

*Tennessee Government Finance Officers Association
2023 Spring Institute*



*How an Accounts Payable Clerk and a Credit Card
Forfeited an Ambulance for a Rural County*



Christy N. Tennant, CPA, CFE, CGFM
Division of Investigations, Deputy Director



DISCLAIMER



This presentation represents the opinions of the presenter only.

The materials presented herein do not necessarily reflect the opinions of the State of Tennessee or any part thereof.

My Background

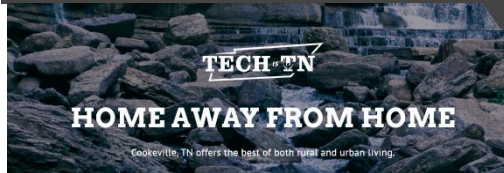


Tennessee
TECH



TENNESSEE
COMPTROLLER
OF THE TREASURY

DIVISION OF LOCAL GOVERNMENT AUDIT



TENNESSEE
COMPTROLLER
OF THE TREASURY

Investigations



The Tennessee Comptroller of the Treasury has a wide range of responsibilities to ensure fiscal integrity within the State of Tennessee. The Comptroller is essentially the state's Money Cop. We are committed to our mission to **Make Government Work Better.**

- Jason E. Mumpower, Comptroller of the Treasury

COMPTROLLER OF THE TREASURY

Jason E. Mumpower
Comptroller of the Treasury

STATE AUDIT

Katherine J. Stickel, CPA, CGFM
Director

LOCAL GOVERNMENT AUDIT

Jim Arnette, CISA, CGFM
Director

INVESTIGATIONS

Jeff Puckett
Director



Tennessee is a leader in
government accountability.





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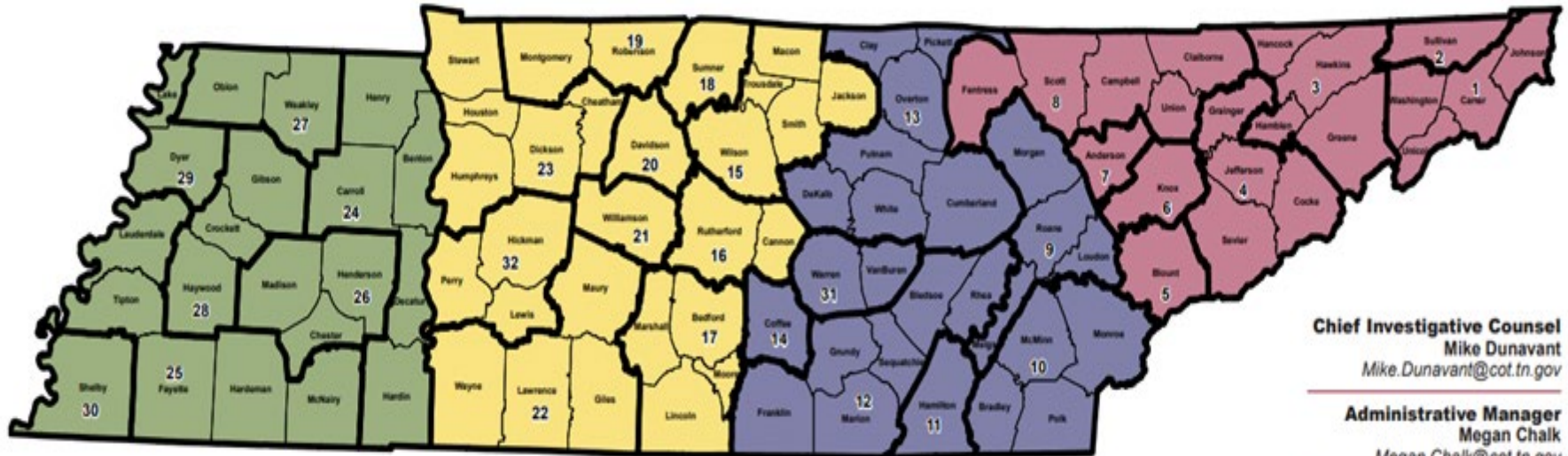
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ATTORNEYS GENERAL BY DISTRICT

- | | | | | |
|-------------------|----------------------|---------------------|---------------------|-------------------------|
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Effective September 1, 2022

Report It

1-800-232-5454

<http://www.comptroller.tn.gov/hotline>



REPORTING FRAUD, WASTE OR ABUSE

"Exposing fraud is one of the best ways to prevent fraud."

— COMPTROLLER JASON E. MUMPOWER

Citizens are encouraged to report fraud, waste or abuse committed by state or local governments or agencies that receive government funds. The report can be anonymous.

- Fraud** - Any intentional act of deception that violates a law or the public trust to obtain an unjust or illegal advantage.
- Waste** - The mismanagement, inappropriate actions, and inadequate oversight that results in taxpayers not receiving reasonable value for money in connection with any government-funded activity.
- Abuse** - Behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary given the facts and circumstances.

If a citizen suspects or has knowledge that an agency receiving taxpayer funds is engaging in an activity that is considered to be illegal, improper or wasteful, the citizen should make a report to:

Comptroller's Fraud, Waste and Abuse Hotline:

1.800.232.5454

<http://comptroller.tn.gov/hotline>



Fraud, Waste, and Abuse

- > For Citizens
- > For CPAs
- > For Public Officials

[Please click here to be directed to the online reporting form](#)



Authority

◆ TCA 8-4-109

- (2)(a) The comptroller of the treasury is hereby authorized to audit any books and records of any governmental entity created under and by virtue of the statutes of the state of Tennessee which handles public funds when such audit is deemed necessary or appropriate by the comptroller of the treasury. The comptroller of the treasury shall have the full cooperation of officials of the governmental entity in the performance of such audit or audits.

◆ TCA 9-3-212

- (b) The comptroller of the treasury, when the comptroller deems it necessary, may require any ...investigative ...work ... which, in the exercise of the comptroller's discretion, the comptroller believes necessary to ascertain or correct errors, irregularities, or defaults in the management and disbursement of funds controlled by such agency...

“ANY GOVERNMENTAL ENTITY”

- ◆ 95 Counties
- ◆ 300+ Cities and Towns
- ◆ Utility Districts
- ◆ State Departments
- ◆ Housing Authorities
- ◆ Development Districts
- ◆ Human Resource Agencies
- ◆ Schools
- ◆ Non-profits
- ◆ School Support Organizations



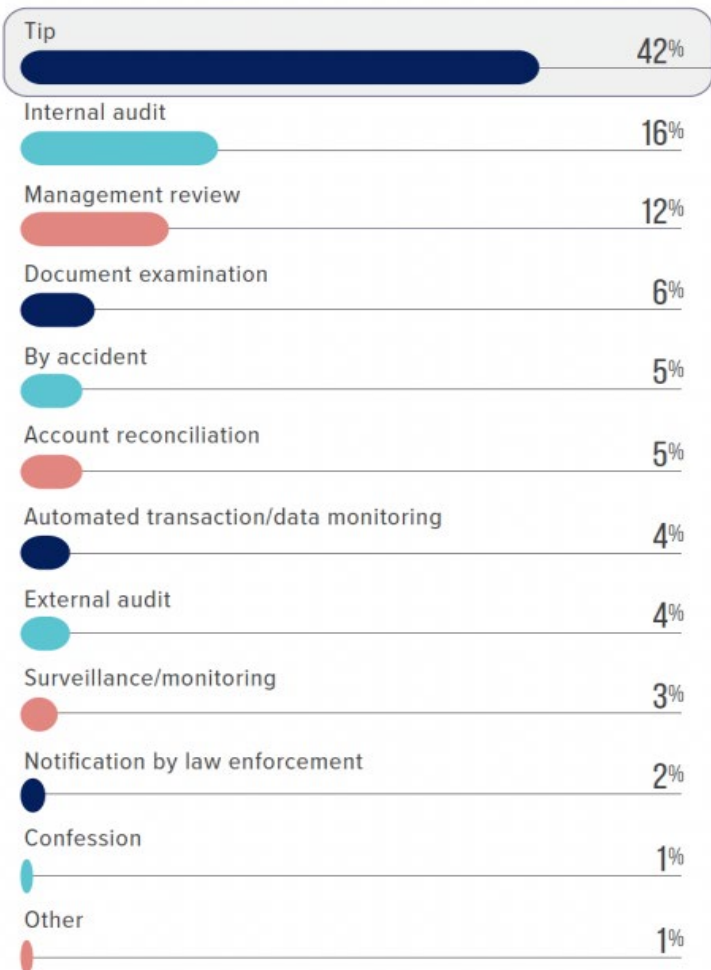
Authority

TCA 8-4-209

- ◆ The comptroller of the treasury, in its discretion, may investigate an *allegation of a felony that is classified as Class B* or higher involving **private funds** if:

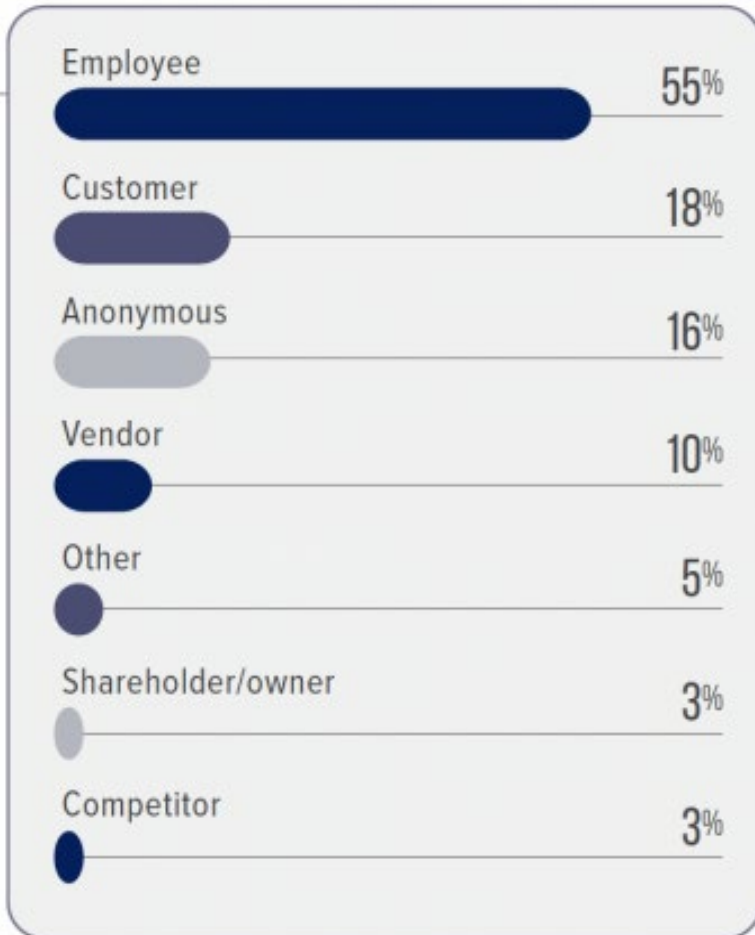
- (1) The investigation is *requested by the attorney general and reporter or the district attorney general* of a judicial district;
- (2) The investigation is in *conjunction with an open investigation by the Tennessee bureau of investigation*; and
- (3) The comptroller of the treasury deems an investigation to be in the *public interest*.

How is Fraud Initially Detected?



2022 ACFE Report to the Nations

Who Reports Fraud?



2022 ACFE Report to the Nations

Neat to Know vs Need to Know

HOTLINE AND REPORTING MECHANISM EFFECTIVENESS

Maintaining a hotline or reporting mechanism increases the chances of earlier fraud detection and reduces losses. Fraud awareness training encourages tips through reporting mechanisms.

70% of VICTIM ORGANIZATIONS had hotlines

Fraud losses were **2X HIGHER** at organizations without hotlines



With hotlines \$100,000

Without hotlines \$200,000

EFFECT OF EMPLOYEE AND MANAGER FRAUD AWARENESS TRAINING ON HOTLINES AND REPORTING

TRAINING INCREASES the likelihood of detection by tip

45% of cases detected by tip with training

37% of cases detected by tip without training



Reports of fraud are **MORE LIKELY TO BE SUBMITTED** through hotlines with training

With training 58%

Without training 42%

Percent of tips made through hotline

Organizations with hotlines detect frauds **MORE QUICKLY**

With hotline 12 MONTHS

Without hotline 18 MONTHS



Organizations with hotlines are more likely to detect fraud **BY TIP**

With hotlines

47%



Without hotlines

Percent of cases detected by tip

DETECTION

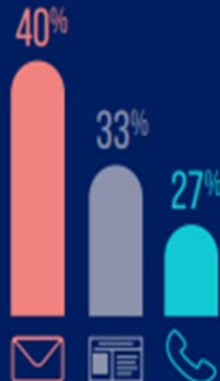


42% of frauds were detected by tips,

which is nearly **3x** as many cases as the next most common method



More than **HALF** of all tips came from employees



Email

Web-based/online form

Telephone hotline



Email and web-based reporting **BOTH** surpassed telephone hotlines

Fraud Detection Responsibility

◆ Audit:

■ Auditing Standard

- ◆ The auditor is responsible to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.

◆ Forensic Accounting/Fraud Examination/Investigation:

■ ACFE

- ◆ The process of resolving allegations of fraud from inception to disposition

Fraud Detection Responsibility

◆ Audit:

- Fraud Detection not triggered by suspicion of fraud
- Planned and performed using concepts of materiality
- Mindset that fraud is always possible

◆ Fraud Examination Investigation:

- Fraud is Known, Alleged, or Suspected
- Not constrained by materiality
- Determine fraud occurred and who is responsible
- Report findings that may be used in legal action or to recover losses

Making Headlines

Former school bookkeeper charged with embezzlement

Dina M. Dorsey is accused of taking \$31,843 from the Downingtown Industrial and Agricultural School.

By Kevin McKinney
INQUIRER CORRESPONDENT

The former bookkeeper of the

The school's former executive director Hersey Gray, 48, and his wife, Myrtis Gray, 46, the school's former executive director, are arrested in connection with a four-year period of embezzlement.

They did so, in part, by cashing school checks made out to Downingtown Industrial and Agricultural School.

In all, police estimate the missing \$185,929 was appropriated by Dorsey and Grays.

Dorsey was arraigned in District Justice Harry M. Downingtown and released on \$2,500 bail. A preliminary hearing is set for March 26.

The school, a private boarding school for students with troubled pasts, was closed in January by state officials. Poor health conditions and inadequate recordkeeping were cited as reasons for the school's closing.



MIDDLE TN
Lebanon attorney indicted for stealing more than \$250k from clients
by Erin McCullough
Posted: Aug 15, 2022 / 01:54 PM CDT
Updated: Aug 16, 2022 / 07:12 AM CDT

- Teresa Poston
- Powell Valley Elementary School
- Stole \$6,694
- Resigned in January

FORMER SCHOOL BOOKKEEPER INDICTED FOR THEFT

LETHAL INJECTION | I-65 BRIDGE COLLAPSE | OXFORD EPIDEMIC

Investigators Uncover Fraud
MTSU Students Stole \$114,000*

On March 10, 2021, the Division of Investigations released an investigative report related to Middle Tennessee State University's Sigma Chi and Mu Alpha Theta student associations. Investigators found that from fall 2017 to fall 2020, student Mohammed Gure and Mohamed Osman misappropriated \$114,143 from MTSU. Gure was charged with theft, 30 counts of forgery, and 2 counts of criminal simulation; Osman, with theft, 28 counts of forgery, and 2 counts of criminal simulation. This investigation not only sparked statewide attention, but was also covered nationally and published by media outlets such as CBS4 Today. The Comptroller's Office welcomes coverage from media and the public and recognizes that all investigative reports require an immense amount of work and many hours behind the scenes—this is just one example of the fraud, waste, and abuse of taxpayer dollars that Comptroller investigators uncover on a far-too-regular basis.

*The allegations and charges contained within this story are merely accusations of criminal conduct and are not evidence. The defendants are presumed innocent unless and until proven guilty in a court of law.

MIDDLE TENNESSEE STATE UNIVERSITY

MTSU Students Stole \$114,000 from the University

Meigs Co. woman, son accused of stealing 80K from church to buy cigarettes, clothing

by WTVF | Tuesday, August 3rd 2021

ER 4
VIEW ALL PHOTOS

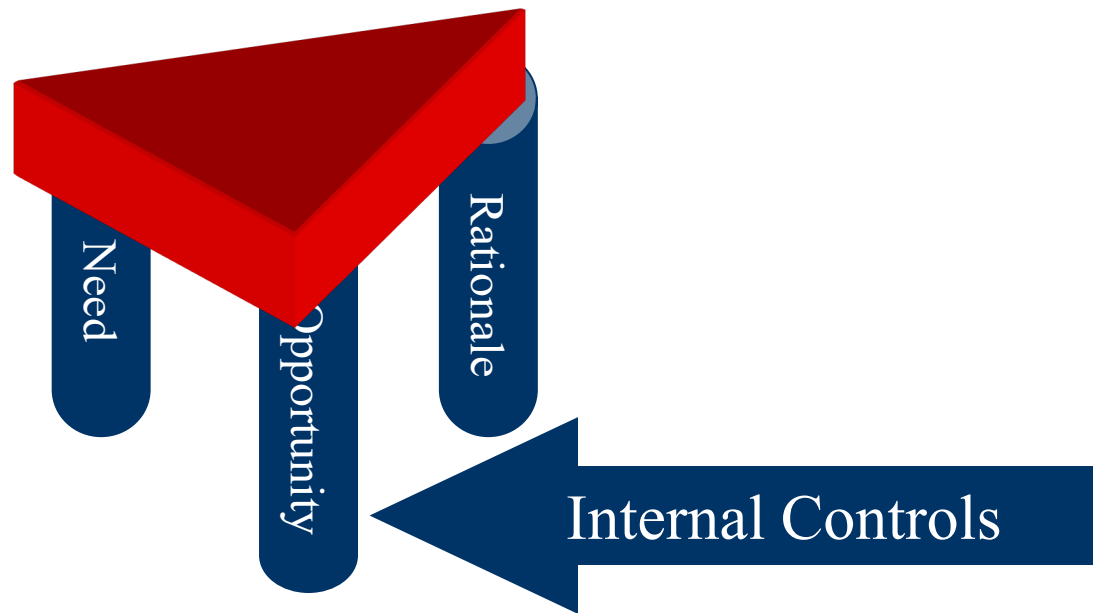


What is Fraud?

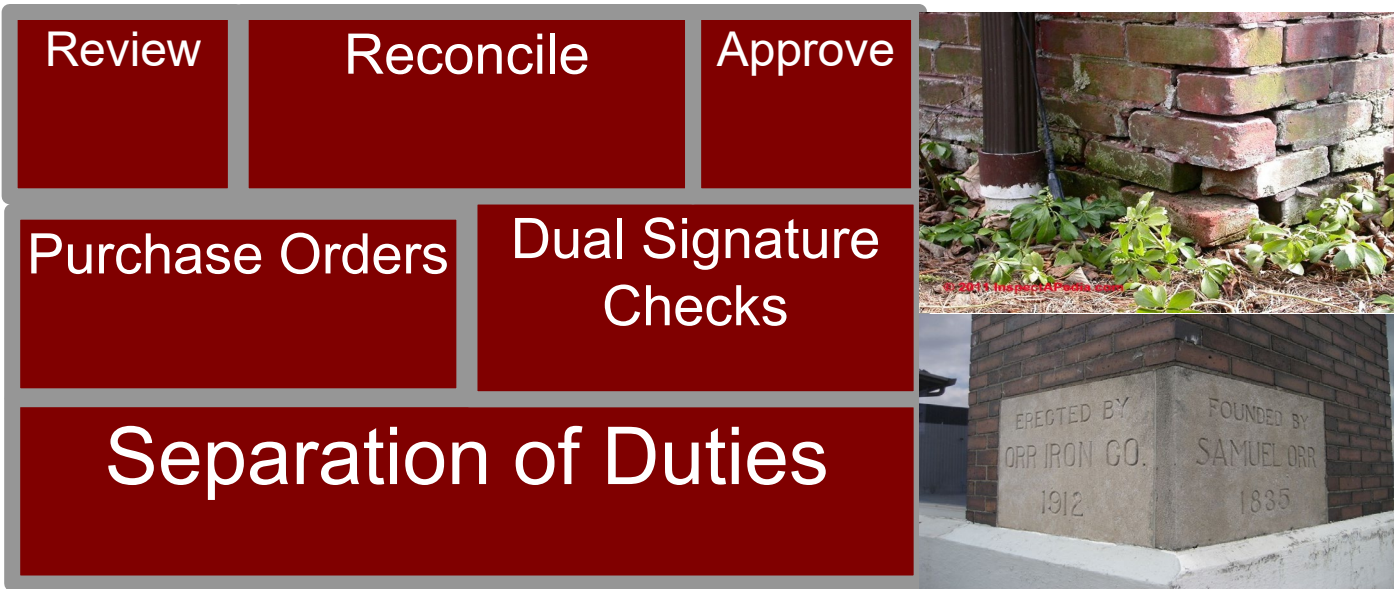
**Fraud is an intentional
deception for personal benefit**

Lyin', Cheatin', and Stealin'

Fraud Triangle



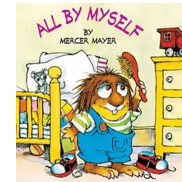
What is the Cornerstone of Internal Controls?



Financial responsibilities should be separated so that no one employee has complete control of a financial transaction.

Separation of Duties

- ◆ No employee should be able to both perpetrate and conceal errors or fraud in the normal course of their duties.
- ◆ No one should do it *All by Myself*
- ◆ Deterrent to fraud because it requires collusion with another person to perpetrate and sustain a fraudulent act



Separation of Duties

- ◆ When incompatible duties cannot be separated, a detailed supervisory review of related activities is required as a compensating control activity
 - At least look at what they did



Fentress County Finance Department



COMPTROLLER'S INVESTIGATIVE REPORT

Fentress County Finance Department

September 4, 2019

Justin P. Wilson
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS





Division of Investigations

INVESTIGATIVE TEAMS & JUDICIAL DISTRICTS

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Effective September 1, 2022

Fentress County, TN



◆ 2020 Census:

- 18,489
- \$43,464
- 23%



World's Longest Yard Sale - The 127 Corridor Sale

52K likes • 51K followers

Fentress County Finance Department - Background

- ◆ Office functions include:
 - Accounts Payable
 - Payroll
 - Budgeting
 - Employee Benefits
- ◆ Accounts payable clerk is responsible for paying the bills by issuing checks and obtaining required signatures on checks.
 - Finance Director/Deputy Finance Director
 - County Executive/County Executive's Assistant
- ◆ Fentress County also provides funding to the Kirby Johnson Memorial Ballpark Committee, sometimes referred to as the Cal Ripken League or Babe Ruth League.

Notifications

- December 11, 2018 – Fraud Reporting Form from Fentress County Finance Director alleging an employee abused the county Walmart credit card.
- December 12, 2018 – Second Fraud Reporting Form from Fentress County Finance Director following up with additional detail and supporting documentation.
- December 12, 2018 – Public Official Fraud Report from County Executive mirroring Finance Director's allegations.

Contacts after Assignment

- December 18, 2018 – Deputy Chief Investigator assigned; contacted District Attorney General’s office and noted that the District Attorney had requested a TBI investigation as well.
- Contacted Special Agent from TBI.
- Contacted the Fentress County in-charge auditor from COT LGA.

Subject - Kellye Rhea Crabtree

- ◆ Kellye Rhea, Kellye Cooper, Kellye Pritchett, and Kellye Jones
 - Accounts Payable Clerk for Fentress County as well as the Treasurer for the Kirby Johnson Memorial Ballpark Committee.
- ◆ Hired 2002
- ◆ Full-time Accounts Payable Clerk July 2010
 - Promoted with additional responsibilities December 2016
- ◆ Interim Finance Director 2018
 - Trained and served as deputy finance director for Tyler Arms, Finance Director
- ◆ Verbal warning documented 8-24-2018
- ◆ Employment terminated December 20, 2018 for Negligence of Duty

Contacts after Assignment

- January 7, 2019 – Met with Fentress County Finance Director and learned:
 - Finance Department had recently moved offices and consulted with LGA and CTAS regarding record retention. As a result, many records had been shredded according to statute and CTAS best practices.
 - Subject Kellye Crabtree told the Finance Director that she did not have any Walmart statements [or receipts] because after she reconciled, she would shred the statements.
 - Upon further investigation, Finance Director discovered she had only shredded statements for the “general” county credit card and the Sheriff’s Department credit card.
 - Hwy Department and Senior Center credit card statements on file

Analysis

- Walmart Community credit card account information
- Walmart Community credit card statements
- Listing of Fentress County employees and who had access to Walmart credit cards,
- LGC software capabilities as well as time reporting information for Crabtree

Analysis

- May 4, 2019 – Met with Fentress County Sheriff's Department Secretary/Bookkeeper :
 - Sheriff's Department Walmart credit card statements were mailed directly to the Finance Department.
 - Bookkeeper's normal process was to make copies of the receipts brought to her by Sheriff's department employees before she took the originals to the finance department.

Analysis

- Scope – July 16, 2016 through December 16, 2018
- Noted finance charges, or “late charges,”
- Started with a threshold of \$50 or greater,
- All buyers (credit cards) for General and Sheriff’s Department were included.

Analysis

- May 28, 2019 – Met with 8th JD ADA and entire investigative team to discuss *initial findings*, resulted in more work:
 - Scope Expanded – December 15, 2014 through December 20, 2018
 - Focus on 07 buyer (credit card) because we were able to tie the 07 card to Crabtree; now including ALL 07 transactions in analysis.
 - Also focus on prepaid cards

ST# 1467 OP# 00002020 TE# 09 TR# 02725

COV SO LASHY 004620001462S	8.94	AD
TE# 09 OP# 00002020 TR# 02725		
DT 041618 TM 161213		
TE# 09 OP# 00002020 TR# 02725		
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TE# 09 OP# 00002020 TR# 02725		
DT 041618 TM 161214		
MARL RD LBL 002820013680S	55.90	A
OL AH LOTION 007560900746S	8.94	AD
CC MB SRB 038137001619S	4.77	AD
OL DF CLOTH 007560904129S	11.97	AD
VISA PRESENTS 083032400665S	4.94	H
AMOUNT 060538819035K	495.00	H
7Z CB CC XSH 002100000718SF	3.48	B
7Z CB CC XSH 002100000718SF	3.48	B
MAYB EYE 004155444221S	6.94	AD
2 MILK 007874235187SF	3.49	B
GAIN LIQUID 003700028606S	9.94	AD
PIZZA ROLLS 004280002692SF	8.98	B
PIZZA ROLLS 004280002693SF	8.98	B
SUBTOTAL	635.75	

*****9207 S
 EXPIRATION DATE 04/18
 APPROVAL # 016690
 AMOUNT AUTHORIZED IS 647.80
 CREDIT CARD STATUS IS APPROVED
 ACCOUNT # ***** **92 07 S
 APPROVAL # 016690
 REF # 810600628284
 *Signature Verified
 TERMINAL # SC010588

04/16/18 16:13:22
 TE# 09 OP# 00002020 TR# 02725
 DT 041618 TM 161322
 BIN 603220
 ACCOUNT NUMBER [REDACTED]
 WALMART CREDIT TEND 647.80

[Handwritten Signature]



ST# 1467 OP# 00002020 TE# 09 TR# 02725

COV SO LASHY 004620001462S	8.94	AD
TE# 09 OP# 00002020 TR# 02725		
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PIZZA ROLLS 004280002692SF	8.98	B
PIZZA ROLLS 004280002693SF	8.98	B
SUBTOTAL	635.75	

Personal items
(cigarettes, lotion,
mascara, milk,
laundry detergent,
pizza rolls)

Prepaid Visa Card

*****9207 S
 EXPIRATION DATE 04/18
 APPROVAL # 016690
 AMOUNT AUTHORIZED IS 647.80
 CREDIT CARD STATUS IS APPROVED
 ACCOUNT # **** *92 07 S
 APPROVAL # 016690
 REF # 810600628284
 *Signature Verified
 TERMINAL # SC010588

04/16/18 16:13:22
 TE# 09 OP# 00002020 TR# 02725
 DT 041618 TM 161322
 BIN 603220
 ACCOUNT NUMBER ██████████
 WALMART CREDIT TEND 647.80

Handwritten Signature

TE# 09 OP# 00002020 TR# 02725
 DT 041618 TM 161322
 SALES TAX 1 10.20
 SALES TAX 2 1.85
 TOTAL 647.80
 CHANGE DUE 0.00

Sales tax routinely paid on
improper account purchases

Walmart Community Credit Card

- ◆ Prepaid Visa cards totaled at least \$163,966.25
- ◆ 277 transactions processed on Saturdays, Sundays, federal holidays and on days in which county offices were closed, or days when Crabtree was on leave status.
- ◆ 45 transactions processed at Walmart stores **not** located in Jamestown, Tennessee.
- ◆ The county paid sales tax totaling \$5,435.33, which is included in the misappropriated amount of \$241,083.17.
- ◆ 774 Walmart receipts with the subject's signature

PREPAIDS (\$) (At least – Included in misappropriated amount)	163,966.25
TAXES PAID (Included in misappropriated amount)	5,435.33
TRANSACTIONS ON SATURDAYS / SUNDAYS / FEDERAL HOLIDAYS (#)	277
TRANSACTIONS AT STORES NOT IN JAMESTOWN (#)	45

Examples

◆ Walmart:

- Shrimp, Steak, Premium Tenderloins, Ribs, Thick Sliced Bacon
- Cigarettes
- Pregnancy Tests
- Video Games
- Wedding Rings (Bride & Groom)

◆ Prepaid Visa:

- Dollywood
- Luke Combs at the Grand Ole Opry
- Expedia
- Team Beachbody
- Discount Fireworks
- Stub hub – UT Football Tickets

Fentress County Finance Department

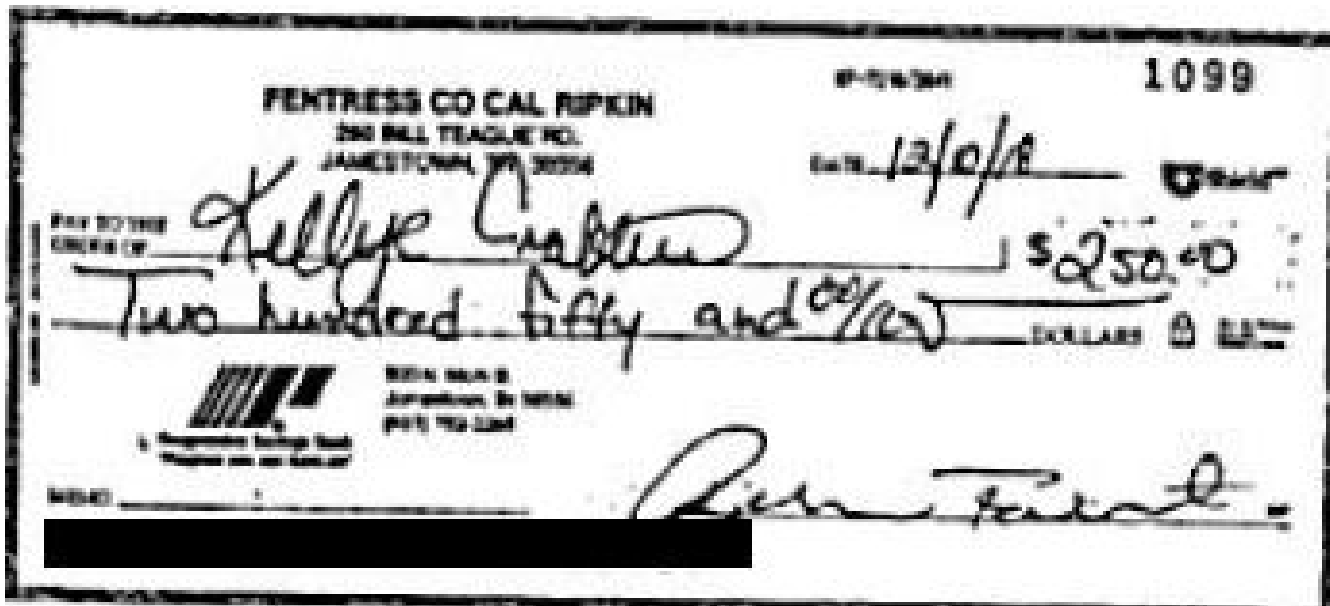
- ◆ Accounts Payable Clerk Kellye Crabtree misappropriated at least \$243,148.17
 - Crabtree concealed the misappropriation by having sole responsibility for the following:
 - Disbursements,
 - Controlling Walmart Community credit cards,
 - Issuing purchase orders,
 - Reconciling credit card statements with receipts,
 - Entering expenditures to account budget line items.
 - Crabtree's name and personal phone number were noted on the County's Walmart Community credit card account.

Kirby Johnson Memorial Ballpark Committee

- June 19, 2019 – Met with President of the Kirby Johnson Memorial Ballpark Committee and learned:
 - Crabtree also served as the Treasurer for the KJMB, where her son played baseball. Only one responsible for finances.
 - President never wrote checks to Crabtree, as there was no reason to.
 - President had already gathered bank records – turned over to investigator.
- Reviewed all checks to Crabtree from 2016-2018.

Kirby Johnson Memorial Ballpark Committee

- ◆ Crabtree, in her capacity as Treasurer, misappropriated \$2,065.00.
 - Crabtree issued 9 checks to herself and signed the president's name without his consent or knowledge.

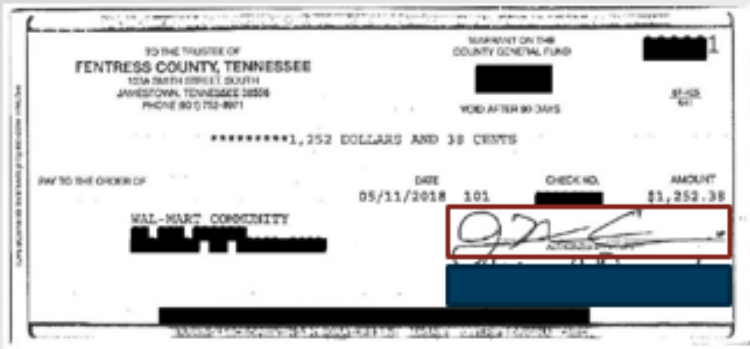


Fentress County Finance Department

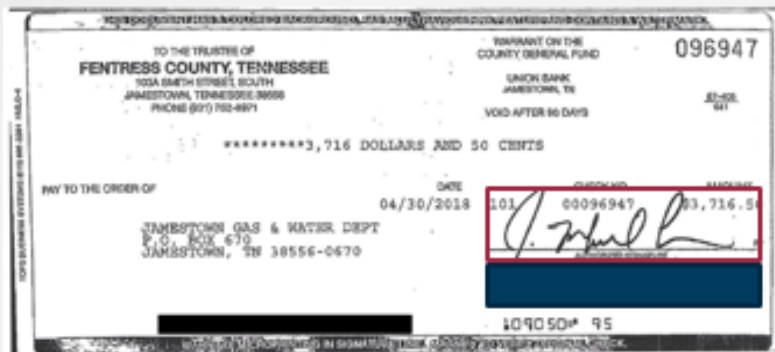
- ◆ Crabtree signed individuals' names to checks in 94 instances without their knowledge.
 - Crabtree was responsible for issuing checks and obtaining signatures from authorized individuals
- ◆ 85 checks were written to pay the Walmart Community credit card account.

Fentress County Finance Department

Example Signatures



Signature of the former
County Executive signed
by Crabtree



Authentic signature of
the former County
Executive



Indictment

- ◆ True Bill returned by Fentress County Grand Jury on September 3, 2019
 - Kellye Rhea Crabtree
 - ◆ Theft over \$60,000
- ◆ Superseding Indictment, May 2020

Open Plea Agreement

- June 28, 2021 – Crabtree plead guilty to (1) one count theft over \$60,000 (2) one count theft over \$1,000 and (3) one count official misconduct.

ORDER

On June 28th, 2021, the defendant and her counsel of record, Gordon A. Byars, appeared in Court and entered a plea of guilty to the offenses listed below. After the defendant was fully advised by the Court as to her constitutional rights and after the defendant and her attorney were questioned by the Court concerning her understanding of her constitutional rights and the consequences of her plea of guilty, the plea was accepted by the Court. The Court, after hearing the agreed stipulation of facts and the testimony presented by the State and defendant, finds from the evidence beyond any reasonable doubt that the defendant is guilty of the following charges to which she entered a plea of guilty:

<u>COUNT</u>	<u>CHARGE</u>	<u>CLASS</u>	<u>OFFENSE DATE</u>
1	Theft > \$60,000	B/F	12/15/14 – 12/12/18
3	Theft > \$1,000	E/F	07/17/18 – 12/12/18
4	Official Misconduct	E/F	12/15/14 – 12/12/18

IT IS, THEREFORE, ORDERED that the defendant, Kellye Rhea Crabtree, is guilty of and stands convicted of the above offenses to which she entered a plea of guilty. It is further ORDERED that Sentencing in this case be deferred until the 16th of August 2021, by agreement of the State and the defendant.

This the 28th day of June, 2021.


HONORABLE E. SHAYNE SEXTON
JUDGE OF THE CRIMINAL COURT



Sentencing Hearing

- **Process of the Hearing:**
 - Prosecution requested investigator be made the state's witness – all other witnesses sequestered;
 - Prosecution witnesses: COT Investigator, Finance Director, County Executive, Little League President;

2022 Ram 5500 4x4 Heavy Duty Arrow Ambulance (Truck #86686)

Mileage: N/A	Drivetrain: 4x4	Fuel Type: Diesel
Engine: 6.7L Cummins Turbo Diesel	OAH: 9'6"	OAL: 26

\$279,900



Sentencing Hearing

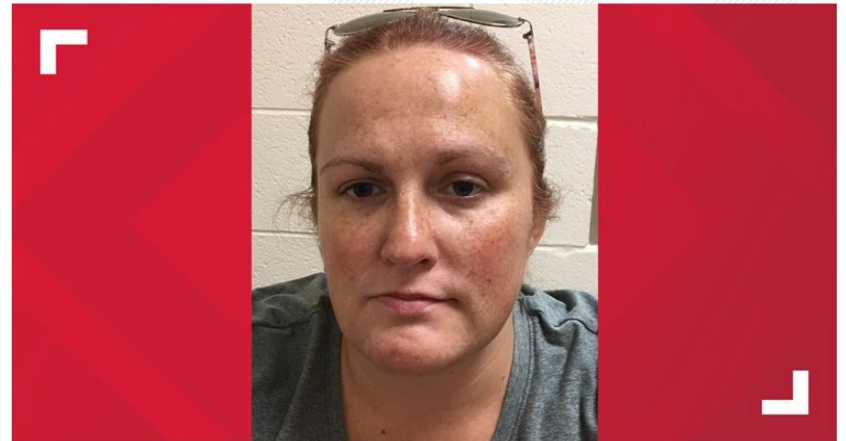
Results of the Hearing:

- Charge 1 (Theft over \$60,000) – 10 years in TDOC custody;
- Charge 2 (Theft over \$1,000) – 2 years in TDOC custody;
- Charge 3 (Official Misconduct) – 2 years in TDOC custody.

CRIME

Former Fentress County finance deputy sentenced to 12 years for theft

Kellye Crabtree was sentenced after pleading guilty to more than \$60,000 in property theft



Credit: TBI

Mapping Tool



<https://www.comptroller.tn.gov/office-functions/investigations.html>

TO RESET DATA, UNCLICK ALL OPTIONS YOU HAVE SELECTED

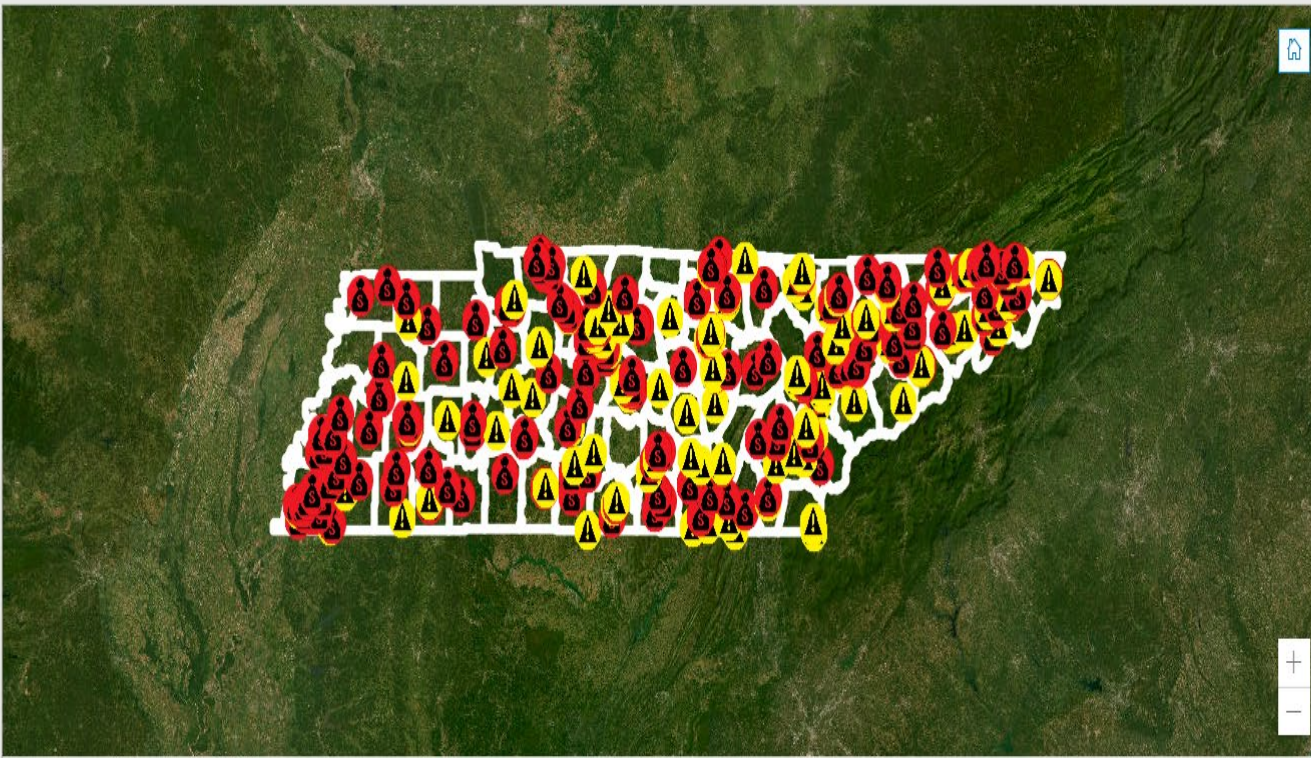
[CLICK HERE TO REPORT FRAUD, WASTE, AND ABUSE](#)

LEGEND

- DEFICIENCIES
- FRAUD

REPORTS RELEASED BY DATE (NEWEST TO OLDEST)

- Upper Cumberland and Regional Office of the Tennessee Department of Health
2/2/2023
- Main Street, Lawrenceburg, Inc.
1/27/2023
- South Marshall Volunteer Fire Department
1/13/2023
- Hickman County Emergency Communications District and Centerville Police Department
12/21/2022



Earthstar Geographics | Investigations 8/21/19

Powered by Esri

TOTAL FRAUD, WASTE, AND ABUSE



OF REPORTS RELEASED

352

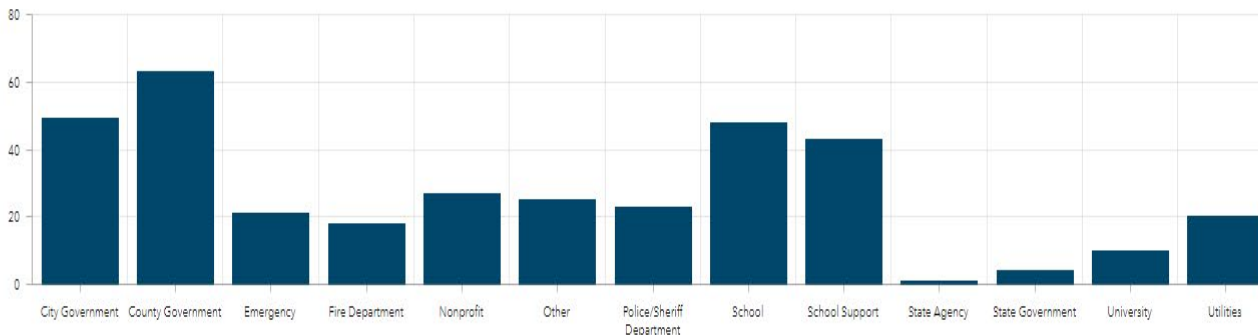
OF SUBJECTS

218

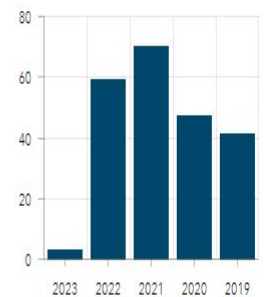
OF CRIMINAL CHARGES

1,246

CLICK ON ENTITY TYPE FOR REPORTS BY TYPE



CLICK ON YEAR FOR REPORTS BY YEAR



2022-2018 2016-2017

Summary

- ◆ Fraud is an Intentional Deception for Personal Benefit
- ◆ Effective Internal Controls mitigate Opportunity
- ◆ Report Fraud, Waste, and Abuse

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