



# **MISSISSIPPI RIVER CORRIDOR - TENNESSEE, INC.**

**Comptroller's Investigative Report**  
February 20, 2019

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**Justin P. Wilson, Comptroller**





JUSTIN P. WILSON  
*Comptroller*

JASON E. MUMPOWER  
*Deputy Comptroller*

February 20, 2019

Thomas R. Dyer  
Wyatt, Tarrant & Combs, LLP  
6070 Poplar Avenue, Suite 300  
Memphis, TN 38119-3907

Dear Mr. Dyer:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Mississippi River Corridor – Tennessee, Inc., and the results are presented herein. This investigation was conducted in conjunction with the United States Department of Transportation, Office of Inspector General, and the Tennessee Valley Authority Office of Inspector General. The findings in this report have been reviewed with the Office of the United States Attorney for the Middle District of Tennessee.

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

## MISSISSIPPI RIVER CORRIDOR – TENNESSEE, INC.

### BACKGROUND



Established in 2007, Mississippi River Corridor – Tennessee, Inc., (MRCT) was a 501(c)(3) nonprofit organization located in Memphis, Tennessee. Its mission was to “identify, conserve and enhance the region’s natural, cultural and recreational resources to improve the quality of life and prosperity in West Tennessee.” MRCT focused on economic development, land conservation, environment and wildlife preservation of the six counties along the Mississippi River: Shelby, Tipton, Lauderdale, Dyer, Lake, and Obion.

The concept for a Mississippi River Corridor in Tennessee began in 2002 as a small grass roots initiative and became a project of the Tennessee Parks and Greenways Foundation, which also served as the MRCT’s fiscal agent. Original partners included the Memphis Regional Chamber, the Tennessee Wildlife Resources Agency, the Community Foundation of Greater Memphis, and the Tennessee Civil War National Heritage Area. In 2005, Diana Threadgill became MRCT’s Executive Director and President.

MRCT funded its operation through donations and grants from agencies and private entities such as the Tennessee Department of Transportation (TDOT), State Building Commission (SBC), Tennessee Department of Environment and Conservation (TDEC), Department of Economic and Community Development (ECD), United States Department of Agriculture (USDA), Tennessee Valley Authority (TVA), Walton Family Foundation (WFF), The McKnight Foundation, Bluestem Communications and others. From March 2011, to March 29, 2017, we were able to document and review \$1,922,832 that MRCT received in federal, state, and private funding.

Money Origination	Agency	Amount Paid to MRCT
Federal	Tennessee Department of Transportation	\$ 799,228
Federal	Tennessee Department of Environment & Conservation	21,983
Federal	U.S. Department of Agriculture	28,206
Federal	Tennessee Valley Authority	10,855
State	Tennessee State Building Commission	137,777
State	Tennessee Department of Environment & Conservation	57,875
State	Tennessee Economic and Community Development	247,772
Private	Private Grants	619,136
	Total	<u>\$1,922,832</u>

Grant funding received through TDOT and the federal portion from TDEC originated with the United States Department of Transportation (USDOT). TVA is a unique government agency that is structured like a corporation but has the power of the federal government; therefore, those funds are considered federal. The state agencies listed are funded with state monies.

It should be noted that for the TDOT grants, TDOT reimbursed MRCT 80 percent of the allowable expenses and the remaining 20 percent was funded by MRCT or another grant. In 2013, MRCT was awarded a \$1,512,000 grant from TDOT to build an interpretive visitor center at Reelfoot Lake. SBC then provided a matching grant for \$372,000, for the Reelfoot Lake project (total project \$1,884,000) and it was to be used by MRCT to meet the remaining 20 percent match for each allowable expense.

In July 2016, the TDOT Division of Internal Audit notified the Comptroller of the Treasury as well as the USDOT Office of Inspector General, of deficiencies with grant reimbursements provided to MRCT by TDOT. At this time, our investigation began and all state funding and grants ceased.

On March 1, 2017, the MRCT Board of Directors voted to dissolve the nonprofit organization. However, the executive director continued operating the MRCT without the board's knowledge and even requested and received additional funding in May 2017.

## **RESULTS OF INVESTIGATION**

**FINDING 1: We noted unallowable costs of \$1,083,264 that included failure to follow bid requirements, reimbursements with missing documentation, duplicated reimbursements, cost reimbursements not allowed, reimbursements with false documentation, and personal expenses**

MRCT submitted 62 reimbursement requests and received payments from state and federal agencies; however, we determined 57 of those reimbursements included unallowable costs according to state and federal laws and grant regulations.

According to the grant contracts, items charged to a grant and covered as a reimbursable expense must be identified to benefit its specific program. A cost or expense charged to one grant cannot be used as an expense on another grant to gain reimbursement unless otherwise noted. The expenses must directly meet the objectives of the grant, have already been incurred (and not be for a future event), and cannot be general administrative costs. Grant reimbursement requests must include detailed receipts and/or other documentation.

Our investigation noted the MRCT Executive Director submitted all reimbursement requests for the period under examination. The executive director advised us she was knowledgeable of the grant process and had attended educational workshops on preparing and accounting for grants. Our investigation revealed unallowable costs of \$1,083,264 that included a failure to follow bid requirements, missing documentation, duplicated reimbursements, cost reimbursements not allowed, false documentation, and unallowed personal expenses as follows:

- A. MRCT hired an architectural firm and a contractor with state and federal grant funds but failed to follow bid requirements on the project resulting in unallowed reimbursements of \$452,197.
- 1) We noted one of the partners of the architectural firm was also on the MRCT Advisory Council. In addition, MRCT rented space from the architectural firm. The same architectural partner also worked to prepare the costs related to the grant proposal. When MRCT obtained the grant funds to build the interpretive visitor center at Reelfoot Lake, they hired the same architectural firm who acted as the project manager without going through a bid process as required by state and federal requirements. These relationships could be a potential conflict of interest.
  - 2) The architectural firm failed to properly follow the bid process to obtain the contractor for the construction project at Reelfoot Lake. State and federal regulations require notices and advertising for a minimum of four weeks to solicit bids for a construction project.
  - 3) The interpretive visitor center at Reelfoot Lake was a project that originated and was managed by MRCT. MRCT received funding from TDOT and SBC totaling \$856,685 on this project. TDOT and their consultant later determined the project had structural issues that rendered the building uninhabitable and not salvageable except for materials. The building has been dismantled and TDOT has taken possession of all salvageable materials. [**Refer to Exhibit 1.**]

**Exhibit 1**



*Construction of the interpretive visitor center at Reelfoot Lake*

**Exhibit 1 (continued)**



*Construction of the interpretive visitor center at Reelfoot Lake*

- B. We noted \$263,730 in payments from reimbursement requests that were missing the necessary documentation such as time sheets, documented travel, and other related expenses. According to state and federal grant regulations, salaries and wages to be included in reimbursement requests must be supported by personnel activity reports maintained for all staff members (professionals and nonprofessionals) whose compensation is charged in whole or in part directly to the grant. MRCT management failed to maintain the personnel activity reports to support reimbursement requests to the grantors. We noted correspondence between the executive director of MRCT and TDOT where the executive director acknowledged her understanding of the requirements for requesting the reimbursement of payroll-related expenses. However, the executive director continued to submit reimbursement requests for payroll activity without the necessary documentation. Reimbursement requests made in this manner resulted in MRCT receiving reimbursements for unallowed salaries. Additionally, without proper documentation, we were unable to determine the validity of the travel and other related expenses.
- C. MRCT submitted reimbursement requests and received payments from grantors for expenses that MRCT had already received payment for or payment was pending from other grantor agencies. MRCT is subject to the applicable federal regulations, state regulations such as *FA Policy 3* and *Travel Regulations*, and grant conditions included in each specific grant contract. A cost or expense from one grant cannot be used as an expense in another grant or another reimbursement on the same grant and must be directly related to the purpose of the grant. We noted \$176,196 in duplicate expenses submitted on various grants to various agencies that those agencies subsequently paid to MRCT.

Agency	Amount Duplicated
Federal USDA	\$ 13,206
Federal TVA	2,740
Federal TDOT (80%)	82,463
Federal TDEC (80%)	3,037
SBC (20%)	15,820
ECD	53,930
TDEC	5,000
Total Duplicated	<u>\$176,196</u>

Included in the duplicate reimbursement requests were costs for payroll of staff at MRCT, travel and food expenses, consultants, contractors, bookkeeping fees, costs to produce the *Mississippi River Times* magazine, marketing costs, cell phones bills, internet, insurance, and various postage, printing, and supplies. It was noted that MRCT requested and received \$3,129.73 from Strengthening Communities Block Grant, a private grant in the city of Memphis. However, MRCT then improperly requested and received \$3,129.73 from TVA for the same items requested in the Strengthening Communities Block Grant. [Refer to Exhibits 2 and 3.]

**Exhibit 2**

Mississippi River Corridor – Tennessee, Inc. ECD Grant # 33007-06913 Reimbursable Expenses  
April 29, 2013

Travel and Meetings			
SORP Conference	Registration	PD- MC - 3/17/2013	\$ 385.00
TN Tech-Rural Development Conf	Registration	PD - MC - 3/27/2013	\$ 95.00

TI

INVOICE # 0301

BILLING SUMMARY

Claim Period (From/To): JAN. 1, 2013 - MARCH 31, 2013

This invoice is for  Quarterly Progress OR  Final

Object Line-Item Reference	Expense Object Line-Item Category	Job Detail	Amount Charged This Claim Period
<del>STORAGE</del>	<del>PROF. FEE</del>	<del>CIVIL WAR - SIGN ASSESSMENT FEE</del>	<del>1000.00</del>
<del>PRINTING</del>	<del>PRINTING</del>	<del>GRAPHIC SYSTEMS - BROCHURE</del>	<del>217.50</del>
<del>MEETINGS</del>	<del>CONF. MEETING</del>	<del>NAT. OUTDOOR CONF - REGISTRATION</del>	<del>385.00</del>
<del>MEETINGS</del>	<del>MEETINGS</del>	<del>1 CTR MEETING - D. G. ...</del>	<del>500.00</del>

**ECD Reimbursement #0138-13 of \$385 for SORP Conference was duplicated on TDOT Invoice #0301**

**Invoice # 1476 – Mississippi River Corridor - TN  
NSB Grant – Interpretive Visitor Center at Reelfoot Lake State Park**

**Payroll Expense Summary**

Receipts Attached: \_\_\_\_\_

Salaries, Benefits and Taxes: \_\_\_\_\_

04/01/2015 to 04/30/2015 Check Date: 04/01/2015

TDOT # 1476 is first invoice where April 2015 salaries in amount of \$11,345.89 is charged to a grant

**Total Payroll Expense                    \$11,345.89**

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**COMMUNITY & RURAL DEVELOPMENT GRANT  
INVOICE REQUEST FOR PAYMENT**

Mississippi River Corridor - Tennessee, Inc.		Invoice Request Number: # 0247-15 MRCT
ECD Speed/Name of Program: 307700	ECD Contract ID#: 43090	Final Invoice Request? Yes or No?: No
ECD Department ID#: 0390700100	Federal Employer Identification Number: 67-0792105	Date of Invoice: 3/8/2015
ECD Vendor ID#: 89831		Invoice Period: Beginning 01/15/15 End 03/15/15
Remit To: Mississippi River Corridor - Tennessee, Inc. President and Executive Director Memphis, TN 38112		Amount of this Request: 58,726.57
		Director: Leanne Cox, Director
Grantee Contact Name: _____		
E-mail Address: _____		
Phone number: _____		

Budget Line-Item Payee/Vendor Name	Contractor Invoice Number	Contractor Invoice Date	Total Project Amount Invoiced	Amount Charged to Grant Contract
ECD #13819 is second invoice for April 2015 salaries in amount of \$11,345.89 at MRCT which is duplicated on TDOT invoice #1476				100.00%
	Feb 2-2015	02/28/15	\$8,685.70	\$8,685.70
	March 3-2015	03/30/15	\$11,345.89	\$11,345.89
	April 4-2015	04/30/15	\$11,345.89	\$11,345.89

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**Invoice # 1488 – Mississippi River Corridor - TN  
NSB Grant – Interpretive Visitor Center at Reelfoot Lake State Park**

Receipts Attached: \_\_\_\_\_

Salaries, Benefits and Taxes: \_\_\_\_\_

TDOT # 1488 is third invoice where April 2015 salaries in amount of \$11,345.89 is charged to a grant

1) \_\_\_\_\_ - Admin    04/30/2015    Pd - Payroll                    11,345.89

*MRCT's April 2015 salaries were submitted on three different reimbursement requests and paid on all three requests*

D. MRCT submitted cost reimbursement requests and received payment from grantors totaling \$149,857 that were not allowed per the grants. These costs were outside the dates and scope of the grants and included:

- 1) Salaries;
- 2) Lunches and dinners; **[Refer to Exhibit 4.]**
- 3) Office supplies (paper, printer ink, and flash drives; **[Refer to Exhibit 5.]**
- 4) Printing and postage for fundraising activities;
- 5) Cameras, Computers, Software, and other office equipment; **[Refer to Exhibit 6.]**

- 6) Unrelated in and out-of-state travel expenses to conferences that included fuel, meals, and hotels;
- 7) MRCT magazine-related expenses; and
- 8) Future prepaid expenses.

Exhibit 4

*MRCT Meeting*

Bar Louie  
2125 Madison Avenue  
Overton Square

Server: Brittany      DOB: 02/21/2015  
09:21 PM      02/21/2015  
Table 37/4      5/50028

SALE

M/C      6291492  
Card #XXXXXXXXXX  
Magnetic card present:   
Card Entry Method: S

Approval: 03986E

Amount: \$ 59.37  
+ Tip: *10.00*  
= Total: *69.37*

*Lunch meeting - River James*

Cafe Eclectic

NAME: BANK1A  
TABLE # Bank-1A  
CHECK# 1787065.1  
Closed to Credit

DATE/TIME: 2/11/2014 12:56:44 PM  
SERVER: Karen  
STATION: 03  
PARTY SIZE: 5

*3 Staff MRCT*

3 ICED TEA*	\$6.00
1 HOUSE JASMINE DAMYANN*	\$2.00
1 SOUP/SALAD B&L*	\$5.95
soup 1	
Ranch Dressing	
2 LEMON MED TUNA SALAD*	\$17.90
1 CHEX CLUB SAL*	\$9.95
Ranch Dressing	
1 CHEX CLUB SAL*	\$9.95
Sberry Vin	

Subtotal      \$52.75  
Tax      \$4.88  
Total before tip:      \$57.63

Tip amount:      *13.00*  
Grand total:      *\$ 70.63*

State Travel Regulations exclude meals without overnight travel

Exhibit 5

03/09/2015 14:53 5:49 PM  
STR 6233 REG2 TRN 1221 EMP 306709

SALE

Product ID	Description	Total
387870	INK, HY, YLD, BLK	30.99 SS
468706	PAPER, PREM MP,	8.49 SS
619192	PAPER, INKJET, H	11.99 SS
1224748	Angel Soft 2Pl	5.99 SS
610294	BOX, FILE, STOR	19.99 SS

Subtotal: 77.45  
Total: 77.45

These office supplies are not allowed per the TDOT grant guidelines

0346 01 2857 05/28/14 01:39:33 PM

SALE

846143000831	16GB C400 CANDY USB Yellow	\$11.99
021200013393	Hvy Duty Mounting Tape 1"x	\$3.00
070330426030	Matic Grip Pencil 6PK 0.7m	\$4.29
021200523588	Magic Tape 3/4"x600" 2pk	\$6.29
Deal 59217 Savings		(\$2.29)
	YOU PAY	\$4.00
02593271025	DG ProjectPlanPad WideMarg	\$12.99
011491012342	Env 10X13 Wht 100Pk	\$20.00
023942981633	8GB Sng MiniUSB Graffiti G	\$9.99
	Transaction Savings	
\$10 off \$40 purchase		(\$10.00)
25849011052714		

TOTAL SAVINGS (\$12.29)

SubTotal      \$56.26  
TOTAL      \$56.26  
MasterCard      \$56.26

Exhibit 6

Product ID	Description	Total
06/11/2015 15.2.4 3:37 PM	STR 532 REG3 TRN 1982 EMP 587687	
403378	DSKTP, 23-P110,	759.99
	Instant Savings	-160.00
	Promotion <b>COMPUTER</b>	
	<b>You Pay</b>	<b>599.99SS</b>
442406	OFFICE HOME AND B	219.99
	TRACKING ID: 763967	
	6277006189128093	
	Promotion	-20.00
	<b>You Pay</b>	<b>199.99SS</b>
279902	MCAFFEE LIVESAFE (	79.99
	TRACKING ID: 789168	
	5049989357194139	
	Promotion	-20.00
	<b>You Pay</b>	<b>59.99SS</b>
EMP ID: 587687		
408962	DRIVE, USB, 16GB	19.99SS
	Instant Savings	-10.00
	<b>You Pay</b>	<b>9.99SS</b>
331064	ENV. 10X13, GRP,	29.99 SS
243090	MLR, POLY, SZ 5,	
	2 # 3.59	7.18
	Promotion	
	<b>You Pay</b>	<b>7.18SS</b>
571464	HANG FILE FLDR	16.79 SS
619192	PAPER, INKJET, H	11.99 SS
243090	MLR, POLY, SZ 5,	3.59
	Promotion	-3.59
	<b>You Pay</b>	<b>0.00SS</b>
Subtotal:		935.91
Total:		935.91

Val #:000082-024266-311922-769860-488474 073	
0165 054 2269 06/16/14 18:41 01031052	
8187138 86058001	<b>CAMERA / MEMORY CARDS</b> 99.99
CANON POWERSHOT ELPH 115 IS B	
30.00 SALE DISCOUNT	
ITEM TAX 9.25	
1301119 SDSDUP-032G	29.99
SANDISK PIXTOR 32GB SDHC	
40.00 SALE DISCOUNT	
ITEM TAX 2.77	
4112006 SDSDUP-064G	59.99
SANDISK PIXTOR 64GB SDHC	
40.00 SALE DISCOUNT	
ITEM TAX 5.55	
9773758 LP36228-0AM	14.99
SANTIAGO 30 BLACK	
7.00 SALE DISCOUNT	
ITEM TAX 1.39	
	SUBTOTAL 204.96
	SALES TAX AMOUNT 18.96
	<b>TOTAL 223.92</b>

*These items were charged to the TDOT grant and are not allowable charges. The camera was not at MRCT or with an employee and had to be retrieved from someone to be verified.*

E. MRCT received \$34,997 of which \$30,197 was falsified after submitting four reimbursement requests that contained false information related to the payment of reimbursable expenses. Details of the false information are noted as:

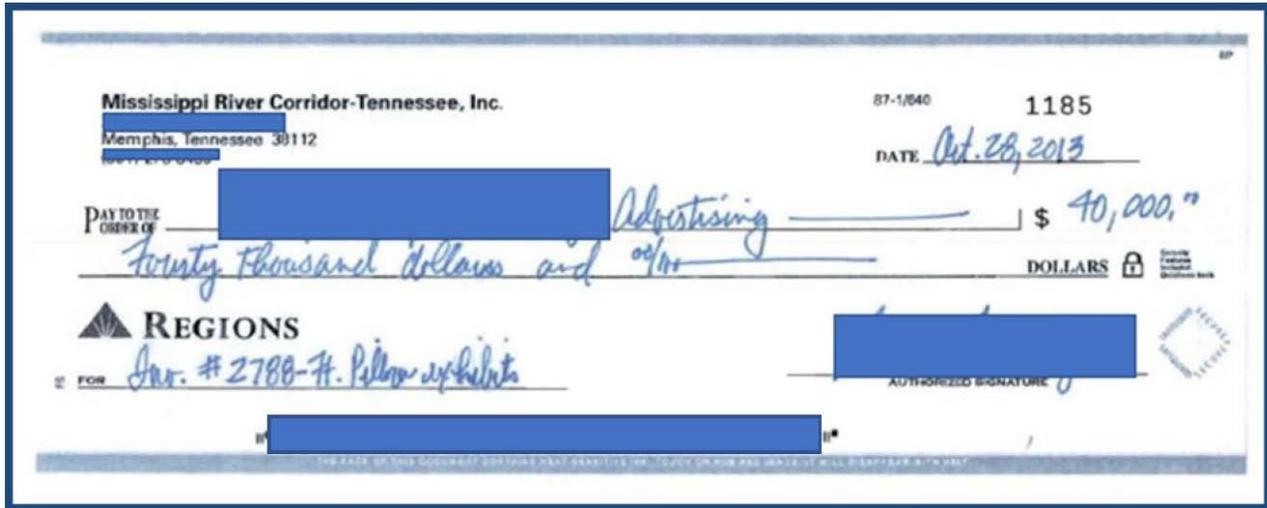
- 1) MRCT submitted reimbursement request #306 dated August 19, 2013, to TDOT that contained an invoice that was an estimate of total cost instead of the actual bill or actual costs incurred by MRCT. MRCT claimed to have paid \$8,000 and included a check number as proof of payment, but the actual check was only for \$6,000. MRCT received payment of \$6,400 (80 percent of \$8,000) for this invoice and should have only requested and received reimbursement of \$4,800 (80 percent of \$6,000). [Refer to Exhibit 7.]

**Exhibit 7**

TDOT reimbursement request #306		Actual invoice of \$6,000 by vendor that was paid by MRCT	
Date:	May 14, 2013	Date:	May 14, 2013
Re:	Fort Pillow State Park Visitors Center and Museum - Interpretive panel design/signage and cases/Lobby entrance/Orientation area	Re:	Fort Pillow State Park Visitors Center and Museum - Interpretive panel design/signage and cases/Lobby entrance/Orientation area
Number:	2725	Number:	2725
Terms:	Payable upon receipt	Terms:	Payable upon receipt
Research and design work for the Fort Pillow Interpretive exhibit – lobby entrance area: <ul style="list-style-type: none"> <li>• Site visit with officials at Fort Pillow Historic State Park</li> <li>• Research: Prairie Grove AR Battlefield and Natchez, Mississippi National Park Service sites</li> <li>• Multiple design/research meetings with Diana Threadgill - MRCT and Ward Weems – State Historian, Tennessee State Parks</li> <li>• Meeting – Brice's Cross Roads Civil War – Interpretive Center Director</li> <li>• Work on Interpretive Panels and Comprehensive/Conceptual Design Plan</li> </ul>		Research and design work for the Fort Pillow interpretive exhibit – lobby entrance area: <ul style="list-style-type: none"> <li>• Site visit with officials at Fort Pillow Historic State Park</li> <li>• Research: Prairie Grove AR Battlefield and Natchez, Mississippi National Park Service sites</li> <li>• Multiple design/research meetings with Diana Threadgill - MRCT and Ward Weems – State Historian, Tennessee State Parks</li> <li>• Meeting – Brice's Cross Roads Civil War – Interpretive Center Director</li> <li>• Work on Interpretive Panels and Comprehensive/Conceptual Design Plan</li> </ul>	
	8,000.00		
<b>Total Due</b>	<b>\$8,000.00</b>	<b>Total Due</b>	<b>\$6,000.00</b>
False invoice submitted by MRCT showing they paid \$8,000			
PAID 5/16/13 CK #1080 \$8,000 <sup>00</sup>			

- 2) MRCT submitted reimbursement request #310 dated October 29, 2013, to TDOT that contained an invoice for \$40,000 that was an estimate of total cost instead of the actual bill or actual costs incurred by MRCT. MRCT claimed to have paid \$40,000 and included a photo copy of the check written to the vendor as proof of payment, but the actual check was never paid to the vendor. MRCT received payment of \$25,053 for this invoice, the remainder of the grant funds that were available. **[Refer to Exhibit 8.]**

Exhibit 8



*Falsified check sent in as proof of payment*

- 3) MRCT submitted reimbursement request #148-13 dated June 29, 2013, to ECD that contained an invoice that was an estimate of total cost instead of the actual bill or actual costs incurred by MRCT. MRCT claimed to have paid \$1,544 and included a check number as proof of payment, but the actual check was never paid to the vendor. MRCT received reimbursement of \$1,544 for this invoice.
  
- 4) MRCT submitted reimbursement request #148-13 dated June 29, 2013, to ECD that contained an invoice that was an estimate of total cost instead of the actual bill or actual costs incurred by MRCT. MRCT claimed to have paid \$2,000 and included a check number as proof of payment, but the actual check was never paid to the vendor. The vendor stated they wrote the receivable off as “Bad Debt.” MRCT received reimbursement of \$2,000 for this invoice. [Refer to Exhibit 9.]

Exhibit 9

Mississippi River Corridor – Tennessee, Inc. ECD Grant # 33007-06913 Reimbursable Expenses  
June 29, 2013

Salaries, Benefits & Taxes	Payment	Dates	June 5 – June 29, 2013 Reimbursement Request
[REDACTED]	Paystubs	June - 2013	\$ 5000.00
[REDACTED]	Paystubs	June - 2013	\$ 4583.33
<b>Professional Fee</b>			
Younger Associates	Ck# 1114	6/28/2013	\$ 2000.00

**Younger Associates**  
97 Directors Row  
Jackson, TN 38305

**Invoice**

DATE	INVOICE #
6/23/2013	20130818

**BILL TO**

Mississippi River Corridor - TN  
Attn: [REDACTED]  
1503 Monroe Avenue  
Memphis, TN 38104

DESCRIPTION	AMOUNT	ORDER #
Lauderdale County Environmental & Economic Plan (Economic Analysis) Sales Tax	2,000.00 0.00	
<p>Wrote off as bad debt</p>		
<b>Total</b>	\$2,000.00	

TERMS: Net 30 - Balance subject to finance charge of 1.8%.

*Expense claimed on reimbursement request to ECD #0148-13 but was not actually paid by MRCT. Per bank statements, the check was never cashed, and the vendor wrote off amount as a bad debt.*

The following table summarizes amounts noted in Section E:

	Amount Submitted	Amount Received	Amount Overpaid
1	\$ 8,000	\$ 6,400	\$ 1,600
2	40,000	25,053	25,053
3	1,544	1,544	1,544
4	2,000	2,000	2,000
<b>Total</b>	<u>\$51,544</u>	<u>\$34,997</u>	<u>\$30,197</u>

F. MRCT requested and received reimbursement payments from grantors totaling \$11,087 that included personal expenses of the executive director. These costs were outside the date and scope of the grants and included:

- 1) Meals and Entertainment (Babalu Tapas, Café Eclectic, Starbucks, The Blue Monkey, Tony and Joe’s, The Sultana Tour, etc.);
- 2) Fuel for a personal vehicle; [Refer to Exhibit 10.]

- 3) Miscellaneous supplies (baby shower); [Refer to Exhibit 11.]
- 4) Verizon Wireless (\$3,736), including three cell phones (one phone confirmed to be used by a family member of the executive director); and [Refer to Exhibit 12.]
- 5) Unrelated grant expenses for in and out-of-state travel (flights and hotels).

**Exhibit 10**

57 542 482401 SHELL 1685 UNION AVENUE MEMPHIS TN 38104 Invoice # 953828 Date 04-09-14 Time 04:50PM Auth # 03071C	6/22/2014 7:53:12 PM POS 1-Richard- 1132- 108	Qty Item Amount 001 PREPAY \$35.00 Pump#9 1.0 @ 35.00 000 EXTRA POLAR ICE SLM Void SubTotal \$35.00 <b>Total \$35.00</b> MC-Card \$35.00 Change Due \$.00 CARD TYPE: MC	Gas - Delta Regional Anthony meeting Paducah KY WELCOME TO IP47289959-882 RACEWAY 6755 8454 N. HWY 51 MILLINGTON TN 3885 DATE 07/22/14 TIME 1:34 PM AUTH# 84184E MASTERCARD PUMP PRODUCT PPG 11 MIDI \$3.419 GALLONS TOTAL 8.858 \$38.26
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*Various fuel expenses for personal vehicle charged to grants*

**Exhibit 11**

0346 05 3995 04/12/14 05:32:11 PM

**OfficeMax**

011491029777	\$6.79
DMX Dur VW 1" Binder Blue	
011491013530	\$11.49
Env Pastels #10 60pk	
Deal 55860 Savings	(\$5.75)
<b>YOU PAY</b>	<b>\$5.74</b>
011491013530	\$11.49
Env Pastels #10 60pk	
Deal 55860	
84614300831	\$11.99
16GB C400 CANDY USB Yellow	
601952131646	\$9.29
GP LH Baby Dots & Feet 80P	
764025207003	\$9.79
HP All-In-One 8.5x11 Ream	
<b>TOTAL SAVINGS</b>	<b>(\$5.75)</b>
SubTotal	\$55.09
TOTAL	\$55.09
MasterCard	\$55.09

*Expenses for baby announcements charged to TDOT grant*

**Exhibit 12**

Previous Balance (see back for details)	\$355.40
Payment – Thank You	-\$355.40
<b>Balance Forward</b>	<b>\$0.00</b>
Monthly Charges	\$293.00
Usage and Purchase Charges	\$15.00
Verizon Wireless' Surcharges and Other Charges & Credits	\$6.00
Taxes, Governmental Surcharges & Fees	\$15.63
<b>Total Current Charges</b>	<b>\$329.63</b>

<b>Quick Bill Summary</b>		Mar 14 – Apr 13
E SCTX1216		
Previous Balance (see back for details)	\$258.07	
Payment – Thank You	-\$149.92	
<b>Balance Forward Due Immediately</b>	<b>\$108.15</b>	
Account Charges and Credits		
Includes Late Fee of \$5.00	\$5.00	
Monthly Charges	\$230.00	
Verizon Wireless' Surcharges and Other Charges & Credits	\$5.64	
Taxes, Governmental Surcharges & Fees	\$14.48	
<b>Total Current Charges Due by May 06, 2014</b>	<b>\$255.12</b>	
<b>Total Amount Due</b>	<b>\$363.27</b>	

1203  
12/14  
363.27

*Example of Verizon phone expenses charged to grants*

The following table summarizes amounts noted in Finding 1, Sections A-F.

	Description	Amount
A	Improper Bidding Reimbursements	\$ 452,197
B	Reimbursements with Missing Documentation	263,730
C	Duplicated Reimbursements	176,196
D	Cost Reimbursements not Allowed	149,857
E	Reimbursements with Falsified Documentation	30,197
F	Personal Reimbursements	11,087
	<b>Total</b>	<u>\$1,083,264</u>

Our investigation determined the executive director directed MRCT personnel on how to account for all expenditures. She was responsible for dispersing funds, and no other members of the organization reviewed the documentation to prevent or detect errors to ensure the integrity of the grant process.

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**FINDING 2: The executive director commingled funds and instructed staff to falsify accounting records**

MRCT held all funds in checking accounts and a money market account. Federal regulations and grant guidelines require a separate accounting for all grant funds; however, MRCT commingled operational and grant funds to such an extent that they were unable to identify individual expenditures to the appropriate grant.

MRCT received a Direct Appropriation Grant (DAG) from ECD in August 2015 for the period of July 1, 2015, to June 30, 2016. According to the grant agreement, MRCT was required to submit an accounting of actual expenditures of the funds to ECD within 90 days after the close of the grant period. However, MRCT submitted the report 18 days late on October 18, 2016, after calls by ECD requesting the report. We determined the executive director instructed staff to include TDOT expenditures as expenditures of the ECD grant. MRCT staff used the MRCT accounting system to move expenditures from the TDOT Reelfoot Lake program to the ECD grant for the ECD report. Subsequently, the executive director instructed the staff to change the records back as they were before the ECD report.

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**FINDING 3: The executive director continued operations after the board of directors voted to dissolve the nonprofit on March 1, 2017, and subsequently charged the MRCT credit card \$9,109 for unauthorized purchases**

The executive director continued operations after the board of directors voted to dissolve the nonprofit on March 1, 2017. On that day, the board authorized the board attorney to notify the Tennessee Attorney General’s Office of their decision. The Tennessee Attorney General’s Office received notification of MRCT’s Board of Directors’ decision on March 7, 2017. **[Refer to Exhibit 13.]**

**Exhibit 13**



The board attorney confirmed the executive director was present at the March 1, 2017, board meeting when the board voted to dissolve MRCT. When we interviewed the executive director on May 14, 2018, she advised that she was aware the board had voted to dissolve the MRCT.

Without the knowledge of the board of directors, the executive director continued operating the MRCT. On March 29, 2017, the executive director emailed a request for funding to the TVA without board knowledge for the following: **[Refer to Exhibit 14.]**

**Exhibit 14**

1) Lifetime Fold-Away Picnic Tables Pkg Qty: 10	\$ 2,009.50
2) Diversified Woodcrafts Science Tables With ChemGuard Top – 72" w X30" D 6- 423.45@	\$ 2,540.00
3) Power Cords for Science Tables 6- 47.95@	<u>\$ 287.70</u>
Subtotal Amount	\$ 4,837.20
(Shipping Charges pending)	

TVA provided a contribution to MRCT on May 25, 2017, for \$4,837.20 in the form of a check, which was deposited into the MRCT bank account. This transaction of \$4,837.20 is also included in Finding 1, Section D, Cost Reimbursements Not Allowed.

The board attorney advised us on September 26, 2017, that only the executive director was authorized to use the MRCT credit card, and the only charges should be for the use of storage facilities and liability insurance. The board attorney then stated he could not think of any other charges for which the executive director would be authorized to use the MRCT credit card. The

executive director charged 68 items totaling \$10,357 to the MRCT credit card from March 8, 2017, through September 1, 2017. The items charged to the credit card included the following:

Item	Number of Transactions		Amount	
Unauthorized personal expenditures (Babalu Tapas, Evelyn and Olive, Facebook, etc.)	58		\$3,556	
Unauthorized grant-related expenditures	2		5,473	
Unauthorized moving expenditures	<u>1</u>		<u>80</u>	
<b>Subtotal</b>		61		\$ 9,109
Authorized storage expenditures	<u>7</u>		\$1,248	
<b>Subtotal</b>		<u>7</u>		<u>1,248</u>
<b>Total</b>		<u>68</u>		<u>\$10,357</u>

Of the 68 items charged, the executive director charged 61 unauthorized transactions totaling \$9,109. When we informed the board attorney of these charges, he stated “there is no reason [the executive director] should be using this credit card and making charges.”

When we interviewed the executive director, she stated the only expenses after the board voted to shut down were for office supplies and moving. When we questioned her about the above-noted items charged, the executive director stated they were a mistake, and she wanted so desperately for MRCT to survive so she kept going on as though everything was fine.

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**FINDING 4: MRCT violated its grant contracts by pledging grant proceeds as collateral for a loan**

In April 2016, MRCT entered into a contract with the private nonprofit The Conservation Fund to obtain a loan of \$250,000, which MRCT would use for the construction of the interpretive visitor center at Reelfoot Lake. MRCT executed the promissory note for the contract on May 9, 2016. At that time, MRCT pledged as collateral the assignment of proceeds from the \$1,512,000 TDOT federal grant and the \$372,000 SBC grant. In violation of the grant contracts, MRCT represented and warranted to the lender that they had full power and authority to assign the proceeds of the grants. However, according to the grants, “the Grantee shall not assign this Grant Contract ... without obtaining prior written approval by the State.” Officials at TDOT and SBC were not aware of this collateralized loan. [Refer to Exhibit 15.]

Exhibit 15

1. Borrower hereby irrevocably, absolutely and unconditionally assigns and transfers to Lender, its successors and assigns, as collateral security for the Obligations, all of Borrower's right, title and interest in, to and under the following (sometimes collectively referred to herein as the "Collateral"):

All of its right title and interest in and to the proceeds of that certain Grant Contract between the State of Tennessee, Department of Transportation and Borrower last executed September 4, 2013 for a period commencing August 15, 2013, bearing Agency Tracking # 401-28114, with an award amount of \$1,512,000.00, and that certain Grant Contract between the State of Tennessee, Department of Environment and Conservation and Borrower last executed December 17, 2013 for a period commencing December 1, 2013, bearing SBC Project No. 126/084-01-2013, with an award amount of \$372,000.00 (each, a "Contract", and collectively, the "Contracts"), copies of which are attached collectively hereto as Exhibit A.

2. Borrower represents and warrants to Lender that:

(a) Borrower has not assigned or granted, and Borrower will not assign or grant, a security interest in any of the Collateral to anyone other than Lender;

(b) Borrower's interest in the Collateral is not subject to any claim, setoff, lien, deduction or encumbrance of any nature and no other person has any right, title or interest in the Collateral;

(c) Borrower has full power and authority to make this Assignment, without the need for any consent that has not been obtained;

*Portion of The Conservation Fund loan where MRCT used the grants as collateral*

MRCT used the proceeds of the loan for operational expenses after the state terminated the TDOT and SBC grants. After repaying \$90,000 of the loan, MRCT defaulted on the remaining balance. The Conservation Fund wrote off \$167,392.07 in principal and \$272.87 in interest.

**FINDING 5: We noted questionable transactions between the MRCT Executive Director and certain members of MRCT's Board of Directors and Advisory Council**

MRCT operated under the guidance of a board of directors and an advisory council. MRCT had a conflict of interest policy in place; however, we noted the following questionable transactions and potential conflicts of interest during our examination:

- A. The executive director's husband was a member of the board of directors and the advisory council. We also determined the executive director and her husband allegedly loaned MRCT at least \$29,000, and MRCT repaid the loan. We could not determine the validity of these alleged loans nor could we review any documents to support a loan agreement. The rest of the board of directors and advisory council were unaware of these transactions when they occurred. It should be noted that the MRCT Executive Director's two children were employed by MRCT at various times during the period of our examination.

- B. A former manager with TDOT who as part of his job duties approved reimbursement requests from MRCT, was also on the board of directors and advisory council. In our interview with this manager, he stated he would approve MRCT invoices usually the day they came in, and he just “thumbed” through the pages quickly during his review. He advised that he believed the executive director was knowledgeable of grant requirements. Therefore, he did not adequately review the documentation he received from MRCT.
- C. We determined the architect who did the cost proposals for the Reelfoot Lake project was also a member of the advisory council. This architect was subsequently hired as the project manager for the Reelfoot Lake project.
- D. We determined that an advisory council member provided consulting services to MRCT totaling \$2,000. We were advised that the advisory council member discontinued his work with MRCT because of his concern that it could be a conflict.
- E. MRCT received a National Park Service grant through the Rivers, Trails, and Conservation Assistance Program. As a part of the grant, the National Park Service sent a federal employee to provide technical assistance for the Dyersburg River Center and Blueway project. We reviewed receipts and documentation the executive director submitted for reimbursements and noted MRCT claimed to provide hotel rooms and food for the federal employee. We reviewed both receipts and QuickBooks transaction descriptions where MRCT claimed to provide food and lodging at McDonald’s, Abe’s Ribeye Barn, Pig n Out, El Patio, Lupos Italian Restaurant, and Sleep Inn totaling \$630.12 to the federal employee. This federal employee was later added to MRCT’s advisory council while the National Park Service could still have provided technical and other assistance to MRCT. [Refer to Exhibit 16.]

Exhibit 16

Post Date	Description	Comment	Amount
7/19/11	Room Charge	#115 [REDACTED]	95.00
7/19/11	State Tax		9.26
7/19/11	Occupancy Tax		4.75
7/20/11	Room Charge	#115 [REDACTED]	95.00
7/20/11	State Tax		9.26
7/20/11	Occupancy Tax		4.75
7/21/11	State Tax	Adjustment	(9.26)
7/21/11	State Tax	Adjustment	(9.26)
7/21/11	Master Card		(199.50)
XXXXXXXXXXXX [REDACTED]			
<b>Folio Summary 7/19/11 - 7/21/11</b>			
	Room Charge		190.00
	State Tax		0.00
	Occupancy Tax		9.50
	Master Card		(199.50)
			<b>Balance Due: 0.00</b>

This rate is eligible for partner rewards. If this rate is changed, you may no longer be entitled to partner rewards.

**FINDING 6: MRCT failed to meet grant requirements for the Dyersburg River Park and Blueway resulting in the project being abandoned**

MRCT entered into a grant contract with Dyer County for the construction of the Dyersburg River Park and Blueway on the Forked Deer River in Dyersburg. The U.S. Department of Transportation Federal Highway Administration provided a grant of \$80,000 to construct a river center and kayak launch. MRCT was to provide \$20,000 for the construction of the Dyersburg River Park and Blueway project. MRCT also received \$272,000 in private donations through the Walton Family Foundation and \$28,206 in a federal grant through the USDA for this project. MRCT failed to pay \$6,269 that was owed to Dyer County for their match on the grant, and MRCT did not complete the projects. The Dyersburg River Park and Blueway projects costing \$357,275 is currently abandoned. [Refer to Exhibit 17.]

Agency	Amount
Walton Family Foundation	\$248,760
U.S. Department of Transportation	64,247
U.S. Department of Agriculture	28,206
MRCT	9,793
Dyer County*	6,269
<b>Total Spent</b>	<b><u>\$357,275</u></b>

\*This is the amount MRCT owes to Dyer County

**Exhibit 17**



*The Abandoned Dyersburg River Center and Blueway Project*

On February 13, 2019, the grand jury of the United States District Court for the Middle District of Tennessee, Nashville Division, indicted Diana Threadgill on three counts of Mail Fraud. [Mississippi River Corridor – Tennessee, Inc. Investigation Exhibit](#)

## **INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES**

### **FINDING 7: MRCT Board of Directors and Advisory Council did not provide adequate oversight of the operations of MRCT**

The MRCT Board of Directors and Advisory Council did not provide adequate oversight and did not establish internal controls to ensure accountability of the MRCT. The executive director was allowed to initiate and process all grants and reimbursements, sign all checks, and control accounting and reporting functions. The board of directors and advisory council should have established internal controls over the operations of MRCT and not allow one person complete control of receipts, disbursements, and accounting. The lack of oversight by the board of directors and the advisory council contributed to the failure of MRCT and allowed the executive director to continue unauthorized MRCT operations at the expense of federal, state, local, private entities, and the public.

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### **FINDING 8: The Tennessee Department of Transportation, Tennessee State Building Commission, Tennessee Department of Environment and Conservation, and Economic and Community Development failed to properly monitor and review grant reimbursements**

MRCT's erroneous claims were not properly monitored and reviewed by TDOT, SBC, TDEC, and ECD. This lack of oversight contributed to the failure of MRCT to properly utilize the awarded grants. We noted the following deficiencies related to monitoring:

- State agencies did not properly review MRCT reimbursement requests and did not compare all invoices to the scope of services; and
- State agencies did not consistently notify and require MRCT to correct inappropriate invoices before processing.

### **RECOMMENDATION:**

State agencies should review all applicable reimbursement requests for scope of services and consistently notify the grantee to correct any deficiencies before processing the reimbursements. Grantors should require the grantee to provide information on other state grants and funding to allow state agencies to compare reimbursement requests that occur in the same period to prevent or detect entities that may overbill the state due to error or fraud.

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