

WHEN THE GOVERNMENT COMES CALLING:

Responding to and Preparing for Government
Investigations

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Sotiris “Ted” Planzos assists clients with various white-collar matters including FC PA, criminal and civil securities enforcement, mail and wire fraud, financial fraud, money laundering, public corruption, criminal and civil RICO, perjury and obstruction of justice. He represents individuals, corporate officers and corporations in grand jury and congressional inquiries, parallel proceedings and before regulatory agencies. He also counsels corporations and individuals in compliance matters, and conducts internal investigations.

As a Trial Attorney, Assistant Chief, and Deputy Chief with the Organized Crime and Racketeering Section with the Department of Justice (DOJ) for nearly a decade, Ted supervised, investigated, and prosecuted cases involving RICO, securities, mail and wire fraud, embezzlement, money laundering, extortion, and labor law violations. His efforts earned him the Assistant Attorney General Award for Special Initiative, the criminal division's highest award.

As a Staff Attorney and Senior Counsel with the Securities and Exchange Commission Division of Enforcement, he investigated cases involving insider trading, market manipulation, and financial fraud. Ted also served as a Special Assistant U.S. Attorney for the Southern District of New York, where he was a member of the prosecution team in the Wedtech investigation and public corruption trial of *U.S. v. Biaggi*, et al. Additionally, Ted served as Associate Majority Counsel to the U.S. House of Representatives “October Surprise” Task Force which investigated allegations that members of the 1980 Reagan-Bush campaign secretly met with Iranian nationals to delay the release of American hostages being held by Iran in 1980.

Ted began his public service career as an Assistant District Attorney for Bronx County, New York where he conducted numerous bench and jury trials and evidentiary hearings. He also conducted investigations and prosecutions involving fraud, narcotics trafficking and public corruption and was lead prosecutor in an investigation of alleged corruption involving community school board members that resulted in the conviction of board members for fraud, bribery, extortion, and grand larceny.

Ted earned his J.D. from California Western School of Law and B.A. from CUNY John Jay College of Criminal Justice. He is admitted to practice in the District of Columbia, New York, the U.S. District Courts for the Eastern and Southern District of New York, District of Maryland and for the District of Columbia, and the U.S. Court of Appeals for the District of Columbia Circuit.

Ted's full biography can be viewed at: <http://www.clarkhill.com/people/sotiris-ted-planzos>.

INTRODUCTION

- Employers and employees are more vulnerable when there is unexpected contact by government agents since these contacts can lead to unprepared and inappropriate personnel making statements on behalf of the company that can result in misunderstandings between the company and the government agent, greater government involvement, and greater disruption of the company business
- Unexpected visits or phone calls to your place of business by government officials, regulators, investigators, auditors, and law enforcement officials offer little if any “breathing room” and therefore create a situation that is difficult for the company to control and maintain

OBJECTIVES

- Help you prepare for those unexpected telephonic and in-person visits from government agents
- Provide a basic understanding of the methods the government uses to obtain information
- Provide a basic framework for responding to requests for information in a manner that:
 - Ensures complete and timely cooperation
 - Protects the interests, rights and reputation of the company

GENERAL CONSIDERATIONS WHEN DEALING WITH THE GOVERNMENT

- Always make sure counsel (in-house/outside) are advised of **any** contact with the government before information in any form is provided
- Always deal with the government in good faith
- Always maintain the highest personal and professional standards
- Take steps to ensure that employees understand the serious nature of a government investigation and that they afford it the highest priority
- Remember there are rules regarding gratuities and offers of employment

HOW DO GOVERNMENT INVESTIGATIONS BEGIN?

- Investigation by criminal investigators (DOC/BIS, ICE, FBI, AG, Local PD)
- Referrals from civil investigative agencies (SEC, OFAC, HHS, FTC)
- Audits
- Complaints/Tips from Competitors, Whistleblowers, including current or former disgruntled employees
- Press coverage
- Referrals from other investigations based on cooperating individuals or corporate defendants
- Initiatives focusing on a particular issue or industry

INVESTIGATIONS

- May be civil, criminal, or concurrent
- May involve multiple government agencies in multiple jurisdictions working together or independently
- Are increasing common in highly regulated industries (auto, finance, banking, health care, pharmaceuticals, technology)

A civil investigation may lead to a criminal investigation and vice-versa, so all investigations require thoughtful treatment at the time of initial contact

THE INITIAL RESPONSE TO THE GOVERNMENT

- Counsel should immediately contact the government representative
- Communicate that it is the company's policy that as a general matter it will cooperate with official government inquiries in a complete and timely manner
- Ascertain the nature and scope of the investigation and the company's potential legal and regulatory exposure: Status – Witness, Subject, Target
- Discuss a timetable for the company's response and promise continued interaction in order to manage expectations – **key is to effectively manage the government's expectations**

PURPOSES OF THE VISIT

- Subpoenas
 - Grand Jury Subpoenas
 - Documents
 - Witness testimony
 - Administrative subpoenas
 - Civil Investigative Demands
 - Voluntary Access Letter
- Search Warrants
- Request for Interviews

SUBPOENAS – GRAND JURY SUBPOENAS

- Federal agent shows up with a grand jury subpoena, *it means there is a criminal investigation underway that might have very serious consequences*
- Agent(s) might show up at an employee's home instead of the workplace
- A grand jury subpoena may seem like a civil subpoena, but it is not. Law enforcement has more power than a civil litigant
- The agent serving the subpoena has consulted with an Assistant United States Attorney, and the government has a plan

In civil litigation – a dispute of document production might lead to motion to compel. In grand jury proceeding, it might lead to an indictment for obstruction of justice or witness tampering

SUBPOENAS – GRAND JURY SUBPOENAS (CONT.)

- In most cases, agents hope to catch you off guard and without benefit of any discovery or a legal strategy
- When you first meet the agent, they might start by asking you friendly questions relating to the investigation and never mention that they have the subpoena in their possession
- If you start talking to the agent without adequate preparation your problem can become more complicated
- Lack of recall or precision could be interpreted as obstruction or a cover up

Agents often have preconceived ideas of what the “truth” is

GRAND JURY TESTIMONY

- Counsel is not entitled to be present in the grand jury with the witness
- Counsel can be present outside of the grand jury room and the witness can request to speak with them at any time
- It is extremely rare to explain away a problem by testifying in the grand jury
- The landscape of U.S. criminal cases is littered with individuals who have complicated their problems by testifying in the grand jury

Responding to a subpoena for grand jury testimony requires complex analysis that should be handled by experienced criminal counsel

ADMINISTRATIVE SUBPOENAS AND CIVIL INVESTIGATIVE DEMANDS

- A subpoena is a court or administrative order directing a witness to appear and testify and/or to produce documents
- A “Civil Investigative Demand”, or CID is similar to a subpoena, but can demand production of documents, answers to interrogatories, testimony, or all three
- A valid subpoena/CID should include the name of the court or administrative agency issuing the subpoena/CID; the name of the investigating agent or attorney, and the documents; testimony, or responses requested
- Failure to comply with a subpoena may result in sanctions

VOLUNTARY ACCESS LETTERS

- Voluntary Access Letters (VALs) are similar to administrative subpoenas – a less “formal” request for information
- VALs are usually utilized by agencies in the early stages of a civil investigation (civil anti-trust investigation by Federal Trade Commission)
- Sometimes VALs will be sent to a party after a discussion with a party about what information they might have
- Responding to a VAL is handled the same as responding to a civil subpoena

SUBPOENAS – IMMEDIATE “TO DO” LIST

- Contact lead government investigator to determine whether the company can negotiate:
 - Scope of Subpoena
 - Time for Compliance
 - Production protocol and format including Electronically Stored Information (ESI) and metadata
- Determine whether the company/employees will self-collect documents or whether document collection will be coordinated by counsel and IT professionals (The latter is recommended especially where ESI is requested)
- Coordinate document review for relevance and privileges
- Where testimony is requested, determine who will testify on the company's behalf
- Implement appropriate document retention and hold notice

THE INITIAL STEPS – DOCUMENT PRESERVATION AND PRODUCTION

- Advise potential affected employees *in writing* of the existence of the investigation and request that all potentially responsive documents be immediately segregated and preserved
- Employees should be instructed to search all of their documents, regardless of their form and location
- Contact the IT department and any other department *in writing* that is responsible for document retention and halt document destruction
- Request *in writing* that IT department conduct search for electronic documents

Remember – A routine government inquiry can quickly accelerate to a full blown criminal investigation or search warrant and seizure if documents are destroyed after an investigation has commenced or government believes they are not receiving complete and timely cooperation

OTHER NECESSARY INTERNAL STEPS

- If outside consultants are needed be sure to engage them via outside counsel in order to establish privilege
- Establish attorney-client privilege over all internal communications regarding the matter
- Advise management and board
- Control the flow of information within the company
- When providing information to the government never attempt to use political contacts or special access to the investigating agency to forestall the inquiry or curry favorable treatment

THE MECHANICS OF RESPONDING TO A SUBPOENA FOR THE PRODUCTION OF DOCUMENTS

- Designate a non-lawyer custodian within the company who will not be a fact witness in the investigation
- Ensure that supervisors of employees who may have responsive records understand their roles and responsibilities
- Screen all documents and segregate “hot documents”
- After documents have been gathered, but prior to production, resurvey employees
- Number and copy all records that are to be produced
- Maintain copies of all records produced in a secure, central location
- Transmittal letter to the government

SEARCH WARRANT

- A search warrant is a document issued by a judge or magistrate based on a determination of probable cause, permitting government agents to search and seize tangible property described in the warrant or located in an area specifically identified by the warrant
- Government agents have a substantial advantage when executing a warrant. Agents are experienced in conducting searches, will prepare for and rehearse and surprise the company
- Execution -- “shock and awe” investigative technique. Numerous agents, armed and wearing raid jackets
- Extremely disruptive – normal business operations will effectively be suspended
- Agents will attempt to question employees while searching for documents – considered perfect time to catch employees off-guard and obtain potentially damaging information

SEARCH WARRANT – IMMEDIATE “TO DO” LIST

- Identify the lead agent and establish line of communications
- Request to inspect and make a record of agents credentials
- Contact legal counsel immediately and ask the lead agent to wait until counsel arrive. Assume that the agent will not agree and will proceed with the search, which they are permitted to do
- Request copy of the warrant and fax or email to legal counsel for counsel to ensure that premises are identified and that warrant has not expired
- Designate one employee to deal with and partner with the agents conducting search and takes notes during the search, make a record of agents responses to all requests and communications
- Request the opportunity to close down business operations for the day
- Convene all-hands meeting to notify other employees of unfolding events, permission to leave for the day, rights to speak (or not speak) with the agents, and right to await the arrival of counsel before deciding whether or not to do so

SEARCH WARRANT – STRATEGY

- Determine the scope of the warrant – the Fourth Amendment prohibits the agents from conducting a search beyond its scope without consent
- Be polite and cooperative, but it rarely wise to consent to search outside the scope of the warrant
- Designate a senior administrative employee as the initial “front line” liaison with the agents and maintain communications with them
- Response must be professional, courteous and sensitive to public relations
- Advise employees that they are not to hide, destroy or alter documents in any way and that they do not have to submit to questioning

SEARCH WARRANT – EXECUTION PROTOCOL

- Request an initial sit-down with the lead agent to discuss location(s) of documents identified in the warrant
- Identify agent with IT responsibility and assign Company IT specialist to partner with the agent
- Convene a meeting of administrative personnel who will be assigned to partner with agents conducting search regarding note-taking responsibility, up the chain communications responsibility, and inventory responsibility.
- Negotiate procedure for copying items seized
- Agents are required to leave behind an inventory of items taken during the search that should be sufficiently detailed, obtain detailed receipt for seized items not copied
- Prepare document hold memo for immediate circulation
- Suspend all routine document retention policy purges

REQUEST FOR EMPLOYEE INTERVIEWS

- Government agents often conduct “sweep” interviews in conjunction with the execution of a search warrant. Sweep interviews are designed to corner key employees before they have an opportunity to speak with counsel and can appear very coercive. Agents may seek to interview various employees either on or off company premises
- Typically, the first objective of an agent serving a subpoena or warrant is to interview whoever will talk to him or her. May be the final opportunity for the agent to get information when both the company and the interviewee are unprepared, and before the company fully appreciates why the agents are there. An unprepared employee who is contacted by the government agent is unlikely to realize that the questioning may lead up to a subpoena or warrant
- The interview may be designed to elicit information about an individual or the company, or about another company that does business with the company

REQUEST FOR EMPLOYEE INTERVIEWS (CONT.)

- Prepare employees in the event of a government visit. Employees should be advised (individually or through training) of the following:
 - Investigators have the right to contact them and request an interview
 - They can to speak with investigators and request that the interview take place at a place and time convenient to them
 - They are not obligated to speak voluntarily and have the right to decline to be interviewed
 - They have the right to have consult with legal counsel prior to deciding whether to submit to an interview
 - The company will pay the costs of this consultation and recommend an attorney if you desire. You also have the right to retain your own attorney

REQUEST FOR EMPLOYEE INTERVIEWS (CONT.)

- Should an employee consent to an interview, they should be advised that:
 - They have the right to have an attorney present at the interview, to confer with an attorney in advance, and to terminate the interview at any time
 - That their statements to agents could constitute legal admissions that could be used as evidence against them, the company, or both
 - TELL THE TRUTH, and should state only matters that they know to be fact. A false statement to an investigator may constitute a criminal offense
 - They have the right to counsel before they sign any written statement

REQUEST FOR EMPLOYEE INTERVIEWS (CONT.)

- For employees that were interviewed, counsel should contact that employee and ask the following:
 - What did the agent tell them about the investigation
 - Did the agent tell them what their investigative status was – witness, subject, target
 - Any statements by the agent concerning employees alleged wrongdoing
 - What questions the agents asked the employee
 - What agents the employee gave the agents

WHAT TO DO WHEN THE GOVERNMENT LEAVES

- Contact counsel who may conduct an internal investigation
 - Counsel may conduct an internal investigation to determine the scope of the government's inquiry and the facts surrounding the issue and the debrief those employees interviewed by the government
 - Counsel should conduct the internal investigation in order to best protect confidential and privileged information
 - Counsel may prepare a memo to all employees regarding the investigation and employees rights when contacted by the government
- Protect the attorney-client and work product privilege
 - All documents generated at the request of counsel should be clearly marked "Privileged and Confidential – Attorney Work Product/Attorney Client Communication"
 - Maintain a separate file for the investigation. Access to files must be limited to attorneys and agents of attorneys to protect any privilege

COSTS

- Resulting Costs
 - Government action is expensive
 - Production of Materials
 - Employee time commitments
 - Cost of Counsel

- Mitigation of Costs
 - Insurance: Put insurance carrier on notice early to increase your chances of having insurance pay for some or all of the investigation and/or litigation costs

TOP TEN MISTAKES COMPANIES MAKE DURING INVESTIGATIONS

- 1) Thinking it's going to be fast
- 2) Thinking it's going to be fair
- 3) Thinking it's going to be cheap
- 4) Thinking one lawyer can represent everybody
- 5) Thinking voluntary disclosure can be limited
- 6) Thinking political influence can help
- 7) Failing to anticipate that they will be investigated
- 8) Failing to notify defense counsel before they fire key employee-witnesses
- 9) Failing to coordinate public statements with defense counsel
- 10) Failing to preserve records and electronic information

PREPARE YOUR COMPANY

- Hope for the best, prepare for the worst
- Preparation is smart and cost-effective
- Proactively train employees about what to do in the event of an investigation
- Designate a trained “crisis response team”, including in house counsel, compliance officers, with access to public relations employees or firm. Maintain team contact list
- Designate a crisis response designee for each company site
- Maintain a list of qualified defense counsel whom you can call in the event of a civil or criminal investigation

TAKEAWAYS

- Know your rights
- Plan ahead
- Coordinate interaction with government agents
- Preserve integrity of information
- Respond courteously and cooperatively without waiving rights
- Maintain a calm, thoughtful strategy
- Consult experienced counsel

QUESTIONS?



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THANK YOU

Legal Disclaimer: This document is not intended to give legal advice. It is comprised of general information. Employers facing specific issues should seek the assistance of an attorney.

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