



### The Dark Core of White-Collar Crime: Disturbing Personality Traits that Drive Crimes from Fraud to Murder

BY DR. JONI JOHNSTON | March 16, 2021

Sixty-six-year-old handyman Kevin Gavin was recently arrested for killing three elderly women in his apartment complex.(1) While he has not yet gone to trial, investigators believe he had run errands for his victims. His motive? Money. In fact, before his murder arrest, Gavin was apparently involved in all kinds of creative ways to earn a living; in 2019, he and two accomplices staged a Brooklyn collision so they could collect \$150,000. The motto of this story is that some people will do anything to make a buck and some of the same people who steal your money would also be willing to kill you for it.

#### A Personal Awakening

As a clinical/forensic psychologist and private investigator, I specialize in violence. My professional life tends to be in the criminal arena – assessing the risk of violence; evaluating criminal responsibility; and testifying about psychological factors that might reduce or enhance a sentence in a felony trial. Early in my career, it seemed to me that fraudsters – the embezzlers, the insurance scammers, tax evaders, insider traders – were somewhat boring and elitist. They certainly didn't look like a lot of inmates I evaluate; those guys *look* dangerous.

And, while I've never viewed fraud as a victimless crime, earlier in my professional career I confess to downplaying offenses that damaged a pocketbook as opposed to ending a life. If an insurance company got scammed or a down-on-her-luck bookkeeper slipped her hand in the money till; I wasn't going to lose sleep over it. Of course, I knew that there are plenty of frauds committed against individuals – identity theft, romance cons, investment fraud – and that the financial and/or emotional ramifications could be dire. But not deadly.

What got me interested in this topic was the link between violence and fraud that I came across time and time again; violent offenders with a history of fraud or murderers motivated by greed. What I discovered in my day-to-day practice was confirmed when I dug into the research.(2,3) Some fraudsters are criminals whose diverse portfolio of crime includes both violent and nonviolent offenses. And contrary to the historical emphasis on transient motivators for fraud (an environmental opportunity or situational stressor), there is a subset of predatory fraudsters who actively seek out ways to steal money and take advantage of whomever they can.

### **The Myth of the Benign Fraudster**

On July 10, 2015, oncologist Farid Fata, M.D. pleaded guilty to giving cancer treatment to 553 misdiagnosed (and sometimes perfectly healthy) patients, pocketing at least \$17 million dollars from Medicare and private insurance companies in the process.(4) He lied to patient after patient. Sick patients were worsened and healthy patients became sick; at least two patients died. Some terminally ill patients, who should have been spending their last days comfortably provided for in hospice care, were given chemotherapy right up until they died. It took a savvy office manager willing to be a whistleblower teaming up with an alarmed physician for Dr. Fata to be brought to justice and eventually sentenced to forty-five years in prison.

Dr. Fata is just one example of an increasingly recognized discrepancy between “common knowledge” and hard data; while fraud is routinely viewed as a relatively benign white-collar crime, many fraudsters are flagrantly violent.(5) And, while there are one-time fraudsters who exhibit atypical (and criminal) behavior while experiencing severe situational stressors, as a group, white collar offenders vary dramatically with respect to their pattern of offending and views and explanations for their offenses. Chronic offenders, in fact, are likely to have more in common with robbers, firearm offenders, drug dealers and other “street criminals” than your everyday citizen. They have similar recidivism rates, social instability (unemployment, relationship dysfunction, substance use), modus operandi, and personality traits. And, contrary to common belief, these fraudsters have criminal histories.(6)

Karl Karlsen is another example.(7) In March of 2020, sixty-year-old Karl Karlsen was sentenced to life without the possibility of parole for the 1991 murder of his first wife, Christina, in a housefire he had set himself and then made sure she couldn't escape. He had taken out a life insurance policy on her just nineteen days before her death and collected more than \$200,000. Even though the insurance company was suspicious, and a fire investigator thought there was evidence the fire was set deliberately, no charges were ever filed and Karl Karlsen's life went on.

One of the things he went on to was more fraud. In 2002, Karlsen collected nearly \$115,000 from a barn fire. In 2008, Karlsen's twenty-three-year-old son, Levi, died when a car jack failed while he was underneath a car. Authorities soon discovered that

17 days before Levi Karlsen's death, his father introduced his son to an insurance agent and convinced Levi to take out a life insurance policy on himself. Karl Karlsen made the first payment on his son's policy in cash and was the sole beneficiary, according to Levi's handwritten will, which was notarized the day of his death. Levi Karlsen left his father in charge of deciding how his assets would be distributed to his young daughters. After Levi Karlsen's death was ruled an accident, Karl Karlsen collected a \$700,000 payout.

Karlsen was stopped only after his second wife, Cindy, began to suspect that her husband had played a role in her stepson's death and wondered if she might be in danger herself. In 2012, she hired a private investigator to look into her husband and soon discovered that he would stand to gain \$1.2 million dollars if something happened to her. To her horror, she also found out that her husband had also taken out life insurance policies on his two granddaughters. Working with the FBI, she wore a wire and eventually got Karlsen to confess to his son's murder on tape. In 2013, he pleaded guilty to second degree murder. It was his conviction for his son's murder that led to the reopening of his first wife's death.(8)

### **The One-Time Offender: A Cautionary Tale**

But here's another interesting (and alarming) research finding; there is evidence that **one-time fraudsters may have more in common with repeat offenders than their law-abiding peer group.**(9) As a group, white collar offenders— even first-timers— break more laws across different contexts than a matched control sample. Separate from their fraud offense, they have more income tax problems, are more likely to misreport financial statements, exploit insider trading information and engage in other unethical or illegal workplace behavior. This extends outside the work setting; they are also more likely to have traffic violations, receive a DUI and have a conviction for domestic violence.

This doesn't mean that all fraudsters are career criminals or on the path to repeat offending. But what it does suggest is a) many people would not commit fraud even under the circumstances the one-time fraudster finds himself; and b) some first-time offenders will become predatory fraudsters if given the chance. This is especially true of individuals with dark personality traits.

### **Finding the Personality in Fraud Theory**

Theories of fraud have traditionally centered around environmental factors that allowed the opportunity to commit fraud. The earliest and most prevalent theory of fraud is the triangle theory proposed by criminologists Donald Cressey and Edwin Sutherland more than sixty years ago.(10) This model proposes that the confluence of three factors increases the likelihood that fraud will occur: a perceived need or pressure, a perceived

opportunity, and the ability to rationalize such behavior. So, for example, someone with financial problems, substance use issues or work stress takes advantage of weak links in a fraud prevention system and justifies what s/he's done with a moral excuse so s/he can maintain their view of themselves as an honest or deserving person; "the company can afford it, no one will notice, I'll pay it back later."

The justification is often linked to the motive or incentive to commit the fraud in the first place. The gambler tells herself she'll pay it back once she wins at the casino tables or the resentful employee who convinces himself he deserves the money he's stealing. "That jerk should have given me the promotion."

But research has shown that individual factors also contribute to fraud.(11,12) In particular, individuals with certain personality traits are more likely to spot ways to commit fraud and more likely to take advantage of them.(13) For this subset of offenders, it's the pathological personality that drives their behavior; no situational pressure is needed. Who needs financial trouble as an incentive when greed is a constant part of who you are? There is no need to make situational excuses for unethical or criminal behavior when you have a built-in view of the world in which you are the center and the end justifies the means. For those individuals, the Cressey triangle collapses; all they need is opportunity.

This may explain why some fraud perpetrators are, or become, serial predators; persons who actively seek out opportunities to commit fraud time and time again.(14) Their actions are driven by character, not circumstances. Dark personality traits such as psychopathy, narcissism and Machiavellianism – often referred to as "the dark triad," are associated with individuals who have an insatiable need for power; chronic sense of entitlement for whatever they want; and a willingness to use whatever means necessary to achieve their goals.(15,16,17) New evidence suggests that each of these personality traits may be paths leading to the same destination – a malevolent core.

## **Rotten to the Core?**

Over 100 years ago, a man named Charles Spearman discovered that intelligence appears to be a relatively stable, general ability; today, this is what we call a person's IQ or intelligence quotient.(18) Within this general overall intelligence are specific skills and abilities. A person might, for example, have an exceptional vocabulary but relatively weak abstract reasoning. These are just parts of the sum total of intelligence. And two people with similar IQs can vary in terms of their individual strengths and weaknesses. However, this core of intellectual ability is steady, consistent, and predictable. Situational factors can influence our cognitive abilities; depression or a traumatic experience can make it harder to concentrate. But a smart person will always be a smart person. As long as you're measuring the same thing, it doesn't matter what test you use.

Fast forward to 2018. Researchers had long been puzzled by the overlap of some of the problematic personality traits that wreak havoc in interpersonal relationships and occupational settings; yes, there were some differences between psychopathy and narcissism but they also had a lot in common. Machiavellianism consisted of manipulation, callousness and an indifference to morality, but didn't psychopaths have those characteristics, too?

Researchers began wondering if these dark personality traits were actually components of a larger disposition, which they called "D."<sup>(19)</sup> The common denominator among individuals with this dark core is a dogged and consistent pursuit of their own interests, disregarding, accepting or actively seeking to harm others along the way, while having core beliefs that justify their actions. This dark factor is at the root of a number of malignant personality traits; narcissism, spitefulness, psychopathy, greed, self-centeredness, entitlement, Machiavellianism, sadism, moral disengagement, and egoism. It is also the impetus for a host of malicious behaviors; lying, bullying, cheating, manipulating, exploiting, stealing, threatening, assaulting, etc.

The presence or strength of individual dark traits may fluctuate from person to person, just as people of similar intellectual levels may have different cognitive strengths and weaknesses. Someone with a dark core may be high in entitlement and grandiosity but relatively low in sadism or spite. Another person with a dark core may exhibit a chronic need for money and status while another is more interested in ruthlessly manipulating behind the scenes. When caught, the given rationale for their criminal behavior is likely to be a lie; in reality, their antisocial actions are merely an extension of their callous and exploitive world view.

### **Defense Against the Dark Arts**

Traditionally, the internal controls and risk assessment tools of fraud prevention are "people neutral," and indifferent to the personalities and motivations of those who commit fraud. This is clearly inconsistent with data that indicates that fraudsters are a heterogeneous group of offenders with varying degrees of risk and recidivism. Not all fraudsters are wolves in sheeps' clothing but neither are they all law-abiding citizens trapped in desperate circumstances. We need fraud preventive and investigative measures that reflect the complexity and diversity of the perpetrators with whom we are dealing.

The first step may be to teach auditors, investigators, and those charged with oversight the gamut of white collar crime — including the personality traits of those most likely to chronically abuse the system. This is not to encourage diagnostic speculation or suggest decisions should be based on observed personality characteristics; it is to raise awareness of behavioral warning signs and to encourage additional exploration of potentially problematic behaviors.

And there are warning signs.(20) The 2020 Global Study on Occupational Fraud and Abuse, for example, found that eighty-five percent of fraudsters exhibited at least one behavioral warning sign while committing fraud. Number one (consistently since 2008 and present among 42% of fraudsters) was living beyond one's means. Other indicators were financial difficulties, an unusually close relationship between the perpetrator and customers/vendors, and abnormal behaviors towards staff (bullying/intimidation, control issues/unwillingness to share information among staff, a wheeler/dealer attitude, and irritability/defensiveness).(21)

Individuals (outside of an organization) who committed insurance fraud also exhibited warning signs. Dr. Fata, the oncologist who diagnosed fake cancer, was caught in lies by several colleagues, had a previous complaint against him that was not investigated, clearly deviated from standard practice, and was known to bully/belittle patients who questioned his treatment. Life insurance fraudsters who committed murder, for example, often exhibited unusual behavior immediately after the death of their victim. These anomalies were often observed by immediate family and friends as well as insurance company employees responsible for the claim's payment.

Clearly, identifying and stopping predatory fraudsters is a team effort. Effective means depends upon the individual and type of fraud involved. But here is a start:

- HR can serve as a first line of defense against hiring potential fraudsters. A thorough background check (including criminal record and credentials check) of new hires, no matter how high up in the organization, should routinely be conducted and references thoroughly checked.
- Many malignant individuals excel at job interviews. To minimize the halo effect a good first impression can create, interviews should be conducted by multiple people across time.
- Once a person is hired, it is critical that the organization collect ongoing information about their job performance (including interpersonal interactions) from a variety of sources at different levels of the organization. It is often the people from whom a financial predator has nothing to gain who are first to notice his or her true colors. This is especially true given the fact that forty-two percent of fraudsters engaged in other forms of workplace misconduct while they were committing fraud.
- Serial predators outside an organization are often caught through whistleblower complaints. The availability of confidential and potentially anonymous "hotlines" is a critical part of fraud detection, as is educating consumers and providers on spotting and reporting irregularities. Insurance companies should encourage employees to report incidents, assure those who do report incidents that there will be no retaliation against them, and outline the procedure for investigating incidents.

- Fraud investigators need to understand their vulnerability when in unfamiliar territory or when serving a new client and take appropriate precautions. These measures include letting others know where they will be working and when, having investigators or auditors work in tandem, or an auditor or investigator revisit their client's criminal record. This also includes asking questions about an employee's workplace behavior in general and specifically about suspicious, threatening, or hostile behavior.
- Life insurance claims investigators need to understand the personality traits of individuals most likely to commit claim-related fraud. Families and friends are a wealth of information about an insured deceased, especially when foul play is suspected. Insurance investigators armed with an understanding of the behavioral red flags of a potential predator, can assist law enforcement in bringing a serious or serial offender to justice.
- Organizational fraud victims should carefully consider the circumstances (degree of premeditation, criminal history of the offender, evidence of other workplace misconduct) when considering restitution as a sole consequence. No one wants to irrevocably harm a first-time offender with a treatable gambling addiction or a truly desperate life circumstance. But it is also important to be aware that many have been duped by false claims of repentance. And claims of mental health issues need to be carefully verified.

## **Conclusion**

Relying on stereotypical notions of criminals increases the risk that real and present dangers will be ignored; this is especially true of serial offenders. Even co-conspirators can fall for the myth that white collar criminals are nonviolent. In 2020, after staging fifty crashes for an auto accident crime ring allegedly run by a group of attorneys, Cornelius Garrison III was murdered four days after a grand jury handed down several indictments.(22) His family says he was killed because he was cooperating with law enforcement. Whether this is true or not remains to be seen, but what we know for sure is that there is a subset of fraudsters who are clearly capable of wreaking both financial havoc and physical harm to their victims.

From a psychological standpoint, we still have a lot to learn about fraud. We forensic psychologists need to devote more time and energy understanding white collar offenders and expanding our behavioral profiles to reflect their diversity of motives, incentives, and personality traits.

Hopefully, we are moving in that direction. There is increasing recognition of the devastation that financial crimes cause victims and their families, as well as the potential danger posed by a subset of offenders. While a minority, violent fraudsters are not an anomaly to ignore; they harbor antisocial and behavioral traits the same way street-level violent offenders do. And they are just as dangerous.

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