

BACKGROUND CHECKS

DIAGNOSTIC ANALYSIS,
EVALUATION AND TESTING

ONGOING OVERSIGHT

In these uncertain times, financial competence, honesty and integrity are on the minds of investors the world over. Never before have due diligence and responsible risk management been more critical to protecting investors from losses due to fraud or operational and risk management vulnerabilities. Pension Funds, Endowments, Family Offices and Not-for-Profit Organizations, which have relied on investment advisors, audited financial statements, independent administrators and custodians, have experienced significant, and, at times, devastating losses from hedge funds.

The lesson is clear – the discovery of operational and fraud risks in hedge funds requires much more than financial acumen. Investors need a new and higher standard of third party due diligence that can only come from the expertise brought by a team of highly skilled independent investigators.

These times call for thorough and independent due diligence to help protect investors from fraud and operational risk

T&M Protection Resources, through its FIA division (Forensic Investigative Associates), has created a unique Investor Protection Program to guard investor interests throughout the investment cycle – from the initial investment evaluation to the exit. To carry out the program FIA has assembled a multidisciplinary team, including former senior CIA, FBI and Secret Service agents, prosecutors and financial services executives who are expert in detecting the risk embedded in complex financial instruments and derivatives.

This team, which brings the outsider's ability to question assumptions, has the extensive, firsthand knowledge of back office operations and processes that enables it to conduct meticulous background and operational due diligence. Moreover, these diverse professionals come from cultures that demand independence, integrity, and rigorous analysis, qualities crucial to an objective understanding of operational risk.

The Investor Protection Program provides investors with extensive background reports on key individuals and entities and a diagnostic report, which can be updated periodically through an ongoing oversight arrangement, on the adequacy and integrity of the fund's continuing execution process. The Investor Protection Program is designed to provide comprehensive investment due diligence that will enable investors to make informed risk management decisions.





The Challenge:

- Guard against investment fraud and mismanagement
- Confirm the integrity of management and employee backgrounds
- Verify the authenticity of records and the existence of assets
- Evaluate the adequacy of and adherence to risk management protocols
- Test the strength of the control environment
- Identify conflicts of interest in third party arrangements
- Detect changes in operational behavior or investment style that would be adverse to investor interests

Benefits of T&M:

The Investor Protection Program takes an integrated, multidisciplinary approach to due diligence, utilizing a diverse team of highly skilled professionals to carefully scrutinize hedge funds for irregularities or operational weaknesses through the following methods:

Background Checks

- The team will conduct in-depth background investigations of the key individuals and third party service providers

Diagnostic Analysis, Evaluation and Testing

- Analyze financial statements, fund documents, policies & procedures
- Interview executive and operations staff
- Walk through each step of the investment process
- Assess the control environment, risk management protocols and systems, and perform tests of compliance, back-tests and reconciliations
- Verify assets with third parties, review valuation methodology and consistency of NAV
- Examine information and physical security and business continuity plans
- Review third party arrangements, side pockets and side letters

Ongoing Oversight

- Make scheduled and random inspections of fund operations to detect changes in risk over time
- Attend important periodic meetings
- Analyze committee minutes and other documents such as exception reports
- Review changes in service agreements
- Evaluate compliance
- Search for undisclosed information



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