

# Are Audit Findings “Red Flag” Emergencies?



*Tennessee Government  
Finance Officers Association  
Annual Fall Conference  
October 1-3, 2025*



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Deputy Director, Division of Investigations



# Red Flag Warnings

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- ◆ National Weather Service:
  - Warm Temperatures
  - Low Humidities
  - Stronger Winds

COMBINE to produce  
“increased risk” of fire  
danger.



# DISCLAIMER

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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.

# Objectives

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- ◆ Function of the Comptroller's Office and the Division of Investigations
- ◆ Mandatory statutory duty to timely report fraud, waste, or abuse
- ◆ Responsibility of entity management and those charged with governance
- ◆ Fraud Case Study – Meigs County Emergency Communications District

# Reliance on an Audit

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## ◆ Auditing Standards

### ■ The Auditor

- ◆ The auditor has a responsibility 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.
- ◆ The auditor's responsibility is to express an opinion on the financial statements.

# Reliance on an Audit

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## ◆ Auditing Standards

### ■ Management

- ◆ The financial statements are management's responsibility.
- ◆ Management is responsible for adopting sound accounting policies and for establishing and maintaining internal control...*the fair presentation of financial statements in conformity with generally accepted accounting principles is an implicit and integral part of management's responsibility.*

# Reliance on an Audit

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- ◆ Management and oversight boards often disregard their responsibility for proper governance when they rely on internal and external audits/auditors
  - Does a clean audit give assurance that there is no fraud, waste, or abuse in an entity?
  - Does an audit with multiple audit findings indicate fraud, waste, or abuse in an entity?

# My Background



Tennessee  
TECH



DIVISION OF LOCAL GOVERNMENT AUDIT



*Ralph's*  
Donut Shop  
Since 1962  
Cookeville, Tennessee  
526-4231



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.



# Make Government Work Better

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.**



Tennessee Property Assessment Data



Find an Audit or Report



Office of Open Records Counsel Inquiry



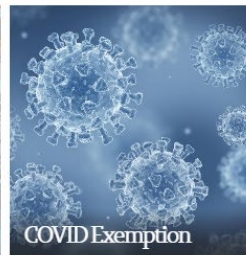
Where the Money Goes



Careers



Investor Updates



COVID Exemption



Report Fraud, Waste, & Abuse





## Division of Investigations

### INVESTIGATIVE TEAMS & JUDICIAL DISTRICTS

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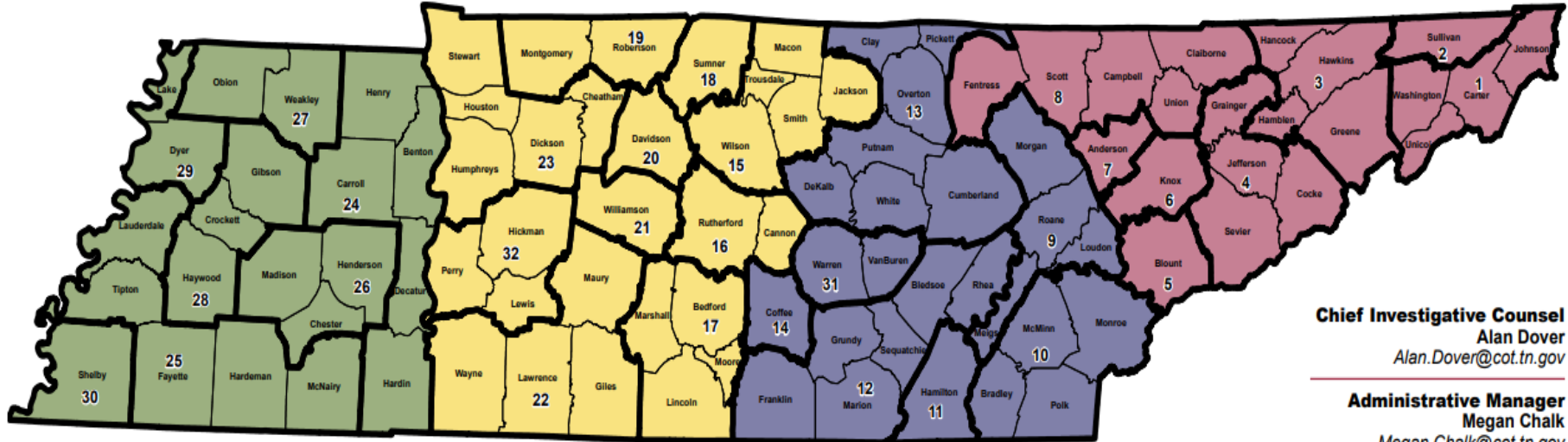
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Effective December 1, 2023

# Fraud, Waste, & Abuse - Report It



## 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 CPA's
- > For Public Officials

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



# Fraud, Waste, & Abuse - Report It



## Fraud, Waste, and Abuse

- > For Citizens
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[Please click here to be directed to the online reporting form](#)

Local Government Instances of  
Fraud Reporting Act T.C.A. §  
8-4-501

- ◆ Public officials “with knowledge based upon available information that unlawful conduct has occurred shall report...”



# Fraud, Waste, & Abuse - Report It



## Fraud, Waste, and Abuse

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

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

## CPA Contract to Audit – Paragraph 7

- ◆ Any reasonable suspicion of fraud (regardless of materiality) or other unlawful acts...promptly reported in writing...”



# Fraud, Waste, & Abuse - Report It



## Fraud, Waste, and Abuse

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

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

T.C.A. §8-4-119 - Required Reports to Comptroller:

- ◆ **State agencies** must report...theft, forgery, credit card fraud or any other intentional act of unlawful or unauthorized taking...



## Division of Investigations

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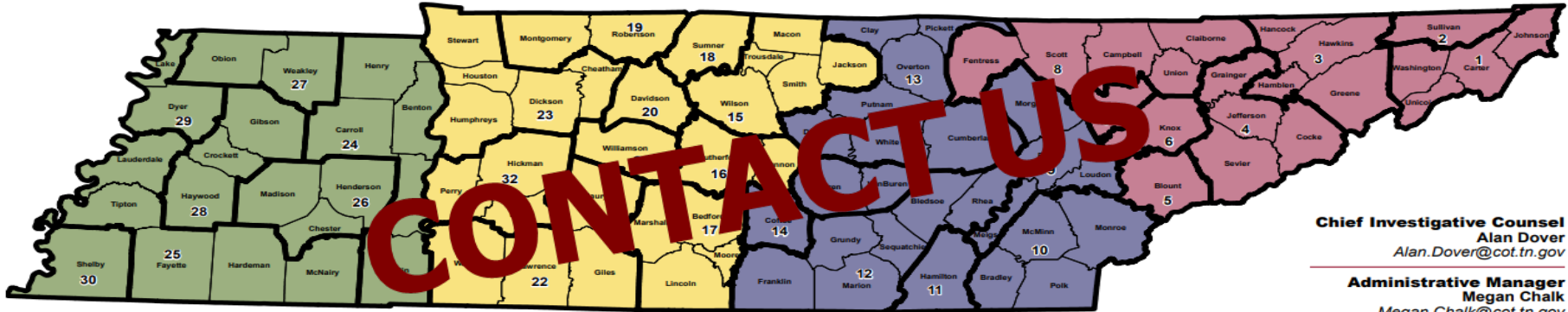
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Effective December 1, 2023

**IT IS THE STATUTORY RESPONSIBILITY OF THE COMPTROLLER OF THE TREASURY TO REVIEW ALL ALLEGATIONS OF FRAUD, WASTE, OR ABUSE OF PUBLIC FUNDS**



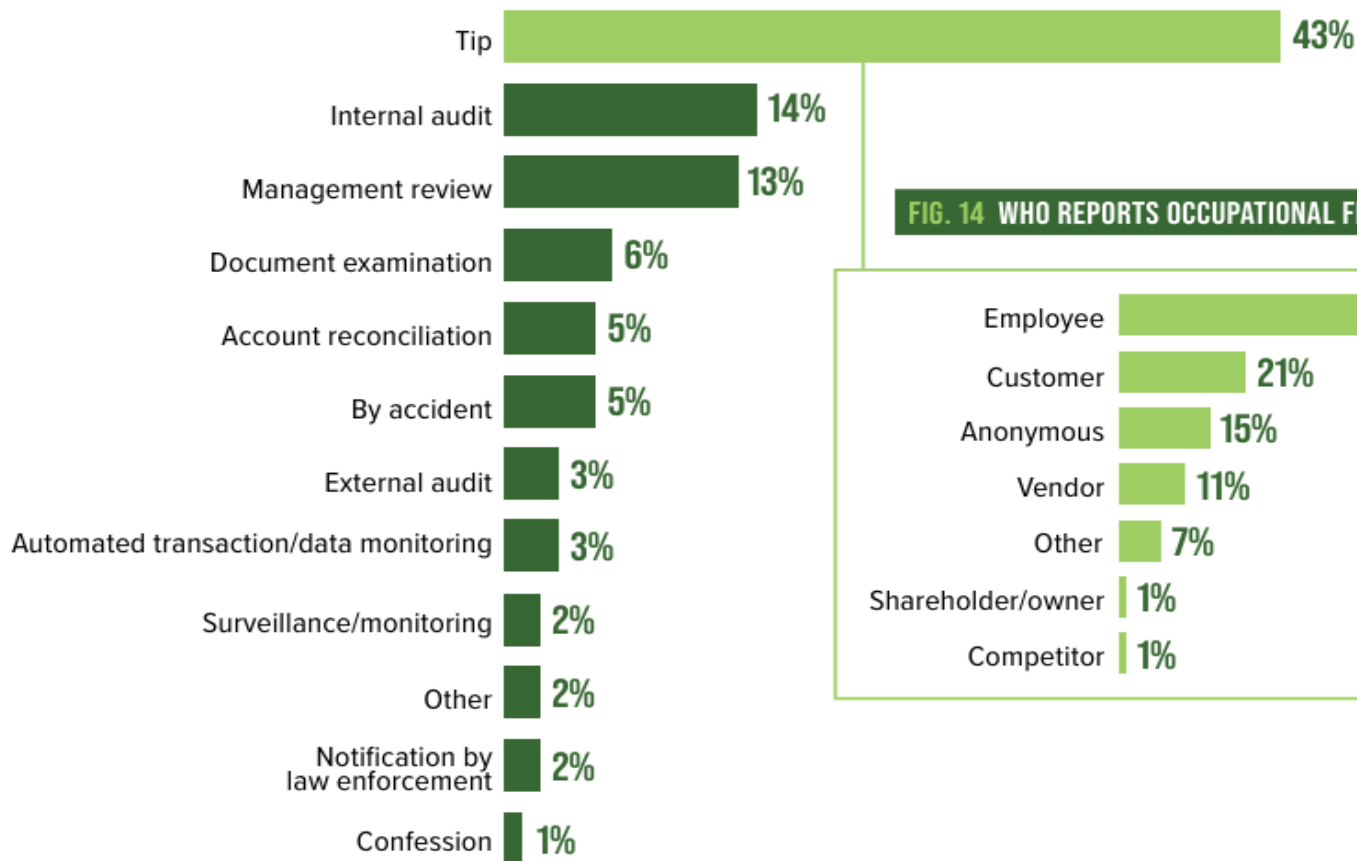
# We Have an Auditor/Audit...

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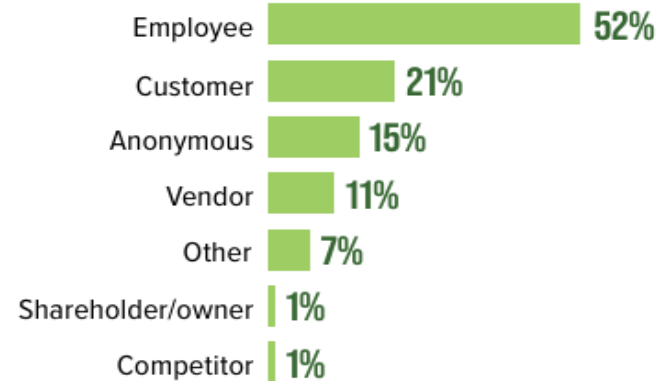
- ◆ Many organizations consider their internal and external auditors pivotal for uncovering fraud and minimizing the risk of loss incurred due to fraud.
  - HOWEVER
- ◆ Auditors rarely find fraud.

# Auditor's Rarely Find Fraud...

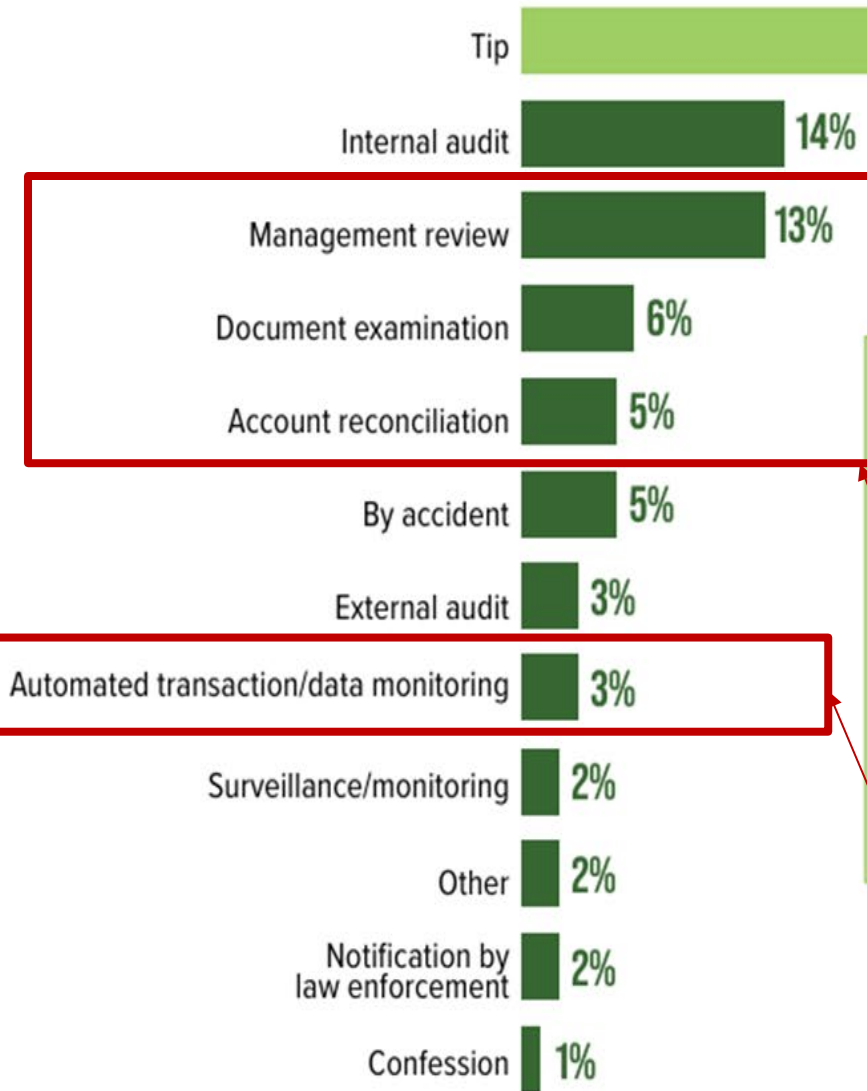
**FIG. 13 HOW IS OCCUPATIONAL FRAUD INITIALLY DETECTED?**



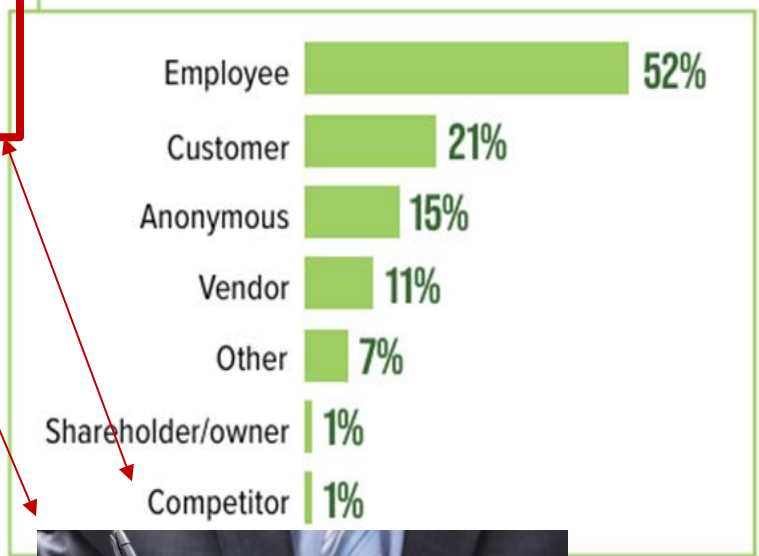
**FIG. 14 WHO REPORTS OCCUPATIONAL FRAUD?**



**FIG. 13 HOW IS OCCUPATIONAL FRAUD INITIALLY DETECTED?**



**FIG. 14 WHO REPORTS OCCUPATIONAL FRAUD?**



# DETECTION



**43%** of frauds were detected by tips, which is more than **3x** as many cases as the next most common method



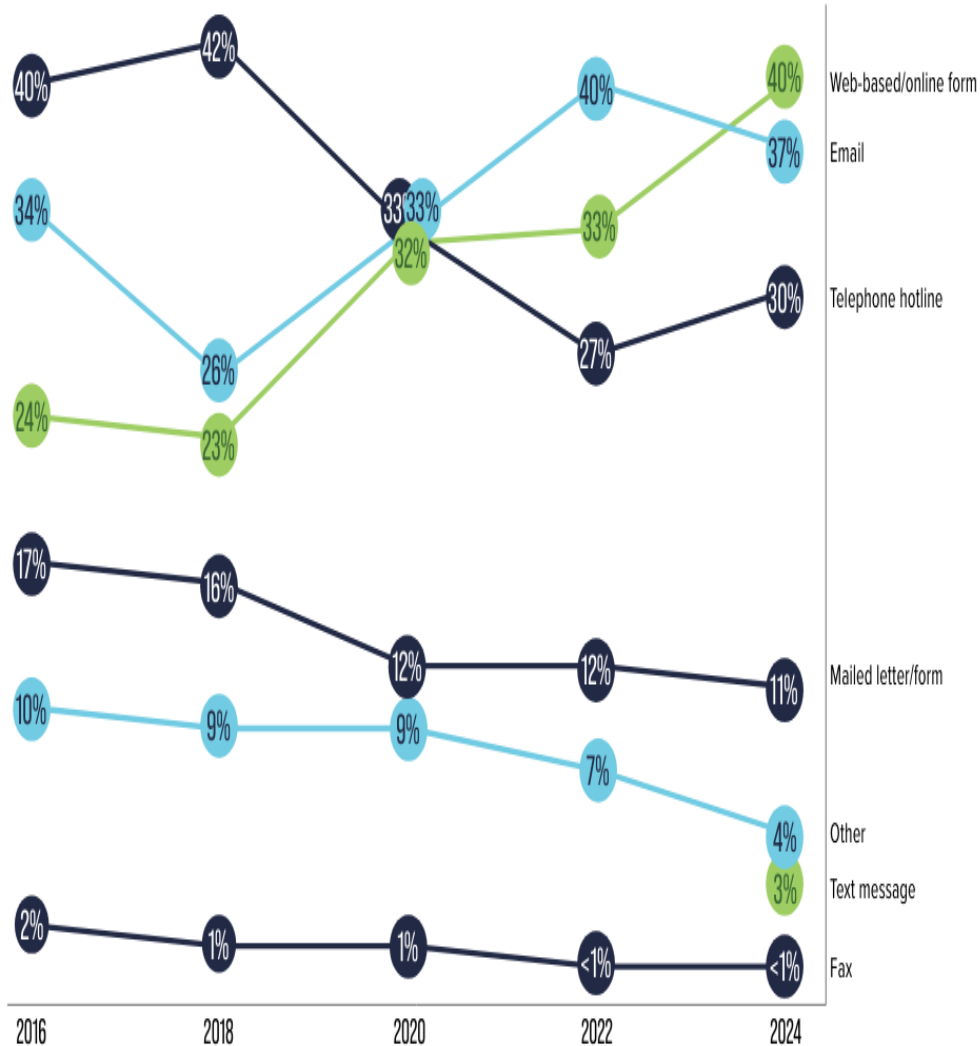
The most **COMMON MECHANISMS** used to report fraud tips:



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



FIG. 16 WHAT FORMAL REPORTING MECHANISMS DID WHISTLEBLOWERS USE?



# Management Responsibility

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- ◆ The primary responsibility for the prevention and detection of fraud rests with both:
  - Those charged with governance of the entity and
  - Management
- ◆ Design and implement adequate accounting and internal control systems to prevent, detect, and mitigate fraud

# What is Fraud?

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

*Lyin', Cheatin', and Stealin'*

# Why Do People Commit Fraud?



- ◆ Dr. Donald Cressey
  - “Fraud Triangle”  
Model for Identifying  
High Risks of Fraud
    - ◆ Unshareable Financial  
Need, Perceived  
Pressure
    - ◆ Justification,  
Rationalize Behavior
    - ◆ Perceived Opportunity

# How Are Risks of Fraud Reduced?

## Effective Internal Controls Detect and Prevent Fraud

### ◆ Preventive controls

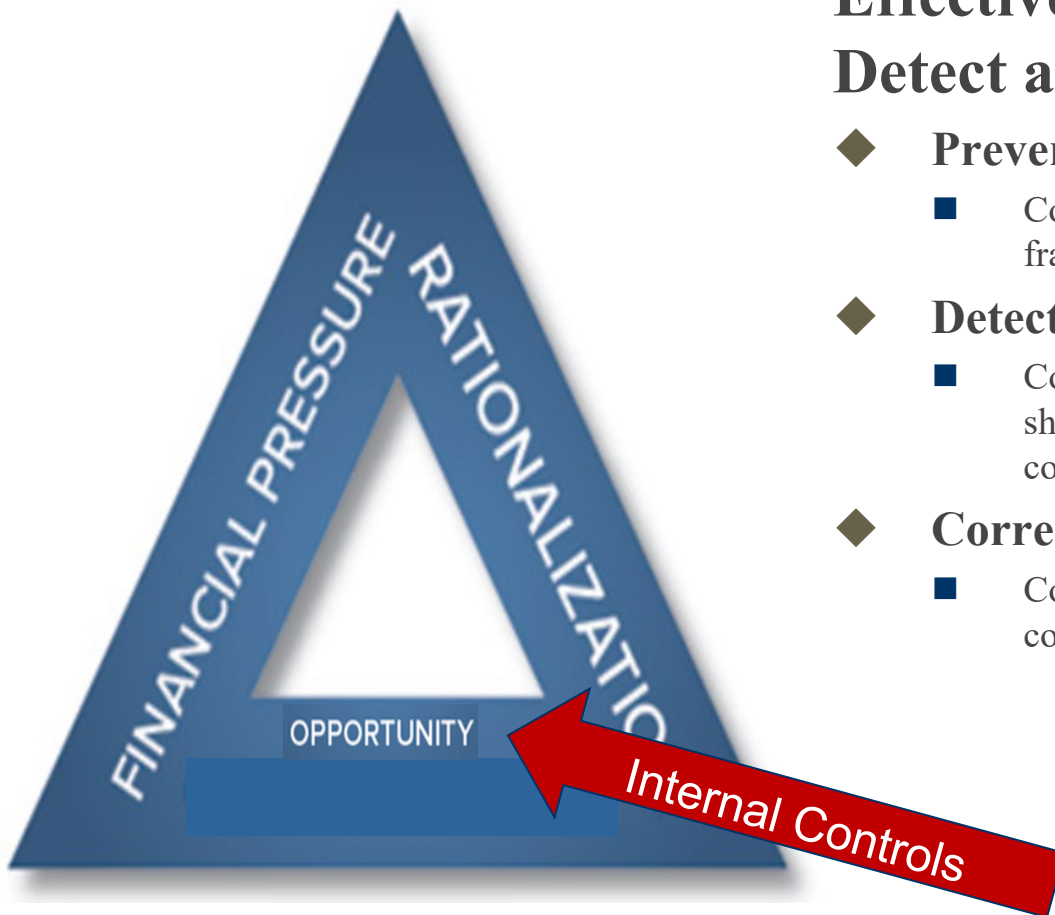
- Controls that are put in place to prevent fraud from occurring.

### ◆ Detective controls

- Controls are used to discover fraud, should it occur despite the preventive controls in place.

### ◆ Corrective controls

- Controls put in place after the detective controls discover fraud.



# Preventive vs. Detective

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## ◆ Preventive Internal Controls

- Separation of Duties
- Pre-Approval
- Training
- Access Controls
  - ◆ Passwords, locks, safe

## ◆ Detective Internal Controls

- Management Oversight
- Account Reconciliations
- Physical Observations
- Budget to Actual Review

T R U S T

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Trust is NOT an  
Internal Control!



?

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Given equal access to money and other assets, what employee in your organization would have the *best opportunity* to steal?

The most trusted  
employee!!



# What is the Cornerstone of Internal Controls?

Review

Reconcile

Approve

Purchase Orders

Dual Signature  
Checks

Separation of Duties

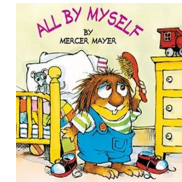


Financial responsibilities should be separated so that no one employee has complete control of a financial transaction.

# Separation of Duties

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- ◆ 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

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- ◆ 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



# 2<sup>nd</sup> Most Important Internal Control

## Management Oversight



**NOT This**



**This**



# Review of Accounting Records and Bank Statements



# Board/Management Failed...

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- ◆ Many of our investigative results can be attributed to management's or an oversight board's failure to ask tough questions, perform due diligence, and establish clear policies and internal controls related to financial activities.

**Deficiency 5: MAHS Board of Directors failed to provide adequate oversight of Johnson's and Williams' time/work schedules**

**Deficiency 1: MAHS Board of Directors failed to provide adequate oversight of school operations**

**Deficiency: The TACP Executive Board failed to provide adequate oversight of TACP**

**Deficiency 4: Several school officials failed to report Johnson's suspected unlawful conduct to the state Comptroller of the Treasury**

**Deficiency 3: Officials failed to review accounting adjustments to ensure adequate documentation**



# Meigs County Emergency Communications District



## COMPTROLLER'S INVESTIGATIVE REPORT

### Meigs County Emergency Communications District

October 11, 2022

Jason E. Mumpower  
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



# Background



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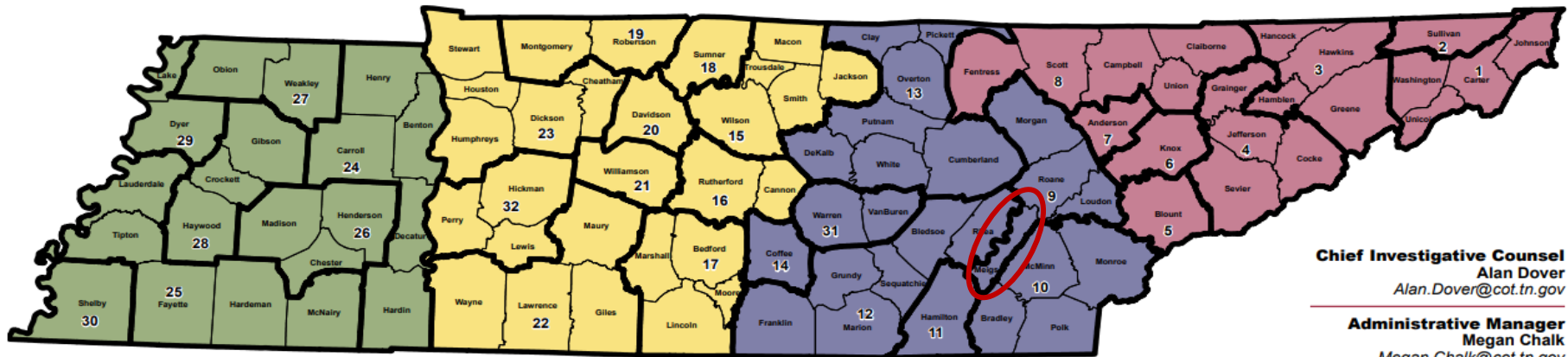
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# Background

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## ■ 911 Call Center

- ◆ Dispatch for the Sheriff's Department, Decatur Police Department, EMS and Fire Departments as well as THP, TWRA and public works
- ◆ Route responders
- ◆ Provide critical communications to support responders

## ■ Governing Board of Directors, TCA 7-86-105

- ◆ 7 Volunteers (without compensation) appointed by mayor and confirmed by county commission
- ◆ Serve 4 year staggered terms
- ◆ Provide oversight of operations and finances of the district

## ■ Director

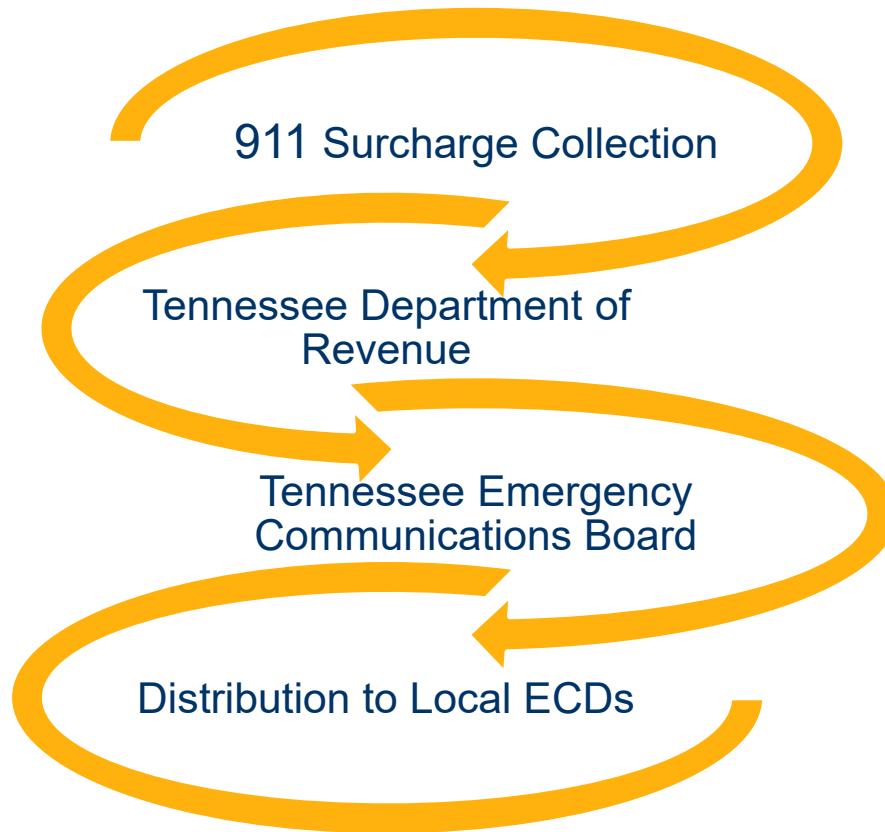
- ◆ Day-to-day operations and finances
- ◆ Reports to the Board of Directors



# Funding Flow for TN ECD

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## ◆ No Authority to Levy or Collect Taxes



# Notifications

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- February 22, 2021 9:58 am
- February 22, 2021 1:19 pm
- February 24, 2021 11:04 am

Alleged:

- Director embezzling funds by falsifying invoices to contractors and cashing the checks to contractors since 2020
- Forged board member signatures
- Missing funds total close to \$300,000

# Allegations Summary

---

## ◆ Embezzlement:

- The director allegedly falsified invoices to contractors and cashed the checks since 2020.

## ◆ Forgery:

- Board member signatures were reportedly forged.

## ◆ Financial Impact:

- Missing funds were estimated to total close to \$300,000.

# Subject

---

- ◆ Kelly Taylor, Meigs County Emergency Communications District Employee (MCECD)
  - 1994: Taylor hired as MCECD Dispatcher
  - 2006: Taylor promoted to MCECD Director
    - ◆ Managed district operations, including financial oversight
  - 2011-2021: Taylor assigned bookkeeping responsibilities by the MCECD board
    - ◆ Controlled checkbook and bookkeeping functions

# Board of Directors

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- ◆ Seven Volunteer Members
  - Appointed by the Meigs County Mayor
  - Serve 4 year terms
- ◆ Officers Include:
  - Chairman
  - Vice Chairman
  - Treasurer/Secretary

# Board of Directors

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- ◆ Responsibilities
  - Financial Oversight
  - Policy and Governance
  - Hiring and Oversight
  - Meeting and Recordkeeping

# Analysis

July 29, 2011, through June 30, 2021

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## ◆ Review of Records:

### ■ Bank Records

- ◆ Bank Statements, Check Images, Deposits and Withdrawals

### ■ Invoices

### ■ Financial Reports

- ◆ Budget to Actual Reports
- ◆ Audit Findings

### ■ Vendor Records

### ■ Personal Financial Records

### ■ Meeting Minutes and Board Documentation

# Former Director Misappropriated District Funds Totaling at least \$1,084,188.60

- ◆ The former director created false invoices and cashed checks to four current or former vendors totaling at least \$946,720.95
- ◆ The former director created invoices for fictitious (ghost) vendors and cashed the district checks totaling at least \$137,359
- ◆ The former director submitted a travel reimbursement twice to receive a duplicate payment totaling \$108.65

A. Checks to Real Vendors	\$946,720.95
B. Checks to Fictitious (Ghost) Vendors	\$137,359.00
C. Duplicate Travel Reimbursement	<u>\$108.65</u>
<b>Total Amount Misappropriated</b>	<b>\$1,084,188.60</b>

# Investigative Conclusions

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- ◆ The director of the **Meigs County Emergency Communications District (MCECD)**, orchestrated a significant fraud scheme over a decade, misappropriating over **\$1,084,188.60** of public funds.
- ◆ Her role was central to the misconduct due to her direct access to financial processes and weak internal oversight.

# Taylor's Role in the Fraud

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- ◆ Abuse of Authority
- ◆ Methods of Fraud
  - Falsified Invoices
  - Forged Signatures
  - Ghost Vendors
  - Duplicate Reimbursements
- ◆ Use of District Assets
- ◆ Concealing the Fraud
  - Manipulated Financial Reports
  - Exploiting Internal Control Weaknesses

# Timeline

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- **2011–2015:** Checks with legitimate board member signatures were misused.
- **2016–2017:** Investigators identified a mix of legitimate and forged signatures.
- **2018–2021:** Most checks cashed by Taylor were forged, escalating the scale of fraud.
- **2020–2021:** Allegations surfaced that Taylor had been embezzling funds by falsifying invoices and cashing checks.

# Former Director Misappropriated District Funds Totaling at least \$1,084,188.60

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<b>Total Amount Misappropriated</b>	<b>\$1,084,188.60</b>

# Methods of Misappropriation

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## ◆ False Invoices

- Taylor created falsified invoices used to obtain board signatures and cashed later

## ◆ Forged Signatures

- Board member signatures and vendor endorsements

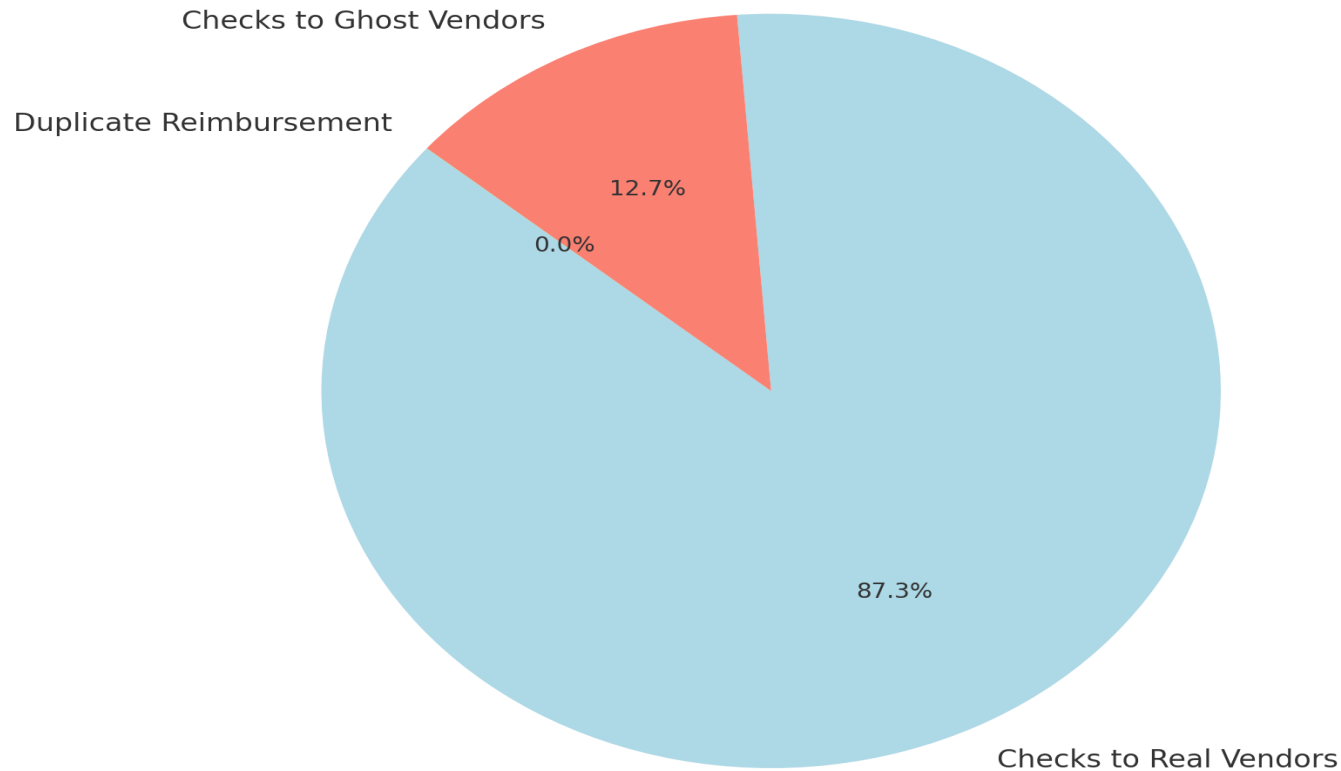
## ◆ Ghost Vendors

- 2 Fictitious Vendors, accounting for \$137,359

## ◆ Duplicate Payment

# Methods of Misappropriation

Breakdown of Misappropriated Amounts



# Methods of Misappropriation

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- ◆ False Invoices. \$946,720.95
  - Taylor created falsified invoices used to obtain board signatures and cashed them later
  - Vendors whose names appeared on these invoices denied authorizing or performing the work described

# False vs Actual Vendor Invoices

Exhibit 1

[REDACTED]

INVOICE	DATE
<p><small>BILL TO</small></p> <p>Meigs Co, 911 410 River Rd Decatur, TN 37322</p>	10-7-20
DESCRIPTION	TOTAL
<p>Call for service Concrete around new pipe sections</p>	1090.00
<p><i>pd 10-7-20</i> <i>4182</i></p>	
<p>TOTAL DUE 1090.00</p>	
<p><small>Thank you for your business!</small></p>	

Exhibit 2

[REDACTED] 732568

**Invoice**

<small>SOLD TO</small> Meigs Co 9-1-1		<small>SHIP TO</small>	
<small>ADDRESS</small> P.O. Box 352		<small>ADDRESS</small>	
<small>CITY, STATE, ZIP</small> Decatur, TN 37322		<small>CITY, STATE, ZIP</small>	
<small>CUSTOMER ORDER NO.</small>	<small>SOLD BY</small>	<small>TERMS</small>	<small>F.O.B.</small>
			<small>DATE</small>

ORDERED	SHIPPED	DESCRIPTION	PRICE	UNIT	AMOUNT
		Install NEW Talite			
		Repair Flange			
		part 11-16-18		422	07
		3449		250	
					672 07
					672 07

[REDACTED]

© 2010 10-10

# Methods of Misappropriation

---

## ◆ Ghost Vendors

- Taylor created two fictitious vendors, accounting for \$137,359
  - ◆ Vendors did not exist, and no legitimate work or services were performed

# Review of Checks

MEIGS COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
423-334-4950, 410 RIVER RD.  
PO BOX 352

4069  
87-876542

DATE 7-20-20

PAY TO THE ORDER OF [REDACTED] \$ 1,140.00

One thousand one forty & <sup>10</sup>/<sub>100</sub> DOLLARS

SouthEast bank  
southeastbank.com

FOR [REDACTED]

⑆004069⑆ ⑆064208767⑆000100 [REDACTED]

MEIGS COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
423-334-4950, 410 RIVER RD.  
PO BOX 352

4071  
87-876542

DATE 7-20-20

PAY TO THE ORDER OF [REDACTED] \$ 1,198.00

One thousand one hundred ninety eight & <sup>10</sup>/<sub>100</sub> DOLLARS

SouthEast bank  
southeastbank.com

FOR [REDACTED]

⑆004071⑆ ⑆064208767⑆00010036 [REDACTED]

MEIGS COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
423-334-4950, 410 RIVER RD.  
PO BOX 352

4070  
87-876542

DATE 7-20-20

PAY TO THE ORDER OF [REDACTED] \$ 1,240.00

One thousand two hundred forty & <sup>10</sup>/<sub>100</sub> DOLLARS

SouthEast bank  
southeastbank.com

FOR [REDACTED]

⑆004070⑆ ⑆064208767⑆0001003 [REDACTED]

MEIGS COUNTY EMERGENCY COMMUNICATIONS DISTRICT  
423-334-4950, 410 RIVER RD.  
PO BOX 352

4072  
87-876542

DATE 7-20-20

PAY TO THE ORDER OF [REDACTED] \$ 1,098.00

One thousand ninety eight & <sup>10</sup>/<sub>100</sub> DOLLARS

SouthEast bank  
southeastbank.com

FOR [REDACTED]

⑆004072⑆ ⑆064208767⑆00010038 [REDACTED]

# Review of Checks

064208767 004078

064208767  
004078

Security Features located on  
 • Front and Back  
 • Hologram  
 • Microprint  
 • Color Shifting Ink  
 • Watermark  
 • Security Thread  
 • Large Denomination  
 • Serial Number

**BOFD SouthEast Bank RT 064208767**  
**7/20/2020, 12:46:45, EDS\B72KLCARR**

11E DEPOSIT  
 NUMBER 212132022046123

ENDORSE HERE

064208767 004078

064208767  
004078

Security Features located on  
 • Front and Back  
 • Hologram  
 • Microprint  
 • Color Shifting Ink  
 • Watermark  
 • Security Thread  
 • Large Denomination  
 • Serial Number

**BOFD SouthEast Bank RT 064208767**  
**7/20/2020, 12:52:27, EDS\B72KLCARR**

11E DEPOSIT  
 NUMBER 212132022046123

ENDORSE HERE

064208767 004078

064208767  
004078

**BOFD SouthEast Bank RT 064208767**  
**7/20/2020, 12:49:19, EDS\B72KLCARR**

11E DEPOSIT  
 NUMBER 212132022046123

ENDORSE HERE

064208767 004078

064208767  
004078

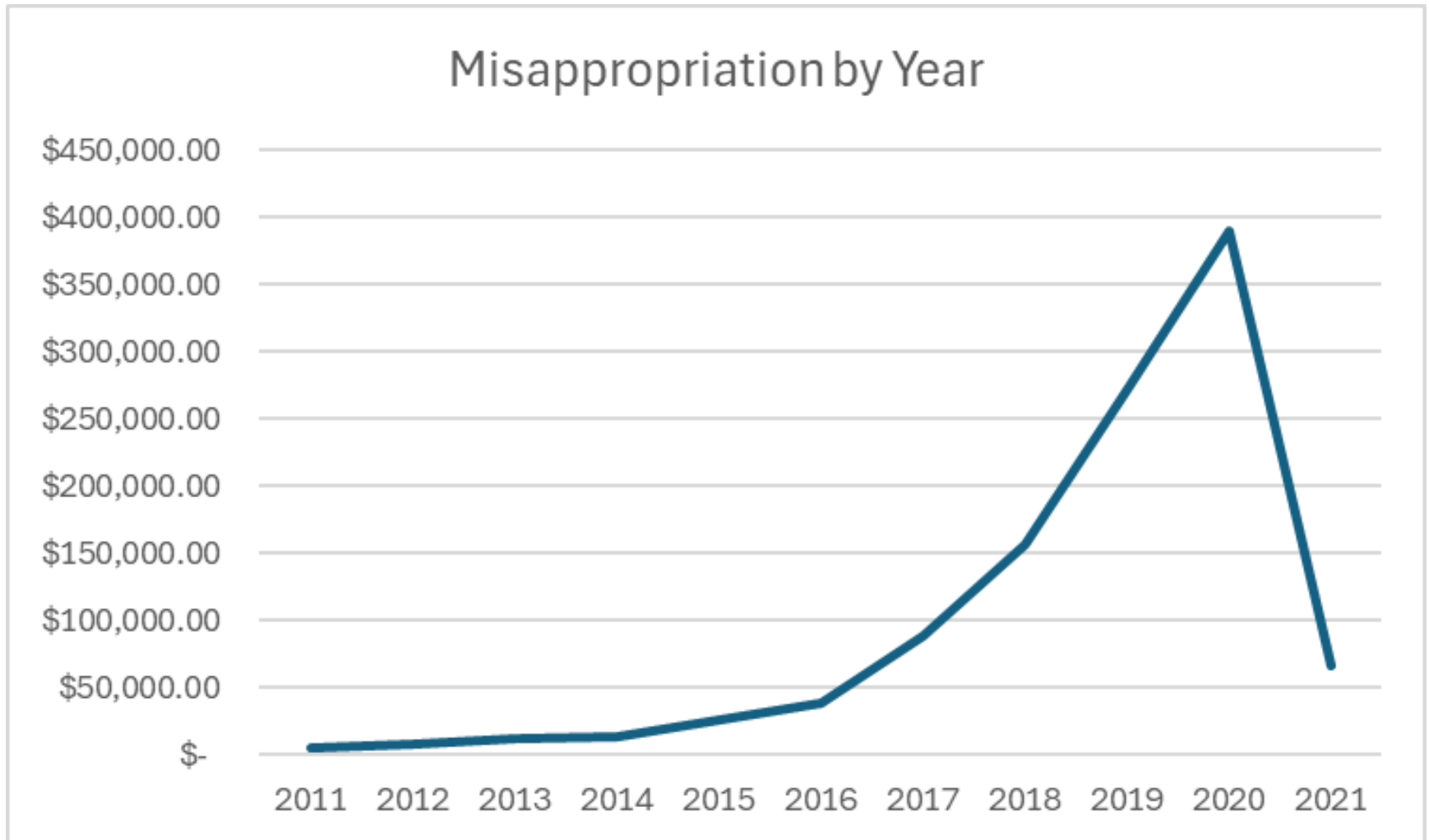
Security Features located on  
 • Front and Back  
 • Hologram  
 • Microprint  
 • Color Shifting Ink  
 • Watermark  
 • Security Thread  
 • Large Denomination  
 • Serial Number

**BOFD SouthEast Bank RT 064208767**  
**7/20/2020, 12:56:15, EDS\B72KLCARR**

11E DEPOSIT  
 NUMBER 212132022046498

ENDORSE HERE

# Methods of Misappropriations



# Methods of Misappropriation

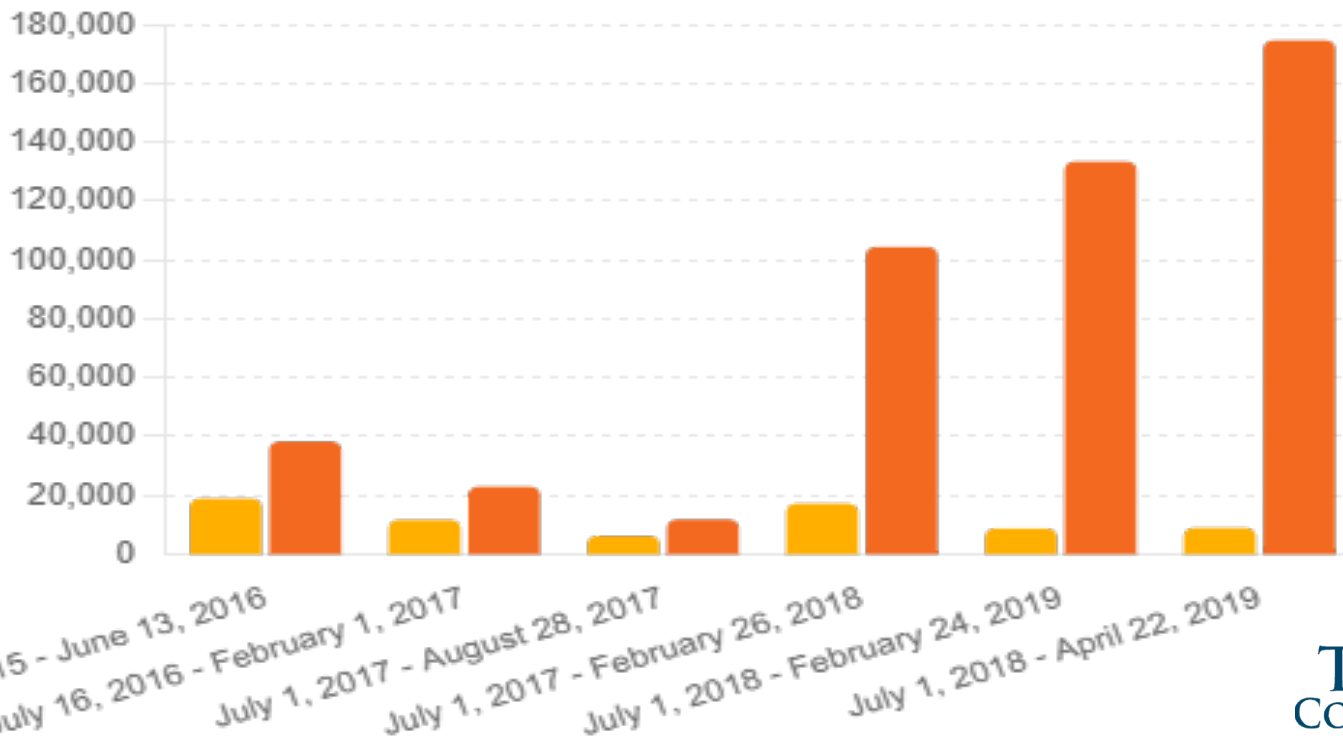
---

## ◆ Duplicate Payment

- Taylor submitted a travel reimbursement twice to receive a duplicate payment totaling \$108.65

# Concealment

- ◆ Personal Use of District Assets
- ◆ Reported vs Actual Expenditures



# Deficiencies in Internal Controls

- ◆ The **board of directors failed** to *segregate financial* and did not *provide adequate oversight* of the financial resources of the organization.

“It's your job to spend money. So when you have a check, we just assumed that it was ok,” says Brian.

MEIGS COUNTY EMERGENCY COMM  
P O BOX 352  
DECATUR TN 37322

**Account Summary**

Beginning Balance	06-01-2020	<b>\$98,548.08</b>
Deposits/Credits		\$41,412.00
Withdrawals/Debits		\$32,824.01
Service Charges		\$0.00
Interest Paid		\$9.31
Ending Balance	06-30-2020	<b>\$107,145.38</b>

**Public Funds Interest**

Days in Summary Period	<b>30</b>
Average Balance	\$113,596.17
Annual Percentage Yield Earned	0.10 %
Interest Paid YTD	\$65.91

**Deposits and Other Credits**

06/08/20	ACH Deposit STATE-TN PAYMNTS - TN PAYMNTS	\$41,412.00
06/30/20	Credit Interest	\$9.31

**Withdrawals and Other Deductions**

06/02/20	Over Counter Check 4013	\$1,050.00
06/02/20	Over Counter Check 4014	\$1,130.00
06/02/20	Over Counter Check 4015	\$998.00
06/05/20	Over Counter Check 4019	\$890.00
06/05/20	Over Counter Check 4016	\$1,240.00
06/05/20	Over Counter Check 4018	\$1,020.00
06/09/20	Over Counter Check 4021	\$1,185.00
06/09/20	Over Counter Check 4020	\$1,060.00
06/09/20	Over Counter Check 4022	\$1,150.00
06/09/20	Over Counter Check 4023	\$1,220.00
06/09/20	Check 4010	\$30.01
06/09/20	Check 4012	\$900.00
06/11/20	Over Counter Check 4024	\$998.00
06/11/20	Over Counter Check 4025	\$1,080.00
06/12/20	Over Counter Check 4026	\$1,040.00
06/18/20	Over Counter Check 4028	\$1,040.00
06/18/20	Over Counter Check 4027	\$1,230.00
06/18/20	Over Counter Check 4029	\$1,185.00
06/18/20	Over Counter Check 4031	\$1,020.00
06/19/20	Over Counter Check 4032	\$1,250.00
06/22/20	Over Counter Check 4035	\$1,090.00
06/22/20	Over Counter Check 4034	\$1,150.00
06/22/20	Over Counter Check 4033	\$1,060.00
06/24/20	Over Counter Check 4036	\$1,180.00
06/24/20	Over Counter Check 4038	\$1,160.00
06/24/20	Over Counter Check 4039	\$998.00
06/26/20	Over Counter Check 4041	\$1,110.00

**CUSTOMER CARE CENTER  
MONDAY THRU FRIDAY  
7:00AM TO 7:00 PM  
SATURDAY  
9:00 AM TO 1:00 PM  
WE LOOK FORWARD TO SERVING  
YOU!**

**Effective July 1, 2020  
our Funds Availability  
Policy will be changed  
as follows:**

The amount available for withdrawal for checks not subject to next day availability will increase from \$200 to \$225 and the amount available for withdrawal on exception holds for large deposits and new accounts not subject to next day availability will increase from \$5,000 to \$5,525. Additionally, the threshold for determining a repeat overdraft will also increase from \$5,000 to \$5,525. If you have any questions regarding these changes, please call 1-844-732-2657 or visit your local branch.



## Withdrawals and Other Deductions

Page 1 of 8

Statement Dates  
01/31/21

Account Number  
\*\*\*\*\*3672

### Checking

31  
10,255.20

0.05 %  
\$1.68

**ARE CENTER  
CLOSED FRIDAY  
> 7:00 PM  
MONDAY  
> 1:00 PM  
PLEASE ADVISE TO SERVING  
UNIT**

Click to  
**Invite a Friend**

Click to visit  
**ink.com/refer**

for a shareable link.

Friends can receive a  
reward after they  
use a new  
checking account.

Learn more about  
signing up & earning!

Additional conditions apply.  
Click here for details.



01/04/21	Over Counter Check 4311	\$1,120.00
01/04/21	Over Counter Check 4312	\$1,216.00
01/05/21	Over Counter Check 4319	\$1,100.00
01/05/21	Over Counter Check 4318	\$1,190.00
01/05/21	Over Counter Check 4314	\$1,160.00
01/05/21	Over Counter Check 4316	\$1,205.00
01/06/21	Over Counter Check 4320	\$1,100.00
01/07/21	Over Counter Check 4323	\$950.00
01/07/21	Over Counter Check 4322	\$998.00
01/07/21	Over Counter Check 4321	\$1,140.00
01/11/21	Over Counter Check 4325	\$1,080.00
01/11/21	Over Counter Check 4326	\$1,140.00
01/11/21	Over Counter Check 4327	\$1,180.00
01/12/21	Over Counter Check 4329	\$1,260.00
01/12/21	Over Counter Check 4328	\$1,240.00
01/13/21	Check 4265	\$95.00
01/14/21	Over Counter Check 4333	\$790.00
01/14/21	Over Counter Check 4330	\$890.00
01/14/21	Over Counter Check 4332	\$950.00
01/14/21	Check 4315	\$64.00
01/19/21	Over Counter Check 4279	\$349.77
01/19/21	Over Counter Check 4334	\$1,075.00
01/19/21	Over Counter Check 4336	\$1,190.00
01/19/21	Over Counter Check 4335	\$1,110.00
01/19/21	Over Counter Check 4337	\$1,200.00
01/19/21	Check 4301	\$30.11
01/19/21	Check 4317	\$1,400.00
01/20/21	Over Counter Check 4338	\$1,150.00

# Deficiencies in Internal Controls

- ◆ The **board failed** to ensure the correction of multiple repeat audit findings over a period of 13 years

Table 2  
Schedule of the District's Findings

Fiscal Year (July 1 – June 30)	Findings				
	Segregation of Duties	Spending Exceeded Budget	Lack of Internal Control Manual	Incorrect and/or Missing General Ledger Entries	Failure to Provide Images of Check Backs
2007-2008	<b>First Written</b>	<b>First Written</b>	N/A	N/A	N/A
2008-2009	<b>Repeated</b>	<b>Repeated</b>	N/A	N/A	N/A
2009-2010	<b>Repeated</b>	<b>Repeated</b>	N/A	N/A	N/A
2011-2012	<b>Repeated</b>	<b>Repeated</b>	N/A	N/A	N/A
2012-2013	<b>Repeated</b>	<b>Repeated</b>	N/A	N/A	N/A
2013-2014	<b>Repeated</b>	<b>Repeated</b>	N/A	N/A	N/A
2014-2015	<b>Repeated</b>	<b>Repeated</b>	N/A	N/A	N/A
2015-2016	<b>Repeated</b>	<b>Repeated</b>	N/A	N/A	N/A
2016-2017	<b>Repeated</b>	<b>Repeated</b>	<b>First Written</b>	<b>First Written</b>	N/A
2017-2018	<b>Repeated</b>	<b>Repeated</b>	<b>Repeated</b>	<b>Repeated</b>	<b>First Written</b>
2018-2019	<b>Repeated</b>	<b>Repeated</b>	<b>Repeated</b>	<b>Repeated</b>	<b>Repeated</b>
2019-2020	<b>Repeated</b>	<b>Repeated</b>	<b>Repeated</b>	<b>Repeated</b>	<b>Repeated</b>
2020-2021	<b>Repeated</b>	<b>Repeated</b>	<b>Repeated</b>	<b>Repeated</b>	<b>Repeated</b>

# Auditor Suspicions in Retrospect

---

- ◆ Lack of Cooperation by Taylor
- ◆ Recurring Audit Findings
- ◆ Delayed and Incomplete Responses
- ◆ Concerns Over Expenditures Approved by Board without Scrutiny

# Limitations of the Audits

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## ◆ Scope of Responsibility:

- The auditors were not responsible for detecting all instances of fraud, as audits provide only **reasonable assurance** of financial accuracy.
- Fraud, especially when perpetrated by management, can be difficult to detect if the perpetrators override controls or conceal activities.

*While the same audit firm served the district throughout the fraud period, the MCECD board's failure to act on repeated audit findings played a significant role in allowing the fraud to remain undetected.*

# Role of External Factors

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- ◆ Sheriff's Department Involvement
  - Mishandling evidence
- ◆ Audit Failures
  - Lack of corrective action plan

# Investigative Results

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As a result of the death of the former director in February 2021, any further criminal investigation or prosecution in this matter is now abated.

Pursuant to *Tennessee Code Annotated*, Section 20-5-103, the death does not abate any civil cause of action that the Meigs County Communications District might otherwise have against the estate or personal representative of the former director for recovery of misappropriated or converted funds.

# Investigative Results

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## Meigs County resident calls for 911 board to resign over \$1 million theft of public funds

Resignations could come in Friday board meeting

December 1, 2022 at 8:07 p.m.

by [Ben Benton](#)



- ◆ The Meigs County Mayor asked for the resignations of 7 board members and instated a new board
- ◆ Contract audit firm issued a report with no findings for the first time in 14 years

"In an effort to spare more public attention and litigation being directed on this incident, we are encouraging each member of the E911 Board to render their resignations effective Feb. 15, 2023," Jewell's letter states.

"This would allow the commission time to seek out replacements and vote them in at the January commission meeting," Jewell wrote. "Your consideration in this sensitive situation is very much appreciated. We request a written resignation letter submitted to the mayor's office or E911 director's office no later than Dec. 6, 2022."



# Red Flag Warnings

## ◆ National Weather Service:

- Warm Temperatures
- Low Humidities
- Stronger Winds

COMBINE to produce  
“increased risk” of fire danger.



## ◆ Warm Temperatures

- 27+ year employee; friends on the board, trusted employee

## ◆ Low Humidities

- The board provided little to no oversight

## ◆ Stronger Winds

- Repeat Audit Findings
  - ◆ Findings related to budget and general ledger worsened over time
  - ◆ No corrective action plans or board discussions

# Red Flag Warnings

*“It's your job to spend money. So when you have a check, we just assumed that it was ok,” says Brian.*

**Meigs County 911 board chairman says they were unaware \$1M dollars was misappropriated**



# Trends

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

# Mapping TN Comptroller Investigations



## MAPPING TENNESSEE COMPTROLLER INVESTIGATIONS

ENTITY  
SEARCH BY ENTITY

TO RESET DATA, UNCLICK ALL OPTIONS YOU HAVE SELECTED

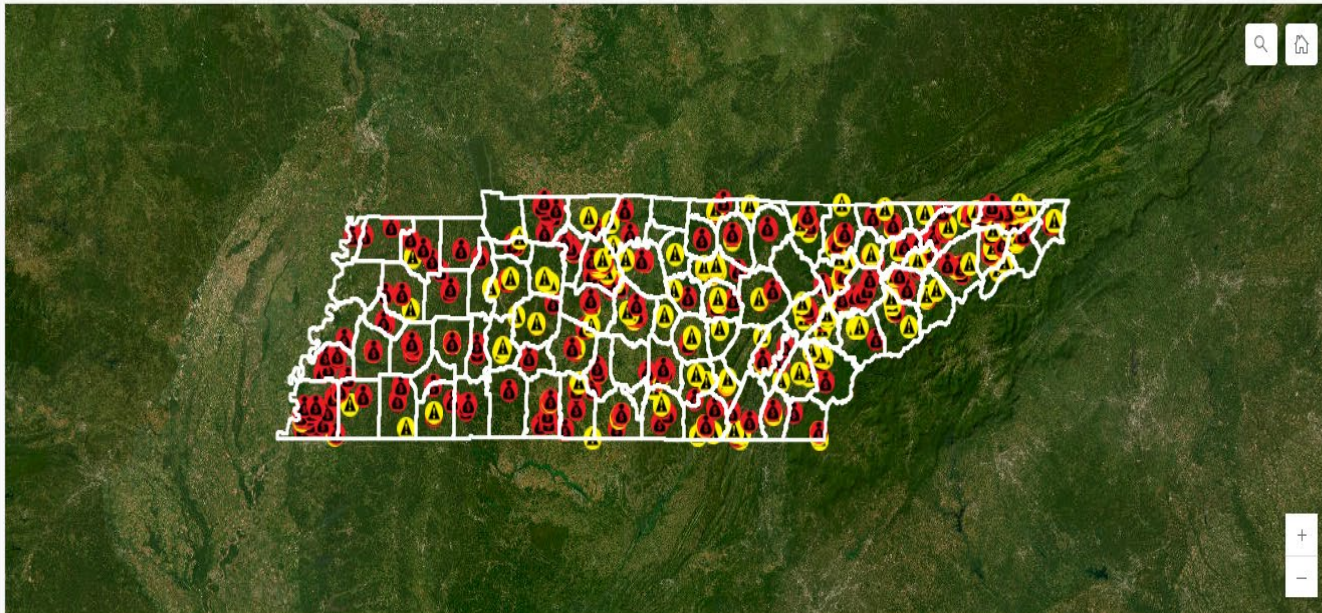
[CLICK HERE TO REPORT FRAUD, WASTE, AND ABUSE](#)

### LEGEND

- DEFICIENCIES
- FRAUD

### REPORTS RELEASED BY DATE (NEWEST TO OLDEST)

- Entity: Lifeline to Success  
Release Date: 2025-08-28
- Entity: Thomas Edison Elementary School  
Release Date: 2025-08-27
- Entity: Lake View Fire Department, Incorporated  
Release Date: 2025-08-14
- Entity: City of Minor Hill  
Release Date: 2025-08-11
- Entity: Minor Hill Utility District



Earthstar Geographics

Powered by Esri

### TOTAL FRAUD, WASTE, AND ABUSE



### # OF REPORTS RELEASED

494

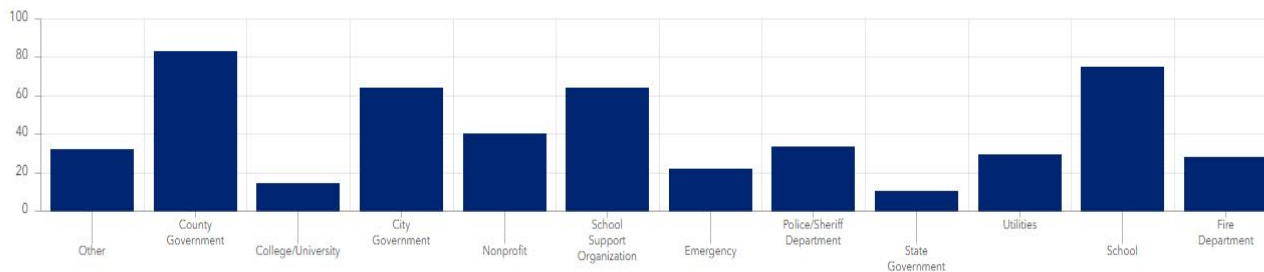
### # OF SUBJECTS

310

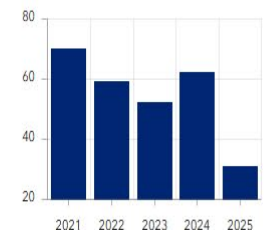
### # OF CRIMINAL CHARGES

1,580

### CLICK ON ENTITY TYPE FOR REPORTS BY TYPE



### CLICK ON YEAR FOR REPORTS BY YEAR



2021-2025

2016-2020

# Summary

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- ◆ Report Fraud, Waste, and Abuse
- ◆ Effective Internal Controls Reduce the Risk of Fraud
- ◆ Fraud Prevention is the Mutual Responsibility of Oversight Boards and Entity Management
- ◆ Repeat Audit Findings Can Be Red Flag Warnings for Fraud

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[Christy.Tennant@cot.tn.gov](mailto:Christy.Tennant@cot.tn.gov)

615-762-7610

