



## COMPTROLLER'S INVESTIGATIVE REPORT

**CEASE, Inc.**

*October 31, 2022*

**Jason E. Mumpower**  
*Comptroller of the Treasury*



**DIVISION OF INVESTIGATIONS**



JASON E. MUMPOWER  
*Comptroller*

October 31, 2022

Commissioner Jim Bryson  
Department of Finance and Administration  
Tennessee State Capitol  
600 Dr. Martin Luther King Jr. Blvd.  
Nashville, TN 37243

Commissioner Jim Bryson:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the CEASE, Inc., 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 3<sup>rd</sup> 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

## CEASE Domestic Violence and Sexual Assault, Inc.

The Office of the Comptroller of the Treasury, in conjunction with the Morristown Police Department, investigated allegations of malfeasance related to CEASE Domestic Violence and Sexual Assault, Inc (CEASE). The investigation was limited to selected records for the period July 1, 2018, through June 11, 2020. The results of the investigation were communicated with the Office of the District Attorney General of the 3<sup>rd</sup> Judicial District.

### BACKGROUND



CEASE, founded in 1981 and located in Morristown, Tennessee, provided assistance and public understanding related to spousal abuse, as well as operated shelters for abused spouses in numerous counties in East Tennessee. It was a nonprofit corporation funded by a combination of donations and grant awards, primarily from a federal Victims of Crime Act (VOCA) grant funded by the U.S. Department of Justice, administered by the Tennessee Department of Finance and Administration, Office of Criminal Justice Programs (OCJP). CEASE was governed

by an eight-member board, and the board appointed a president, treasurer, and secretary.

On October 8, 2019, OCJP (grant administrator) issued a VOCA (grant act) fiscal monitoring report for CEASE which noted numerous questioned costs, grant violations, and a lack of internal controls. On December 5, 2019, OCJP terminated CEASE's VOCA grant due to management's inability to rectify the issues in the fiscal monitoring report sufficiently. CEASE had difficulty funding programs and operations after the termination of the VOCA grant. On February 12, 2020, new board members were elected, and the board liquidated assets and paid off debts of CEASE. On April 28, 2020, the board voted to file dissolution articles for CEASE with the Tennessee Secretary of State's office.

### RESULTS OF INVESTIGATION

- 1. BOARD MEMBERS, THEIR FAMILY MEMBERS, AND MEMBERS OF MANAGEMENT LOANED CEASE FUNDS TOTALING AT LEAST \$232,000 WITHOUT SIGNED CONTRACTS**

For the period July 1, 2018, through February 12, 2020, former board members, their family members, and members of management made numerous personal loans to CEASE totaling at least \$232,000 without signing contracts documenting loan authorization, purpose, and terms. Investigators found no evidence that these individuals benefited or intended to benefit from these transactions. Debt contracts should: 1) be signed by board members showing proper authorization; 2) detail the purpose and intent of the loan; and 3) detail loan terms including re-payment, interest, collateral, and maturity dates. Without debt contracts, investigators could not determine if the personal loans were properly authorized or recorded. Investigators confirmed via bank statements or by interviews with the loan providers that CEASE paid back these loans in full without interest. Board members and members of management stated they made personal loans to cover payroll and other expenses due to CEASE having limited resources, cash flow issues, and being required to pay expenses prior to grant reimbursements. The following table summarizes personal loans made to CEASE:

<b>Summary of Personal Loans to CEASE</b>		
<b>Person</b>	<b># of Loans</b>	<b>Total Loans</b>
Former Treasurer*	6	\$ 174,000.00
Former President's Mother	2	\$ 40,000.00
Former Director	1	\$ 10,000.00
Former Office Manager**	2	\$ 8,000.00
<b>Total</b>	<b><u>11</u></b>	<b><u>\$ 232,000.00</u></b>

\* This included loans from the former treasurer and his business. He also donated an additional \$48,500 to CEASE during the period reviewed not included with the \$174,000 in loans.

\*\*This included a \$5,000 and \$3,000 loan to CEASE. Investigators could not determine that CEASE paid back the \$3,000 loan, but the former office manager stated it was paid in full.

## **2. MEMBERS OF MANAGEMENT DEDUCTED BENEFIT PREMIUMS FROM EMPLOYEE PAYROLL CHECKS BUT DID NOT PAY BENEFIT INVOICES**

Members of CEASE management failed to pay life and disability insurance premiums, which had been deducted from employees' payroll; therefore, the insurance coverages were canceled by the provider without the employees' knowledge. In August 2019, a former CEASE employee was injured on the job and contacted CEASE's insurance company (life and disability) to file a disability claim. Members of CEASE management had deducted life and disability insurance premiums from this employee's paychecks for the period February 1, 2019, to September 12, 2019. The insurance company emailed the employee on August

29, 2019, stating CEASE's insurance policy was terminated on May 23, 2019, due to delinquent payments for January 2019 through April 2019 (**Refer to Exhibit 1**). Therefore, although this employee had deductions from payroll for life and disability insurance, the employee was unable to file a claim for the injury and had no active life insurance policy. Investigators confirmed CEASE reimbursed this employee and nine other employees for life and disability insurance premiums that had been deducted from payroll checks but had not been used to pay for the related insurance premiums.

### Exhibit 1

Good afternoon [REDACTED]

This email is to verify that Life Insurance Company of [REDACTED] did not receive the premium payment for your coverage that went in to effect as of 2/1/2019. No first month premium was received as well.

Policy Number- [REDACTED]

In reviewing our files, the group that you were employed through, CEASE, terminated with [REDACTED] as of 5/23/2019. We sent out a reminder letter as of 2/26/2019 letting them know that the premium payments were behind for January, February, March & April. Another letter as of 4/23/2019 was mailed letting them know if premiums were not paid then the policies listed under the group would be direct billed to each individual home.

If you have any questions, please let me know.

Thank you!

*An August 29, 2019, email from CEASE's life and disability insurance company stating the employee's policy was terminated due to a lack of payments by CEASE.*

## INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed internal control and compliance deficiencies, some of which contributed to the previously mentioned questionable transactions without prompt detection. These deficiencies included:

### **Deficiency 1: CEASE management did not sufficiently oversee organization finances and operations**

Although CEASE received VOCA grants of over \$1.1 million for fiscal years 2019 and 2020, as well as other grants and donations, CEASE needed significant bank loans, lines of credit, personal loans, and credit card debt to pay organizational expenses and make payroll. In addition, management clearly did not comply with VOCA grant requirements or common business practices involving public funds. Managers of public funds must appropriately budget funds and limit expenses to the budget. Management must also educate themselves about all public fund requirements to ensure compliance and reduce risks of fraud, waste, and abuse.

**Deficiency 2: CEASE management did not properly reconcile general ledger payroll liability accounts**

General ledger payroll liability accounts were not reconciled monthly with payroll records and payments. As a result, unidentified balances accumulated in the liability accounts for several payroll deductions, including those for life and disability insurance. Sound business practices dictate that payroll liability accounts should be reconciled with payroll records and payments monthly. The failure to regularly reconcile payroll liability accounts allows errors to remain undiscovered and uncorrected. This deficiency is the result of a lack of management oversight.

**Deficiency 3: CEASE management did not comply with their dual signature policy for checks**

CEASE fiscal policies and procedures required two signatures on checks from four possible authorized signers including the chairperson, co-chair, treasurer, and executive director. Investigators noted numerous checks with only one signature, including at least one check signed by the treasurer to his business to repay personal loans. The use of dual signatures on checks ensures each check payment is reviewed by more than one person and reduces the risk of fraud, waste, or abuse.

---