



Fool Me Once

A discussion with author and forensic accounting expert Kelly Richmond Pope

KPMG Board insights podcast



Announcer: Hello, everyone, and thanks for joining us. This is the KPMG Board Insights podcast, and this episode is about fraud and white-collar crime. This series is brought to you by the KPMG Board Leadership Center. The KPMG Board Insights podcast features conversations with directors, luminaries, and business leaders exploring the emerging issues and pressing challenges facing boards today. In this episode, BLC Senior Advisor Stephen Brown talks to Kelly Richmond Pope, forensic accounting expert and author of *Fool Me Once: Scams, Stories, and Secrets from the Trillion-Dollar Fraud Industry*, about her research on fraud perpetrators, victims, and whistleblowers.

Stephen Brown: Hi, I'm Stephen Brown with the KPMG Board Leadership Center. And today, we're talking with Professor Kelly Richmond Pope. Her research on executive misconduct culminated in directing and producing the award-winning documentary *All the Queen's Horses*, which explores the largest municipal fraud in US history.

In 2020, the AICPA, the American Institute of Certified Public Accountants, named her as one of the 25 most powerful women in accounting. And our subject today is actually to talk about her new book, *Fool Me Once: Scams, Stories, and Secrets from the Trillion-Dollar Fraud Industry*. So, welcome to the podcast.

Kelly Richmond Pope: Thank you so much for having me.

Stephen: I read this book, and I've been encouraging everyone else who I meet to read it because it's written by this great academic, you, but it's not an academic book. This is written for the masses. And I

think I shared with you that I have the hard copy, and I have the audio book, and so I was listening in my car with my wife in the passenger seat, and she fell in love with it, and I had turned it off at one point, and she said, "Turn it back on." What she loved about it were the stories. So, I want to get into what you have in this book, but I have to say, just a little bit of your background. How do you get into fraud?

Kelly: Well, I think my inspiration and motivation comes from a couple of places. One, everything starts in the classroom. I look at the classroom as my lab. But the classroom, it's the foundation of everything. And I think that most adults these days would agree that they are lifelong learners. And so, we have to figure out ways to engage people so that they will continue to be lifelong learners. And so, fraud is the backbone, the foundation of everything, right and wrong with our society.

When you think about the problems that we see in organizations, a lot of times, they come from an internal control weakness in an organization that allowed someone to take something, and a lot of times that something are assets. But what I wanted to do was force people to realize that we all can be susceptible to either being a perpetrator, being a victim, or being a whistleblower. And hopefully, you're not all of those things at the same time. But this idea, that this is embedded in our culture, and we all can fall either victim or be a perpetrator.

And so, I wanted to really expose that and talk about that more broadly, because I think when we realize our own personal weaknesses, that's where the growth starts. When I was younger, I had a neighbor,

friend of my parents, who committed wire fraud, money laundering, and embezzlement from his employer. And I remember being at a very young age, high school, about to go to college, and that was really my first exposure of “adults gone wild.” And you know, I was thinking to myself, “How does somebody that seems to have everything going for themselves find themselves in these situations?” And what really fascinates me about white-collar crime is a lot of times, it’s first-time offenders that have found themselves mixed in a pretty difficult situation. So, I’m just fascinated by it, just for so many reasons. It’s like people think that they are absolutely ethical, and yet, and yet, and yet. And I’ll just leave it there. You can fill in that blank. So, I’m just fascinated by how we can rationalize anything we want.

Stephen: Well, on that point, let me first agree that you certainly, when you read this, as the reader, you see yourself in many of the perpetrators. And, by the way, you sort of walk through categorizing perpetrators and victims. But you certainly see yourself, so you have empathy with it, and that’s why you keep reading. You are a vivid storyteller, and I want to get into some of these [stories]. I think that’s part of the efficacy of learning, is to tell these stories. And you have categories for different people, and you sort of have a nomenclature. Can you walk through some of those? The way that you define perpetrators and victims, the different categories that you put them in?

Kelly: Sure. So, the way the book is organized is forcing all of us to understand that there are different categories of perpetrators. And so, a lot of times, we’re watching true crime on TV, or we listen to a podcast. What we are listening to are the actions and experiences of something I call an “intentional perpetrator.” And that is a person that knows the insides of an organization, knows the weaknesses, and exploits those weaknesses for direct personal gains. So, a Bernard Madoff might be a really good example of somebody that is an intentional perpetrator.

And what I think we do as a society is, we distance ourselves from the intentional perpetrator because they are so in-your-face wrong that you’re like, “I would never do that.” So, that allows us to start this narrative of, “That’s them, never me, not us.” But what I want you to open your eyes to is where there’s these two other categories that you could actually be. And that is an accidental perpetrator and a righteous perpetrator. And so, an accidental [perpetrator] is a person that is following the boss’s orders and finds themselves making a fraudulent entry, agreeing to

something just because they were asked to do it, and not because they were trying to manipulate for personal gain.

And a righteous perpetrator is—this is one of your stars in your organization. And so, oftentimes with stars, celebrity corporate people, the rules don’t apply to them. They can get away with almost anything because the last thing we want to do is anger the star—the person that has the coveted client, the person that sells the most widgets. We don’t want that person to leave us, so we keep them happy. And the last thing we ever want to do is burden them with rules and regulations and controls. We let them do what they want. So, a lot of times, those stars can then abuse that power. And what you’ll see is, they will use that power to help someone outside the organization. Now, I call them righteous because they really at their core want to help someone, and they don’t receive any direct personal gain, financial personal gain, because they don’t need it. So, those are the perpetrator categories. And there’s two chapters in the middle, and I talk about victims from the individual perspective and the organizational perspective. So, innocent bystanders and organizational targets.

Then, I move on to the last third of the book and talk about whistleblowers. And whistleblowers are a very interesting category because we need them. And we don’t always embrace them. And we actually really don’t even want to be called one because of the negative connotations around whistleblowers. But we sure do need them. And so, just like I wanted to break down the perpetrator category, I did the same thing with whistleblowers, saying that you can either be an accidental whistleblower, a noble whistleblower, or a vigilante whistleblower.

Accidental—they just stumble upon an issue and then they report. Noble is the person that is in a group, doesn’t turn a blind eye to an injustice that they are noticing, everybody [else] in the group, though, does. And they report. And when they do, they’re attacked. Now, the vigilante whistleblower—and I can say, at this point in my life, I’m probably a self-proclaimed vigilante whistleblower—that’s the person that just doesn’t mind their own business. They know justice. They’re your employee that knows the code of conduct from top to bottom, and when anybody gets out of line, they’re reporting you. Now, think about this. We really want a person like that. We may not want our whole team like that. But we do want someone that is paying attention to make sure everybody stays the course.

And so, I sort of liken a vigilante whistleblower to the elderly woman that sits in the window watching the cars go by. When she sees somebody that's speeding, she's jotting down that license plate. She's calling the police to report them. That's your vigilante whistleblower. So, that's really how the book is organized and followed through with stories of personal experiences of mine, because what I started doing a long time ago was doing on-camera interviews with white-collar felons, whistleblowers, and victims of fraud. So, the book really is—it's story-driven. It's character driven, but it has a little bit of me throughout the entire story.

Stephen: You read the book and you can tell how much work went into doing exactly that—your methodology of finding and interviewing your subjects. And often, you're on the road lecturing with them, and they certainly come to your class. And you've talked about that. You get close to your subjects.

Kelly: I do.

Stephen: Yeah, you could tell that in your writing. So, let me ask you this if you don't mind. Can you get too close? It seems like you've become sort of really good friends with some folks who have served hard time.

Kelly: You know, that's a very interesting question that nobody has ever asked me, and I've been asked a lot of questions. Can you get too close? You know, I think I empathize in a way. I respect all that I have learned from them, and I think that my closeness really comes from the personal development that I've been on through their journey. And so, I feel as though I've learned so much, that I've had so much self-reflection, that I owe them some level of respect because I've received so much personal growth through their lenses. And so, I feel like I don't know that I can get too close, because you think about this. The interviewees are sharing the most embarrassing thing that has ever happened to them. And they're sharing it with me and my students, and the general public of whoever I feel that should know this story. So, there's a vulnerability that they're sharing with me, and I feel as though in return, I've got to give them a piece of me back. And so, that's how I've always looked at the exchange. There has been, I'm sure, at least one or two situations in our lives, maybe when we were younger, that we just didn't get caught. You know, it didn't change the trajectory of our lives. And so, when I get into these stories, I mean, it's very emotional, because these people, whether they are offenders or whistleblowers, what's really interesting is how parallel those lives are, because the destruction is

very similar. And you wouldn't think that. You wouldn't think that a person that is abiding by the law has the same kind of struggle as a person that has broken the law. But the emotional turmoil is very, very similar. I guess I would answer that question by saying, no, I don't think I could get too close, because in order to really understand the thought process, not so much the psychology, because I'm not a psychologist. I'm not a psychiatrist. But to just understand the emotional roller coaster that the subject is on, it requires you to open up. So, I owe them that. I just, I feel like I owe that to them.

Stephen: The reader definitely has the opportunity to empathize with the folks in your story. And I think that's what makes it really a great piece of learning for individuals and organizations about how this comes about. And it may be surprising to many—and you just said it—that the impact on the perpetrator and victim is often the same. And you go through some whistleblowers who are quite famous now, that most folks would know of their incident. They've been on international TV. But you bring to life some of the turmoil that they've experienced, which was not covered in the popular press after they became whistleblowers, which lends to the story about how rare whistleblowers are because of what they go through.

Kelly: So, I remember in the early days when the book came out, I was reading a few reviews, and one person said, you know, "The author empathizes in a way that I just don't like. They're scum." And I was like, "You know, you could be them. You might not be an intentional perpetrator, but you could be an accidental perpetrator, or you could be a righteous perpetrator. So, let's not judge too far, because you never know when it can happen."

You know one thing that I did—I do a lot of lectures in professional audiences—internal auditors, lawyers, C-suite executives. And towards the end, I always play this game with them that I created that tells you what type of perpetrator or whistleblower you would be. And what's interesting when we're analyzing the perpetrator situations, it's shocking to watch the evolution of the audience say, "I agree with this unethical behavior. It's not a big deal, because everybody does it." You know, those small transgressions can build and build and build and build. And so, I think when we don't give people situations to respond to, we never really learn how they would respond. So, it's been a journey, definitely been a journey.

Stephen: Do you have a favorite or a group of favorites—folks that you profile in their situations in this book?

Kelly: Oh, man, Stephen, these questions are tough.

Stephen: Well, let me start with this. Can I share with you, professor, my favorites? The story about the documentary film that you made, *All the Queen's Horses*. It was fascinating. One, I got to view the documentary, which is pretty fascinating—the largest municipal fraud that we've had in this country. And then also to learn the fact through your book that you've interviewed just about everyone who was connected to that—victims in it. And the only person you didn't interview was the actual perpetrator because she would not allow you access to her. And that story is pretty fascinating, how you got just about all the information, but, unlike the other stories in the book, where you actually talked with the perpetrator, you didn't have access to her.

Kelly: You know. I feel as though Rita Crundwell, who is the perpetrator in my documentary, *All the Queen's Horses*, she speaks to me through her scheme. She speaks to me through how her fraud was discovered. And she speaks to me through the reactions of the victims. She also speaks to me through the outcome of what happened to her. I don't know if we should spoil it or not—where she is now. Maybe we'll get to that. Maybe we won't. But I think that her voice, her actual voice of omission, is almost a good thing, because it allows the reader or the viewer to develop their own judgment around her. Because the one thing that's going to happen if we enter Rita's voice into this, whether it be the movie or the book, you're not going to believe her anyway. Then, she takes over, as you analyze her truth or lack thereof. So now, with the omission of her, it allows you to think about the fraud, think about the schemes, think about the red flags, the internal controls miss, and that's what I want you to focus on. I don't want you to focus on, do you believe her or not? I don't want you to focus on that. So, I almost think at this stage, the omission of her voice is a good thing.

Stephen: By the way, the other section I really appreciated was the entire whistleblower section. It gave me great insight ... into stories which most folks may know, but it went a little bit deeper. You're a professor, and you have young folks in front of you—younger millennials, Gen Z. How, as an educator, can you encourage more of your students when they get into the corporate space to actually be whistleblowers? Because that's a very tough thing to do.

Kelly: It is tough, and I think, what I try to counsel my graduate students when they are going out into the world or continuing to be a part of the world is, understand the organization that you're a part of, because that organization says a lot about you. And if that culture doesn't match who you are, get out before it's too late. And the same thing when I'm talking to leaders, business leaders, executives—the same thing. Think about the culture that you're creating where people will feel comfortable even coming forward with information.

And so, when I read about fraud schemes in the news, a lot of times, we are so fixated on the perpetrator and what they did. But there's a whole ... other list of questions that we need to start asking. And that is, what was the environment that allowed the person to even think that they could do this? And so, that tends to be what I am very interested in. And so, for a while I followed the Theranos case, and I read *Bad Blood* by John Carreyrou, which is an outstanding book, and I watched "The Dropout" series on Hulu. I've listened to The Dropout podcast that ABC studios did. And what, to me, was the most fascinating piece was all the people that watched this. You know, all of the people [whose] voices that were silenced that had questions. That was very interesting to me. My question is, what were the conversations like in the boardroom, in the conference room, to convince people that you could that you could defraud them that way? So, forget the perpetrator. Let's talk about the environment. And I think that's where the growth of organizations really happens, when we start dissecting the red flags missed, the omissions of the internal controls. And I think that's really the conversation that we must start having.

Stephen: And indeed, I think that's a really good learning point for organizations, for board members, for audit committee members to understand that. The two things I took away from your book [were] that fraud can happen anywhere and to anyone, and to really embrace that. Because, as you said in the beginning of our podcast, there are a lot of folks who think not. And they just think of the wrongdoings and the evilness of the folks who perpetrate this. But part of the real value of this book is for you to see yourself in some of these perpetrators. And then the second thing is that trust is deeply important, but, as you say, trust is never an internal control. So, to understand the environment and the post mortem on a lot of these crises is about what was the environment that allowed the perpetrator to do what she did or what

he did. It's deeply important for directors, particularly, to understand. Last question for you, which is, what's next for you?

Kelly: What's next for me? You know, I've reached a point in my life where I do not have an answer to that. I don't know. I have a lot of projects that just have now come to completion. I've been working on an immersive learning technology that immerses you into a fraud scenario. So, it has documentary filmmaking. It has searching through evidence. And it's all based on true crime stories. We have an accounting version, auditing version, tax version, a fraud schemes version. And so, I've been working on those and been doing workshops around them, using them in the classroom, but that wouldn't be really what's next, because I've been doing that.

So, some people ask me, is there going to be another book in me? I don't know. This summer I'm supposed to be participating in a program called The Inside Out [Prison Exchange] Program. And what it does is it teaches you how to teach in the prison system. So, I might be going into Cook County Prison in Chicago, Illinois, and teaching some accounting courses. So, who knows? But you know, something that you said as you were talking before this last question was about the role that directors and board members have. And I think when it comes to fraud, [independent] board members have a very interesting role because they are so external to an organization that finding out that fraud is happening is tough.

So, you have to make sure you're asking the right questions when you're on your various committees because you're so external. You know, you think about when you go to a doctor's office and the doctor is asking you a series of questions. You're filling out a series of forms to get the overview of the health of the patient. And think about the role of [an independent] director in a very similar way. You've got to have a survey of questions that you're asking to even understand the tone at all levels—bottom, middle and higher, at the top—so you can even formulate the right questions to think if fraud is happening in the organization that you may be a director on. And it's tough because you are so external. If you were inside the day to day, it'd probably be a lot easier for you to figure out what's going on, but it's why you have to make sure

as an [independent] director, you're asking the right questions, you're probing. You're asking the right balance of open-ended and closed-ended questions, but you keep probing because it's hard to know.

Stephen: Absolutely. And professor, academic research is always important for us but you've made this book really accessible to everyone. Not all academic research is for the masses to read and digest.

Kelly: Most academic research is not for the masses.

Stephen: I didn't want to say that. You're a professor, you have the license to say that.

Kelly: And it's unfortunate, because there are some brilliant colleagues that I have, just brilliant, also in accounting, outside of accounting, outside of the business school, some brilliant colleagues. But we've got to figure out a way to be a part of the conversation. And so, there's so many things that are stacked up against us—the research process, the length of the publication process. Think about it. If you're asking an important question today, in 2023, but it takes six years for the article to get published—and it might be published in an outstanding academic journal—how relevant is that going to be to a board of directors, to a CEO, to a CFO? And so that's the problem. So, I wanted to really make sure that my thoughts, my passions, could really be shared, and have a scalable impact on society in some kind of way.

Stephen: Thank you very much. Thank you for your time, and to our listeners on the podcast, thank you for your time, and joining us in listening. And I can't encourage you enough to go out and secure this book, *Fool Me Once*. Professor Kelly Richmond Pope.

Kelly: Thank you so much for having me, Stephen. It was a great conversation.

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Contact us

kpmg.com/us/blc

T: 800-808-5764

E: us-kpmgmktblc@kpmg.com

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