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Pink Collar Crime in Small Businesses: What to Look For Kelly Paxton

Kelly: Hi and welcome back to the Legal Nurse Podcast. This is your co-host Kelly Campbell. You're in for a treat today. Our guest today is Ms. Kelly Paxton. Thanks for joining us today.

Kelly Paxton is a certified fraud examiner and private investigator. In a second life I'm going to be that. While Kelly was working at a financial services firm, a client was arrested on wire fraud charges. This ended up leading Kelly to a new, much more exciting career as a special agent for U.S. Customs. Kelly has worked for the public and private sectors investigating embezzlement, conflict of interest and workplace investigations. What started as a research project to investigate women embezzlers has now become a website and a very relevant and popular topic.

Welcome, Kelly. Thanks for joining us today. First and foremost, what is pink collar crime? That's the first I've ever heard this term.

Kelly P.: I get that a lot from people. They're like "pink collar crime? I've heard of white-collar crime," but pink-collar crime is actually a term. It was initially developed in the 1970s out of a study, but it was popularized in 1989 by Dr. Kathleen Daly, who was working at Yale. She had an article on criminology.

It's primarily women in the workforce who are in lower level type positions: think office manager, bookkeeper and accounts receivable, who steal money from their workplace. They're trusted employees. They steal petty amounts, but it can go on for a very long period of time undetected. This is pink collar crime.

A lot of people think it's women only, but it isn't, and we'll talk about that in a little bit. Think of petty acts of stealing money from the workforce.

Kelly: When you refer to pink collar crime, the word pink does not mean female only?

Kelly P.: Right. There actually is a new television show on CBS starting Marcia Clark of OJ fame and it's called "Pink Collar Crimes." It's about women solely, and I really kind of take issue with it because the first episode was a woman bank robber.

Now bank robbery is not a pink-collar crime. That's a violent crime, but what's interesting is they kind of brushed over the fact that she falsified a report in order to get a \$4,000 commission check, which would be a pink-collar crime. Her boss came to her, fired her, and said, "If you don't pay us back, we're going to turn you into law enforcement." Well, for her that should have happened because then maybe she would not have robbed banks.

Pink collar crimes are nonviolent. I say it's the position and the act, not the gender, but women are primarily in those type of positions.

Kelly: All right, so how is it then that women steal differently than men? Is it because it's a nonviolent crime, and they're more prone because they're in these positions?

Kelly P.: They steal differently in that, first off, they steal smaller amounts. The glass ceiling [women's earnings relative to men] is 79-82 cents on the dollar, and in embezzlement it's about 45-53 cents on the dollar. Maybe that's because they're in positions where they need double signatures for anything over \$2,500. Well you can steal \$2,450 for a long time, and it does add up over time. They steal differently.

Men are more likely to commit vendor fraud or to make a fake vendor than women. Women will do cash skimming, expense report fraud, and overtime fraud. They are clever, though.

Kelly: This is important to us as entrepreneurs, what we need to do to look out for our own business ventures and interests in our own bookkeeping. Excuse the pun, but what are some pink flags to look out for?

I couldn't help myself. I'm sorry.

Kelly P.: No, I love the whole term, "pink flags" instead of "red flags". You do have a lot of entrepreneurs/solopreneurs in this. Stop and audit. Check things. Let them know you're checking things. If you have your bank

account statements, have them sent home. Look at them and make sure they know you're looking at them.

I have a virtual assistant. I've known her for a long time. I trust her very much, but I'm going to check things, and I'll ask questions. They call it the "Camera Effect." They think that you're paying closer attention than maybe you really are.

You're the boss. In theory you should be. A good example is if she is driving a nicer car than you do. I had a dentist, and dentists get ripped off all the time. Sixty percent of all dentists get ripped off. He jokingly said, "Well she drives a newer version BMW than me. Maybe I should have thought something" and I'm like, "That's what we call a clue." You're paying them, and in theory, you should be making more money than your staff.

Kelly: Right, it's the little things. Keep your eyes open. You briefly touched on how they steal. Can we go over a little bit more in detail about how pink-collar criminals steal? You said timesheets?

Kelly P.: Sometimes it can start honestly as an accident. Something gets put in the system wrong, they see it, it's to their benefit, and they don't mention it. It's like, "Oh wow they didn't catch that so maybe I can start doing this." Say that I know a woman who stole \$450,000. The first time the travel agent made an honest mistake and billed a personal trip on the company card. When she realized it, she's like "They didn't notice it. That was awfully easy," and she wasn't the one who did it.

It can start as a mistake, and then they realize it wasn't caught. It could be that you put in double receipts. You start your trip, and 100 miles becomes 150 miles, and this is all tax-free, you could say, benefits. It can start one way, but then when they get used to the extra money, it's "Maybe if I did this also," so cash skimming begins. That's a big one, especially in medical offices. A lot of doctors don't even realize how much cash they take in.

Kelly: Yeah, those are things to think about. Now, talking about that, what are some easy deterrents, or how can we as entrepreneurs protect ourselves or share ways to not do it?

This is a whole new way to not be so naïve.

Kelly P.: One of the things that happens when I meet people and they find out what I do, they say, “I sign all my own checks.” I just kind of smile, and I sit there. Maybe they see this sort of smile on me and they're like, “You're kind of looking a little strange at me.” I'm like, “I could steal all sorts of ways without ever even touching a check,” and they're like “What? Like how?”

I'm like, “What about do you take Visa payments? Do you take debit cards?” “Well yeah.” “What about refunds? Do you have a policy? Is the card that the payment was put on, that's the only card that can be refunded too?” They're like, “I don't know that.”

It's not just about the check. There are other ways, especially with technology. It's kind of like CTRL-SHIFT-DELETE. Things like Paypal have made it easy for us as business owners, but they also lead to other ways that crafty people can get at cash.

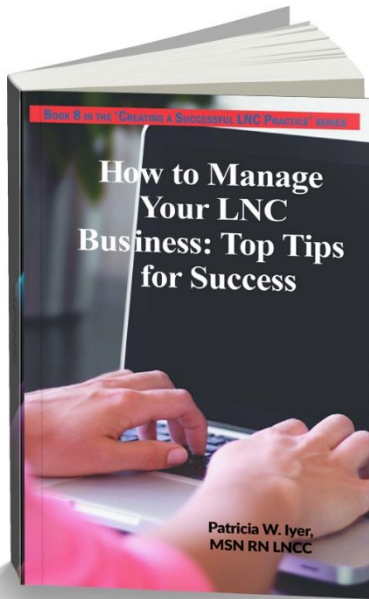
Kelly: Can you give us specific examples about that?

Kelly P.: Yeah. We're not here to learn how to do it but just to give a couple of examples. The biggest way that people are going to steal is from forged or unauthorized checks, but that also goes towards automatic payments. Think about all the automatic payments you make every month these days.

Kelly: Yes, so how do we protect ourselves? I'm not wanting to teach people, but how do we protect ourselves?

Kelly P.: The one thing is that sort of camera effect. Make sure your employees think that you are paying attention to it whether you are or not. Walk by them and say, “Can you come take a look while I look at my bank account online?” and then they're like “Oh, they look at their bank account online.” Make sure you send your bank statements home.

There are so many cases. With Photoshop these days, you can make all sorts of bank statements look like there's money in your account. Definitely send your bank statements home. Don't have the person who picks up the mail or takes the cash be the one who takes it to the bank. That's just segregation of duties. With solopreneurs, there are a lot of you just bootstrapping it together. I would say the biggest thing is to make sure your employees think that you are paying attention to the little things.



This is Pat Iyer. I will stop this program for a minute to share a resource that I think will greatly help you manage your legal nurse consulting business. I wrote this book, *How to Manage Your LNC Business: Top Tips for Success*.

All this talk of embezzlement may scare you if you have employees or think you'll have employees one day.

The reality is that if you want to grow your LNC business you will need to rely on others to handle invoicing and collections.

By following some safeguards, you can avoid being a victim of embezzlement.

This book is focused on how you can successfully manage your LNC business.

Section One focuses on the business processes that allow you to profitably manage your business. You will learn how to map out your business and pinpoint the essential factors. This section includes pointers for financial management, as well as how to accomplish your goals. You will discover to get more done through controlling distractions and effectively outsourcing and hiring.

Section Two includes tips on the most important relationship in your business – the one you have with your clients. You'll learn how to deepen your connections with your clients through your communications. When conflict or the need to negotiate arises, the tips in this section will give you the confidence needed to tackle some of the world's best negotiators. Lastly, you'll see how an attorney views the skills of an LNC.

How to Manage Your LNC Business: Top Tips for Success is one in a series designed to give you the essential knowledge you need to grow your business. Order this book at <http://LNC.tips/creatingseries> and use the code listed in the promo coupon box for a 25% discount.

Kelly: Is there a typical pink-collar criminal profile, to help us weed them out?

Kelly P.: I would say you and I are typical. Generally speaking, there are a couple of different studies out there. Between 40 and 55 is kind of the average, but I tweet about young women in their 20s doing it. A woman was 80 years old, and she stole.

Think about your burn rate, when you spend the most amount of money. It's when you have kids. Between 40 and 55 your burn rate is highest. That's probably when you need the most amount of money. Also, typical, I would say, is the change of lifestyle circumstances. Say they have a partner who has been laid off, fired, terminated, or has left them, and all of a sudden, they're the primary breadwinner for their family. That just puts a lot of pressure on them.

Kelly: This is just a fascinating topic, and I'm realizing how naïve a person like myself can be. What are some more statistics about pink collar crime? I am going to watch this TV show or maybe not, but it is intriguing.

Kelly P.: It's definitely intriguing. One of the things that I say pink collar crime is, I say it's the relatable crime. I use a lot of hashtags. I love hashtags. Most of us don't relate to Bernie Madoff. Unfortunate as it is, we also kind of don't really feel sorry for his victims, even though we should. There have been lots of suicides. There's just been absolute devastation, but most people are like "Bernie's victims were very wealthy, and we don't feel sorry for them." But when you see the local soccer club, you see the school district and the water district, the thefts are committed by kind of our neighbors. They're the moms or the potentially dads of kids that our kids go to school with.

I did a presentation and by the end of it a woman came up to me and goes "I realize I know five pink collar criminals." She's in a small town. She goes, "I literally know five pink collar criminals," and one of the stories is one I highlight.

The guy, the owner or the businessman looked out his window one day, and he saw that his admin was driving a brand-new Cadillac Escalade. Then he realized she's talking a lot about a very expensive hobby, so he started digging. She had stolen \$800,000. It was just by

him looking out the window one day going “How does she has that nice of car?” It's that paying attention to the lifestyle.

One of the big flags is gambling. I don't have employees. I would tend to find out if they like to gamble. Gambling, especially for women, is a big issue these days. Growing up, you only had Vegas and Atlantic City. Now you can even buy lottery tickets at the grocery store. If you have an employee who gambles, I would say to be really careful.

Kelly: Feed us information?

Kelly P.: Another big one is if you have an employee who never takes a vacation, a huge pink flag. The reason they can't take a vacation is because you might get or the person covering for them might get a phone call saying, “You know that statement I got is wrong. I made that cash payment last Friday or three weeks ago and it's not showing on there.” They can't miss work because someone might open the bank statements if they're being sent to do the work and say, “Wait, I didn't think we had this account. What is this account or how is it that we have this Visa bill?” If your employees aren't taking vacations, that's a huge pink flag.

There's a woman who stole from her dad's own bank in the 1950s up until 1961. She stole \$2.15 million, which is the equivalent of \$17 million today.

Kelly: That's so sad.

Kelly P.: I know, and the bank went under. When she was arrested, she said she was exhausted because she had to constantly juggle things. This was before Excel tables. She was having to manually keep track of things. She said that she was exhausted. She went to prison for five years, came back, and her parents let her move back in. She allegedly went and worked for a federal regulatory agency. She audited people who weren't taking vacations because she knew she couldn't take a vacation because she was hiding things.

Kelly: Wow, oh my. The life of a criminal...

Kelly P.: They're exhausted. They're tired. I've had two women reach out to me who both went to prison for stealing. Both of them said when they got contacted by the detective and went into the interview that they threw

up in the detective's interrogation room. They both hurled. Now I haven't had that. I've had a woman get taken away in an ambulance because she passed out due to the stress, and I haven't even started asking her questions. They are physically sick.

Think about if you went to work every single day, and every single day you were lying to your boss and to your co-workers, what that would do to your gut and your mental health. You're wrecked. It's kind of like having an affair, and “Oh God, am I going to get caught today?” Every time your boss calls you in, you're like, “Oh my God, did they find out?”

Kelly: It's a double life. You're a criminal.

Kelly P.: Yes. Women tend to confess really quickly. They are more likely to confess right off the bat.

Kelly: Out of your experience, who is the queen of pink-collar crime?

Kelly P.: That is Rita Crundwell.

Kelly: You have an answer!

Kelly P.: I do!

Kelly: Okay.

Kelly P.: She actually was from Dixon, Illinois and maybe your listeners know that Dixon is the hometown of Ronald Reagan, “Trust but verify.” She was the comptroller. She stole \$53.7 million over 20 years.

Kelly: Oh my.

Kelly P.: Yes \$53.7 million, so not petty amounts. It was over a very long period of time. Generally, woman can steal for longer periods of time. Once men steal, they kind of go crazy, and it's shorter periods of time that it takes them to get caught.

One thing I really want your listeners to get out of this is tips. My biggest cases have come from tips, co-workers, alert lines if you're big enough where you have an alert line. Co-workers pay attention. If you have a big business, you can't pay attention to everything. The co-workers know, so pay attention to what your co-workers say to you.

- Kelly:** Such an interesting topic. I'm sorry that I just was all over the place and full of so many random questions. I just have never thought about people like that. I guess I need to not be so naive with thinking someone would do that right under your nose.
- Kelly P.:** That's the hardest thing. Money is replaceable, but once you have been a victim of this, you really have a hard time regaining any trust because you're going to look at everyone a little differently, like are they going to steal from me again? Money is replaceable, but trust is much more difficult to replace. You can always work a couple of more years, but how do you regain trust once you have been violated by this?
- Kelly:** Yeah that's sad. Well let's tell our audience how to reach you if they're needing some more tips or needing your assistance. Hopefully they don't, but I have a feeling if there are other naive entrepreneurs out there, they might need your assistance. How can we tell them how to reach you?
- Kelly P.:** I've got two websites, www.pinkcollarcrime.com which is just kind of a fun website. There's a lot of great information. I have the Top 5 Woman Embezzlers as a free download on it. I tweet all the time, which is @pdxcf and then my other is just www.kellypaxton.com. You can reach me through my websites, or you can tweet at me. I love Twitter. I'll be happy to talk with anyone who has any type of questions.
- Kelly:** All right one more question. Do you own a pair of pink high heels?
- Kelly P.:** I don't, and whenever I show up to do a presentation people are like "Why aren't you wearing a pink collar?" I'm like "Because I'm not a pink collar. If I'm wearing a pink collar, that means that I've done it." There's always someone in the audience with a pink collar and I'm always like "Look she's got or he..." Men are now wearing the pink shirts these days.
- Kelly:** Yeah, you can't discriminate. You taught us that in the third point. Well if you're not into pink collars, get a pair of pink stilettos.
- Kelly P.:** I think so. I think I will do that, always anything to buy shoes.

Kelly: Well thank you. I've learned a lot. Eyes wide open, entrepreneurs, so thanks for joining us. Audience, don't forget to tune in and like us. Listen to us next week. Thanks so much, bye-bye.

Be sure to get your copy today of **How to Manage Your LNC Business: Top Tips for Success**. Go to the link <http://LNC.tips/creatingseries> and use the code listened to get a 25% discount. That is all for today.

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