahoon can only provide basic information about his clients. One oil and gas company, for example, was looking to find out whether staff charged with operating heavy and expensive machinery have drug problems or are involved in an organized crime ring that steals expensive equipment. One firm was worried about protesters attempting to sully its brand name. Another major corporation suspected its accountant had sticky fingers.

“We worked on one case involving an accountant who expropriated a million in funds over a 16-year period. That’s not uncommon,” says Cahoon. “They generate false invoices, usually a trickle of funds over a long period of time.

“We track people on Facebook and LinkedIn, find out what they’re saying about themselves online, looking at their vacation photos. We might follow the suspect after hours and notice they go to a poker night with guys that are making \$250,000. Or follow the subject to the bank and discover that they have an offshore account.”

Throughout an investigation, Cahoon points out, it’s critical that all evidence is obtained and maintained fastidiously and does not overstep provincial and federal privacy laws: “If clients think you’re gun happy, they’ll rip you off the vendor list.”

PI licensing and oversight falls under the jurisdiction of the B.C. Ministry of Public Safety and Solicitor General, which maintains B.C.’s Security Services Act. The act changed in 2008 to accommodate demand for seasonal security workers and to allow PIs to work for multiple firms, as the field has become more contract-driven. The number of PIs under supervision has nearly tripled since 2003, and, while the ministry contends that there have been no serious complaints lodged, PIs think it creates conflicts.

“New private investigators need a boss with expertise to bring them in line and teach them what they can and cannot do,” says Cahoon. “About 50 per cent of the small ma-and-pa outfits work out of their basements and aren’t in business after five years. What happens if they take those sensitive documents and information to the dumpster? There’s a revolving door in our industry because former cops or retired cops dabble in the business. You call them up and it’s ‘Billy Joe Ray Bob’s Barbecue Shop, Private Investigations and Fishing Tackle.’ They might have a 25-year career handing out traffic tickets. A barber does not make a good hairdresser.”

Filer agrees that many cops lack the wherewithal for private sector work. “As a PI, you don’t have the luxury of teamwork, resources, access to police databases; you can’t pack a gun,” he acknowledges. “You have to be creative, work relatively unsupervised, make decisions on the fly and market your services and find clients to pay the bills.”

With regard to his own team at Lions Gate, Filer says that quality control is paramount, especially in a field where \$15-an-hour newbies share files with \$100-an-hour veterans. Filer notes that while his field operative, Jag Gill, may have started out at age 19 in the private sector doing surveillance, he has been mentored by top PIs over the past 15 years and has worked hard to develop expertise. “Whether our investigators have major crime backgrounds or have honed their skills in other ways, I’m very selective and I choose them based on their ethics and talent,” he says.

**4:02 p.m.** It’s time for Filer and Gill to punch out. The target hasn’t reappeared, but they’ll be back tomorrow.

“This work doesn’t match up to the excitement of working as a police investigator,” admits Filer as drives me back downtown.

“But the RCMP has become famous for bureaucracy. More and more, the organization – middle and senior management – has become about appearing to do the right thing. It’s no longer about street-level policing and solving crimes; it’s about playing it safe.”

While Filer is proud to have recently received an RCMP Commissioners commendation for leading the RCMP team that rescued an abducted 11-year-old Armstrong girl named Carmen Kados in 2006 and put her captor Paul Robert Le-Page behind bars, today’s assignment – like the majority of cases in which the prime directive is invisibility – won’t win him any medals of honour.

No wonder private eyes often come hard-boiled. “You get thick skin. It’s all part of the package,” says Filer. “But with PI work, there’s a different level of personal satisfaction. There can be tremendous trauma and suffering with these economic crimes. People lose their homes, their businesses. We give them somewhere to turn for help. And my wife says I’m happier now. Easier to live with.”