



ALL ABOUT GIVING, INC.

Comptroller's Investigative Report
February 23, 2017

Justin P. Wilson, Comptroller





**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DIVISION OF INVESTIGATIONS**

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Comptroller of the Treasury**

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February 23, 2017

Danielle W. Barnes, Commissioner
State of Tennessee
Department of Human Services
Citizens Plaza Building
400 Deaderick Street
Nashville, Tennessee 37243-1403

Dear Commissioner Barnes:

The Office of the Comptroller of the Treasury, in conjunction with the U.S. Department of Agriculture, Office of Inspector General, conducted an investigation of selected records of All About Giving, Inc., and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Haslam, the State Attorney General, the District Attorney General, 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,

Comptroller of the Treasury

JPW/RAD

INVESTIGATIVE REPORT

All About Giving, Inc.

Background

All About Giving, Inc., a nonprofit organization with former locations in both Nashville and Knoxville, Tennessee, began operations in February 2015. Both the Nashville and Knoxville locations operated from private residences. All About Giving, Inc., is a sponsoring organization for daycare homes in the Child and Adult Care Food Program (CACFP) administered by the state Department of Human Services (DHS). DHS administers the CACFP in partnership with the U.S. Department of Agriculture (USDA) and contracts with subrecipients for administration of the CACFP and for the delivery of meals to eligible participants. If a subrecipient is administratively responsible for two or more feeding sites, it is considered a sponsoring organization. Sponsoring organizations can either sponsor residential homes or nonresidential centers that operate as feeding sites for eligible participants. All About Giving, Inc., sponsors residential daycare homes.

DHS reimburses sponsoring organizations to cover their costs of administration and meals served by the daycare homes. Because DHS is a pass-through entity of federal funds to sponsoring organizations, management of DHS is responsible for monitoring the sponsoring organization's activities to provide reasonable assurance that the sponsoring organization administers the award in compliance with federal regulations. DHS relies on its External Program Review (EPR) to perform monitoring to ensure sponsoring organizations, such as All About Giving, Inc., comply with federal program requirements. All About Giving, Inc., submitted monthly reimbursement requests to DHS for meals provided to children through daycare home providers. As of June 2016, All About Giving, Inc., had received \$2,198,620.93 in reimbursement funds from DHS for claims submitted to DHS between February 2015 and June 2016.

Findings and recommendations, as a result of our investigation, are presented below. These findings and recommendations have been reviewed with DHS management to provide an opportunity for their response. Also, these findings and recommendations have been reviewed with the district attorney general for the Twentieth Judicial District and the Office of the United States Attorney for the Middle District of Tennessee.

On January 3, 2017, the chief executive officer (CEO) of All About Giving, Inc., LaShane Hayes, pleaded guilty to conspiracy and wire fraud in United States District Court for the Middle District of Tennessee, and will be sentenced on April 12, 2017.

INVESTIGATIVE FINDINGS AND RECOMMENDATIONS

FINDING 1 SEVERAL LARGE CASH WITHDRAWALS, DISBURSEMENTS, AND DAYCARE HOMES QUESTIONED

Based on allegations received, we initiated an investigation of All About Giving, Inc. We visited the entity and spoke with CEO LaShane Hayes. Ms. Hayes provided us with bank statements, checks, CACFP applications, and daycare home provider applications. In addition, we reviewed the available attendance and meal count forms for daycare homes. We noted the following deficiencies:

- A. We analyzed 11 months of the entity's bank statements, which were provided to us (March 1, 2015 through January 31, 2016). Our examination noted insufficient funds for 10 of the 11 months analyzed and overdraft charges totaling \$6,134. Bank activity included cash withdrawals of \$119,524.26 and ATM withdrawals of \$15,040.49. One of the cash withdrawals was for \$20,000, and two were for \$30,000.
- B. We analyzed \$230,569.33 of disbursements other than checks written to sponsors and only found documentation to support \$19.60 for postage stamp purchases. Also, we noted numerous questionable disbursements, which included Xbox, Google Live, Big Fish Games, Shoe Carnival, and Perfume Paradise as well as in-state and out-of-state hotel charges.
- C. We reviewed the list of daycare homes provided by CEO LaShane Hayes and noted numerous daycare homes that were not listed as official daycare homes according to the State of Tennessee. In addition, several listed daycare homes appeared to be family members of the CEO.

Based on the above-noted questionable activities of All About Giving, Inc., we contacted and referred these matters to the U.S. Department of Agriculture, Office of Inspector General.

FINDING 2 DEPARTMENT OF HUMAN SERVICES DID NOT PROVIDE OVERSIGHT

The Department of Human Services (DHS) did not provide oversight of All About Giving, Inc. As a result, DHS failed to note apparent fraudulent activity. We noted the following:

- A. All About Giving, Inc., sponsored six feeding sites when it became a CACFP sponsor organization in February 2015. DHS did not monitor All About Giving, Inc., within the 90-day window required for new agencies with five or more feeding sites as required by

Title 7, *Code of Federal Regulations* (CFR), Section 226, Part 6(m) set forth by the USDA which states:

Frequency and number of required institution reviews. The State agency must annually review at least 33.3 percent of all institutions. At least 15 percent of the total number of facility reviews required must be unannounced. The State agency must review institutions according to the following schedule ... New institutions that are sponsoring organizations of five or more facilities must be reviewed within the first 90 days of Program operations.

The lack of adequate monitoring activities within the 90-day window resulted in DHS continuing to reimburse a sponsoring organization when there was evidence the sponsoring organization may have been conducting fraudulent activities with federal funds.

- B. DHS did not provide proper oversight to ensure that feeding sites actually existed. All About Giving, Inc., provided a list of daycare providers to investigators and claimed that the daycare providers were enrolled in CACFP. All About Giving, Inc., commenced operations in February 2015, initially overseeing six feeding sites. At the close of the state's 2016 fiscal year, the agency increased its oversight to 72 feeding sites. Based on information we reviewed for these feeding sites, we found DHS did not verify the legitimacy/accuracy of 23 feeding site addresses. For these 23 feeding sites, we determined that the feeding sites included 15 apartment buildings (unlikely locations for daycare providers) and eight address locations with no dwelling of any type. One of the eight was a road embankment. All About Giving, Inc., improperly claimed reimbursement for these questionable and fabricated feeding sites, and also failed to maintain any required documentation to substantiate the legitimacy of the feeding sites. We could not determine the exact reimbursements related to these 23 questionable/fabricated sites. DHS reimbursed All About Giving, Inc., for meal reimbursement claims totaling \$160,384 in fiscal year 2015 and \$2,038,237 in fiscal year 2016, which would have included fraudulent claims.
- C. DHS did not take sufficient action to ensure All About Giving, Inc., submitted correctly calculated meal reimbursement claims. Title 7, CFR 226.10(c) states that in submitting a claim for reimbursement, each institution shall certify that the claim is correct and that records are available to support the claim. DHS did not ensure All About Giving, Inc., maintained supporting documentation for each meal reimbursement claim before payment. As a result, DHS improperly reimbursed All About Giving, Inc., for meals that were not served.

RECOMMENDATION

The commissioner of the Department of Human Services should ensure program staff and external program monitors follow existing federal monitoring requirements to obtain reasonable assurance that sponsoring organizations follow federal and state regulations. The monitoring activities should include a proper and thorough review to ensure sponsoring organizations spent funds properly as authorized by the budget and submit accurate sponsoring organization meal reimbursement claims. DHS should also ensure that information pertaining to the feeding sites is accurate and complete.

MANAGEMENT'S RESPONSE – DEPARTMENT OF HUMAN SERVICES

The department agrees that monitoring of All About Giving, Inc., was not conducted in the timeframe as required. However, the department took the following steps in reference to this entity:

In March 2016, the food Program management received complaints of fraudulently activities occurring at All About Giving, Inc. The food program management referred the complaint to audit services for monitoring. In April 2016, the department was advised not to pursue administrative activities, including monitoring, while the USDA Office of Inspector General investigated All About Giving, Inc. In May 2016, the Department of Human Services received a subpoena from the United States District Court to provide all records pertaining to All About Giving, Inc. In August 2016, the department received communication from the U.S. Department of Justice that the department may resume administrative activities deemed appropriate with regard to All About Giving, Inc. In September 2016, the department's monitors conducted site visit to All About Giving, Inc., to obtain documentation relative to the food program. At that time, the monitors were informed that the documents were not available because the federal investigators secured all documents, and the main office moved to Knoxville, TN. The monitor went to secure the documents from the Knoxville office, but documents were not available. The department denied All About Giving, Inc.'s July 2016 claim (last claim submitted) for reimbursement. In November 2016, All About Giving, Inc., appealed the denial of the July 2016 claim for reimbursement. In December 2016, an initial order was entered and upheld the denial of the July 2016 claim for reimbursement. In January 2017, the department issued a serious deficiency to All About Giving, Inc., for submitting false documentation as evidenced in the appeal hearing held in November 2016. In January 2017, the department submitted a claim with the United States District Court against LaShane Hayes for restitution in the amount of \$2,198,620.93.

To mitigate the risk of fraud of the food program, the department established and implemented corrective actions, including but not limited to the following:

- Strengthened internal controls over the approval process of sponsoring organizations applications.
- Utilized Tennessee Information Payment System (TIPS). This system is a web-based case management that modernized the food programs application and approval process. TIPS eliminated the need for the massive amount of paper that the sponsoring organizations

were required to submit and streamlined the process for applicants' approval, denial, and requests for additional information.

- Procured web-based audit software. This web-based audit software is to provide a real-time update to the progress of monitoring and auditing process. The audit software will be in place in March 2017. This software is similar to the software used by the state auditors.
 - Revised the food programs monitoring procedures and guides and added potential fraud factors to the procedures. Requested assistance and review of monitoring guides from State Audit.
 - Provided training on September 26, 2016, to all monitors and auditors on the requirements of the *Code of Federal Regulations* pertaining to the food programs and the applicable state laws and regulations. Provided training on February 9, 2017, to monitors and auditors on the revised guides and working papers including the training on obtaining sufficient appropriate evidence to support the conclusion reached. The training also was to enhance the skills of the monitors and auditors to detect possible fraud or waste of federal and state funds. Training sessions in Chattanooga and Memphis are scheduled in March 2017.
 - Enhanced communication between audit services and food program management to obtain weekly update of approved sponsoring organizations and feeding sites.
 - Increased monitoring of sponsoring organizations and feeding sites.
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