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The Trusted Grown-Ups Who Steal Millions From Youth Sports

Prosecutors in several states say embezzlement investigations involving youth sports have become common.

By BILL PENNINGTON JULY 7, 2016

WHITEHALL TOWNSHIP, Pa. — With downcast eyes and a microphone clenched in one fist, Brian Farley stood uneasily before nearly 400 children from the Tri-Boro Youth Soccer Club in eastern Pennsylvania.

He had stolen their money.

Farley, 55, the longtime treasurer of the all-volunteer, nonprofit club, had pocketed \$120,000 from the organization's bank accounts — money paid by parents so that their children could play.

A county court judge had ordered Farley to repent publicly to club members as part of his guilty plea, and so there he stood, in front of a throng of children sitting cross-legged on a grassy ball field waiting to play. The club's leaders were so fearful that an irate parent might charge or assault Farley that they hired security to maintain order.

"You try to be a good example to your children," Farley, whose son and daughter had played for the club, told the gathering. "What I did was one of the worst examples you could ever set for your children."

The youth sports boom in the United States, fortified by at least 30 million participants, has turned what were once homespun local leagues into quasi-professional enterprises with annual budgets that experts who track nonprofits say

regularly reach \$250,000 — if not twice that.

Yet with the growth and development has come a long list of embezzlement and other corruption cases unfolding in a void of oversight and regulation and capitalizing on community trust.

Across the country, people who volunteered as treasurers and other officers for Little Leagues and sports clubs have been prosecuted for pilfering gobs of money from the coffers: \$220,000 in Washington, \$431,000 in Minnesota, \$560,000 in New Jersey, and so on, according to law enforcement authorities, league officials, experts on nonprofit organizations and news reports.

The approximately 14,000 youth sports organizations in the United States take in annual revenue of about \$9 billion, according to the National Center for Charitable Statistics. Oversight of those sums is haphazard and not centralized, as there is no national agency in the country watching over youth sports.

Investigators and prosecutors in several states say embezzlement investigations involving youth sports have become common, almost always committed by unpaid board members who are highly regarded in their communities.

It is difficult to say whether the problem with embezzlement has worsened or if the growth of the leagues simply means more cases; there is no clearinghouse comprehensively tracking fraud in youth sports.

But investigators say the problem gets little public discussion even as, by some measures, there are signs of mounting cases. In the last five years, there have been hundreds of arrests and convictions in 43 states involving 15 sports, based on a study of news accounts and a database compiled by the Center for Fraud Protection, an organization that aims to mitigate embezzlement in youth sports.

And those are only the cases that have become public.

Law enforcement officials estimate that they see only about half of the actual fraud in youth sports because organizations often cover up smaller misappropriations to protect their reputations and preserve the ability to raise

money in the future.

Some leagues have dissolved as a result. Most organizations survive, but they often must defer buying new uniforms; fixing up insufficient or dangerous fields; purchasing equipment; and financing capital projects.

Over all, the rate of fraud across the youth sports landscape, which includes thousands of prosperous travel teams, is probably small in scale given the vast scope of youth sports. In general, there is little data of any kind on how extensive embezzlement is among all nonprofit groups, let alone youth sports associations.

Yet watchdogs of the nonprofit industry note that youth sports organizations rarely put in place routine checks and balances, such as having multiple people in charge of the money, opening the door to fraud.

“People treat youth sports groups as social clubs and vest all their trust in one individual because they all know each other, but these organizations need to be treated like businesses with all the same internal and external financial controls,” said James Martin, the Lehigh County district attorney, whose office prosecuted Farley’s case. “Yes, everyone starts out with the best intentions, but then something usually goes wrong and no one is really watching.”

A husband and wife were implicated in Michigan after a neighbor, an accountant whose sons played for the baseball league, joined the board and scrutinized the books, leading investigators to a case that uncovered \$300,000 in missing money.

In Winslow, Me. (population 7,794), there were three theft charges against members of volunteer sports clubs in a four-year span, including one person who was charged with stealing from two clubs.

In Wisconsin, a self-described soccer mom confessed to another soccer mom about taking money from the local club, only to discover she was taking even more money.

A woman in Vermont was convicted of stealing from a fund established to honor a dead child who had been a club member.

The exposure of embezzlement leaves communities thunderstruck and wounded at the revelation of neighbors stealing from neighbors, friends cheating friends. The children of the accused are often best friends with the children of the accusers.

“I couldn’t comprehend having to tell the 700 kids in our entire membership that the money was gone and they couldn’t play soccer anymore because their treasurer was a thief,” Diane Miller, the Tri-Boro Youth Soccer Club’s current treasurer, said last month, recalling Farley’s arrest in 2013.

“I wanted to cry.”

Skimming and Spending

While the preponderance of cases occurs in suburbia, there have been dozens of arrests in farm communities and in big cities, too, including Manhattan.

“There’s always a lot of cash involved in these organizations, and whenever there’s cash, there’s people eyeing the cash,” said Tim Delaney, president and chief executive of the National Council of Nonprofits.

Erik Carrozza, the founder of the Center for Fraud Protection, said: “Someone can easily skim 20 percent off the top and it will not be noticed for a while. Twenty percent for five years ends up being a lot of money.”

That money gets spent in a variety of ways.

The police have reported that purloined money has gone to dog grooming, tickets to Walt Disney World, illicit drugs, a child’s wedding, fishing trips, financial advice, N.F.L. and Major League Baseball tickets, lingerie, massive deliveries of yard mulch, college loans and the interest on personal property being held in pawn shops.

Gambling debt has played a role in many cases.

Kevin Short, a lawyer who represented a hockey league official in Minnesota convicted of tax evasion after stealing more than \$400,000 from a league, said

casino debt in fraud cases is so common now that investigators routinely check gambling habits when embezzlement is suspected.

"It's a standard question," Short said. "Since gambling came into Minnesota, we've been having problems and embezzlement."

Prosecutors and defense lawyers say that many others who have embezzled from youth sports organizations have done so because they were enduring a period of financial distress because of a divorce, a job loss or both.

From a work-release facility where he is confined after serving several months in jail, Kevin L. Baker said he stole more than \$200,000 from the Kent Little League in Washington because he was trying to survive financially.

"I'm usually a trustworthy, honest person," Baker, who was the league's treasurer for seven years, said in a telephone interview last month. "I got in a bad situation, and when you're in a bad situation you make decisions that you wouldn't normally make."

Since 2007, Baker, who coached his two sons in the league, had been a responsible volunteer at the league's many activities.

But in 2011, he lost his job, and his wife moved to Idaho with the couple's sons as part of a divorce. A grandfather who had helped raise Baker and had been a father figure also died around the same time.

To raise his spirits and to try something new — his grandparents had run a tavern — Baker decided to spend \$100,000 to buy a bar. The business started strong, then flagged precipitously.

Mindy Young, who prosecuted the case, said Baker had taken money from the Kent Little League in 271 transactions that included cashier's checks for as much as \$20,000. He knew that no one truly scrutinized the treasurer's books he had been doctoring.

But on Dec. 9, 2014, Kent's Little League president, Greg Whitcomb, went to an Office Depot and tried to use the league's A.T.M. card to buy \$18 worth of

envelopes. The purchase was denied.

Based on the financial reports he had been receiving from Baker, Whitcomb believed the league had \$227,000 in bank and investment accounts. For a decade, the league had been soliciting donations and were finally on the verge of buying their own baseball and softball fields.

The Kent Little League was actually in debt, owing uniform manufacturers \$20,000.

“Worse, all the hard work by volunteers raising money for years was lost,” Whitcomb said.

Baker turned himself into the Kent police.

“I felt so guilty; I couldn’t sleep at night,” said Baker, who has since been ordered to pay \$208,000 in restitution.

Last year, Baker, who had no previous criminal record, was sentenced to 22 months in jail.

String of Tell-Tale Signs

It often takes suspicious board members or officers to uncover the wrongdoing.

In the case involving Pennsylvania’s Tri-Boro Youth Soccer Club, Farley’s crime was not uncovered until a new club president, Tino Babayan, hired a lawyer to advise the club about various matters, including its finances. The lawyer quickly became suspicious of Farley’s bookkeeping, especially when the club’s retainer check bounced.

Babayan learned that 80 percent of the club’s money was missing.

“Farley was basically paying off his bills and living as if the club’s account were his own,” said Steven Luksa, the assistant district attorney who prosecuted the case.

Farley declined to be interviewed last month, but his lawyer, George Heitzman, said that when his client lost his job working on Wall Street, he began making loans to himself from the club's account.

"He felt he was just borrowing, but that is a slippery slope," Heitzman said. "There were some payments back to the league, but Brian got so far behind."

Meanwhile, the club's board members, facing a host of unpaid bills, were suddenly desperate to keep Tri-Boro solvent.

Farley offered the club and prosecutors a restitution deal; the organization's leaders and the club's parent group balked.

Diane Miller, the new treasurer, had pored over the bank records and saw that the club's A.T.M. card had been used to pay for \$500 hairdressing appointments, hotel stays, wine and cigars.

"At that point, I wanted to find him," Miller said of Farley, "and spit in his face."

But the club, which needed the infusion of cash, took the deal, which amounted to \$55,000.

Farley received five years of probation and was ordered to make gradual, systemic repayments to Tri-Boro for the remainder of what he owed the club. Farley, who has remained in the Allentown, Pa., area, has been paying back the money at about \$225 a month and recently told another board member that he intended to pay back the roughly \$60,000 he owes the club.

Miller is skeptical. "We'll never see it all," she said.

Board members were forced to dip into their own pockets for \$200 or \$300 each to pay some of the club's most urgent expenses and keep it afloat.

This year, the club is thriving, with a growing membership roll.

Coaches and other club members have adapted to new policies mandating invoices and receipts for any reimbursable expenses, regardless of how small the

sum. Two board members are also required to extensively review the club's books monthly.

"We can't let anything go unexamined," Miller said.

Like the Tri-Boro Soccer Club, the Kent Little League in Washington had to run on a skeleton budget before it rebounded in part because several local sponsors donated time and money when they heard of Baker's theft. A software company that had been working on a new league website chose to finish and install the website for free, which quickened the pace that valuable registration fees flowed into the league's bank accounts.

Still, the Kent Little League misses the more than \$200,000 it intended to spend on new fields, cash Whitcomb knows the league will likely never recoup.

As Whitcomb retrieved the mail at home not long ago with his 15-year-old son, he saw an envelope from Baker.

"I smirked and handed it to my son and said, 'Here's the first restitution payment to your Little League,'" Whitcomb said.

Inside the envelope were two checks for \$14 and \$11.

Reluctance to Commitment

There is another common thread to many fraud cases in youth sports: the scarcity of people running them, which significantly hampers the necessary oversight.

Overscheduled, working parents are hesitant to commit the time to serve on boards. And no one wants to be an organization's treasurer, which is the most tedious, thankless job.

"People are always asking, 'Can I pay to get out of my time working in the concession stand?'" Whitcomb said.

Many affluent organizations have turned to paying the officers of their boards of directors as an incentive to serve. Others are hiring bookkeepers. Crime or fraud

insurance designed specifically to cover youth groups is gaining in popularity.

There are groups that have tried to fill the void, like the National Alliance for Youth Sports, a Florida-based nonprofit and youth sports advocate that helps train coaches and administrators. Little League offers guidelines to community leagues and training and information for volunteers.

Nonetheless, in recent years youth sports officials have found themselves forced into unforeseen roles: crime investigator, mediator and crisis management specialist.

“You start out wanting to help kids and you end up doing things you never thought you’d have to do,” said Babayan, no longer the Tri-Boro Soccer Club president.

When Farley concluded his 73-second apology to hundreds of young soccer players, Babayan, who had exposed Farley’s embezzlement, was standing a few feet away. As Farley dropped one arm and uncomfortably raised his gaze to the crowd, Babayan diplomatically stepped forward to grasp the microphone from Farley’s clenched fist.

The children appeared confused. The parents were miffed. An awkward silence enveloped the grounds.

“No one had ever seen anything like that before,” Babayan said.

Eventually, the players stood and separated into groups. It was time to play.

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