

EPISODE 649

[INTRODUCTION]

[0:00:37.7]

FT: Welcome to So Money, everyone. Ready to get forensic on the human condition? Welcome to So Money. I'm your host, Farnoosh Torabi. We're going to dig into what actually has people create crime. Not just any crime, financial crime. What is actually behind it, the motivation, the mindset?

To bring this to life, we have Kelly Richmond Pope on the show. She is the genius behind the movie All the Queen's Horses. It is a true story of Rita Crundwell, one of the national's leading quarter horse breeders, who was also arrested in 2012. She was the largest municipal fraud perpetrator in the country's history.

She embezzled upwards a \$50 million dollars as a comptroller and treasurer of Dixon, Illinois. Now it's not \$50 billion or \$60 billion, like Bernie Madoff, but \$50 million is a lot of money and we're talking small town Illinois.

We're talking about a woman who was trusted. She was a horse breeder. There were no signs that she was going to be stealing your money, but were there? The film has actually won HBO's best documentary award at the Martha's Vineyard African-American film festival.

Critics are going nuts. They love it. Kelly is not just a filmmaker, she's also an associate professor in the school of accountancy at MIS at DePaul University in Chicago. There she teaches a lot of different courses around accounting and also a course on leadership. She is also a speaker and an author.

She's worked in the forensic practice at KPMG on anti-money laundering engagements, insurance fraud investigations and fraud risk management projects. She is well-versed in the forensic accounting field and she's on a ton of forensic accounting seminars around the world for universities and corporations and governments. She really has this perspective that few of us

really have, not just on the accounting world. But I think in doing this documentary too, what actually drives people to commit crime of this scale.

This is a good one. Here we go. Here is Kelly Richmond Pope.

[INTERVIEW]

[0:02:50.6]

FT: Kelly Richmond Pope, welcome to So Money. It's great to connect with you.

[0:02:54.0]

KRP: Thank you for having me.

[0:02:55.4]

FT: It's such a great time to have you on the show, because recently listeners Kelly's film, the documentary All of the Queen's Horses won the HBO's best documentary award at the Martha's Vineyard African-American Film Festival. You're a busy lady. You're not just a filmmaker.

[0:03:11.6]

KRP: No, I'm not just a filmmaker. I'm also an accounting professor and some days I dabble in some freelance journalism and I have a business. I keep busy. I keep busy.

[0:03:24.6]

FT: Well, I'm very interested in All the Queen's Horses. I understand this is a film that looks closely at a – I guess, it was a horse breeder in a very small town. Was also the comptroller of the community and she was basically embezzling over what? 50 million dollars over a series of years.

[0:03:44.6]

KRP: Yes. Yes.

[0:03:45.4]

FT: A, how did you learn about this and what fascinated you most about it? Then at what point did you just saw this needs to be a documentary?

[0:03:53.3]

KRP: Sure. Well, I teach forensic accounting. I'm a former forensic accountant from one of the big four accounting firms. Professionally, this is what I did. When I left the firm, I still had that desire and that interest of investigative work. When I went back to teaching at St. Paul University, I still was interested in these crime stories.

I was going around the country interviewing white collar felons, whistleblowers and victims of fraud. I take a team of people with me — camera, sound — to learn more and record these stories. When the Dixon story broke and hit the news, big headlines; *City Comptroller Embezzles* at the time they thought it was \$30 million dollars and I was like, "Whoah, this is crazy. How does one person steal that much money?"

We started going back and forth to Dixon, and Dixon is about a 100 miles west of Chicago. We just started talking to people. As I started getting into the story and talk into people I just felt like this needs to be turned into something larger. Because once you get beyond the fact that this one person stole the money, what you then start thinking about is how was it discovered? Could this happen anywhere?

I'm sure it's happening somewhere as we're talking, but I felt like people needed to truly understand how this could really happen, because if it can happen in Dixon where there is a population of 16,000 people and an annual budget between \$6 and \$8 million dollars, if one person can steal \$53 million dollars in that area, we know that this is happening all over. I

thought it was an important story to tell, and that people needed to understand why, why and how.

[0:05:46.7]

FT: Just to explain to listeners, we're talking about the true story of Rita Crundwell. She was or is, I guess was, she's in jail now, one of the nation's leading quarter horse breeders. She was arrested in 2012. It was the largest municipal fraud perpetrator crime in the country's history. As you mentioned she embezzled over \$50 million dollars as the comptroller and treasurer of Dixon, Illinois.

Kelly, you are obsessed with crime and can I say that? Is that's fair to say? Literally –

[0:06:18.8]

KRP: I'm a lover of all things fraud.

[0:06:20.6]

FT: You're a lover of all kind. I was reading about you. I was doing my research and I came upon an article where you had a very bold claim, which is that we're all capable of committing a crime. Do you really think that why is that?

[0:06:38.0]

KRP: Well, I think that we all have the propensity to rationalize our way out of a decision, or out of a choice. I think one of the reasons why we keep seeing so many headlines about people that seem to have everything going for them, and they commit these crimes is because we all are capable and we often push the envelope.

We sometimes just see, can we get away with it? Often, it's small things like speeding, or claiming too much on reimbursement at work, or using office supplies for personal use. We all make these little missteps all of the time. But we rationalize them that they're not a big deal.

When we think about that, I would guess that most of us do something every day. Now, it could be small, but we still do it. That's why I think that we are all capable. I've spent a lot of time interviewing everyday people that you work with, that you worship with, that you went to school with. Those are the people that are in the headlines, those are the people that I tend to find myself sitting across a coffee and hearing about how they had it all they just made that one decision that really ruined their lives.

I think we all have it in us. Not to say that we all exercise it, but we all think about it. We all are capable of thinking about it. When you know that about yourself, I think you're more vigilant to stop the behavior. But if you think that it can never be you, that's when I think you should be cautious.

[0:08:23.3]

FT: Should we have any empathy then for criminals? That with that philosophy.

[0:08:30.6]

KRP: I think actually with that philosophy, that should allow us more empathy. Because we can understand, we should be able to empathize more how a person can do something like this. If you take this case, if you take this documentary and you say, "Rita stole \$53 million dollars." It sounds like a whopping amount of money. But if you think about how the structure of Dixon, here is a person that worked in an environment where there were no controls around the money, and she was the only one that had access and controlled the money.

It's almost like if you had a safe that just was sitting in the middle of the road and was open and had money just spilling out of it, how many people do you think would just walk by the safe and not take any money? How many people do you think would call and turn the safe in? That's how Dixon was to Rita. Nobody was looking, so she started taking.

I think that because using that safe analogy, we can empathize, we can think about, "Yeah, well maybe I'll take \$50. No one is looking. Somebody else will take this, so I'm going to take it

before they can.” I think when you realize that you can relate to a lot of these stories, then you are able to empathize.

Now most of my time is spent with everyday people that commit a crime. I often don't interview the Bernard Madoffs of the world, because I think that in Madoff's case, he had reached such a high-level that a lot of people can't relate to the level that he reached. But when you think about a person that is a vice president or manager or even a staff role in a company, you can often relate to their life experience. I think that that allows you to empathize a little better.

[0:10:25.4]

FT: I wonder if that has anything to do with why us as a culture, we're so obsessed with crime shows and crime documentaries, right? As we're talking, it's making me wonder maybe it's because we're like, in some ways feeling a connection.

[0:10:38.8]

KRP: I think we are. That's a great point. I think that we do feel a connection. I mean, when you think about just from the past couple of years, some of the shows or movies and documentaries that were nominated for Oscar's, a lot of them had a crime theme. If you think about some of the content that's currently on Netflix, Orange is the New Black, Ozarks, Narcos, Breaking Bad, all of those kinds of shows, we're drawn to those main characters, those anti-heroes for a reason.

I think part of it is we're just fascinated with the ability for them to get away with things. Now eventually they get caught, but the ride up until they do get caught, we're just fascinated by it. I think that the frequency of these shows is telling us something about where we are as a society and what we're fascinated by.

[0:11:33.5]

FT: Ultimately, how did Rita get discovered? What or who unveiled it?

[0:11:38.8]

KRP: Sure. That is a very important question. Really it's the backbone of the documentary. Rita was discovered by her employee. Her employee is a woman by the name of Kathe Swanson. Kathe Swanson was the city clerk. She's retired now. She discovered that the secret account that Rita was hiding from everyone, and she opened the mail one day when Rita was out of town and noticed these withdrawals and deposits that was coming out of the secret account that she didn't know about. That's how it was discovered.

It was discovered by a whistleblower. Ironically or interestingly, most frauds are discovered by whistleblowers in comparison to other methods such as internal audits, external audits, IT, it's typically by a whistleblower.

[0:12:29.3]

FT: Well, to flip it you say we're all capable of committing a crime. That also means that we're all capable of being criminalized.

[0:12:36.1]

KRP: Sure. You could flip it and say that too. Absolutely.

[0:12:40.8]

FT: You could, right? Any advice for – this is a money show, so we entrust sometimes many other people to help us with our finances, whether that's someone like you a CPA, or a financial advisor or a lawyer. From the client's perspective, from a consumer's perspective, what are some ways to make sure that when you're working in a team that your money is actually being managed for you?

[0:13:06.2]

KRP: I think the best piece of advice, and it's going to sound simple, but the best piece of advice to make sure that you're never taking advantage of a financial advisor is really showing that person that you're working with that you're paying attention.

I think oftentimes, when it comes to finances people just shut down. When you find a person that you think you trust, you leave everything to them and you don't ask any questions and you feel like, "Oh, I found Joe. Joe's got to cover it. I don't have to ever think about this, because I trust Joe 100%."

I think when you find yourself in those types of arrangements, that's when you need to be careful because you always need to know what's going on. I think that it's important for people to just have a basic understanding of how to read a financial statement, a basic understanding of really reading your bank statement and understanding the fees, because banks make mistakes too.

Understanding what is going on. When you think about what's happened over the past couple of weeks with the Equifax breach, it's now requiring people to pay attention to their past transactions in a way that they probably never did. Now you really need to. I'm one of the 143 million Americans whose information was taken.

Now I'm even more diligent than I was before about paying attention to the transactions on my debit card, paying attention to the transactions on my credit card. It has credit and opened without my permission. Really just paying attention and knowing that I don't entrust any one person to manage my finances better than myself.

[0:14:53.7]

FT: Kelly, I'd love to pick your money brain a little bit, since this is on a show called So Money. We've touched on money quite a bit already, but from a personal perspective I'd love to learn now if you have perhaps an over-arching financial philosophy? Maybe it's an approach that you take when you're managing your own money or giving advice. But do you have a money mantra of sorts?

[0:15:16.0]

KRP: When I was younger, my money mantra was really established by my dad. I remember my dad always saying that you should keep about \$250 cash and never go to the ATM machine more than once a week.

This was years ago. With the birth of debit cards, it seems like that's much harder. But you know what I found is the more I stick to that advice, the better I'm able to control that miscellaneous amount of spending that I do.

The Starbucks swipe my debit card, running in Target swipe my debit card, going into Whole Foods swipe my debit card, ordering out from Amazon. If I control that to maybe two purchases and two times to the ATM machine and keep just some cash with me, I find that I spend less money.

That's one of my mantras. Another one is only going out to eat for lunch once a week. That keeps a lot more money in my pocket. The last would be watching my cellphone bill. What I've noticed sometimes is my cellphone has replaced that credit card.

You remember when you were younger, I'm not sure how old you are, but I may be older than you. There was once a time when we were in college, when I was in college that the credit card people were all over the place, and you could go and open a credit card and have a crazy hot interest rate and everybody did it. Did you remember those days?

[0:16:49.6]

FT: Oh, I signed up for a number of credit cards with that one.

[0:16:52.6]

KRP: Well, it's almost like –

[0:16:53.5]

FT: T-shirt, top glass. I love that all.

[0:16:57.2]

KRP: It's almost like that your cellphone has replaced – a cellphone bill is like the modern day credit card.

[0:17:03.1]

FT: Also and your wallet.

[0:17:05.3]

KRP: Yes. But if you think about it, the two things that I've noticed with my life that I'm trying to figure out how to cut the cost somewhat is my cellphone bill and my wireless bill at home, because those are two money pits for me. That they are very expensive, and I'm trying to figure out ways to really control that.

Those are a couple of little tips that I'm trying to employ in my life to just have more loose cash around the house. Something I also do is at my front door, I have a huge glass container for spare change that I keep all year long; just the pennies, the nickels that are always sitting around the house that you just never pay attention to. I collect all those. At the end of the year, I'd take them to the bank. You'd be surprised how much money you have at the end of the year.

[0:17:53.1]

FT: Yes. I'm staring at my coin jar right now as you speak. My son is only three, he doesn't really have the abilities to really learn about money yet, but he is at the very least picking up spare change around the house and dropping them at a coin jar. It's a progress.

[0:18:09.5]

KRP: Something someone said to me a while ago is what you're – those habits that you learn between three and eight-years-old are really the same habits you need to take into your adult life. Just putting that change, three for him, it's the same thing I'm doing at home.

[0:18:24.1]

FT: Earlier when you talked about not going to the ATM more than twice, it sounds like you're doing which is I think great advice for all of us, and it's actually been proven in research that when as humans we create frameworks around habits or benchmarks a rule of thumb, we are more likely to stay on the path.

This is a great take home tip. Figure out what your financial rules of thumb are. Maybe you have a few, and for you Kelly it sounds like I'm not going to go to the ATM more than twice, or I'm only going to go have my lunch out once a week. You create these frameworks for yourself. Then as the good stewards of money that we are, or like – we try to do well and that helps to stay the course.

[0:19:09.2]

KRP: I think for me when it comes to my money, I have to be honest with myself and understand – truly understand and admit my weaknesses. My biggest weakness right now is business travel, like keeping up with all the receipts, or putting travel on my credit card and waiting six to eight weeks to get it reimbursed and remembering that I need to go back and put it towards that trip that was six to eight weeks. That is my biggest weakness right now. What I'm looking for now is an app that really helps me keep that aspect of my business life.

[0:19:43.7]

FT: I'm just going to say, anybody have an app suggestion? You should just make one.

[0:19:49.1]

KRP: Hey, maybe we'll do it together.

[0:19:52.4]

FT: Well there has to be a – For all sorts of receipts. I think there is maybe some things out there, but specifically for travel, for business travelers I think that would be genius.

[0:20:04.5]

KRP: Yeah. It's necessary, because that's where I find my personal money pit to be. I travel a lot, so I can easily rack up \$3,000 of hotel and air fare on my American Express and have to wait three or four months to get that reimbursement. That can really throw off your money flow, your cash flow when you're doing that.

[0:20:30.7]

FT: Yes. Kelly, you're talking about childhood and how important your early development is between three and nine. I'm curious, when you were a child and you already been just talked about your dad too. It sounds like he was a great financial role model. What were some of the – we're calling it money moments that you had as a kid that maybe at the time it didn't really mean anything to you, but now as an adult you look back and you go, "You know what I learned? That's where I learned how to do X, Y or Z."

[0:20:57.8]

KRP: I'll tell you one that is just vivid in my memory is when it was time to go back to school shopping, my dad would make me submit a budget. He would say, "Okay, what is it that you think you want to get?" He would have me write out a budget.

I would say, "Okay, dad. I want to go to The Limited. I remember The Limited was big then and I think they're all gone now. But I want to go to The Limited. I'm going to spend \$250. He would make me submit a formal budget to him and he would go line-by-line approving or denying the different purchases.

Then what he would do is he would say, “Okay, Kelly. Your budget is for \$250, here is \$250.” Every time he gave me the money, I spent less. It helped me learn how to manage my money, because what I realized was, “Well, I can go to The Limited, but I could probably get that same shirt somewhere cheaper.” It saved that money and keep it in my pocket.

I remember that routinely, year after year after year, because I use that as a way to make money as opposed to spending money. That was probably one of the most vivid memories that I had. I had always a lemonade stand, because at a early age I wanted to make my own money. Not that I had a lot of it, but I just wanted to feel – I felt empowered by being able to develop a product, even if it was just a quarter

Then I want to go to the store and buy a pack of gum. It was from my work. I learned that early. I always would took pride in that. When I think back to where I came versus where I am now, I started taking accounting high school. Fast forward thousands of years later, and I ended up getting a PhD in accounting, and I ended up being a CPA. It really started so early for me. But those early lessons at home about submitting that budget for those back-to-school clothes is what really started it for me.

[0:23:03.8]

FT: I’m so impressed with your accounting acumen. I mean, I couldn’t even deal with accounting 201 in college. I do think that your brain has to be wired a certain way for accounting. It’s like physics, I don’t know. I’m good at math, I’m good at languages, I’m good at writing, but accounting just was so hard for me. I don’t know. Did you find that it just clicked for you or you had to work at it?

Obviously, probably you have this inner genius around numbers and – It’s not even about numbers though. Accounting is a whole other language.

[0:23:36.6]

KRP: Yes. The thing about accounting is this, you must have a good teacher. You must have someone that can break it down for you in layman's terms and can really just make you see it. I always was fortunate to have extremely outstanding teachers explain very complex topics in a simple way.

I had that early on, even as early as high school. I remember Mrs. Farrell was my accounting teacher at Jordan High School in Durham, North Carolina. She could make it seem so easy. By the time I got to college, I didn't find it challenging, but I always had good teachers.

Oftentimes, when I meet people who have had an accounting class and they had a bad experience and I'd say, "Describe your classroom experience to me. Tell me a little bit about your teacher." I can always tell that it was a bad person leading through on the accounting path.

It's key to have someone that can break it down, because like you said it is its own language. It's the language of business like we like to tell students. Just like you learned French or Spanish, you have to learn that language. If you have an outstanding teacher, that language stays with you.

[0:24:49.0]

FT: Where were you when I was taking accounting 201? By the way I forgot to mention, I was such a fan of The Limited growing up as well. With Limited too. I don't know if you ever shop there. They are still around in very few malls around the country. My parents moved out in California and they have a mall and there is actually a Limited there and I – oh, my gosh. I feel like I'm 12 years old again long ago.

[0:25:12.0]

KRP: The Limited was everything. It was everything. That was the gold standard on my budget, like to be able to get a sweater and some stirrups from The Limited. I remember that.

[0:25:24.1]

FT: Let's talk about failure. Have you ever had a financial failure?

[0:25:27.5]

KRP: Financial failure. I think yes. I'm in the midst of trying to ward off a financial failure. I'm in the process right now as we speak. I'm about to put my house in the market and I am renting a new place. Going in to this place, I was supposed to have my house on the market and sold, and then renting a place. Not having two, like a rent and a mortgage at the same time. I'm trying to manage a financial failure from happening, because it's a lot of money that I'm spending out that I didn't budget for. That's what I'm currently doing right now.

[0:26:11.4]

FT: What's your proudest money moment to date?

[0:26:14.8]

KRP: My proudest money moment to date. That's a really good question. I'll tell you one of my proudest moments was – so I went to graduate school and I didn't have to pay for it. I went to Virginia Tech for five years for free. That was a very proud moment, because it made me feel like all the hard work up until that point was worth it and it really helped me not be in a financial hole right now, because of graduate school.

You notice a lot of people that do go and earn a graduate degree come out with huge amounts of debt. I would say one of my proudest moment is going to graduate school for free.

[0:27:02.0]

FT: How did you work that out? It's amazing.

[0:27:05.0]

KRP: Well see, there are not a lot of people that want to get a PhD in accounting, believe it or not. There are at the time and there still are opportunities, a lot of scholarship and grant opportunities for people that are interested in getting a PhD in accounting, because they wanted to – there is a program called the PhD project.

The PhD project is trying to help people of color be in front of the business school and business classrooms in the business schools. I happen to receive a fellowship through them and I also received a scholarship from Virginia Tech, because I had good grades and good scores, and so it just worked out. I'm very proud of that. I've never even spoken about it. That's a big deal, because –

[0:27:57.4]

FT: That's a huge one, because what, 5 times \$30,000 a year minimum. I mean, how much do you think you saved like over?

[0:28:04.6]

KRP: I probably saved at least \$215,000 I would say. That's all in, books, tuition, rent, food, traveling abroad, all the stuff that comes with a graduate experience. I would say \$215,000 easy.

[0:28:22.3]

FT: Wow, a quarter of a million dollars. Imagining a quarter of a million dollars in debt.

[0:28:25.7]

KRP: But you know what –

[0:28:26.5]

FT: Ensure you would be able to make those payments, given that you're super successful, but still –

[0:28:31.5]

KRP: There are a lot of people that are though, you know. There are a lot of people that are. What's interesting about that amount of debt is there are so many people that are saddled with that kind of debt that don't have the salary to keep up with those kind of payments. They just live their life and they're paying back that for 30 years. I'm very fortunate that that didn't happen to me.

[0:28:51.2]

FT: Well, public service announcement to anyone listening, if you know someone or if this is you encountering a quarter of a million dollar bill for any degree, I don't care what it is, walk away. I will say that you can get that – go somewhere else. That is not the right school and the right program for you. I think that's highly robbery frankly. I think you're just never going to be able to live up a peaceful life, unless you win the lottery or something.

[0:29:15.8]

KRP: The numbers aren't in your favor for that, right?

[0:29:18.3]

FT: No. Kelly let's do some So Money fill in the blanks. This is kind of a lightning round. We had to wrap the show. I'll start off a sentence, you finish it, the first thing that comes to mind. Ready?

Thinking of lottery. If I won the lottery tomorrow, let's say you won a 100 million dollars. The first thing I would do is?

[0:29:37.2]

KRP: Pay off my house.

[0:29:38.0]

FT: The one thing I wish I had learned about money growing up is?

[0:29:41.7]

KRP: Investing at the age of three.

[0:29:44.3]

FT: At three, as opposed to five or nine or 13?

[0:29:47.0]

KRP: Explosive 18 or 19.

[0:29:49.3]

FT: Yeah. Well sure, you got a head start there. Lucky bonus. That's good. But yeah, as I can see where a 15-year head start from that would've made a lot more money for you. The one thing that I spend on that makes my life easier or better is?

[0:30:05.0]

KRP: House cleaning services.

[0:30:06.8]

FT: The one splurge that I make regularly that I can't do without is?

[0:30:14.1]

KRP: I go to a lot of group fitness classes that are a little bit too pricy and I could do it on my own.

[0:30:22.5]

FT: A little expensive, and they don't cut you any deal.

[0:30:24.5]

KRP: They don't cut you any deals. They think if you get a package, it's \$2 off. But they're pricy. They are pricy. If you really look at and break it down and look at how many times you go in a week or a month, you've spent a lot of money.

[0:30:39.5]

FT: Yeah. Hopefully you see the results too.

[0:30:40.8]

KRP: Yeah. Once you don't eat any cake or ice cream.

[0:30:45.8]

FT: When I donate, I like to give to blank.

[0:30:48.4]

KRP: When I donate, I like to give to church.

[0:30:53.0]

FT: That's nice. Some people have a mandatory 10% they do and tie it every year. Do you do that?

[0:30:58.6]

KRP: Yeah. We're encouraged to do. It's funny, because one of the mantras, if you will, is about budgeting and planning so that you can meet that. I try to. I feel good about doing that. I feel good at doing that. I feel also good to give my money for scholarships for kids that are trying to go to college, or trying to have any experience in college or they're trying to buy their books for school. I think education and you faith is really important. I feel good when I give money there.

[0:31:33.3]

FT: Last but not least, I'm Kelly Pope – you go with by Kelly Pope or you need the full name?

[0:31:38.6]

KRP: I go by my full name, Kelly Richmond Pope. No hyphen.

[0:31:42.7]

FT: I'm Kelly Richmond Pope, I am So Money because?

[0:31:46.2]

KRP: I'm Kelly Richmond Pope and I am So Money, because I've been studying money since I have been eight years old. I remember the first time I got allowance, I ironed the money on the ironing board with an iron. Yes, I did.

[0:32:00.8]

FT: Sure you did. You actually iron when you were eight?

[0:32:04.3]

KRP: I wasn't supposed to, but I was just going fascinated. I wanted it neat and clean and orderly. I have a \$10 bill that I have in cash. Yeah, I'm So Money, because I've been fascinated by money since I was eight years old.

[0:32:20.4]

FT: Thank you for demystifying it for us. Thank you for outing some of these criminals and showcasing just behind the scenes of how money works and the money schemes that are out there and what to look out for.

Hey, if you notice something, if you see something, say something people, okay? According to Kelly, the criminals are caught mostly by whistleblowers.

[0:32:41.3]

KRP: That's right. That's right. Well, this has been a lot of fun.

[0:32:44.1]

FT: Likewise. Congrats again on All the Queen's Horses. We look forward to seeing that hopefully on the big screen or on HBO maybe. I'll be having fingers crossed for you, Kelly.

[0:32:52.5]

KRP: That's right. Thank you so much.

[END]