

EXHIBIT 3

Case Study: First Coast Soccer Association

Over a period of 22 months, Karen Edenfield was able to steal more than \$80,000 from a community's children and their parents. As the volunteer treasurer of a Jacksonville, Florida, youth soccer association, she managed the finances of an organization that served more than 1,500 children and collected funds in excess of \$400,000 annually. In this role, Edenfield's stated responsibilities included maintaining the records of the organization's funds, reconciling all of the association's bank accounts, and paying the debts of the association in a timely manner.

During the last two years of her four years as treasurer, Edenfield wrote more than 100 checks to herself, to cash, and to vendors for personal expenses. Additionally, she set up a new "business" bank account for a fake company with the same initials as a legitimate soccer association payee, in order to inconspicuously siphon funds from the organization. She then transferred the money from this account to her personal account.

Like many other frauds, the start of this embezzlement was motivated by personal financial difficulties, resulting from the recent loss of her previous job and her husband's previous businesses failures. A background check on Edenfield would have revealed a history of financially questionable situations, including numerous bad-check charges and a large tax lien levied against her husband from a failed professional endeavor. However, the board of the association did not undertake such an investigation. Furthermore, although Edenfield was required to submit frequent budgetary and accounting reports to the association's finance committee, the board members knew each other well and frequently exercised only perfunctory oversight. As a result, it took nearly two years for the board to become suspicious enough to undertake a thorough examination of the organization's finances.

Once under investigation, Edenfield admitted to the thefts, although the full amount was never determined, due in large part to the organization's poorly kept financial records. Additionally, Edenfield told the authorities that the association's president had suggested that she make use of the organization's funds, and had showed her how to do so without drawing attention. Very shortly after Edenfield's sentencing, the president was charged with embezzling \$5,000.

Discussions with board members revealed that the occurrence and duration of the fraudulent activity were facilitated by a systemic failure in the board governance process, due to two primary factors. First, parents, particularly those serving as board members, were often afraid to ask pointed questions for fear of a retaliatory effect on their child's soccer playing time. Second, cash payments to many of the volunteers for their "service" had become an accepted form of practice within the organization.