BY EDWARD LEWINE
PHOTOGRAPH BY JENS MORTENSEN

The New White-Collar Rogues

That guy in the office next to you with the tricked-out Escalade? He's a crook.

SAMUEL ANTHONY SCHERCH WAS A MODEL CITIZEN. HE LIVED IN A LARGE HOUSE IN Monfort Heights, a nice neighborhood in Cincinnati. He and his wife had two kids and were active in their church. He was athletic and handsome. He had a great job as an assistant vice president for private banking at the Fifth Third Bank, one of Cincinnati's prominent institutions, where he had the power to approve loans of up to $250,000 without consulting his bosses. ¶ In retrospect, maybe that last part wasn't such a good idea. Last September, Scherch, then 39, was sentenced to four years in the federal pen for stealing more than $2.4 million over the course of four years. He created 15 fake loans and used the proceeds to underwrite what prosecutors described as a "lavish lifestyle." According to court documents and news reports, Scherch wrote a $4,000 check to pay his Discover bill. He bought jewelry, sports tickets, and a time-share. He renovated his home and installed an inground Gunite pool. He bought an Acura MDX, a BMW 325Ci, an Audi A8, a Lexus GS400, and a Ford Expedition. But even during his bender, which lasted from 2000 to 2004, he remained a choirboy at heart. "He made a sizable donation to his church," says FBI supervisory special agent Walter Wright, who oversaw the Scherch investigation. "He established college accounts for several children, including friends' kids."

White-collar crime is a growing problem. The most recent government study estimated that there were 48,000 felony convictions for fraud or embezzlement in state courts in 2002, up from 30,000 in 1992. Last year, the Association of Certified Fraud Examiners, an organization that provides anti-fraud training and education, conducted a survey of victimized businesses and concluded that U.S. organizations lost about 5 percent of their annual revenues—approximately $625

billion—to the crime in 2006. James D. Ratley, the president of the association, estimates that fraud plays a role in 50 percent of business failures. "We are seeing more and more of these cases," he says.

An embezzler like Samuel Scherch is often clean-cut and hardworking, the first one through the door in the morning and the last to leave, slogging away at a job that's neither as exciting nor as lucrative as he'd like. He could be your neighbor, a pal in your weekly pickup basketball game, or someone in a nearby office at work. Ever wonder how

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he afforded that tricked-out new car, the stainless-steel kitchen, or the trip to the Four Seasons in Prague last summer? Maybe he was siphoning company funds to a Cayman Islands bank account. It's not that incredible a notion: The experts say your colleague, or even you, could easily fall into this kind of crime. "The majority of guys who do this have never committed a crime before," says Scherch's lawyer, Edward McTigue, who has defended some 30 white-collar criminals over the past decade. "They're good people who decided to borrow from the company one day, promising themselves they'll pay it back. Then they get hooked on the money, and the whole thing gets too big to control."

IN NEW YORK, VICTOR JUNG, 34, A FORMER treasurer of NBC Universal, is accused of purloining more than $800,000 and serving his guests shrimp cocktail and Veuve Clicquot on private-jet flights to Miami and Aruba. In San Francisco, a former 49ers kicker, Ray Wersching, 56, has been indicted for allegedly diverting to himself some $8 million in premiums that should have gone to Farmer's Insurance. In Lubbock, Texas, an energetic fellow by the name of John D. Nelson, 37, pleaded guilty to using various scams to extract more than $77 million from the oil-drilling company Patterson-UTI Energy.

"It's amazing how brazen people become over time," says Peter Henning, a professor at Wayne State University Law School who maintains a white-collar-crime blog. "They start writing themselves bigger and bigger checks and buying more outlandish stuff. They are earning the same salary as everyone else in their office, but they're going to Aruba and driving an Escalade, and for a while no one asks why."

Henning's favorite new embezzler is one Angela Platt, 43. A former bookkeeper at a Massachusetts construction-supply company, Platt is accused by prosecutors of skimming around $7 million. Listed on the indictment are purchases such as a 104-acre ranch in Vermont with a heated saltwater pool and a video-game arcade; eight show horses; five snowmobiles; a 1937 Chevy with fake bullet holes and a portrait of her husband dressed as an old-time gangster; a 20-foot-tall, smoke- and roar-emitting dragon statue with hydraulic wings; six statues of the talking trees from *The Wizard of Oz*; a $17,000 diamond earring; and a nine-foot-tall stuffed grizzly bear. As the authorities caught up with her, Platt was arranging to have Burt Bacharach perform at her brother's wedding.

The computerization of financial records and accounting means more opportunities to manipulate money, with less of a paper trail. Embezzlers use methods like fake invoices, payroll scams (for instance, making payments for people who don't exist or for billed hours that were never worked), and fictitious sales of goods and services. They aren't hindered by feelings of employee loyalty, since anyone could be downsized or laid off with the stroke of a bean counter's pen. Add to those factors daily reports of upper-management corruption at companies like Enron and tales of rock-star money being paid to everyone from hedge-fund nerds to Internet geeks just out of college, and it's enough to make some poor schmuck in accounting decide to dip into the cookie jar and see what he can pull out.

Samuel Scherch declined to be interviewed for this story, but Walt Pavlo agreed to explain why he concocted an elaborate scheme to trick clients into transferring $6 million into his private bank accounts rather than to his employer, the former telecom giant MCI. In fact, Pavlo, who spent two years in federal prison, is happy to talk. It's good advertising. These days, he makes his money on the lecture circuit, booked by an agency called The Pros and The Cons that specializes in white-collar felons. Pavlo earns from $3,000 to $5,000 a shot recounting his crimes. "I was 34 years old," says Pavlo, who committed his frauds in 1996. "I was pissed off at MCI. I was around a lot of people who were making a lot of money and I wanted some for myself. Plus, I was cocky and didn't think I could get caught."

Overconfidence is a characteristic of this kind of criminal. White-collar perps are usually intelligent, educated people, yet you almost never hear of a case in which one of them had an exit strategy. "The smart thing would be to take $5 million over a short time, send it out of the country, and abscond somewhere that has no extradition treaty with the United States," says Henning. "But they never do that. Over time people begin to believe they are invulnerable." To keep such frauds going, these criminals need to cover their tracks on a near-daily basis, so they're often caught while they're away from work. As a security measure, certain banks mandate that employees take two consecutive weeks of vacation.

For some lucky embezzlers, there is an escape clause: About 29 percent of employers decline to press charges, whether out of embarrassment or out of fear of high court costs. The rest of the workplace crooks face not just the prospect of jail time but also the obligation to reimburse their victims. When they get out of prison, they're unemployable and have debts in the millions that they'll never be able to pay back. Scherch, for example, must return almost $1.5 million to the bank that employed him. "This kind of crime has long-term, devastating effects," says McTigue, his lawyer. "If you are a drug dealer, you do your time and it's over with. If you are a white-collar criminal, you have your crime hanging over you for life." ■