FRAUD TALK – EPISODE 105

Case Study: Fraud and Corruption in Youth Sports

In this episode, Stephen Griffin, CPA, describes how his professional and personal lives changed after discovering fraud and corruption in a youth sports company.

Transcript

Mandy Moody: Thank you for joining us today on Fraud Talk. This is Mandy Moody, the communications manager here at the ACFE. I am so excited to be joined today by Steve Griffin. Steve, welcome.

Stephen Griffin: Thank you, Mandy. I'm happy to be here.

Mandy: Steve actually reached out to me a few months ago about a book he had recently written called "Front Row Seat: Greed and Corruption in a Youth Sports Company." It was very intriguing, I ordered the book, and it's a fabulous read. I think it's so interesting because it combines the kind of normality of being a parent and a professional with a very extraordinary story of when things can go wrong.

Steve, tell us a little bit about you. We just spoke before this. You are calling us today from Rhode Island, and we're here in Austin, but tell us a little bit about you and your background.

Steve: Sure. Yeah, happy to. My background is I was born and raised in Massachusetts. Have lived in Rhode Island for quite a few years now. Went to a school here in Providence called the Moses Brown School where my wife is actually now a teacher and all three of my children are alums. I had the boy, boy, girl. One who just graduated from college and two that are in college. All three were pretty active in youth sports. My wife and I played sports our whole life.

I went to Providence College as an undergrad, went to the University of Rhode Island for my master's of science and accountancy, and started my career as a CPA with a big four firm and left public accounting, got some operating experience, then was a partner in a private equity firm and then served as an operating partner for a couple of large-cap private equity firms working closely with their portfolio companies.

Then I guess six or seven years ago, I left and started investing my own capital and playing a relatively active role, in most cases at the board level, in some cases rolling my sleeves up and taking on an internal function with a portfolio company or two, and happened to make a few investments in the sports space. It was not an industry that I had ever been involved in before and it was not, quite frankly, a preconceived investment strategy or thesis. It was sort of an opportunistic one that came my way and started off as my children were playing in youth sports.

Yeah, I think that's probably a relatively succinct background on who I am.

Mandy: Wonderful. Before we completely dig in, I was curious how you made the jump from sports dad to going to the ball field to then saying, "You know what? I want to invest." I know it was a meeting with different people and personalities, but when did that jump officially happen?

Steve: It's actually a great question. I think the first thing I would say about that is because we're an active family and during my children's development years or formative years, we were like many parents, going in different directions, bringing my daughter to a lacrosse game, bringing my son to a baseball tournament, dropping my oldest boy off for a golf tournament. We were sort of scattered, and I didn't look at the market, quite frankly, as an investment opportunity probably because it was part of our personal life. There's a lot of folks who normally will say, if you're a fisherman, if you're an avid fishermen, you might not want to be looking at investing in a boat company because it's too close. You're not objective. You've got certain biases built in.

I wasn't actively looking at this space. Then I attended a couple of events with my middle son, baseball events, and was introduced at scale to what was really happening. Again, this is seven or so years ago, what was happening in youth sports. I started to see it firsthand in travel youth sports. What became interesting to me in that first opportunity was that this was a very fragmented marketplace. It appeared to be a large market. It was relatively unsophisticated in my opinion, in terms of the operators and the infrastructure around youth sports. I guess that's part and parcel to the fragmentation.

It was an industry that seemed to be driven largely by cultural influences — 24/7 ESPN in your households, kids eating breakfast watching morning sports center and then going to practices after school. The cultural or emotional drive of parents, either for the right reasons or in some cases for the wrong reasons. I saw all of that as really interesting market characteristics, number one. Number two, I don't want to sound like some pure capitalist who was just looking at this in a very sterile manner. But the second thing I saw was I thought there was an evolution of that market happening, which was the global brands — Nike, Adidas and the like — have always been trying to reach that target audience.

That's a very attractive demographic, not only the participants, but the family in general, who has raised their hand and self-selected as a travel sports family. They spend money on hotels and airfare and eating out at team dinners and buying gear and so on and so forth. Yet they've never really been able to connect directly with them. I was looking at it thinking, "Man, all these years they've been relying on a two-step retail distribution channel to get some sports authority." At the time in Foot Locker, and now this generation who's participating is holding a digital Gutenberg press in their hand.

Their ability to post on Instagram that they're adding events. For mom to post on Facebook a video of her son playing baseball and share that she's at a certain tournament and so on. I thought, "Wow, we're at an inflection point here where these brands can actually start developing a direct relationship with these families." From that, not to go too deep into it, from that I started to think there was a youth sports ecosystem that was ripe for not only investment and potentially yield, but also one that could be improved dramatically, that more value could be provided directly to these families.

Whether it was sponsorship dollars coming into these programs that would keep pricing down that would allow more families to participate, more kids to participate, providing more digital connectivity between kids who not only weren't on the same team, but maybe were from completely different regions, but shared common interest and so on. You can imagine in your mind this pretty complicated infographic of what I thought this opportunity could be. It went from sitting in Cooperstown, New York, watching my son play and just sort of aghast at how many people were there and the volume of activity and purchasing that was happening too.

There's a really interesting economic driver behind this and if somebody came into this market and started to professionalize it and enhance the service and the customer experience, we probably could do a lot of good at same time.

Mandy: What did it look like at the beginning?

Steve: I've made, I guess, six or seven investments in this space. What happened is over that period of time … you get pitched on ideas, you meet people in the sports market and other markets. I started to realize I'm going to narrow my focus down. Before that my professional experience was industry agnostic. In public accounting and on the private side, I had worked across a variety of different industries and now

I was thinking, “There’s something interesting here.” So I narrowed the focus to the amateur sports market.

The first couple of investments that I made, you could check the box that we were able to partner with large global brands in a way that those brands hadn’t really done before in this fragmented marketplace. That involves things like onsite activation for the brand to show new products that were coming out to these athletes to make special offers to them at discounted prices or early-release products. We would take short-form content, whether it was video or statistics or still images, and allow parents to share those through their choice of social media channels. All of that was building our brands and aligning us with larger brands who had a lot more influence. And I would argue was giving the families more value, right?

They were seeing products before somebody else, or they were getting them at a less expensive price, or they were getting gratification from attending these events. We even went so far in one company — this was in the baseball space — to be the really the first to introduce at the sub-collegiate level, really advanced technology around measuring things like exit velocities off the bat or spin rate for a curveball that allowed players to get information that would point them in the direction of improving and things they needed to focus on all the way up to providing college coaches and professional scouts with real data and insights into the athletes and their projectability, let’s say, if they were looking at them for college or even potentially for the major league drafts.

It was quickly evolving, both in terms of the way we’re engaging with customers, the kind of information we were providing them, the way they were sharing information. I would say that in all of those cases, we were getting immediate feedback that was indicating that people were satisfied, or we were even exceeding their expectations. That only continued to feed my interest in the industry, thinking that we can do this across more sports and more platforms and continue to try to elevate the experience for the families.

Mandy: That’s interesting. I would imagine it sounds like a lot of exclusivity which sounds very appealing. Then a lot of, I imagine at the time, FOMO, but fear of missing out on some of these opportunities. I know my own children and other parents that I’m with, they don’t want to miss out on anything, so I imagine this is all very captivating to parents, players and those companies.

Steve: Yes, it is and that’s, for me personally, it’s a double-edged sword, right? I think we happened to have gotten involved early on with businesses that offered events or programming at what I would call the sort of elite or exclusive level, which makes sense because those would be the types of families or players who tend to spend more, right? Whether it’s because they’re more engaged or where they work, some parents think there’s an ROI, right? We’re going to attend enough of these showcase events that Johnny may get a college scholarship.

That group of people also tend to be what that group of constituents, whether it’s the customer or a college scout, a college coach or a professional scout, they also tend to be early adopters of the technology and the data that I referenced. We tended to gravitate initially to that end of the segment, or the consumer base. The problem with that is exclusivity. That’s one thing that I’ll say, both in terms of economics and just societally in general. It starts to become exclusive and that’s a bad thing because one of the challenges in this market is this whole pay to play is excluding people who don’t have the socioeconomic status to pay to play, which is wrong.

The second is, it’s widely acknowledged in the industry that there’s a significant cliff or attrition at about the age of 12 or 13 across most sports, which speaks to everything from continued physical activity, overall wellness, engagement with their friends. Even some people correlate it to a rise in the incidence of anxiety or depression, mental health challenges for kids in their teens and college-age.

One of the things that I have believed in and we wanted to continue to do was to make sure that we didn’t just operate at the peak of that pyramid, but that we were taking, in some cases, the aspirational elements of that elite market and trying to drive it down both in terms of appeal and make the economics more attractive to provide more participation across that entire spectrum.

In that case, everybody wins, right? There is a viable — unlike what some people say about this marketplace — there is a viable model here that has to the far right, a family who believes that their child is going to go play professional sports and they have the wherewithal to spend money for private coaches and so on. We live in a free society. If they want to do that, great. If there's somebody who can create a business model around that, that's fantastic. But the middle of that bell curve needs to be satisfied as well. Then all the way back down to the left side, being town and recreational participation. Those all need to be healthy and thriving because the minute you get away from that, you see the by-product of it being the drop in participation and all those things we touched on a moment ago.

Mandy: I imagined there's also a lot of inherent trust that, much like a church or an HOA, you have the trust that everything's going to be run and done properly, right? Because it's a feel-good thing. It's sports. It's people playing. Did you see that trust there? Or did you know that people you're investing it's going to be handled properly? Or did you go in because of your background, like wondering, okay, I got to check all the boxes here. I still have to trust but verify. I guess, where was that trust?

Steve: Well, it's a really timely and insightful question. I'll break it up into two … I'll try to answer that two ways.

From the consumer perspective, yes. I believe that this industry, like many others for different reasons, but this marketplace should be held to a different standard because people are entrusting us with their children, right? I'm not selling an air conditioner or widgets, or what have you, but this is about children. Again, it's a free enterprise, we're capitalists, but we should be held to a higher regard. We should make sure that background checks are done and the children's health and safety is insured at a baseline, sort of a hierarchy of needs. Those things need to be the foundation for sure.

Then as you move up, if you're making a commitment to a family that your program provides the best curriculum, the best coaching methods, and so on, then you better deliver on that promise because this is a very emotional, personal thing for a parent and a family.

To begin with, and number two, some of these people are stretching financially to do this. So you have an obligation to deliver on that. I'll go into the second part of trust in a second, but to close that first part out, I am, as a CPA, we're trained to be professionally skeptical overall, but I will say that I default to trust and I think we have a human bias to trust.

I will say that I think that the vast majority of the operators in the youth sports marketplace are in it for the right reasons. They check the boxes. They make sure that they're doing everything to be, not only compliant, but they care about the families and the kids. I have not left this experience jaded. I believe that that is the case. It's not the case everywhere.

Now, I'll flip to the second side of trust is more of that professional piece for me. If you think about it from a pre-acquisition or pre-investment perspective and looking at a business like this, I do believe we all tend to default to trust. I think that's how we're wired. I know there are all sorts of research out there on that.

Even consumer-friendly stuff that Malcolm Gladwell wrote about in "Talking to Strangers" and things like that. I believe that's the case. One of the worst things someone can say to you is, "I feel like you don't trust me." Right? You tend to not push too hard. Number one is that. Number two is we have biases as well. I knew this marketplace. I knew we had done it before in other companies. We knew what levers were there. Also knew that this is a fragmented market. You've got typically small businesses that don't always have the best control environment or systems and processes in place.

Unfortunately, I probably had let that bias, instead of looking at those things as negatives or properly scoring them on a risk continuum, I dismissed them as, "Oh, okay. We can get past those. We know this market, we know the industry is healthy, it's robust, and we can fix those things. We actually can add value. We know how to do that." I think I tended to overtrust a little bit or underemphasize some of the early red flags in a couple of these investments.

Mandy: That was perfectly leading into my next question. So tell me, you're investing in a company where did you… I guess looking back, you can see the red flags, but when were you thinking something isn't right?

Steve: Even writing the book, it's interesting. At the time of putting the book together I had 20-20 hindsight, and so I had to be careful. I wanted to write the book in a way that, if a fraud examiner or an internal auditor or a college student is reading it, I wanted them to be walking with me along that journey and not make the red flag so obvious along the way, but I wanted them to be there so that they could look back and go, "Oh, yeah, that should have been a moment in time where questions were raised." In hindsight, pretty early on. I did a little lecture thing, virtual lecture, with the internal audit, the Institute of Internal Audit a couple of weeks ago, and I grasped it for everybody, which is interesting.

I would say, even some of the early first meetings with management, their communication style, it was a little bit inconsistent. One meeting you'd leave feeling like they were really excited to have somebody from the outside or new investors getting involved and rolling their sleeves up and adding value. Then there would be this unusual gap in time and you'd think, "Gah, that's weird. Why aren't they responding as quickly to next steps that I would have thought they normally would?"

There were a few initiatives that the company had in process that we thought just strategically didn't make any sense, and instead of, again, looking at those as signs of either poor decision-making or poor strategic thinking or something potentially nefarious, we just dismissed them as, "Those are bad ideas, and you know what, those will be add backs with EBITDA when we value the business. Even in the pre-acquisition phase, there were things that I would say concerned us, but then there were things that outweighed those. Company had a functioning board of directors and had a few outside board members, who, while we didn't know them personally, we got to know them and felt like those guys were providing … they seem like the kind of guys who would provide good corporate governance. We felt better about that.

We knew there was an existing bank relationship and that they appeared to have a good relationship with the lender. We felt there was a little bit of third-party validation there. The company had never been subject to a financial statement audit, but they had been subject to a review. Again, we felt like there's an outside CPA firm, who's not issuing an opinion, but they're under the hood. We used some third-party diligence providers for financial diligence and legal diligence. Those types of things helped us get past those early red flags.

However, I would say within a month or two post-closing, it was really a couple of things that happened leading up to and at our first board meetings — that early — that were real red flags. While these things may not sound that interesting to a general consumer audience, I think they're probably interesting to people who work in our fields.

One was, we started to see gaps in systems … where representations were made that systems were seamlessly integrated. We quickly realized that wasn't the case, that they were disparate general ledger systems. Consolidated entities was an extremely manual exercise. We had been under the impression that that was not the case. Now you're thinking, "Gah, why would you represent that isn't the case?"

There's a lot of them, but I'll get to that. That was one that concerned me immediately. The second was that we had offered, we had provided a template as a newly reconstituted board. We had provided a template to the management team of, "This is what we would expect to see on a monthly basis." We offered to help populate that template and even suggested, "Hey, let's try to get this delivered to all board members, three to five days in advance of the first board meeting so we really have time to dig in and be fully informed and engaged at the physical board meeting."

While it sounds incredibly qualitative, the days leading up to the board meeting, we didn't receive anything. When they're proceeding the board package the night before the board meeting, it didn't even resemble our template. At that board meeting, we realized we weren't provided a full set of financial statements, particularly, the cash flow statement, which for me, is critical. At that board meeting, our sense was that maybe this management team's a little bit overwhelmed, and on the fly, we hoped that was the case. On the fly, we suggested as a board, let's clean up this organizational structure a little bit and take finance and accounting away from the flat structure that it had at that moment and give it to a board member.

In that case, it was me. I was really the only CPA or former CPA on the board. It was like a moment out of a case study — your management may be up to no good. The CEO pushed back aggressively. "Absolutely not. Finance and accounting has to report directly to him." It was glaringly obvious that they didn't want anybody to have unfettered access. In *my* opinion, they didn't want anybody to have unfettered access to the books and records of the company.

Mandy: Did this worry you?

Steve: Mandy, when I say, did it worry me, I even mentioned it — not to keep going back to the book — but I call it out in the book. There was this very uncomfortable moment in the board meeting where the most inherently senior and respected member of the board looked at the CEO and said, "Hey, we're going to do this. You get too much on your plate. You need to focus on maybe this dev and ops and let finance and financial reporting slide over here."

Because a big part of the investment thesis was that we were going to be growing this business both organically and through acquisitions. And if we couldn't have accurate, real-time reporting, that was going to slow that expansion strategy.

When the CEO pushed back, I'll never forget my fellow board member was across from me. He just was staring at me, making eye contact, like, "Are we thinking the same thing?" It was that palpable in the room. After the board meeting, we actually, three of us as board members met immediately afterwards in a separate office and all shared the same feeling that that did not feel right. Something is wrong.

That led pretty quickly, in a matter of days or a week, to my spending a lot of time at the company and taking over … having the accounting function report to me. That was still an incumbent CFO and a VP of finance and a controller. It was supposed to roll up through me that I would report directly to the board. Within a matter of weeks, we realized that there were some things going on with the financial reporting that appeared to include misrepresentations and accounting irregularities, and so on.

Mandy: Do you think that the CEO knew in that meeting that you said it was so palpable, do you think he or she … I assume you want to anonymize. Do you think they knew or said, "Oh, they're suspicious?" Or do you think it was an ego driven, "Oh, I'm not going to, I can explain it away."

Steve: No, they knew it was a potential tipping point. It was very uncomfortable. I think they, over the ensuing couple of months, I think there were moments where they thought, "I'm going to get through this. I can explain it away." But the more work we did, the more we uncovered and started to realize that they had a problem.

This is just my opinion, but my sense having watched it was, I don't believe anyone wakes up one morning and says, "Oh, today's the day that I am going to misrepresent something or commit a crime," or whatever. I think this was the case — if you use the word ego — I think there was some ego involved over time. I think you had a very small business. You did not have strong internal controls. You had a board of directors, before the reconstituted board, that was a little bit passive in hindsight. I think they gave too much rope to the management team. You had systems that allowed for manual manipulation during the consolidation on a monthly basis.

I think that you had leadership that tended to create a culture that was a little bit about hype, that we're going to grow 10X and they would, they would set these lofty goals. I think it was very difficult for them to accept or acknowledge that they weren't hitting some of them so they would live in gray area for a while. But as you know, at some point, that ends up getting a little bit out of hand. There was a point in time where the promises to meeting budget or meeting forecast hadn't been met repeatedly. I think there was pressure from the board.

Then I think it became a little bit of self-preservation to, "My job maybe at risk here if I don't get these numbers," and they continue to fudge some things and then it becomes material. Then I think it's very difficult for people to step out of that because now if you do step away and allow someone unfettered access, the truth is going to come out. So they hang on as long as they can.

Mandy: Yeah. So what did you find?

Steve: First, is how did we find it, right? That this is also rather qualitative, but back to that whole concept of "we default to trust." I kept thinking, "Okay, there has to be an answer to some of these things that we're seeing." You start to convince yourself, "Maybe these are entrepreneurs who've never reported to an appropriately structured and active board. They're not used to a private equity environment or the expectations of financial reporting." Although a couple of them, one was a CPA and another had an accounting undergrad degree. Maybe they really don't understand the fully respect GAAP accounting.

You try to explain away a lot of it, which is interesting when I look back at it, because all that did was provide more time for people to potentially cover things up. There's definitely something I call the "liar's distinct advantage" in a circumstance like this.

Because we're reluctant to make people feel like they weren't trusted until we could get, or that we would default into them being guilty of things. Coupled with the fact that we didn't have access to a lot of the systems, we didn't fully understand where data resided, we were concerned about conducting an open, full-blown forensic exam for fear of affecting culture, affecting morale or showing a hand too early and allowing people to destroy evidence.

Even the exercise of going through the forensic work, which is typically done at night with the assistance of a couple of the accounting staff who we had learned we could trust, who hadn't been with the company too long so there wasn't deep loyalty.

What did we find? We found end of period, literally like 12/31 type general journal entries that recorded revenue, just literally a big round figure of revenue with no supporting detail. We found inappropriate capitalization of prepaid expenses. Again, it appeared to flip cost of sales onto the balance sheet simply to make a number.

We found undisclosed related party transactions, a significant number of them, of senior management who had other entities that were doing business with the company.

I'm one where I'm like, even if it's not that material financially, it is material from, in terms of disclosing it, so that we at least know it's there. I think it speaks to one's integrity and respect for disclosure requirements. If I knew that the CEO was doing business in multiple ways with this business, I may not have wanted to invest in it because I would've figured that at some point there could be conflicts of interest. Failure to disclose those was concerning to us.

We found some other things that we deemed to be competitive activities that some of the businesses they were in were actually competing directly with some of our revenue streams.

We found inappropriate accounting for prior acquisitions, things like backdate in acquisitions in order to take a full year of that acquisition's profitability. When in fact the acquisition was made in the fourth quarter of that year, for example.

In the aggregate, so material that an outside accounting firm determined that we would have to restate the prior two years' financial statements.

Mandy: So you found a lot?

Steve: We found a lot, yeah.

Mandy: It seems to, I guess, looking hindsight, it matches up with a lot of the things you told me in the beginning with the gaps in communication it was like the gaps of revealing everything or conveying everything. Inconsistency was really, probably all around.

So what did you do after discovering all of that? Where did you go from there?

Steve: There was a summary memorandum prepared on all of the items that we found, an adjusted financial model to reflect the reversal of some of those accounting entries or inappropriate accounting practices, to kind of get to the point that as a board, full board, we could see the impact on valuation. Number one.

New money had just come into the business. Number two, to get a sense of the scope of these individual elements and the scale of their impact on the erosion of trust in the management team. Because again, you're like, this is only information.

We put all this together as a board, which included board members that had been with the company before we got involved. We had that benefit as well. The board unanimously decided to terminate certain employees, and before doing that, they wanted to do that. But before doing that, we decided, "Look, let's sit down and present these facts to these members of management and walk them through it."

We did that and it was a fruitless exercise. You get more spin, I would say, and defensive behavior. Then ultimately, within days the board made the decision to terminate these folks. Because I had the most experience in the industry, I was asked if I would step in and take on the CEO role, so I did.

At that point, we had … the news was out. Now, you're dealing with explaining to the rest of the company and the team that we've had to make some changes, try to do it respectfully so that you're not swamping people or impacting morale too much. But you had another bell curve. You had a few people that were way out to the right, that were incredibly loyal and believed in the previous managers, you had a group in the middle that I think was sort of on the fence. You had a few that were like, "Thank God. This place isn't what we thought it was."

That all felt manageable at first. Then, now having truly unfettered access, we started to find more validation of the things that we thought we knew about, and we shifted into a strategy of, "Well, let's make sure this foundation isn't cracked to the point that we have to raze the house." We got to that point, we realized, "Okay, we do have a business here, but we've got some work to do." We went into a mode of looking internally at, "Let's bring in some new people and really build up a new team."

That became a heavy focus for us as a management team for probably six months. But something interesting, Mandy, was happening that I never would have anticipated during that period. We felt like were making progress every day. Business was growing and so on, but the folks that had been terminated … And we didn't pursue litigation. Our position was, We don't want to have major distractions. Let's figure out really what we have here and perhaps we'll have to come back." Not perhaps, we'd likely would have to come back and negotiate some adjustment to the valuation of the business.

But we didn't want to get caught up in litigation, both from a financial perspective or distraction perspective. I kept thinking that this group who'd been caught would leave with their tails between their legs, but instead, they became quite vindictive and destructive on the outside. We discussed this a number of times at the board level and many of the board members' views, which I understand because they were removed, they weren't living it every day. Many of their views were, these are people that are upset and they're not good people and they're going to be destructive.

I kept thinking, it doesn't make sense because if somebody does this and you give them a bit of a free pass, you think they would just ride off into the sunset. They were being destructive. My sense, and I used this term, was they seem to be subscribing to a scorched-earth strategy. It felt like, to me, they were coming back to the scene of the crime and trying to burn the house down. I'll fast forward. Lo and behold, in October of 2019, about 10 months after I took over as CEO, our largest division was raided by the Department of Justice (DOJ).

That company was in the soccer business, and acute leaders of that group are under investigation for a variety of alleged crimes around international visa fraud, identity theft, among other things. I think part of what was going on was they did not want us digging in and asking questions. They wanted to distract us to a degree and hope that we would not look back. At one point, I was even told by a member of management, "Stop looking in the rearview mirror."

Yeah, it got worse before it got better.

Mandy: Did they have children in youth sports, the management team?

Steve: Yes. Many of the members of the management team, the founders, and folks that were terminated. Yeah, many of them had children in sports.

Mandy: That's interesting. Wow. So something we haven't brought up is you were dealing with all of this professionally, but personally, you had your health to think about. How did those two play together? That had to have just been horribly taxing, I can only imagine what your dinner conversations with your wife. Like, I guess tell us a little bit about that.

Steve: We had a very close team, and just to be clear, we moved the office to Boston. It was north of Boston, but we moved it right into the Boston Seaport area. People have said, "Oh, we moved into posh offices." We actually moved this company into a WeWork space. We worked in an open room. It was not posh. Literally, I sat in an open space with probably 20 to 25 of my colleagues. I did not have my own office. I sat next to my CFO who sat next to one of our financial planning analysts. To my left was a wonderful young woman who served as our overall office manager. She helped everybody, whether it was travel or scheduling conference rooms and so on. To her left was our chief people officer.

We worked very closely as a group, and we were working unreasonable and unsustainable hours, in my opinion. I would typically leave Providence in the morning and take the train into Boston and oftentimes leave the house, 5:00 a.m., 5:30, and many nights I would not get home until between 9:00 and 11:00 p.m. There weren't even many dinner conversations.

A couple of things happened. In June or so of '19, I knew something was going on. I kind of dismissed it as stress, lack of sleep, and so on, but I knew something was happening physically to me, and then ultimately was diagnosed with Parkinson's disease.

Yeah, a little bit of like, "Okay, what else can happen here?" This was before the DOJ rate. Then sorting through, "What does this mean to me personally? What's the impact going to be on my wife and children?" It's a different disease for everybody. The hope was that this could progress relatively slowly and it's not something you have to worry about too much now. I took that position and just kept my head down but started to realize that it was progressing quicker than we all would have hoped.

Yeah, I think I buried that for awhile, which was not healthy, but I just was like, "I can't deal with that yet. I'll deal with it later. I have to plow ahead here. I've got 25 people who sit next to me every day and we're all pulling the same direction and I have responsibility. I have my own capital at risk and there were other people who have capital at risk and we're going to get through this."

I stored that away, I would say, almost for a year, but it took a toll, no question about it. In a matter of six months, I went from, you know, I ran the Boston Marathon several years ago with my wife. And then in a matter of six months, I was having a very difficult time walking the mile or half-mile from the train to my office. I was using a cane and increasing dosages, carbidopa-levodopa. It was getting a little bit tough.

Then the DOJ matter took it to a whole other level. Whereas before we conducted the first phase of forensics was internal and focused on our board of directors and our investors. Now, we're under subpoena and I am helping the Department of Justice conduct a criminal forensic investigation. That went from October of '19 all the way through into the summer of 2020. And things just get tougher and tougher.

Then I would say that when COVID hit, we were in the live event business, so everybody locked down. Youth sports stopped. I think for the first time, I was able to not ride the train every day, which freed up three hours of my time.

I started riding a Peloton. I'm not a shareholder of Peloton or anything, but I started riding the Peloton every day, started to do a little bit of meditation after my workouts. The nice thing about a cardio workout is you produce endorphins which can make you feel like … you know, Parkinson's patients don't produce a lot of dopamine. I was here with myself for a little while and I would layer in meditation, maybe read some gratitude stuff while I was still high on the endorphins, and I'd feel great.

I could feel myself sort of starting to lift up a little bit, and I got into a habit of focusing on my own personal wellness and more importantly accepting the hand I had been dealt and looking around again and realizing I've got a wife and three children that I need to be thinking about.

It's a long-winded answer, but that's sort of the process that I went through, and to be frank, I'm still going through that process.

Mandy: How are you today? I guess mentally, health-wise and then where are you with the company?

Steve: Let's take the company first and get it out of the way. The company was not the company we thought it was, obviously, based on what we've talked about from the start. We felt like we were making significant improvements after that first set of challenges.

I would argue, even with the Department of Justice matter, we were able to gain credibility with the Department of Justice in terms of how we supported them and responded to their subpoenas, and provided them with a lot of the results of our own internal investigation that has helped them so that the company was not a target of the investigation, but rather certain individuals are. I felt we were going to come out of that as well, and then COVID hit.

At that point, I think the largest investors in the deal had what I call "deal fatigue." There was a lot of uncertainty and still is about where youth sports, how it's going to come out of this, and the company filed bankruptcy last summer. It's still in the hands of the trustee in Boston and going through that process. It's a seven. It's not a reorg. I left the company before the bankruptcy around May of 2020 and took my family to the Cape in Massachusetts along the National Seashore and made a weird decision.

My company was heading towards a bankruptcy. I just, you know, I'm dealing with Parkinson's. We're facing a global pandemic, and I decided to take my family on vacation an hour and a half away. I did it because I felt like we needed time together. I needed time to clear my head. We spent a lot of time in the summer on the Cape and I thought, "It is a time of so much uncertainty, including political uncertainty at the time. Maybe we should spend time together." What happened was I went down there just thinking, I'm going to take a deep breath and figure out what's next.

I didn't plan to do it, but I sat one morning early before anyone got up, and I made an outline of what we had just gone through and I thought it would be a very interesting case study. After about 35 bullets of different topics, from identifying an opportunity to management presentations, financial diligence, legal diligence, corporate governance, and so on, I thought, "Wow, there's a lot here." I just started populating it and just writing. So that was June 5th and I stopped writing August 5th. It was just a stream of consciousness, and then I was encouraged by a few folks, one in particular, an executive at Amazon, to consider publishing it.

I did, and to be honest, I think I was in a bit of a fog. I was still trying to sort everything out when I did, but I'm glad I did because if you said to me in May of 2020, "You think you'll ever lift your head up and say that you learned some positive things over the last couple years from a business perspective?" I would have said, "No, I don't even want to talk about what we're dealing with here."

I can tell you today after putting pen to paper and really thinking about it and sharing some of the detailed experiences with people and the feedback I've gotten, I actually think I learned more in that two and a half to three years than I learned in the balance of my career.

The second thing I was asked by somebody was, "What about Parkinson's?" I would've told you in May of last year that there's nothing good about what's happening to me. And I would tell you today that the Parkinson's may actually be the greatest gift, other than my wife and children, that I've ever been given. It has forced me to rethink what's important in my life and to focus on family and gratitude every day. It's actually broken down some barriers that I probably had between myself and certain friends and extended family.

It's actually been a tremendous blessing to be honest with you, and it's forced me to think about what's next, what am I going to do? I don't want to ride the train every day, and physically I don't think I could do it anyway. I guess at the end, for me, the experiences and the book itself, if I were to say, what I want somebody to take away from I — and I didn't plan to write it this way — is I would love it if those people who read the book, if you're a finance person or a forensic person or an auditor, I think there's some really interesting lessons or validation of what you may already know, but it puts it in a context and in a case study format that I think is, feels like real life and is usable.

I think it's a cautionary tale for another audience of, "Hey, look, you start bending the rules a little bit or cutting corners and next thing you're doing these things and this is what can happen." I think it's a really interesting opportunity for young people to get exposure to the good and the bad. How does a board function, what does proper governance look like? What happens from an accounting perspective when you don't adhere to GAAP. Then even on a more technical side, I think the internal audit function is something that sounds painfully dry, but I think it really raises the flag around how important a functioning internal audit function, to some degree, is really important across all companies. Even if it's not a standalone, autonomous, independent person, but some function that is keeping an eye on systems and controls and transactions.

Then the last part is just very personally, no matter how bad things get, and I mean, if you read this book, is there a time where you're like, "Oh my God, what else is going to happen to these people?" You can come out the other side. Whether it's business or personal, I hope the book provides a degree of hope to people that when things are really stacking up against you professionally, personally, health-wise, if you maintain your value set and you have faith, whatever that means to you, that you're going to be okay and you're going to get through it.

If any of those could resonate with somebody, then I'm happy to have gone through this experience and be able to provide those insights.

Mandy: Wow. Well, thank you so much for sharing today and for being so candid. We do these podcasts and we interview people, but we rarely cross over into personal. When really, I think a lot of our members do what they do because it is personal to them. It's personal to them to come out on top and to find truth where there might be a bunch of lies, and it does affect everything from health to your work and what you do every day and how you spend your time. I just really thank you for sharing this with us. I know that the people listening will find a lot of value in this. My only regret is that we couldn't do this in person, but I'm so glad we were able to connect on the phone.

Steve: Same here, and Mandy, I really appreciate the opportunity. I enjoyed the conversation. Thanks so much for doing this.

Mandy: Wow. What a story. Thank you to Steve, and thank you all for listening today. This has been probably one of my favorite podcasts to record. No offense to all the other wonderful podcasts I've done, but this was an incredible story. You can, as usual, find us wherever you listen to your podcasts and you can find us on ACFE.com/podcast for all of our archives as well.

Until next time, this is Mandy Moody, signing off.