



COMPTROLLER'S INVESTIGATIVE REPORT

Community Prevention Coalition of Jackson County

May 13, 2019

Justin P. Wilson
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

May 13, 2019

Community Prevention Coalition
of Jackson County Board Members
201 West Hull Avenue
Gainesboro, TN 38562

and

The Department of Mental Health
and Substance Abuse Services
500 Deaderick Street, 6th Floor
Nashville, TN 37242

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Community Prevention Coalition of Jackson County, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the District Attorney General of the 15th Judicial District, certain state legislators, and various other interested parties. A copy is available for public inspection in our office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in black ink that reads "Justin P. Wilson".

Justin P. Wilson
Comptroller of the Treasury

JPW/MLC

INVESTIGATIVE REPORT

COMMUNITY PREVENTION COALITION OF JACKSON COUNTY

The Office of the Comptroller of the Treasury, in conjunction with the Federal Bureau of Investigation, the Office of Inspector General for U.S. Department of Health and Human Services, and Internal Revenue Service Criminal Investigation, investigated allegations of malfeasance related to the Community Prevention Coalition of Jackson County. The results of the investigation were communicated with the United States Attorney's Office for the Middle District of Tennessee.

BACKGROUND

The Community Prevention Coalition of Jackson County (coalition) was a 501(c)3 not for profit located in Gainesboro, Tennessee. The coalition's stated mission was to reduce underage drinking and tobacco use and increase the community's capacity for prevention in Jackson County. The coalition instituted education and awareness programs for the county's youth. The coalition's primary source of funds was from grants from the Tennessee Department of Mental Health and Substance Abuse and the U.S. Department of Health and Human Services.



RESULTS OF INVESTIGATION

- **EXECUTIVE DIRECTOR PATRICK MARTIN MISAPPROPRIATED COALITION FUNDS TOTALING AT LEAST \$46,335**

During the period January 2014 through December 2015, executive director Patrick Martin misappropriated at least \$46,335 from the coalition. Without the knowledge or consent of coalition board members, Martin falsely reimbursed himself for personal purchases and issued coalition checks to himself to which he was not entitled. During the investigation, Martin removed the coalition financial records from the office and the records were apparently destroyed in a fire while in his custody. As a result, investigators were unable to determine the full extent of the misappropriation.

Fraudulent Reimbursements

Total fraudulent reimbursements

Martin paid himself at least \$28,717 in coalition funds to which he was not entitled. Martin wrote fraudulent reimbursement checks to himself for personal purchases, for expenses that had already been paid, and for a fictitious loan. Martin told Comptroller investigators that at least some of the reimbursements he made to himself for personal expenses were improper and that he had no explanation for the other fraudulent payments he made to himself.

Coalition records indicated that during the two years ended December 31, 2015, excluding payroll costs, Martin wrote checks to himself totaling approximately \$250,000, over 50 percent of all coalition payments made during that period. Martin claimed that due to coalition cash flow issues, he personally paid for many coalition expenses and then reimbursed himself with coalition checks. Martin had absolutely no documentation to support, and Comptroller investigators were unable to verify, that almost \$160,000 in payments to Martin were for legitimate coalition purposes.

Reimbursements for personal purchases

Martin reimbursed himself with coalition funds for personal purchases. Martin was responsible for preparing all checks to himself and acquiring adequate documentation to justify those payments. Coalition records, however, indicated that Martin reimbursed himself with coalition funds for hunting supplies and a crossbow. **[Refer to Exhibit 1 in the Appendix.]** He also reimbursed himself for his personal electric bill. **[Refer to Exhibit 2 in the Appendix.]** Martin acknowledged to investigators that at least some of these payments he made to himself were improper.

Purchase of vehicle for noncoalition use

Martin used coalition money totaling at least \$4,000 to purchase a vehicle that was not for coalition use. He prepared and used a coalition check to purchase a cashier's check payable to an individual in South Carolina. **[Refer to Exhibit 3 in the Appendix.]** When Comptroller investigators inquired about that payment, Martin claimed that it was to purchase golf carts for the coalition. Records obtained from the bank and from the county clerk revealed, however, that the payment was used to purchase a 1987 Ford Mustang which Martin gave to a friend.

Reimbursements for previously paid expenses

Documentation obtained from the coalition's bank as well as from vendors revealed that Martin frequently used coalition funds to reimburse himself for coalition expenses that he had already paid with coalition checks. For example, Martin paid a coalition electric bill totaling \$1,607.28 with a coalition check dated April 24, 2014. Martin, however, had already wrote himself a check for that exact amount three weeks earlier with the memo "electric." **[Refer to Exhibit 4 in the Appendix.]** According to bank records, Martin deposited \$1,300 of that check into a close relative's bank account and received cash for the balance. Investigators verified with the electric company that the coalition owed and paid only one bill for \$1,607.28.

Similarly, investigators noted that Martin wrote a coalition check in the amount of \$950 to a vendor for training, while also writing a \$950 check payable to himself with the training vendor's name on the memo line. Martin told investigators that the training was for two coalition attendees and the cost was \$950 each. The training vendor, however, confirmed to investigators that the cost of the training was only \$950 for both coalition attendees.

In another example, Martin reimbursed himself twice for the same hotel expense. The coalition incurred a \$3,538.56 bill from a Washington, D.C., hotel in February 2015. After the hotel returned the coalition check for insufficient funds, Martin eventually paid that bill with his personal debit card in July 2015. While Martin was only due a reimbursement from the coalition for \$3,538.56, he essentially double reimbursed himself with two separate coalition checks totaling \$7,077.12. **[Refer to Exhibit 5 in the Appendix.]** Martin claimed that the hotel had forced the coalition to pay more than the stated bill; however, investigators confirmed with hotel officials that they billed and collected from the coalition \$3,538.56. **[Refer to Exhibit 6 in the Appendix.]**

Fictitious loan repayment

Investigators found that when Martin wrote several coalition checks to himself indicating they were for repayment of coalition loans; the proceeds were used for Martin's personal benefit. Martin told investigators that, for several years, he had borrowed money from an acquaintance to cover coalition shortfalls. He maintained that he used cash from these loans to make coalition-related purchases. Martin claimed that he repaid the loan by writing coalition checks to himself and depositing the money into his acquaintance's bank account. Coalition bank records revealed, however, that Martin used the proceeds of at least two of these loan repayment checks for himself or a family member's personal use. Investigators found that Martin used a \$7,500 coalition check that he indicated was for a loan repayment for a \$6,400 payment on his personal mortgage with the remaining \$1,100 deposited into his personal bank account. **[Refer to Exhibit 7 in the Appendix.]**

Unauthorized Payroll Checks

During the calendar years 2014, 2015, and 2016, Martin issued himself 10 extra paychecks, totaling \$17,618. Martin was solely responsible for preparing all payroll checks. Martin issued and transacted six unauthorized payroll checks to himself in 2014, three in 2015 and one in 2016.

Schedule of Misappropriation by Patrick Martin

Misappropriation	Amount
Improper reimbursements	\$28,717
Excess payroll checks	<u>17,618</u>
Total	<u>\$46,335</u>

Fabricated and Destroyed records

Fraudulent grant requests

Coalition officials provided information to state grant monitors with the Tennessee Department of Mental Health and Substance Abuse that contained fabricated information. On at least one occasion, to justify their receipt of grant money, coalition officials provided documentation to state grant monitors for expenses that the coalition never actually paid.

Financial records destroyed

Approximately seven days after the Comptroller's investigation began, certain invoices and other financial records were apparently destroyed in a fire while in the custody of Martin. Comptroller investigators were able to obtain records from the coalition's bank as well as from various other vendors with whom the coalition did business. For many of the reimbursements to Martin, however, it was not possible to determine what, if any, actual coalition expenses were paid. Because of this limitation, there is an extraordinarily high risk that additional coalition funds were misappropriated or misused by Martin. Due to the lack of documentation, investigators were unable to quantify the potential additional loss.

On May 8, 2019, the Federal Grand Jury sitting in the Middle District of Tennessee returned a 48-count indictment against Patrick Martin, including 2 counts of Theft, 30 counts of Wire Fraud, and 1 count of destruction of records.

Subsequent to the Comptroller's investigation, Comptroller investigators joined with federal investigators and expanded the scope of the inquiry. Only the results of the Comptroller's initial investigation are disclosed in this report. The federal indictment linked with this report includes the expanded scope.

[Community Prevention Coalition of Jackson County Investigative Exhibit](#)

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed deficiencies that contributed to the executive director's ability to perpetrate the misappropriation without prompt detection. These deficiencies included:

Deficiency 1: Inadequate separation of duties

Coalition officials failed to separate financial duties adequately or to provide increased oversight when appropriate. The executive director prepared all checks. Two signatures were required on each coalition check, however, in most cases, the executive director signed both names of authorized signers on the checks, even though he was not an authorized signature on the bank account. Board members did not routinely review bank statements or other financial information.

Deficiency 2: Inadequate supporting documentation for disbursements

Coalition officials did not require and retain adequate supporting documentation for disbursements and other withdrawals. Requiring documentation, such as invoices or receipts, allows board members to verify that the payment is proper and reasonable.

Deficiency 3: Bank records and accounts not managed

Coalition officials failed to ensure that bank statements were reconciled monthly. In addition, the executive director failed to consider the reconciled bank balances when preparing and issuing coalition checks. The executive director routinely issued checks even though the coalition bank account did not have sufficient funds to cover those payments, resulting in \$3,235 of overdraft and insufficient fund bank fees.

Deficiency 4: Violation of travel and expense reimbursement policy

Coalition officials failed to not ensure that the coalition travel and expense reimbursement policy was followed. The policy allowed employees to be reimbursed for coalition-related travel on a mileage rate basis, however, the executive director was routinely reimbursed for actual fuel purchases. The invoices submitted by the him were questionable as to timing – multiple fuel purchases within a 30-minute timeframe, and nature – credit card invoices from other individuals.

The board of directors of the Community Prevention Coalition of Jackson County elected to cease operations in July 2017 following this investigation.

APPENDIX

Exhibit 1

Dunhams Sports

Div-Store: 01-09177 Associate No: [REDACTED]

Date-Time: 2014-10-11-14:46 Reg-Tran: 0003-0000853

Trans Type: Sale Transaction Amount: \$570.68

Reprint Trans No: Coupon Mgr ID: 0 Cust ID #


Sku	Scanned?	Void?	Qty	Price	Discount	Ext Price	Promo
072801 - CHISEL 3 BLADE 100GR	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1	\$39.99	\$0.00	\$39.99	<input type="checkbox"/>
692855 - COVERT SLS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	1	\$599.99	(\$120.00)	\$479.99	<input type="checkbox"/>

Tender Summary:

Cash: Check: Cr/Db: MCr: OTdr:

Tender Type	Account Number	Scan	Amt
Cash	00000000000000000000000000000000	<input type="checkbox"/>	\$600.00
Cash	00000000000000000000000000000000	<input type="checkbox"/>	(\$29.32)

Discount Info:	Reason	Mgr ID	Discount ID	Discount Amt	Discount Pct
	IDS99999	0	000012205	(\$120.00)	0.00%



Martin reimbursed himself with coalition funds for the purchase of a crossbow

Exhibit 2

CASH ONLY IF ALL CIRCLES "SECURITY FEATURES LISTED ON BACK INDICATE NO TAMPERING OR COPYING" 3487

COMMUNITY PREVENTION COALITION
FOR JACKSON COUNTY
PO BOX 708
271 South Main Street
Gainesboro, TN 38562 (931) 268-4191

PSB Bank
87-582641

4/8/2014

Pay to the Order of Patrick Martin \$677.78

Six Hundred Seventy-Seven and 78/100 Dollars

Patrick Martin

John Casanova
Tina Carter

electric

Martin reimbursed himself with coalition funds for his personal electric bill

UCEMC DUPLICATE BILL

CASH CHECK

NAME Martin Patrick

ACCOUNT NO. [redacted]

AMOUNT 677.78 ✓

DATE 2/20/14

PAID
FEB 20 2014
UPPER CUMBERLAND EMC
GAINESBORO, TN

Martin used documentation of personal electric bill for reimbursement to himself

Exhibit 3

STATE OF SOUTH CAROLINA
CERTIFICATE OF TITLE
OF A VEHICLE

VEHICLE ID NUMBER 1FABP45E6HF	YEAR MAKE 1987 FORD	MODEL MUSTAN	NEW/USED USED	
BODY STYLE CN	DATE ISSUED 07-07-2010	ODOMETER 141,705	WEIGHT 3214	TITLE NUMBER 770350221
VEHICLE BRAND(S) ACTUAL MILEAGE	CUSTOMER NUMBER: 02472			

FULL NAME OF OWNER(S)
MOODY,
MOODY,
CALHOUN DR
SC

CASHIER'S CHECK

fsgBANK
531 Broad Street
Chattanooga, TN 37402

NOTICE TO CUSTOMERS
THE PURCHASE OF AN INDEMNITY BOND MAY BE REQUIRED
BEFORE ANY CASHIER'S CHECK OF THIS BANK WILL BE
REPLACED OR REFUNDED IN THE EVENT IT IS LOST,
MISPLACED OR STOLEN.

DATE October 29, 2015

REMITTER Community Prevention Coalition for J C

PAY FOUR THOUSAND AND 00/100

TO THE ORDER OF Moody Calhoun Dr SC

PURPOSE

NON NEGOTIABLE
PROCESSING COPY

THE REGIS
LIENS

150079

EXECUTIVE DIRECTOR

GOVERNOR

Martin purchased a 1987 Ford Mustang for a friend using \$4,000 of coalition money

Exhibit 4

CASH ONLY IF ALL CheckLock™ SECURITY FEATURES LISTED ON BACK INDICATE NO TAMPERING OR COPYING

COMMUNITY PREVENTION COALITION
FOR JACKSON COUNTY
PO BOX 708
211 South Main Street
Gainesboro, TN 38562 (931) 268-4191

FSG Bank
87-589/641

3486

4/2/2014

Pay to the Order of Patrick Martin \$ **1,607.28

One Thousand Six Hundred Seven and 28/100*****Dollars

Patrick Martin

Electric

John Cason
Nick Carter

⑆003486⑆

Martin reimbursed himself for the cost of a coalition electric bill

CASH ONLY IF ALL CheckLock™ SECURITY FEATURES LISTED ON BACK INDICATE NO TAMPERING OR COPYING

COMMUNITY PREVENTION COALITION
FOR JACKSON COUNTY
PO BOX 708
211 South Main Street
Gainesboro, TN 38562 (931) 268-4191

FSG Bank
87-589/641

3510

4/24/2014

Pay to the Order of UCEMC 131341/1313044 \$ **1,607.28

One Thousand Six Hundred Seven and 28/100*****Dollars

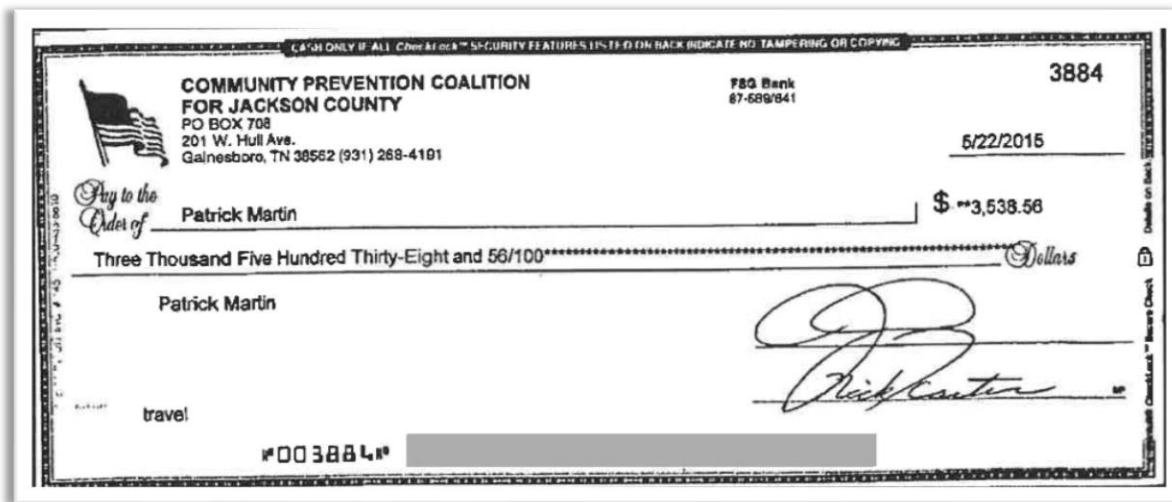
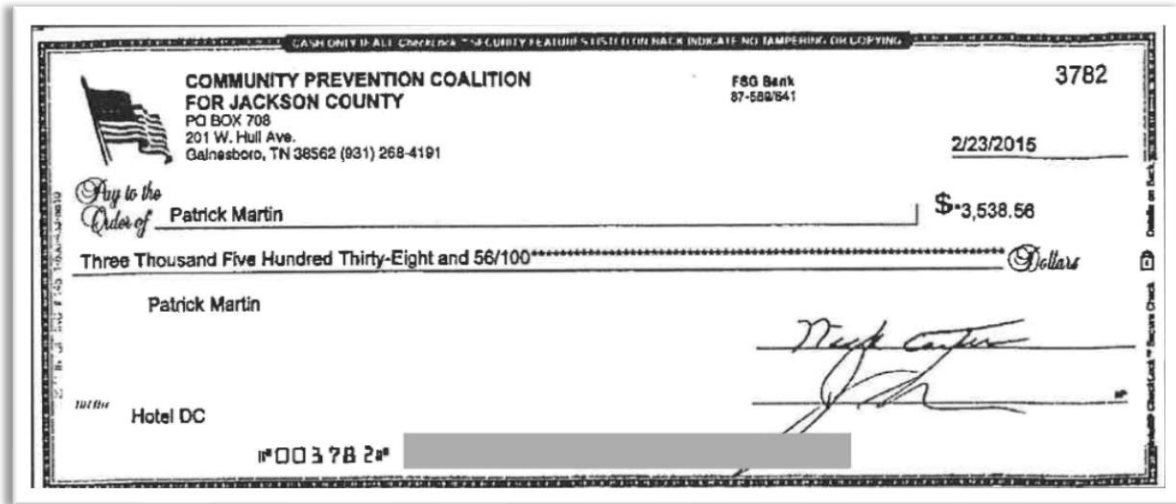
UCEMC 131341/1313044

John Cason
Nick Carter

⑆003510⑆


Martin paid the coalition electric bill with a coalition check

Exhibit 5



Martin used personal funds to pay for a coalition hotel bill [Exhibit 6]. He reimbursed himself twice with coalition funds for the single expense

Exhibit 6



 GAYLORD HOTELS®

COMMUNITY PREVENTION COAL
the Gaylord National Resort & Convention Center

PAYMENT: CCXXXXXXXXXXXX6190 **0.00 USD**

INVOICE TOTAL: **0.00 USD**

MBS Customer Care: (866) 435-7627

The summary of charges is as follows:

Charges:

Ancillary Charges:

Other Charges:

Miscellaneous Charges:	3,538.56	
Subtotal:		3,538.56 USD

Payments:

Credit Card:	(3,538.56)	
Subtotal Payments:		(3,538.56) USD

Total Amount Due: **0.00 USD**

Upon receipt of this invoice, kindly remit payment to:

Marriott Business Services
 P.O. Box 402642
 Atlanta GA 30384-2642

Please reference the above invoice number on your remittance.

02/05/16

Hotel bill from Gaylord Hotels to the coalition reflecting the charge and total payment of \$3,538.56, for which Martin reimbursed himself twice [Exhibit 5].

Exhibit 7

CASH ONLY IF ALL CHECKER SECURITY FEATURES LISTED ON BACK ARE PRESENT. NO TAMPERING OR COPIING.

COMMUNITY PREVENTION COALITION FOR JACKSON COUNTY
 PO BOX 708
 201 W. Hull Ave.
 Gainesboro, TN 38562 (931) 268-4191

FSG Bank
 67-589/641

4026

10/13/2015

Pay to the Order of Patrick Martin \$7,500.00

Seven Thousand Five Hundred and 00/100***** Dollars

Patrick Martin

repayment to Don

004026

fsgBANK CHECKING DEPOSIT FSCD-H1

DATE 10-13-15

NAME Patrick Martin

SIGN HERE FOR CASH RECEIVED (IF REQUIRED)

ACCOUNT NUMBER

NET DEPOSIT \$ 1099.98

1:50 8589

fsgBANK CASHIER'S CHECK FIGA76900 149440

521 Broad Street
 Chattanooga, TN 37402

REMITTER PATRICK DAVID MARTIN

PAY SIX THOUSAND FOUR HUNDRED AND 02/100

TO THE ORDER OF Citizens Bank

PURPOSE house loan

DATE October 13, 2015

\$*****6,400.02

NON NEGOTIABLE
 PROCESSING COPY

149440

Martin used a supposed repayment of a coalition loan to make a personal mortgage payment and deposited the remaining balance into his personal bank account