



COMPTROLLER'S INVESTIGATIVE REPORT

Appalachian Regional Coalition on Homelessness (ARCH)

July 16, 2021

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

July 16, 2021

Appalachian Regional Coalition on Homelessness
Executive Director Anne Cooper and
Board of Directors
409 West Walnut Street
Johnson City, TN 37604

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Appalachian Regional Coalition on Homelessness (ARCH), 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 1st Judicial District, certain state legislators, and various other interested parties. A copy of the report is available for public inspection in our Office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jason E. Mumpower", with a long horizontal flourish extending to the right.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

Appalachian Regional Coalition on Homelessness (ARCH)

The Office of the Comptroller of the Treasury, in conjunction with the U.S. Department of Housing and Urban Development Office of Inspector General (HUD OIG), investigated allegations of malfeasance related to the Appalachian Regional Coalition on Homelessness (ARCH). The investigation was limited to selected records for the period November 2013 through March 2018. The results of the investigation were communicated with the Office of the District Attorney General of the 1st Judicial District.

BACKGROUND



ARCH is a 501(c)3 non-profit organization that provides support to homeless citizens in Northeast Tennessee. ARCH serves as the first “point of entry” for those with immediate housing needs and works to secure community supportive services in the counties of Carter, Greene, Hancock, Hawkins, Johnson, Sullivan, Unicoi, and Washington. ARCH is governed by a board of directors, and day-to-day operations are managed by an executive director. Funding for ARCH is primarily through federal and state grant programs. ARCH’s finance director is responsible for drawing funds into ARCH’s accounts and making sure that all disbursements and uses of its funds are appropriate and documented adequately.

RESULTS OF INVESTIGATION

1. FORMER FINANCE DIRECTOR JULIE BEALE MISAPPROPRIATED ARCH FUNDS TOTALING AT LEAST \$119,582

During the period from November 2013 through March 2018, former finance director Julie Beale misappropriated ARCH funds totaling at least \$119,582. Without the knowledge or authorization of the executive director or the board, Julie Beale employed a scheme to issue checks and electronic payments to herself and family members which they were not due. In furtherance of the scheme, Julie Beale signed the name of the executive director on ARCH checks without the executive director’s consent or knowledge. Julie Beale also made false entries in ARCH banking and accounting records to effectively conceal these fraudulent payments.

A. Julie Beale issued fraudulent ARCH payments to spouse Sam Beale for work he did not perform

During the period from November 2013 through March 2018, Julie Beale and her husband Sam Beale engaged in a scheme to misappropriate \$75,630.06 by making 150 ARCH payments to Sam Beale for work he did not perform. For example, in April 2017, Julie Beale issued Sam Beale a check for \$495 (**Refer to Exhibit 1**); however, the check included a false signature on its face, and she recorded the check in ARCH accounting records as a payment to a power company.

Exhibit 1

Actual check 8484 - paid to Sam Beale

Entry of check 8484 in accounting records - paid to JCPB

PAY TO THE ORDER OF: Johnson City Power Board

NO. 8484
DATE 04/14/2017
\$ 495.00

Four hundred ninety-five and 00/100*****DOLLARS

ADDRESS: Johnson City Power Board
P. O. Box 2058
Johnson City, TN 37605-2058

MEMO: Electric Dep

CLEARED

False entry made in ARCH accounting records to conceal check paid to Sam Beale.

Sam Beale worked as ARCH’s intermittent maintenance provider throughout the duration of Julie Beale’s tenure at ARCH. Sam Beale was also awarded two larger construction projects to complete for ARCH in 2016 and 2017. The first, in 2016, involved repair work after a flood damaged ARCH’s office. The latter, in 2017, involved making improvements to a leased home that ARCH planned to use to house homeless veterans in Kingsport, Tennessee. No written contracts were executed in connection with Sam Beale’s employment or for the other work he agreed to perform for ARCH.

ARCH requested and received bids from contractors for the flood repair project, and Julie Beale coordinated the review of those bids. She emailed a bid that she received from another contractor to Sam Beale, and approximately a week later Sam Beale submitted a bid by email for \$303 dollars less than the lowest bid (**Refer to Exhibit 2**). Sam Beale was awarded the bid, and ultimately, Julie Beale paid him \$20,175.17 more than the amount of work he performed on the project.

Exhibit 2

<p>From: Julie Beale To: stbeale@t0 Subject: Quote for water damage Date: Tuesday, November 22, 2016 10:29:00 AM Attachments: Morales Water Damage Quote.pdf image001.gif image004.jpg</p>	<p style="color: red; text-align: center;">Email from Julie Beale to Sam Beale on November 22, 2016.</p>
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Here is Jose’s quote

Julie M. Beale
Director of Finance
julie@appalachianhomeless.org

<p>From: Sam Beale To: Julie Beale <julie@appalachianhomeless.org> Subject: proposal for repairs and renovation of areas from water damage Date: Wednesday, November 30, 2016 8:35:55 AM Attachments: Lynn Valley Contracting.docx</p>	<p style="color: red; text-align: center;">Email from Sam Beale to Julie Beale on November 30, 2016.</p>
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Mrs. Beale,

It was my pleasure meeting with you; attached is the proposal for repair work we discussed.

Email chain recovered from Julie Beale’s computer between Julie Beale and Sam Beale related to bids for 2016 flood repairs.

Julie Beale assumed sole responsibility at ARCH for overseeing Sam Beale’s work and ensuring payments to him were appropriate. Sometimes Julie Beale paid Sam Beale at his request and at other times, she issued checks to him on her own initiative. Throughout the duration of her employment at ARCH, Julie Beale shared a bank account with Sam Beale, and the majority of payments made to Sam Beale were deposited in that account.

B. Julie Beale issued fraudulent ARCH payments to herself

Investigators determined, based on false signatures on checks, false entries in ARCH accounting records, and analysis of work actually completed, that Julie Beale issued unauthorized and fraudulent payments to herself totaling at least \$32,937.43. For example, in September 2016, Julie Beale issued herself a \$452.60 check (Refer to Exhibit 3) with a false signature and recorded the check in ARCH accounting records as a payment to a promotional company.

Exhibit 3



False entry made in ARCH accounting records to conceal check paid to Julie Beale.

C. Julie Beale made fraudulent ARCH payments to a family member

Investigators determined, based on false signatures on checks, false entries in ARCH accounting records, and analysis of work actually completed, that Julie Beale made unauthorized and fraudulent payments to a family member totaling at least \$5,081.69. For example, in May 2017, Julie Beale issued her family member a \$350 check (**Refer to Exhibit 4**) with a false signature and recorded the check in ARCH accounting records as a payment to a housing management company.

Exhibit 4



False entry made in ARCH accounting records to conceal check paid to Beale family member.

D. Julie Beale issued fraudulent ARCH payments for her personal rent

Investigators determined, based on false signatures on checks, false entries in ARCH accounting records, and other information developed through investigation, that Julie Beale misappropriated a total of \$3,375 to pay rent on her personal residence. For example, in July 2017, she issued a \$750 check for rent (**Refer to Exhibit 5**) with a false signature and recorded it in ARCH accounting records as a payment to a lawncare company.

Exhibit 5

Actual check 8572 - payment of personal rent

Entry of check 8572 in accounting records - paid to lawncare vendor

False entry made in ARCH accounting records to conceal check paid for Julie Beale's rent.

E. Julie Beale used the ARCH debit card to make personal purchases

Investigators determined that Julie Beale used the ARCH debit card to make a total of \$2,183.47 in unauthorized and personal transactions. For example, in January 2018, Julie Beale used the debit card to pay a family member’s electric bill at a local power company and to pay a personal cell phone bill (**Refer to Exhibit 6**).

Exhibit 6

DEBIT CARD / ATM TRANSACTION SUMMARY				
Date	Deposits	Withdrawals	Activity Description	
01/09		76.64	POS PURCHASE • OFFICE DEPOT #0399 800-463-3768 TN	
01/09		24.99	POS PURCHASE • SIMPLISAFE.COM 888-957-4675 MA	
01/10		387.33	POS PURCHASE • VERIZON WRL MY ACCT VE 800-9220204 CA	
01/17		24.00	POS PURCHASE • CORALTREE-QBOX 408-448-7269 CA	
01/24		275.16	POS PURCHASE • BRIGHTRIDGE JCPB.SMARTHUB TN	

DAILY BALANCE SUMMARY				
Date	Balance	Date	Balance	Date
01/08	559.94	01/17	46.98	01/31
01/09	458.31	01/23	296.98	
01/10	70.98	01/24	21.82	

Julie Beale’s personal purchases in ARCH’s January 2018 debit card statement.

F. Julie Beale issued a fraudulent ARCH payment to pay a personal debt

In July 2017, Julie Beale issued an unauthorized and fraudulent ARCH check to pay a personal \$375 debt (**Refer to Exhibit 7**) and recorded the check in ARCH accounting records as a payment to her husband’s business, Lynn Valley Contractors.

Exhibit 7



False entry made in ARCH accounting records to conceal check to repay personal debt.

Summary of Misappropriation Methods:

Description	Total
Unauthorized payments to Sam Beale	\$ 75,630.06
Unauthorized payments to Julie Beale	32,937.43
Unauthorized payments to family member	5,081.69
Payments for personal rent	3,375.00
Personal charges on ARCH debit card	2,183.47
Payment for personal debt	375.00
Total Misappropriated from ARCH	\$ 119,582.65

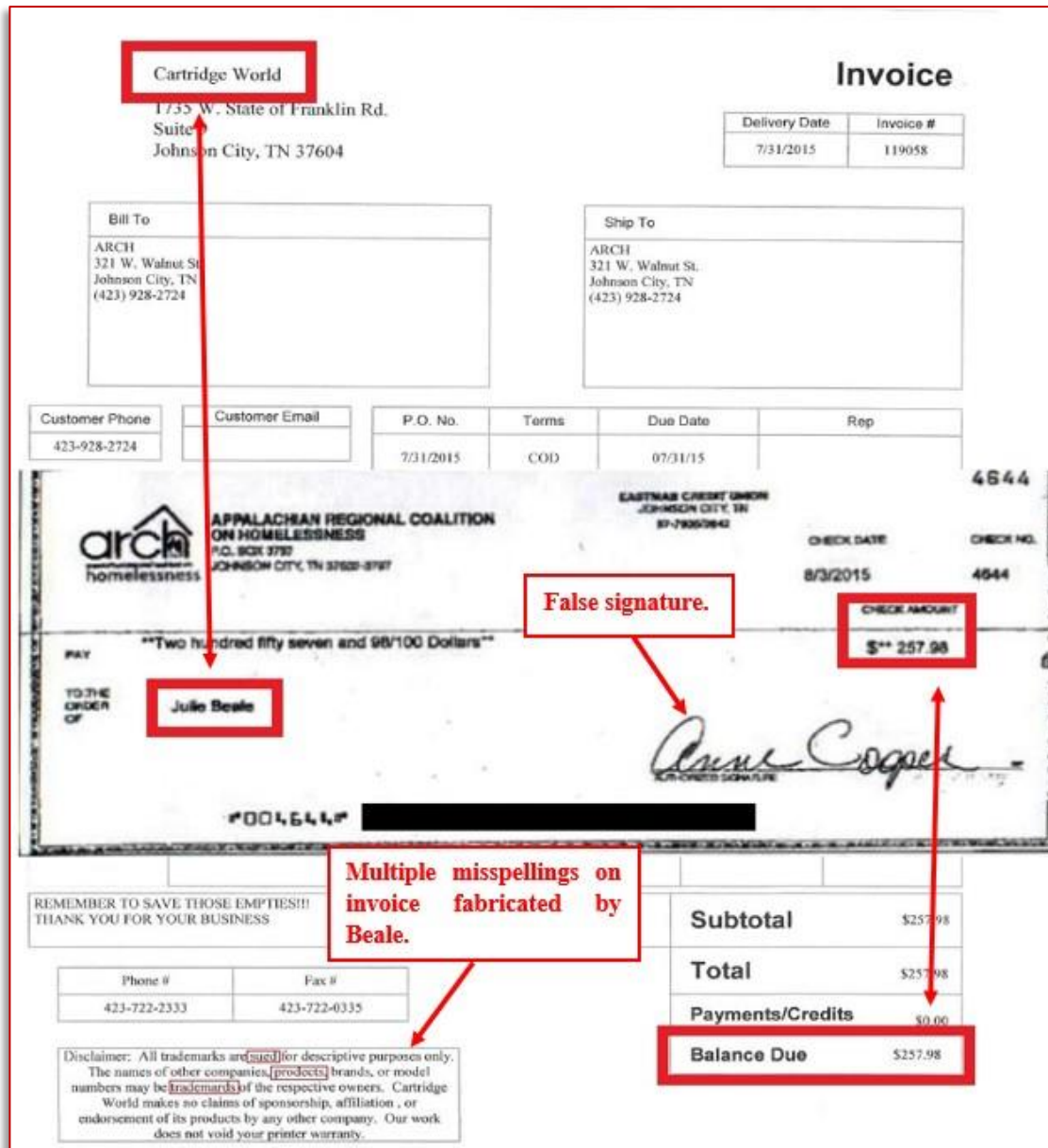
2. FORMER FINANCE DIRECTOR JULIE BEALE CONCEALED HER MISAPPROPRIATION SCHEME BY APPLYING FALSE SIGNATURES ON CHECKS, MAKING FALSE ENTRIES INTO ACCOUNTING RECORDS, AND CREATING FALSE INVOICES

To facilitate her scheme to misappropriate funds from ARCH, Julie Beale made at least 175 false entries in ARCH's books and records to conceal the true recipient of some of the checks paid to herself and for her family members. On other occasions, she simply did not record the payments in ARCH accounting records.

Furthermore, Julie Beale signed ARCH's executive director's name without authorization on at least 304 checks to facilitate her fraudulent payments to herself and family members. She also signed the executive director's name without authorization on at least 23 occasions to transfer funds between ARCH bank accounts to effectively conceal the diminished bank account balances resulting from her misappropriation of funds.

Finally, Julie Beale fabricated at least three invoices totaling \$893.78 to conceal checks she wrote to herself and to her husband. Comptroller staff performed a forensic examination of Julie Beale's assigned ARCH computers and located accounting software used to create invoices, as well as the three created invoices. ARCH's accounting records showed payments for those invoices were made to Cartridge World, a legitimate ARCH vendor; however, ARCH's banking records revealed that the three checks were actually paid to Julie Beale and Sam Beale (**Refer to Exhibit 8**). The checks included false signatures and were deposited into the Beales' joint checking account.

Exhibit 8



Cartridge World
1755 W. State of Franklin Rd.
Suite
Johnson City, TN 37604

Invoice

Delivery Date	Invoice #
7/31/2015	119058

Bill To
ARCH
321 W. Walnut St.
Johnson City, TN
(423) 928-2724

Ship To
ARCH
321 W. Walnut St.
Johnson City, TN
(423) 928-2724

Customer Phone	Customer Email	P.O. No.	Terms	Due Date	Rep
423-928-2724		7/31/2015	COD	07/31/15	

ARCH
APPALACHIAN REGIONAL COALITION
ON HOMELESSNESS
P.O. BOX 3792
JOHNSON CITY, TN 37602-8797

EASTMAN CREDIT UNION
JOHNSON CITY, TN
87-79057842

CHECK DATE: 8/3/2015
CHECK NO.: 4644

PAY **Two hundred fifty seven and 98/100 Dollars**

TO THE ORDER OF **Julie Beale**

False signature.

CHECK AMOUNT
\$** 257.98

Multiple misspellings on invoice fabricated by Beale.

REMEMBER TO SAVE THOSE EMPTIES!!!
THANK YOU FOR YOUR BUSINESS

Phone #	Fax #
423-722-2333	423-722-0335

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Subtotal	\$257.98
Total	\$257.98
Payments/Credits	\$0.00
Balance Due	\$257.98

Fabricated invoice prepared by Julie Beale on her ARCH assigned computer.

Julie Beale admitted to investigators that she made the false signatures and false entries in order to misappropriate funds from ARCH. Julie Beale resigned her position with ARCH on March 2, 2018.

On July 6, 2021, the Washington County Grand Jury indicted Julie Beale on Theft over \$60,000, Conspiracy to Commit Theft over \$60,000, and Money Laundering. In addition, the Washington County Grand Jury indicted Sam Beale on Theft over \$60,000, Conspiracy to Commit Theft over \$60,000, Financial Exploitation of Elderly or Vulnerable Person, and Theft over \$2,500.

The charges and allegations contained in the indictment are merely accusations of criminal conduct, and not evidence. The defendants are presumed innocent unless and until proven guilty beyond a reasonable doubt and convicted through due process of law.

[ARCH Investigation Exhibit](#)

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

The investigation revealed the following deficiencies in internal controls and compliance, some of which contributed to Julie Beale's ability to perpetuate her misappropriation scheme without timely detection:

Deficiency 1: ARCH's board and management failed to adequately separate financial duties or provide adequate financial oversight

ARCH's board and management failed to adequately separate incompatible financial duties or provide increased oversight of finances when appropriate. Former finance director Julie Beale maintained sole custody of and was the only person who reviewed ARCH bank statements and reconciled those accounts. She also was solely responsible for recording all financial transactions in books and records and preparing monthly financial reports for the board, thus enabling her to make disbursements without effective oversight. Separating financial duties or providing increased oversight when appropriate reduces the risk that errors or intentional misappropriations will remain undetected.

Deficiency 2: ARCH's board and management did not require, retain, or review adequate supporting documentation for disbursements

ARCH's board and management did not require, retain, or attempt to review adequate supporting documentation for disbursements and other withdrawals. ARCH's board and management did not obtain images of canceled checks to review disbursements, so they failed to identify inappropriate payments that were made via check by the former finance director. Requiring documentation, such as invoices or receipts, reduces the risk of inappropriate or fraudulent payments.

Deficiency 3: ARCH’s board and management failed to enforce ARCH’s conflict of interest policy

ARCH’s conflict of interest policy, which Julie Beale signed in 2010, requires that employees abstain from the improper influence of interested parties. Julie Beale’s employment of her husband as a contractor who regularly did business with ARCH was inconsistent with the policy. Although ARCH’s board and management were admittedly aware of Julie and Sam Beale’s spousal relationship, their failure to enforce the conflict of interest policy or provide financial oversight allowed transactions that were influenced by personal interests.

Deficiency 4: ARCH’s board and management failed to enforce ARCH’s *Financial Policies and Procedures*

Investigators noted numerous instances in which checks greater than \$500 did not contain two signatures. ARCH’s *Financial Policies and Procedures* requires that “Checks of less than \$500 require a single signature. Checks of \$500 or more require two signatures.” Furthermore, the *Financial Policies and Procedures* states, “Ethical conduct in managing the Organization’s purchasing activities is an absolute essential. Staff must always be mindful that they represent the Board of Directors and share a professional trust with other staff and the general membership.” Failure to strictly follow policies and procedures related to disbursements increases the risk that improper payments will not be detected timely.

Deficiency 5: ARCH’s board and management failed to retain adequate financial records

ARCH’s board and management failed to retain financial records for the period July 2014 to June 2016. During that period, ARCH utilized a cloud-based accounting software. Investigators learned that ARCH had a dispute with their software vendor, and that records from those fiscal years were not available. Although investigators were able to recover relevant records through the investigative process, management did not have access to financial records necessary to manage and oversee ARCH operations. Retaining adequate accounting records allows management to comply with policies and contracts, complete financial reports, and effectively manage funds and operations. The lack of adequate financial recordkeeping also inherently delayed the investigative process.

ARCH officials indicated that they have corrected or intend to correct these deficiencies.
