



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

Justin P. Wilson
Comptroller of the Treasury

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PHONE (615) 401-7907
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February 12, 2013

Ms. Anne B. Pope, Executive Director
Tennessee Arts Commission
401 Charlotte Avenue
Nashville, TN 37243-0780

Dear Ms. Pope:

After receiving notification from your office of possible irregularities, the Comptroller's Division of Investigations conducted an investigative audit of selected records documenting transactions related to TOUR Grant No. 2012-20594 awarded by the Tennessee Arts Commission (TAC). This \$1,330 matching/reimbursement grant was awarded on October 31, 2011, to nonprofit agency L.A.S. Therapy Network and Development Group, Incorporated, (LAS) to assist in paying an artist's performance fees. The investigation revealed the following:

- False information was submitted by the grantee in order to obtain grant proceeds.
- The grantee failed to maintain and provide required records.

INVESTIGATIVE FINDINGS

1. **FINDING: False information submitted by grantee in order to obtain grant proceeds**

Our investigation revealed that the executive director of LAS, Lisa Spells, submitted false information to TAC representing the grantee's eligibility to receive the grant payment. A review of the "Request for Payment" form and the "Final Financial Report of Expenditures," dated January 4, 2012, which was submitted and signed by Ms. Spells, indicated that check no. 2031 for \$2,660 was paid to the artist for the performance fee. Based on this assertion, the grantee received \$1,330 in grant funds from TAC as provided by the grant contract. However, copies of bank documents provided by the artist revealed that although check no. 2031 was paid to the artist, the amount of the check was only \$500.

Ms. Spells admitted to Comptroller investigators that she paid the artist only \$500, stating that this was because her organization had to cover the artist's airline, food, and lodging expenses, which were supposed to have been paid by the artist. Additionally, she asserted

Ms. Anne B. Pope, Executive Director
Tennessee Arts Commission
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that the artist failed to provide arts education or attend sound checks and other rehearsals as required by his contract. Ms. Spells claimed that she sent the artist an addendum to his contract that confirmed that he was required to pay his own expenses, as well as a letter outlining each contractual term that was breached. Ms. Spells further stated she and the artist reached a verbal agreement that due to these contract breaches, the artist's performance fee would be reduced to \$500. The artist's agent told Comptroller investigators that no such verbal agreement was made. To date, Ms. Spells has not responded to multiple requests by our office to provide documentation to support her claims. It should be noted that the contract obtained from TAC between LAS and the artist documented the artist fee would be \$8,000, with no mention of expenses.

2. **FINDING: Grantee failed to maintain and provide required records**

Section D of the grant contract required LAS to maintain books, records, and documents that relate to work performed or money received under this grant contract for a period of three years from the date of full payment. The contract also stated that the records are subject to audit by TAC, the Comptroller of the Treasury, or duly appointed representatives upon request. As noted above, Ms. Spells failed to respond to multiple requests from our office to make available the records she used to justify payment by TAC under this grant contract.

The Tennessee Arts Commission should immediately seek to recover the \$1,330 paid to LAS based on the false information submitted by the executive director. In addition, until this matter is appropriately resolved, the arts commission should ensure that LAS and Ms. Spells are prohibited from obtaining any additional grant funds.

If you have any questions regarding these investigative findings, please contact this office. Pursuant to Section 8-4-110, *Tennessee Code Annotated*, copies of this letter are being forwarded to the Governor and the State Attorney General.

Sincerely,



L. Rene Brison, CPA, CFE, Assistant Director
Division of Investigations

xc: LAS Therapy Network and Development Group, Inc.
Executive Director
Board Members



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February 12, 2013

Members of the Board of Directors
L.A.S. Therapy Network and Development Group, Inc.
611 North Fifth Street
Nashville, TN 37207-5812

Ladies and Gentlemen:

The Comptroller's Division of Investigations conducted an investigative audit of selected records documenting transactions related to TOUR Grant No. 2012-20594, awarded to your agency, L.A.S. Therapy Network and Development Group, Inc., (LAS) by the Tennessee Arts Commission (TAC). The \$1,330 matching/reimbursement grant was awarded on October 31, 2011, to assist in paying Mr. Auggie Johnson for his performance during the Eighth Annual December Gala held on December 28, 2011, in Nashville, Tennessee. The investigation revealed the following:

- The LAS executive director submitted fraudulent financial documentation in order to obtain grant proceeds
- LAS failed to maintain and provide required records

INVESTIGATIVE FINDINGS

1. **FINDING: LAS executive director submitted fraudulent financial documentation in order to obtain grant proceeds**

Our investigation revealed that the executive director of LAS, Lisa Spells, submitted false information to TAC representing the grantee's eligibility to receive the grant payment. A review of the "Request for Payment" form and the "Final Financial Report of Expenditures," dated January 4, 2012, which contained signatures for Ms. Spells, as well as Ms. Corletra Mance, indicated that check no. 2031 for \$2,660 was paid to Mr. Johnson for the performance fee. Based on this assertion, LAS received \$1,330 in grant funds from TAC as provided by the grant contract. However, copies of bank documents

provided by Mr. Johnson revealed that although LAS check no. 2031 was paid to the artist, the amount of the check was only \$500.

Ms. Spells admitted to Comptroller investigators that she paid the artist only \$500, stating that this was because her organization had to cover the artist's airline, food, and lodging expenses, which were supposed to have been paid by the artist. Additionally, she asserted that the artist failed to provide arts education or attend sound checks and other rehearsals as required by his contract. Ms. Spells claimed that she sent the artist an addendum to his contract that confirmed that he was required to pay his own expenses, as well as a letter outlining each contractual term that was breached. Ms. Spells further stated she and the artist reached a verbal agreement that due to these contract breaches, the artist's performance fee would be reduced to \$500. The artist's agent told Comptroller investigators that no such verbal agreement was made. To date, Ms. Spells has not responded to multiple requests by our office to provide documentation to support her claims. TOUR grant provisions do not allow grant funds to be used to pay an artist's expenses.

2. **FINDING: LAS failed to maintain and provide required records**

Section D of the grant contract required LAS to maintain books, records, and documents that relate to work performed or money received under this grant contract for a period of three years from the date of full payment. The contract also stated that the records are subject to audit by TAC, the Comptroller of the Treasury, or duly appointed representatives upon request. As noted above, Ms. Spells failed to respond to multiple requests from our office to make available the records she used to justify payment by TAC under this grant contract.

We recommend that LAS take immediate action to appropriately resolve this issue, including repayment of grant funds received by the agency based on false information submitted to TAC. In addition, the board of directors should ensure that they provide adequate oversight of agency operations.

If you have any questions regarding these investigative findings, please contact this office. Pursuant to Section 8-4-110, *Tennessee Code Annotated*, copies of this letter are being forwarded to the Governor and the State Attorney General.

Sincerely,



L. Rene Brison, CPA, CFE, Assistant Director
Division of Investigations

xc: Tennessee Arts Commission