

CASE 3.1

The Trolley Dodgers

In 1890, the Brooklyn Trolley Dodgers professional baseball team joined the National League. Over the following years, the Dodgers would have considerable difficulty competing with the other baseball teams in the New York City area. Those teams, principal among them the New York Yankees, were much better financed and generally stocked with players of higher caliber.

After nearly seven decades of mostly frustration on and off the baseball field, the Dodgers shocked the sports world by moving to Los Angeles in 1958. Walter O'Malley, the flamboyant owner of the Dodgers, saw an opportunity to introduce professional baseball to the rapidly growing population of the West Coast. More important, O'Malley saw an opportunity to make his team more profitable. As an inducement to the Dodgers, Los Angeles County purchased a goat farm located in Chavez Ravine, an area two miles northwest of downtown Los Angeles, and gave the property to O'Malley for the site of his new baseball stadium.

Since moving to Los Angeles, the Dodgers have been the envy of the baseball world: "In everything from profit to stadium maintenance . . . the Dodgers are the prototype of how a franchise should be run."¹ During the 1980s and 1990s, the Dodgers reigned as the most profitable franchise in baseball with a pretax profit margin approaching 25 percent in many years. In late 1997, Peter O'Malley, Walter O'Malley's son and the Dodgers' principal owner, sold the franchise for \$350 million to media mogul Rupert Murdoch. A spokesman for Murdoch complimented the O'Malley family for the long-standing success of the Dodgers organization: "The O'Malleys have set a gold standard for franchise ownership."²

During an interview before he sold the Dodgers, Peter O'Malley attributed the success of his organization to the experts he had retained in all functional areas: "I don't have to be an expert on taxes, split-fingered fastballs, or labor relations with our ushers. That talent is all available."³ Edward Campos, a longtime accountant for the Dodgers, was a seemingly perfect example of one of those experts in the Dodgers organization. Campos accepted an entry-level position with the Dodgers as a young man. By 1986, after almost two decades with the club, he had worked his way up the employment hierarchy to become the operations payroll chief.

After taking charge of the Dodgers' payroll department, Campos designed and implemented a new payroll system, a system that only he fully understood. In fact, Campos controlled the system so completely that he personally filled out the weekly payroll cards for each of the 400 employees of the Dodgers. Campos was known not only for his work ethic but also for his loyalty to the club and its owners: "The Dodgers trusted him, and when he was on vacation, he even came back and did the payroll."⁴

Unfortunately, the Dodgers' trust in Campos was misplaced. Over a period of several years, Campos embezzled several hundred thousand dollars from his employer. According to court records, Campos padded the Dodgers' payroll by adding fictitious

1. R. J. Harris, "Forkball for Dodgers: Costs Up, Gate Off," *Wall Street Journal*, 31 August 1990, B1, B4.

2. R. Newhan, "Dodger Sale Heads for Home," *Los Angeles Times*, 5 September 1997, C1, C12.

3. Harris, "Forkball for Dodgers," B1.

4. P. Feldman, "7 Accused of Embezzling \$332,583 from Dodgers," *Los Angeles Times*, 17 September 1986, Sec. 2, 1, 6.

employees to various departments in the organization. In addition, Campos routinely inflated the number of hours worked by several employees and then split the resulting overpayments 50-50 with those individuals.

The fraudulent scheme came unraveled when appendicitis struck down Campos, forcing the Dodgers' controller to temporarily assume his responsibilities. While completing the payroll one week, the controller noticed that several employees, including ushers, security guards, and ticket salespeople, were being paid unusually large amounts. In some cases, employees earning \$7 an hour received weekly paychecks approaching \$2,000. Following a criminal investigation and the filing of charges against Campos and his cohorts, all the individuals involved in the payroll fraud confessed.

A state court sentenced Campos to eight years in prison and required him to make restitution of approximately \$132,000 to the Dodgers. Another of the conspirators also received a prison sentence. The remaining individuals involved in the payroll scheme made restitution and were placed on probation.

The San Francisco Giants are easily the most heated, if not hated, rival of the Dodgers. In March 2012, a federal judge sentenced the Giants' former payroll manager to 21 months in prison after she pleaded guilty to embezzling \$2.2 million from the Giants organization. An attorney for the Giants testified that the payroll manager "wreaked havoc" on the Giants' players, executives, and employees. The attorney said that the embezzlement "included more than 40 separate illegal transactions, including changing payroll records and stealing employees' identities and diverting their tax payments."⁵ A federal prosecutor reported that

the payroll manager used the embezzled funds to buy a luxury car, to purchase a second home in San Diego, and to travel.

When initially confronted about her embezzlement scheme, the payroll manager had "denied it completely."⁶ She confessed when she was shown the proof that prosecutors had collected. During her sentencing hearing, the payroll manager pleaded with the federal judge to sentence her to five years probation but no jail term. She told the judge, "I cannot say how sorry that I am ... that I did this, because it's not who I am. I have no excuse for it. There is no excuse in the world for taking something that doesn't belong to you."⁷