

ladies in lockdown

BY MICKEY GOODMAN

today's
gives new
criminal
meaning

to the term
“high heels”
and a real twist on
equal opportunity.

Flanked by federal marshals,

Rebecca Hauck walks into an Atlanta courtroom for her sentencing, hands cuffed behind her back. The standard-issue neon orange shirt and pants swallow her size-two frame. Periodically, she turns to catch teary glimpses of her 16-year-old son and her mother seated on the hard wooden benches behind her.

Having scammed an estimated \$15 million from unwary homeowners, the former executive assistant stands at the end of a criminal trail she blazed across five states with her co-conspirator, Matthew Cox, at one time No. 1 on the most-wanted list at the U.S. Secret Service, the agency that prosecutes securities fraud.

"I can't change what I did," Hauck tells the judge. "But I wanted to make sure it doesn't happen to anyone else." Today, for her crimes of bank and wire fraud, identity theft, money laundering and conspiracy, she owes



society nearly six years in prison, \$1.2 million in restitution, and proceeds from any potential book or movie deal.

Hauck's case is far from an anomaly. In 2005, Women in Prison, an activist organization, reported that *half* of all suspects arrested for embezzlement are women. Surprised? Many people are, given the common perception that women are more ethical than men – an image bolstered by their high-profile roles as corporate whistle-blowers at Enron and WorldCom. But statistics belie the notion that women have a moral edge. According to the FBI, embezzlement by women increased 80.5 percent from 1993 to 2002, with women racking up more convictions than men during the same period. The total number of women incarcerated increased 138 percent from 1994 to 2004.

One observer *not* surprised by the numbers is Rita Simon, Ph.D., professor at American University's School of Public Affairs and College of Law in Washington, D.C. As early as the 1970s, in fact, Simon authored a study of women and crime asserting that women are no more or less honest than men. "I argued that as women move up in the workplace, their numbers will increase for embezzlement and fraud," she says. "Feminists were ready to hang me." Her ongoing research through the years, however, has borne out her prediction.

James Sanders, a former Securities and Exchange Commission attorney and now a partner in the law firm of McDermott Will & Emery, doesn't remember prosecuting any women during the 1980s. "Historically, men were the decision-makers," he says. "But as women assume positions of power, they also assume the risks."

Indeed, during roughly the same period that embezzlement convictions almost doubled for women, the proportion of women in corporate officer positions at the top 500 American companies also nearly doubled – up from 8.7 percent in 1995 to 16.4 percent in 2005, according to Catalyst. In other words, as women finally acquire more positions of power and prestige in corporate America, it appears that more women also abuse that power.

That's because the stresses they face are no different than those faced by male executives, says Fred Fenster, an attorney with the law firm of Rutter Hobbs & Davidoff.

"Women in positions of power often do it be-

cause of the pressure they feel to succeed," he says. "That pressure is not gender-based."

But Judith M. Collins, Ph.D., adjunct associate professor at the School of Criminal Justice at Michigan State University, has observed some gender differences in motivation during her prison interviews with women convicted of white-collar crimes. "Women told me they needed money to support the children living with them," she says. "Males either denied the crime, or said they did it because everyone else does or to remain competitive in business."

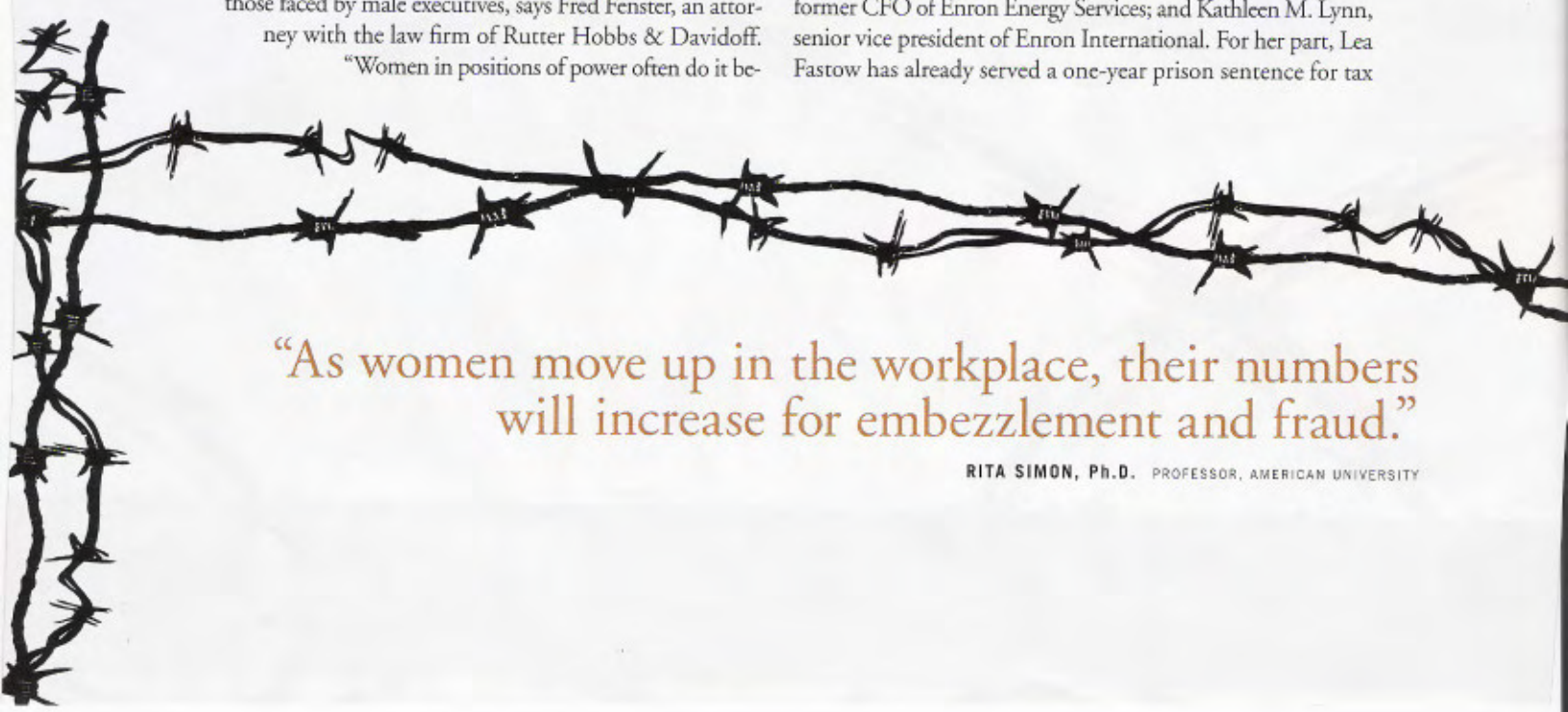
Regardless of the reason for their crimes, women are likely to make up a growing share in the future, Fenster says. "Once women equal men in top management positions," he predicts, "they will catch up to men [in committing white collar crimes]" including bankruptcy fraud, bribery, insider trading, embezzlement, computer crime and forgery.

in the spotlight

Already the numbers are astonishingly close. According to FBI statistics for 2005, women accounted for about 45 percent of arrests for forgery and counterfeiting, fraud and embezzlement. (By comparison, women accounted for just 24 percent of total arrests.)

But who are these women? Most of them we never hear about as they commit their crime and serve their time in relative anonymity. A select few, such as Martha Stewart, whose conviction and prison sentence stemmed from charges of securities fraud, can set off a media firestorm as they tumble from the very top. Somewhere in the middle are women with a growing share of power and prestige who, according to their accusers, have stepped over the line as shrewdly as any man.

For example, while Enron's former chief financial officer, Andrew Fastow, garnered most of the headlines for the financial chicanery that destroyed the nation's leading energy trading company, three women colluded with him, prosecutors say: his wife, Lea, Enron's former assistant treasurer; Cheryl I. Lipshutz, former CFO of Enron Energy Services; and Kathleen M. Lynn, senior vice president of Enron International. For her part, Lea Fastow has already served a one-year prison sentence for tax



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RITA SIMON, Ph.D. PROFESSOR, AMERICAN UNIVERSITY

fraud. Lipshutz and Lynn were charged with violating anti-fraud laws. Lipshutz agreed to return \$27,150 and pay a \$25,000 fine. Lynn's case is pending. Meanwhile, Andrew Fastow is serving a six-year prison sentence.

For years in California, former Rancho Santa Fe stockbroker Wendy Feldman deposited clients' checks and wire transfers directly into her own accounts and forged client signatures. Victims were unaware because the fraudulent statements she prepared always displayed profitability. The scam unraveled when several client checks bounced, alerting victims to the fraud. Two of Feldman's victims – David Kupfer, a plastic surgeon, and his mother – were swindled of \$3.5 million. At her 2005 sentencing, Feldman, dressed in a smart business suit, "cried crocodile tears for the judge and the press," Kupfer says angrily. "She showed no remorse and made no effort to appear concerned about the havoc she created." For cooperating with prosecutors, Feldman was sentenced to just over two years in prison, plus restitution of \$4.2 million. She reported to federal prison in January.

While fraud in politics is nothing new, it certainly made a splash in Georgia when Linda Schrenko, the first woman elected to statewide office there, also became the first in that category to be convicted of money laundering and conspiracy. As Georgia's superintendent of education, Schrenko used \$614,000 in state funds tagged for Georgia's deaf and honor students to fund her gubernatorial



ONCE ON THE RUN,
REBECCA HAUCK
TODAY LIVES
BEHIND BARS.

on the inside

While Martha Stewart served her five-month sentence in the all-female minimum security Alderson Federal Prison Camp in West Virginia, Lea Fastow received less compassionate treatment at the foreboding high-rise Federal Detention Center in downtown Houston, a lifetime away from her former lap-of-luxury lifestyle.

In more ways than one, life in prison is quite a contrast from the typical working woman's day. Instead of enjoying steaming coffee and a croissant, Rebecca Hauck begins her days abruptly at 5 a.m. when glaring lights go on in her closet-sized two-prisoner cell that contains a bunk bed, toilet, sink and desk. Breakfast arrives between 6 and 6:30 a.m., then it's lockdown from 8 to 8:30. "If the guards want to nap, we're not let out until 10," Hauck says.

Lunch in the common room is served on food-encrusted plastic trays. After lunch comes another lockdown, followed by dinner at 4:30 and a third lockdown. At the end of the day, prisoners are allowed in the common room until lights-out at 10:30 p.m. "We don't have control over anything," Hauck says. Nor is there any privacy. Toilets and showers are in full view of others. The only daylight comes from a small frosted-glass window near the ceiling of her cell.

"The food is unhealthy and horrendous," Hauck says. "There is mold and fungus on the lid of the plastic juice canister, the bread is stale and the milk is often spoiled. One girl found a worm in her vegetables. People either gain weight from filling up on junk food they buy from the commissary, or lose weight like me."

females, fraud & forgery

WOMEN'S SHARE OF WHITE-COLLAR CRIME

	1973	2001
Embezzlement	23.7%	49.6%
Fraud	31.2%	45.4%
Forgery	26.7%	40%

SOURCE:
NATIONAL CRIMINAL JUSTICE
REFERENCE SERVICE,
U.S. DEPT. OF JUSTICE

campaign – and her facelift. Last July, after pleading guilty to conspiracy and money laundering, Schrenko was sentenced to serve eight years in the Tallahassee Federal Women's Prison. In a TV interview, she called her actions "utter stupidity."

According to Schrenko's attorney, J. Pete Theodocion of Augusta, Ga., "Linda is adjusting to prison like everyone else does. It's not easy, even for white-collar federal prisoners. She is staying busy, trying to be productive."

In a more recent case that could have proven disastrous for soft-drink giant Coca-Cola, Joya Williams, former administrative assistant to the director of global brand marketing, was found guilty of attempting to sell trade secrets to arch rival PepsiCo and faces up to 10 years in prison. According to the Department of Justice, Williams was videotaped sneaking classified materials into her handbag, and phone records verify her connection with co-conspirators Ibrahim Dimson and Edmund Duhaney. At press time, Duhaney and Dimson had pleaded guilty and were awaiting sentencing.

Patricia Dunn, board chairwoman of Hewlett-Packard, was under pressure to stop press leaks about HP's inner workings when, according to prosecutors, she went too far. In October Dunn faced identity theft and fraud charges surrounding the company's secret efforts to expose board members who were talking to the press. Company-hired investigators used a tactic known as "pretexting" to obtain private phone records of board members and others under false pretenses. Dunn admitted to ordering an investigation but claims no knowledge of the pretexting, and she has pleaded not guilty to all charges. At press time, she was awaiting trial.

THE HIGH COSTS OF FRAUD

>> In 2002, fraud cost corporations 6 percent of their total revenue, or \$600 billion.

>> Executives are 16 times more likely than employees to commit fraud.

>> About 42 percent of corporate victims recover nothing. About 23 percent recover less than one-quarter of their losses.

>> Small companies endure disproportionate losses from embezzlement.

SOURCE:
ASSOCIATION OF CERTIFIED FRAUD EXAMINERS

paying the piper

Rebecca Hauck spent nearly a year in the detention center awaiting her sentencing. Because she cooperated with authorities, she received the minimum federal sentence of six years in prison, and the court agreed to consider her request to be imprisoned in Florida near her family.

Her partner in crime, Matthew Cox, was arrested in Nashville, Tenn., just one day after her sentencing. His new girlfriend at his side, Cox was caught using fake documents to purchase run-down properties. He faces more than 42 counts of fraud and 400 years in prison. If he pleads guilty, Hauck will be eligible for a reduction in her sentence and restitution. "I want to feel sorry for myself, but I know I hurt a lot of people," Hauck says. She has already forfeited bank accounts in the amount of \$250,000.

But the offenses of women like Hauck pale in comparison to those that could be perpetrated by women in the highest positions. "If a woman is a bank teller, she can steal only so much," Simon points out. "If she's a vice president, she can steal a lot." As more women infiltrate boardrooms and become commanders of their corporate ships, they are more likely to commit white-collar crimes, according to Simon, author of 56 books including *The Crimes Women Commit, the Punishments They Receive* (Lexington Books, 2005). "These are capable, well-educated women, and the temptation is an important part of it. They think, 'Who will be watching me?'"

The answer: *everyone*. Because the only thing a voyeuristic public likes more than a woman beating the odds is a woman falling from the top. Just ask Martha Stewart. ❧