

PEACE OFFICERS

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Schwarzenegger Soft on White Collar Criminals

Overwhelming corporate financial abuse makes headlines daily, yet the Schwarzenegger administration is insisting on more cuts to the very investigators who protect California from fraud.

The Department of Corporations (DOC), the state-level equivalent of the federal Securities and Exchange Commission, is the agency that regulates securities brokers, investment advisors, lenders, and others. An important part of that regulation is the investigation and enforcement of corporate malfeasance – the sort of malfeasance that has led to over \$300 million in losses via mortgage-backed security fraud to the residents of San Luis Obispo County alone.

The enforcement task is handled by an Enforcement Division with just two peace officer investigators, officers who are facing furloughs at a time that California needs them more than ever.

“It is astounding that the Governor is cutting by 10% what is already a small enforcement staff” said Chris Lewis, one of the two DOC Investigators. “The workload of fraud cases is growing, and the clock is winding down on the statute of limitations in some of these cases. Corporate criminals are going unpunished because the Administration puts too little emphasis on fraud investigation and enforcement.”

“We understand the economics of enforcement. Simply put – the state needs to create a desired level of corporate criminal abatement through a two-pronged system of fines and enforcement. The fines need to be commensurate with the probability of being caught in order for the system to remain in economic equilibrium. Enforcement cost should not exceed costs to the economic system. But, can anybody in their right mind say that the economic damage to the financial system hasn't exceeded the cost enforcement by a ridiculous amount?”

DOC is funded through license fees, not the general fund, yet employees throughout the

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department are being subjected to furloughs. While millions and quite possibly billions of dollars are being drained from the state via fraud, the Schwarzenegger administration is taking away resources from an already thin regulatory and law enforcement department. DOC has long been headed by appointees who owe their jobs to the Governor – a Governor interested in political posturing instead of addressing the very real financial problems facing millions of Californians. During the 2005-2006 election cycle the Schwarzenegger campaign received \$42,300 from AIG, the company costing Americans billions of dollars due to lax oversight and regulation.

“The Governor is sending the wrong message to Californians” continued Lewis, who is President of Peace Officers of California (P.O.C.), an employee organization advocating for nearly 3,000 state law enforcement officers. “Schwarzenegger’s inattention to corporate fraud enforcement is echoed in his attitude towards state law enforcement in general. We at P.O.C. have tried to work with the Governor, but it’s becoming clear that the administration is bereft of policy and direction. Every Californian is suffering as he makes a beeline towards the end of his administration in an attempt to salvage his reputation.”

In the meantime, as the economy worsens and crime soars, the Governor is taking State Peace Officers out of service.

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