

Sirens and Scandals:

Fraud in Government Funded Organizations

Comptroller of the Treasury
Division of Investigations

March 08, 2024

TENNESSEE COMPTROLLER OF THE TREASURY



Presented by

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(These views are those of the presenters and not the Comptroller)

TENNESSEE COMPTROLLER OF THE TREASURY



COMPTROLLER'S WHO WE ARE COMMITMENT

COMMUNICATE

APPRECIATE

INNOVATE

CULTIVATE

INITIATE



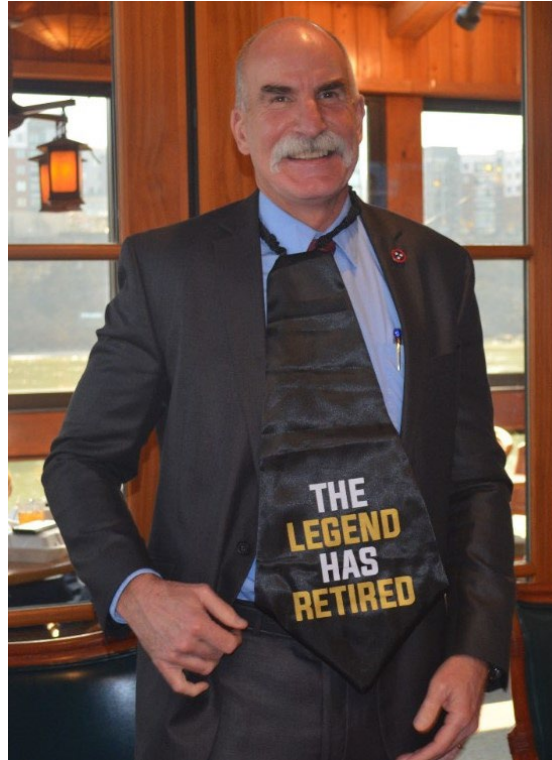
MAKE GOVERNMENT WORK BETTER

TENNESSEE COMPTROLLER OF THE TREASURY



Retired Legends

Phil Job



Daniel Porter



TENNESSEE COMPTROLLER OF THE TREASURY



Division of Investigations

INVESTIGATIVE TEAMS & JUDICIAL DISTRICTS

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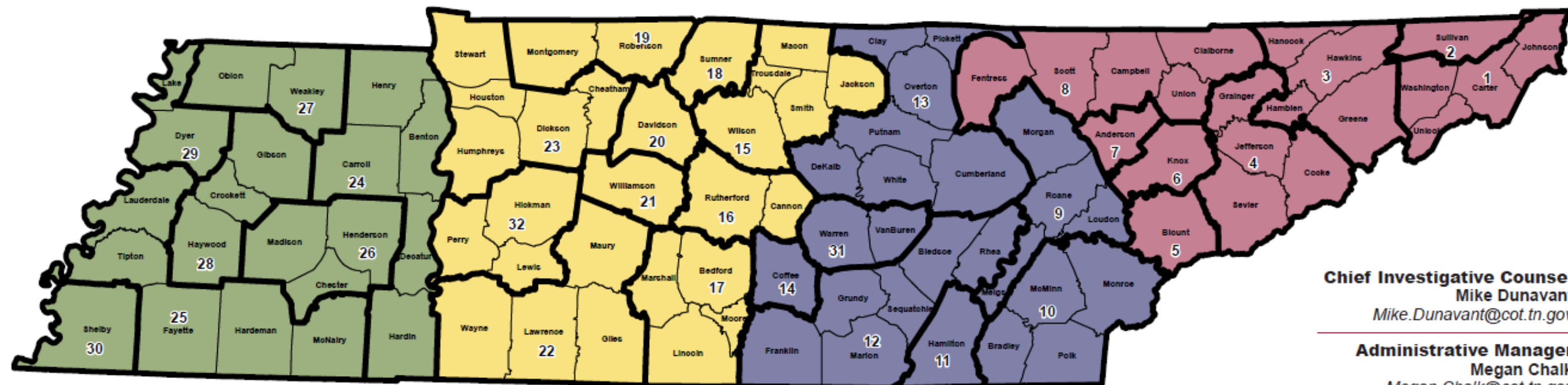
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ATTORNEYS GENERAL BY DISTRICT

- | | | | | |
|-------------------|----------------------|---------------------|---------------------|-------------------------|
| 1 • Steve Finney | 8 • Jared Effler | 15 • Jason Lawson | 22 • Brent Cooper | 29 • Danny Goodman, Jr. |
| 2 • Barry Staubus | 9 • Russell Johnson | 16 • Jennings Jones | 23 • Ray Crouch | 30 • Steve Mulroy |
| 3 • Dan Armstrong | 10 • Stephen Crump | 17 • Robert Carter | 24 • Neil Thompson | 31 • Chris Stanford |
| 4 • Jimmy Dunn | 11 • Coty Wamp | 18 • Ray Whitley | 25 • Mark Davidson | 32 • Hans Schwendimann |
| 5 • Ryan Desmond | 12 • Courtney Lynch | 19 • Robert Nash | 26 • Jody Pickens | |
| 6 • Chame Allen | 13 • Bryant Dunaway | 20 • Glenn Funk | 27 • Colin Johnson | |
| 7 • Dave Clark | 14 • Craig Northcott | 21 • Kim Helper | 28 • Frederick Agee | |

Effective March 1, 2023

Division of Investigations

- The Division of Investigations supports the Office's audit function by investigating allegations of fraud, waste, and abuse in government and publicly-funded entities and by working closely with law enforcement and prosecutors on criminal allegations.
- The division reports the results of its investigations, including significant internal control and compliance deficiencies noted during the investigations, to the appropriate parties.
- The division also provides requested assistance and appropriate information to citizens, auditors, public officials, and policymakers at all levels of government, other state departments and agencies, law enforcement and prosecutorial agencies, and other interested parties.

Fraud, Waste, and Abuse

- **Fraud** – An intentional deception that violates a law or the public trust for personal benefit or the benefit of others.
- **Waste** – Behavior involving the extravagant, careless, or needless use of government funds, property, and/or personnel.
- **Abuse** – Behavior involving the use of government funds or property that a prudent person would not consider reasonable and necessary business practice given the facts and circumstances.

Fraud Hotline

Fraud Hotline (Toll-Free)

1.800.232.5454

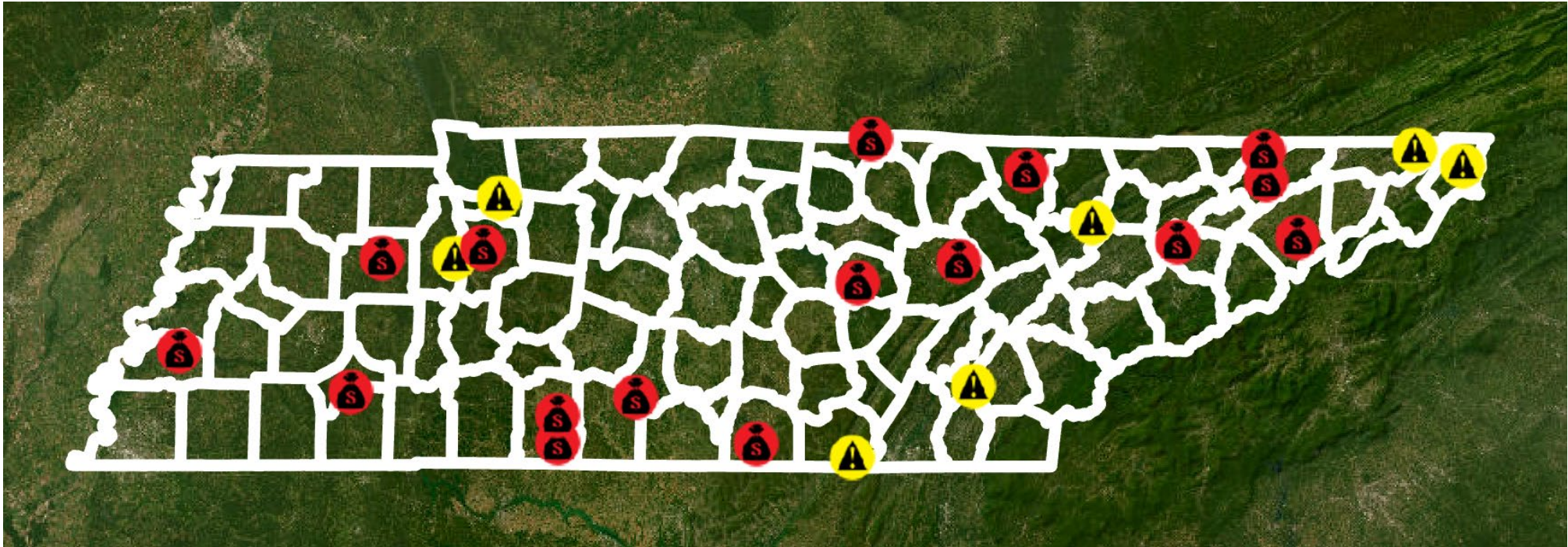
Online Report Form

<https://comptroller.tn.gov/office-functions/investigations/fraud-waste-and-abuse.html>

TENNESSEE COMPTROLLER OF THE TREASURY



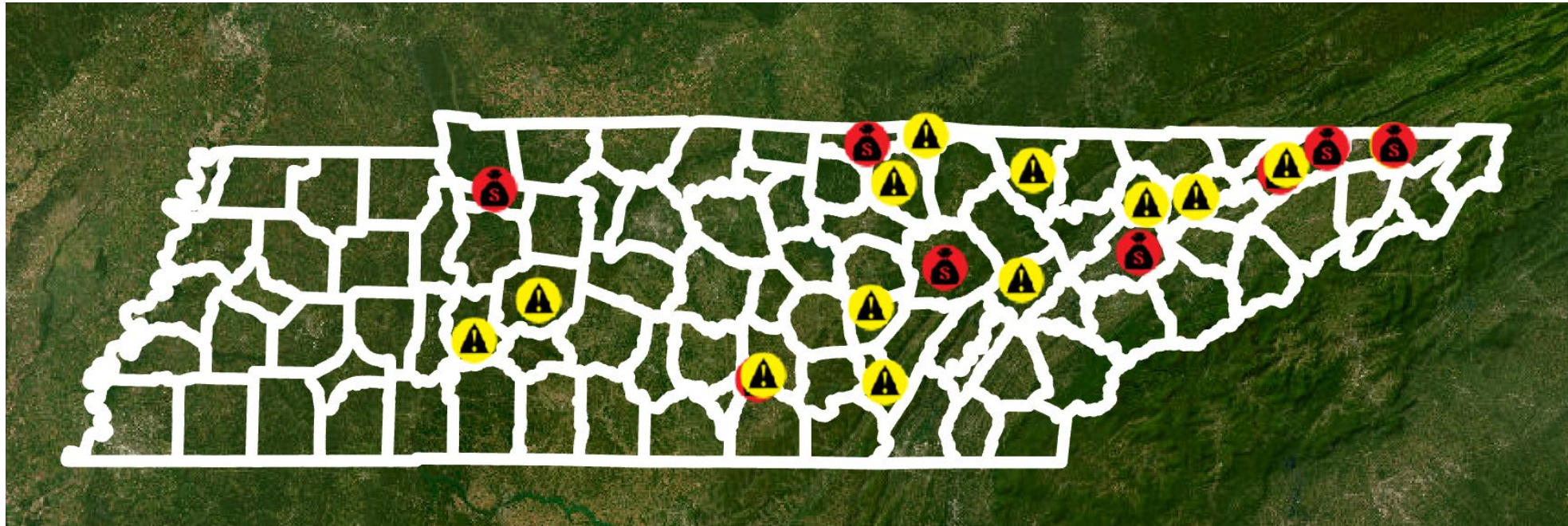
Fire Departments – 24 Reports Since 2016



TENNESSEE COMPTROLLER OF THE TREASURY



Emergency – 22 Reports Since 2016



TENNESSEE COMPTROLLER OF THE TREASURY



We Need Your Help!

- These organizations are usually primarily funded via local government contributions.
- As the holder of the purse strings, local governments often have the only oversight over these organizations – rarely audited.
- Please ensure these organizations are properly organized with the TN Secretary of State, a board, and proper internal controls before contributing taxpayer funds.



Working an Investigation

Local Government Support



TENNESSEE COMPTROLLER OF THE TREASURY



Interviews

Document Review

Fieldwork

Purchases Analysis

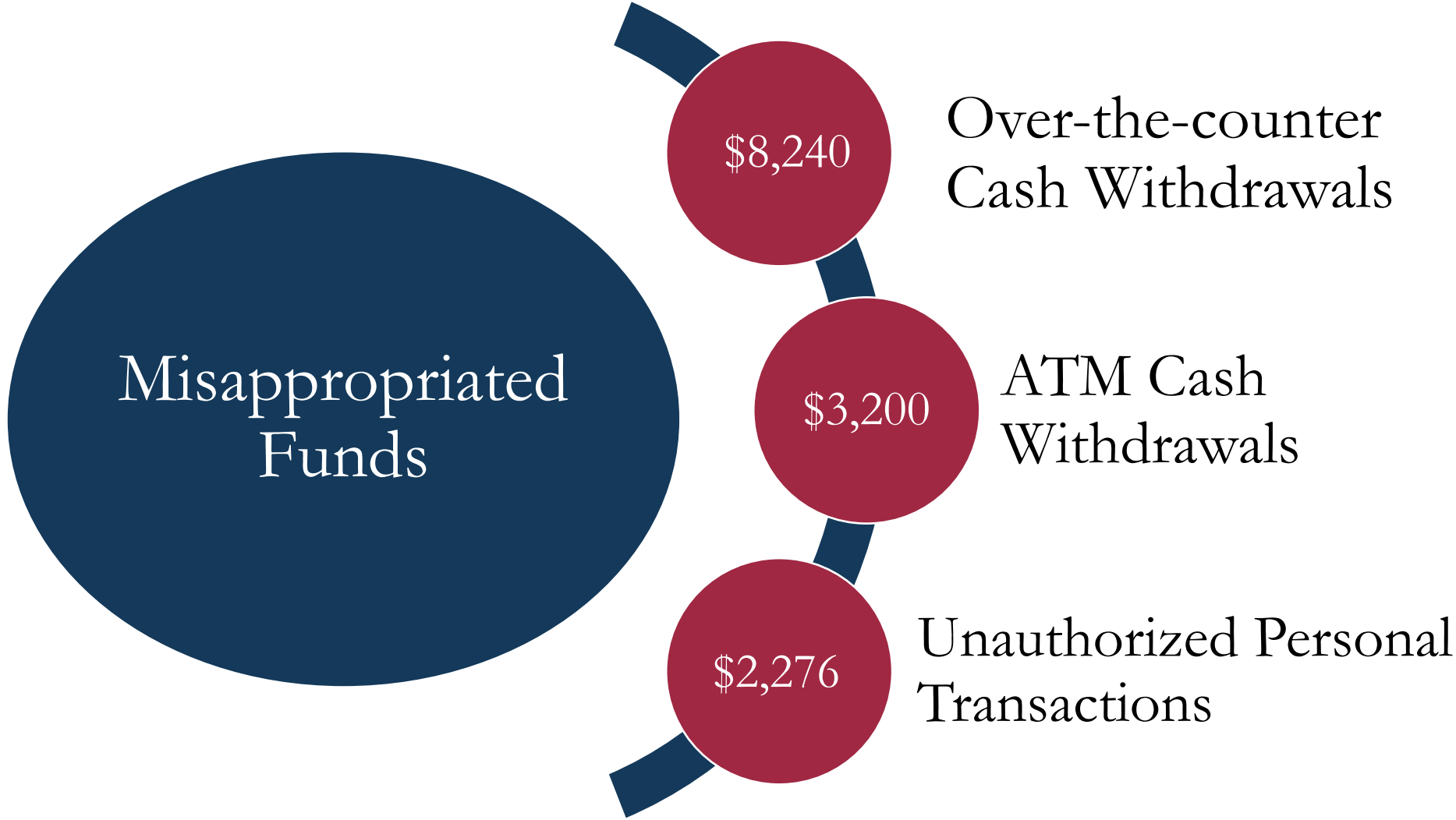
Subpoenas

Paint Rock
Volunteer Fire
Department



TENNESSEE COMPTROLLER OF THE TREASURY





Over-the-counter withdrawal Example

FIRST NATIONAL BANK **Universal Debit**

Approved by: SS on 6/24

CHECKS
80 - DEBIT MEMO
80 - FORCED PAY

SAVINGS
91 - DEBIT

CUSTOMER NAME
Charles Swartz

Account Number: [REDACTED] Tran Code: 60 Amount: \$ 3200.00

⑆ 500 ⑆ 00 9 5 ⑆

DDA CREDIT TRANSACTIONS INITIALS _____ # _____ DATE JUN 24 2022

Checks and other items are received for deposit subject to the terms and conditions of this bank's collection agreement and checking account rules.

150 Opening Deposit 156 Telephone Trf Deposit 175 Service Charge Reversal
151 Deposit 171 Overdraft Charge Rev. 176 Closing Deposit
154 Credit Adjustment 172 Return Item Charge Rev. 181 Charge Off Pymt

CENTRAL FORMS SOLUTIONS TP67577

NAME Austin J Lowalter ACCOUNT NUMBER * [REDACTED]

DESCRIPTION	CURRENCY	
	COINS	<u>3200 00</u>
	CHEQS	
	TOTAL	
	LESS CASH RECEIVED	
	NET DEPOSIT	

SELECTOR * 151

\$ 3200.00

⑆ 5 ⑆ 00 ⑆ 00 00 ⑆

Over-the-counter withdrawal Example

FIRST NATIONAL BANK **Universal Debit** DATE: 7-29-22
INIT

CHECKING 00 - DEBIT MEMO 50 - FORCED PAY	SAVINGS 01 - DEBIT	
CUSTOMER NAME <i>Austin Lewallen</i> <small>EVERGARD SERVICE</small>		
Account Number [REDACTED]	Thin Code 60	Amount \$ 2500.00


⑆500⑆⑆0095⑆

BILL OF SALE (DATE: 7/30/2022) STOCK #: [REDACTED]

BUYER INFORMATION: AUSTIN LEWALLEN [REDACTED] COUNTY: SCOTT WORK: [REDACTED] D.L./STATE ID #: [REDACTED] STATE: TN EXP. DATE: [REDACTED] D.O.B.: [REDACTED]		SELLER INFORMATION: [REDACTED] SALESPERSON: [REDACTED]	
VEHICLE INFORMATION:			
YEAR: 2015	COLOR 1: WHITE	VIN: [REDACTED]	STOCK: [REDACTED]
MAKE: JEEP	COLOR 2: [REDACTED]	STYLE: SPORT	CYL: 4
MODEL: PATRIOT	BODY: 4DR	MILEAGE: 142621	TRANS: CVT

WARRANTY DISCLAIMER: Unless Seller provides a written warranty, or enters into a service contract within 90 days from the date of this contract, this vehicle is being sold "AS IS - WITH ALL FAULTS" and Seller makes no warranties, express or implied, on the vehicle, and there will be no implied warranties of merchantability or of fitness for a particular purpose.	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 5px;">TRADE-IN ALLOWANCE</td> <td style="padding: 5px;">N/A</td> </tr> <tr> <td style="padding: 5px;">DEPOSIT</td> <td style="padding: 5px;">N/A</td> </tr> <tr> <td style="padding: 5px;">DOWN PAYMENT</td> <td style="padding: 5px;">2,000.00</td> </tr> <tr> <td style="padding: 5px;">DEFERRED DOWN PAYMENT</td> <td style="padding: 5px;">500.00</td> </tr> <tr> <td style="padding: 5px;">TOTAL CREDIT</td> <td style="padding: 5px;">2,500.00</td> </tr> </table>	TRADE-IN ALLOWANCE	N/A	DEPOSIT	N/A	DOWN PAYMENT	2,000.00	DEFERRED DOWN PAYMENT	500.00	TOTAL CREDIT	2,500.00
TRADE-IN ALLOWANCE	N/A										
DEPOSIT	N/A										
DOWN PAYMENT	2,000.00										
DEFERRED DOWN PAYMENT	500.00										
TOTAL CREDIT	2,500.00										

Unauthorized Personal Transaction Example

Walmart 
Save money. Live better.

423-569-6228 Mgr:NANCY
19740 ALBERTA ST
ONEIDA TN 37841

ST# 00583 OP# 009046 TE# 46 TR# 06212

RXCONV22-4	007911860022	9.97 X
	SUBTOTAL	9.97
RXCONV21-4	007911860021	9.97 X
	SUBTOTAL	19.94
[REDACTED]		
BEANIE	693732128860	6.98 X
	SUBTOTAL	34.89
MENS JACKET	082179647869	29.98 X
	SUBTOTAL	64.87
TAX 1	9.250 %	6.00
	TOTAL	70.87
	DEBIT TEND	70.87
	CHANGE DUE	0.00

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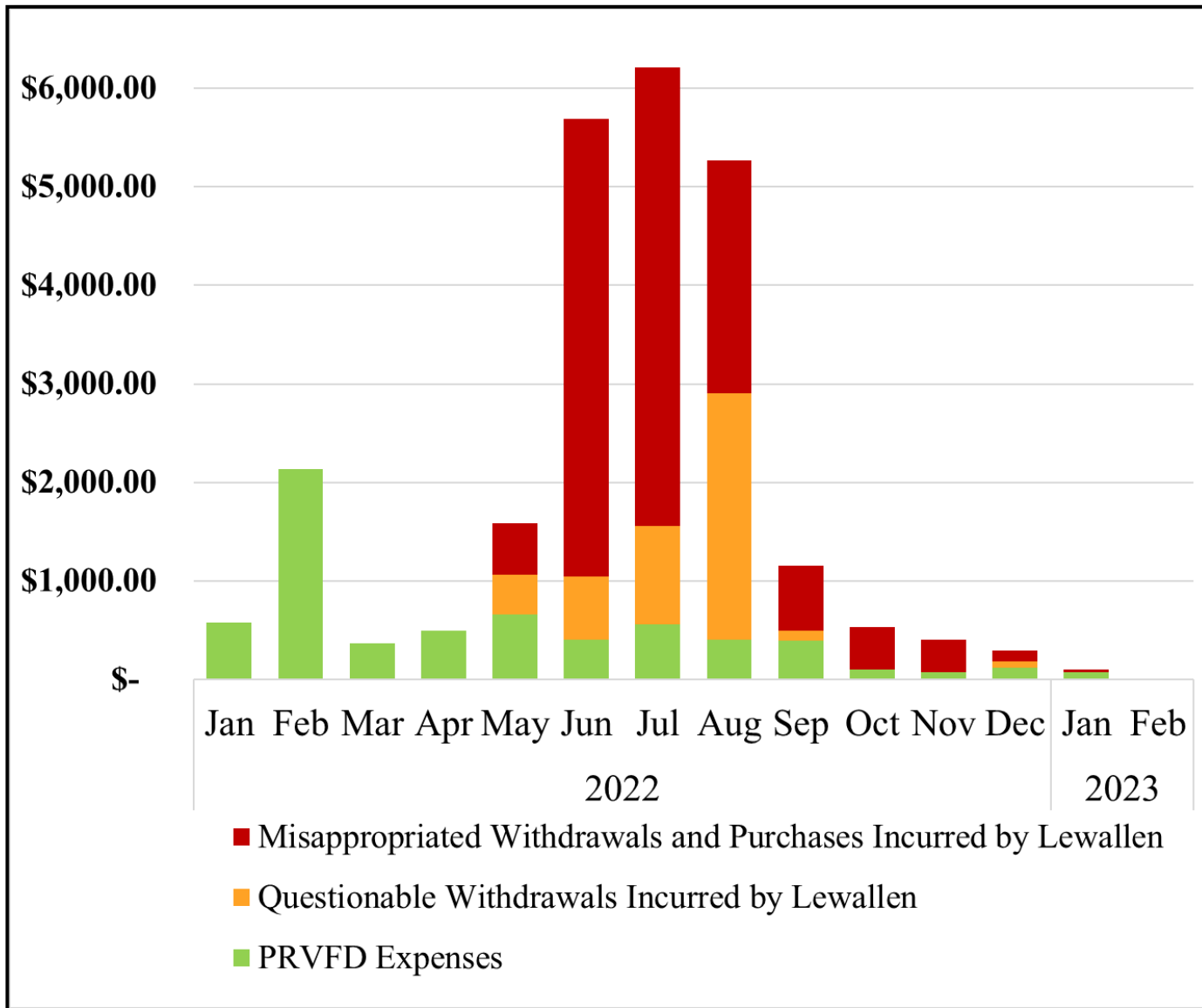
Other Questionable Withdrawals



Over-the-counter - \$2,000



ATM - \$2,700



Deficiencies



Active Board of Directors



Segregated Financial Duties



Supporting Documentation



Account for Collections

Deficiencies (Continued)



Secretary of State



Comptroller Reporting

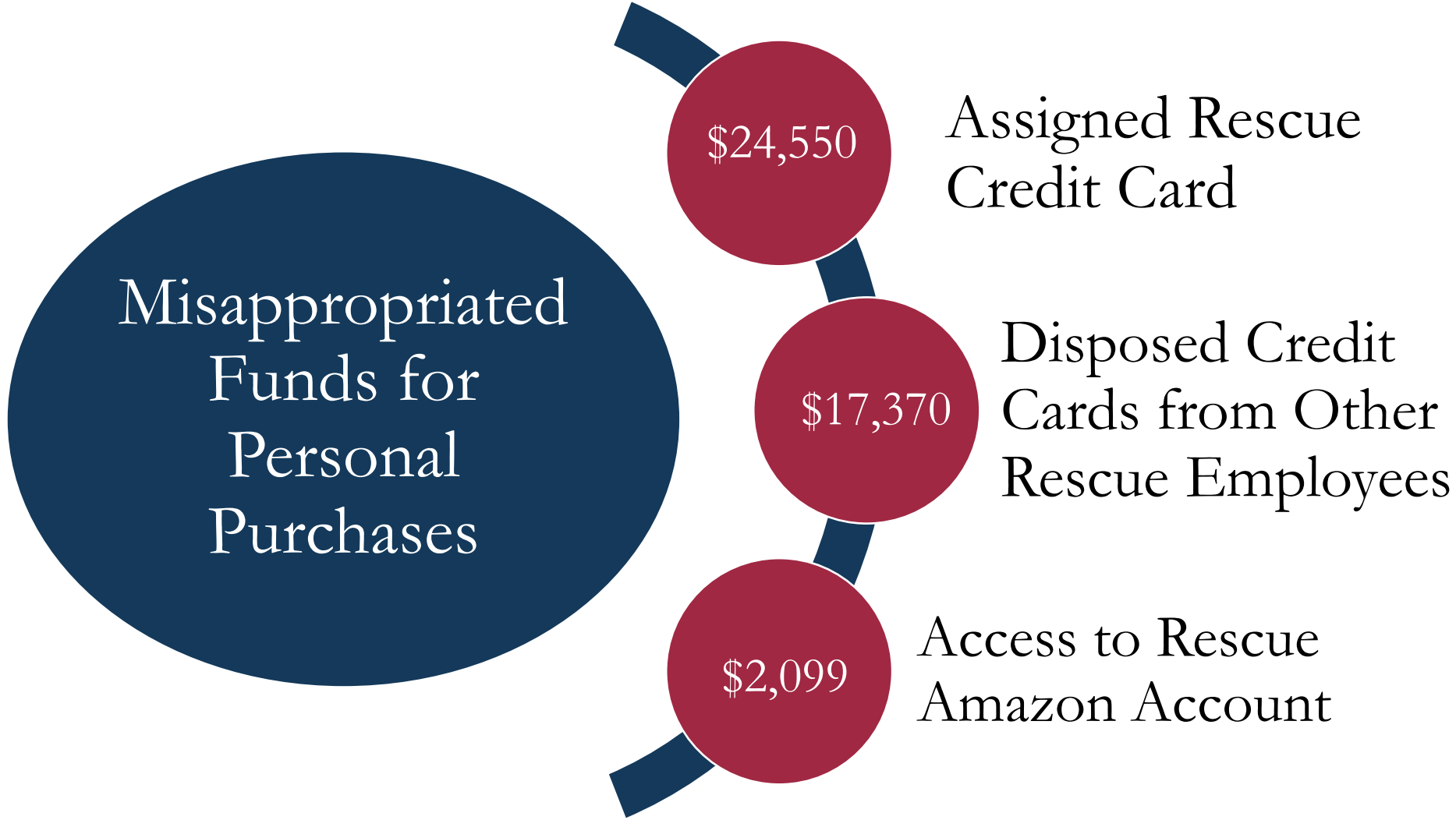


Bank Fees



TENNESSEE COMPTROLLER OF THE TREASURY





Personal Transactions

<i>Posting Date</i>	<i>Transaction Date</i>	<i>Description</i>	<i>Reference Number</i>	<i>Amount</i>
01/03	01/03	PAYMENT - ELECTRONIC		- 2,175.21
		TOTAL PAYMENTS AND OTHER CREDITS FOR THIS PERIOD		-\$2,202.46
		Purchases and Other Charges		
12/23	12/22	WF*FARRAGUTMODDENTIS FARRAGUT TN		347.00
12/26	12/24	LANGE ANIMAL HOSPITAL KNOXVILLE TN		307.87
01/06	01/05	PIZZA INN KNOXVILLE TN		30.55
01/06	01/05	KNOXVILLE UTILITIES BO 8655947331 TN		143.39
01/06	01/05	WALGREENS #7760 FARRAGUT TN		64.34
01/09	01/04	PAYPAL *AIRBNB HMHYJ5 4029357733 CA Arr: 01/04/23 Dep: 01/04/23 Inv: 0096374654		217.56
01/09	01/06	TARGET 00023317 SAVANNAH GA		159.09
01/12	01/11	WAL-MART #2932 KNOXVILLE TN		174.58
01/16	01/13	KROGER #686 FARRAGUT TN		55.53
01/16	01/13	USPS PO 4746300933 KNOXVILLE TN		13.45
01/16	01/15	AMZN MKTP US*9863T9EA3 AMZN.COM/BILLWA		230.89
01/17	01/17	AMZN MKTP US*N585F4T23 AMZN.COM/BILLWA		89.20
01/20	01/19	LENOIR CITY UTILITY BO 8446875282 TN		204.07
01/20	01/19	MDC*FIRST UTILITY DIST KNOXVILLE TN		125.60
		TOTAL PURCHASES AND OTHER CHARGES FOR THIS PERIOD		\$2,957.13

Concealment

Examples of False Accounting Software Entries		
Amount	False Accounting Software Description	Credit Card Statement Description
\$ 204.35	Quality Inn - Lodging	Vera Bradley
\$ 228.00	GFL - roll off dumpster	Amanda Maddox Salon
\$ 101.70	Amazon - Toner imaging tray	Surfit USA Sarasota FL
\$ 135.73	Amazon - label supplies	Marshalls
\$ 199.89	Auto Zone - Battery	Amazon

Other Questionable Transactions



Questionable Purchases - \$9,325



Questionable Fuel - \$2,735

Deficiencies



Segregated Financial Duties



Purchasing Policies

Indictments



TENNESSEE COMPTROLLER OF THE TREASURY



Recap

- Little board oversight
- Numerous internal control deficiencies
- We need your help!



TENNESSEE COMPTROLLER OF THE TREASURY



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