



COMPTROLLER'S INVESTIGATIVE REPORT

Sevier County Utility District

January 17, 2025

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

January 17, 2025

Sevier County Utility District Board
420 Robert Henderson Road
Sevierville, TN 37862

Sevier County Utility District Management:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Sevier County Utility District, 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 4th 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

Sevier County Utility District

The Office of the Comptroller of the Treasury, in conjunction with the Tennessee Bureau of Investigation, investigated allegations of malfeasance related to the Sevier County Utility District. The investigation was limited to selected records for the period January 1, 2017, through February 28, 2023. The results of the investigation were communicated with the Office of the District Attorney General of the 4th Judicial District.

BACKGROUND



The Sevier County Utility District (district) has been providing natural gas to residents and businesses since 1955. The district serves more than 14,000 customers in Sevier County and parts of Blount County. The district operates the HomeStore, with an onsite showroom, that provides natural gas appliances, installation, and financing. The district also operates a compressed natural gas fueling station.

Utility districts are governed by *Tenn. Code Ann.* § 7-82-101 *et. seq.* Pursuant to *Tenn. Code Ann.* § 7-82-101, the board of commissioners of any district shall prescribe and collect reasonable rates...or charges for the services. *Tenn. Code Ann.* § 7-82-113 requires that all expenditures of

money made by a utility district must be made for a lawful district purpose. The rates are based on operating and system maintenance expenses. The district is governed by a three-person board of commissioners (board), who are appointed to four-year terms by the Sevier County Mayor. The board has the responsibility to establish and maintain an adequate system of internal controls. Daily operations are managed by the district president, who oversees district employees.

Matthew Ballard began working for the district on November 18, 1996. He was promoted to the role of district president on November 7, 2007. The board placed Ballard on paid administrative leave on January 25, 2023, then ultimately terminated Ballard's employment on March 22, 2023.

RESULTS OF THE INVESTIGATION

1. FORMER DISTRICT PRESIDENT MATTHEW BALLARD MISAPPROPRIATED DISTRICT FUNDS TOTALING AT LEAST \$181,582.83

A. Former district president Matthew Ballard misappropriated district funds totaling at least \$158,760 through a kickback scheme

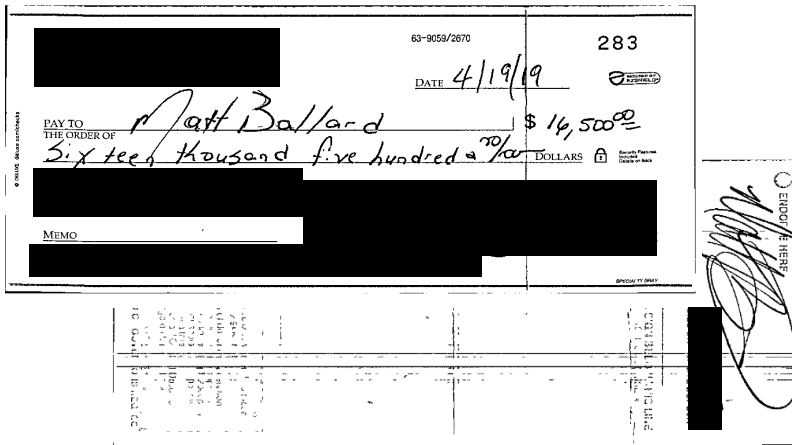
Former district president Matthew Ballard misappropriated district funds totaling at least \$158,760 through a kickback scheme with an electrical company. These kickbacks were possible as a result of a corrupt bidding process in which Ballard awarded contracts to the electrical company. Except for the one time bids were solicited, the rest of the electrical work Ballard did not solicit bids, Ballard still granted the contracts to the electrical company. The owner of the electrical company told investigators that his company began working as a contractor for the district in 2009. Ballard granted the electrical company contracts, and in exchange, Ballard requested that the owner overbill the district and then pay him either the entirety or a portion of the overbilled amounts. These payments are known as “kickbacks.” Investigators identified 30 kickback payments made from the electrical company, the owner of the electrical company, and an immediate family member of the owner to Ballard and his father, William “Eddie” Ballard, between 2018 and 2022. Of the \$158,760 misappropriated, the owner of the electrical company and his family member made kickback payments totaling \$141,010 to Ballard and \$17,750 to his father, Eddie Ballard. The owner of the electrical company and his family member used eight different financial accounts to make the kickback payments, and Ballard used at least four financial accounts to deposit or cash the kickback payments.

Summary of Matthew Ballard’s Misappropriation through a Kickback Scheme

Year	Amount of Kickback Payments to Matthew Ballard	Amount of Kickback Payments to Eddie Ballard	Total Per Year
2018	\$560	\$-	\$560
2019	\$112,150	\$750	\$112,900
2020	\$500	\$7,000	\$7,500
2021	\$9,000	\$10,000	\$19,000
2022	<u>\$18,800</u>	<u>\$-</u>	<u>\$18,800</u>
Total Misappropriation:	\$141,010	\$17,750	\$158,760

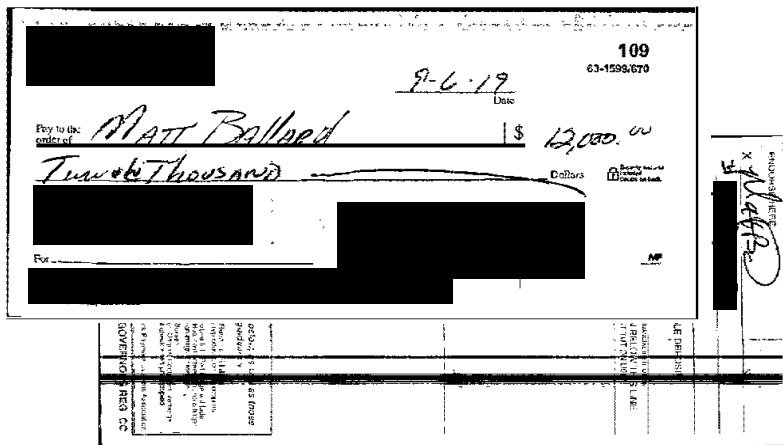
The owner of the electrical company told investigators that he made payments in cash, as well as via check, cashier’s check, and mobile apps such as Venmo, and Zelle (**See Exhibit 1**). Investigators only located kickback payments dating back to 2018 due to methods of payment and availability of records. The owner of the electrical company stated that Ballard told him to disguise kickback payments made via check and Venmo by labeling them as being related to gambling or equipment purchases, and to sometimes make the payments to Eddie Ballard (**See Exhibit 2**)

Exhibit1



63-9059/2670 283
 DATE 4/19/19
 PAY TO THE ORDER OF Matt Ballard \$ 14,500.00
Sixteen thousand five hundred and no/100 DOLLARS
 MEMO
 ENDORSE HERE

04/12 ZELLE PAYMENT TO Matt Ballard PAYMENT ID [REDACTED] 2,000.00



63-1599/670 109
 Date 9-6-19
 Pay to the order of Matt Ballard \$ 12,000.00
Twelve thousand Dollars
 For [REDACTED]
 ENDORSE HERE

Examples of kickback payments to Ballard including checks payable to and endorsed by Ballard and a mobile app kickback payment

Exhibit 2

1404
63-9138/2631

2-16-2021 Date

PAY to the order of Eddie Ballard \$ 7,500.⁰⁰
Seven Thousand Five Hundred Dollars

For Used Scissor Lift Signature

Eddie Ballard

BILL OF SALE

Date _____

I, the undersigned seller, Eddie Ballard
for the sum of \$ 7,500
sell to the undersigned buyer, _____
the following property:
Scissor Lift

The undersigned seller affirms that the above information about this property is accurate to the best his/her knowledge.
The undersigned buyer accepts receipt of this Bill of Sale and understands that the above property is sold in "as is" condition with no guarantees or warranties, either expressed or implied, for the property.

Seller's Name (print): Eddie Ballard
Seller's Signature: Eddie Ballard
Street Address: _____ Apt: _____
City / Town: _____ State: _____ ZIP: _____
Phone #: _____

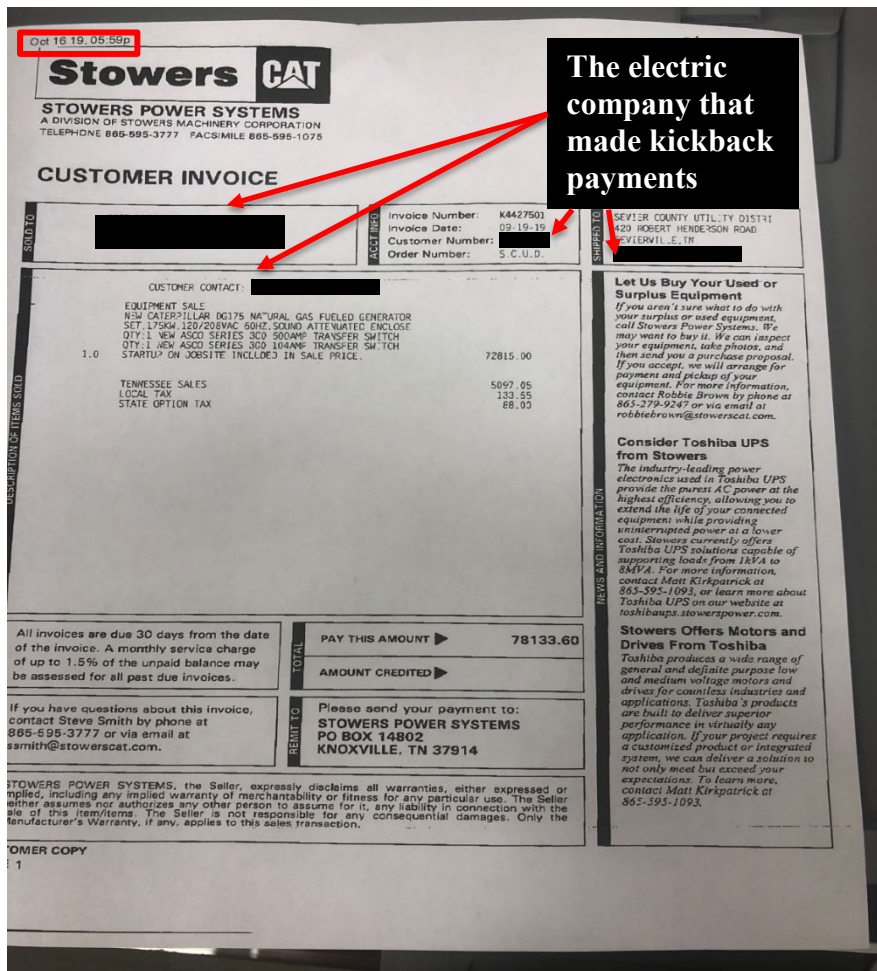
Buyer's Name (print): _____
Buyer's Signature: _____
Street Address: _____ Apt: _____
City / Town: _____ State: _____ ZIP: _____
Phone #: _____

Check payable to Eddie Ballard for the purchase of a scissor lift that did not exist and a fabricated bill of sale retrieved from Ballard's work-assigned laptop


Ballard received kickback payments over multiple years; however, investigators found that Ballard received the majority of the kickback payments in 2019. In April 2019, the district entered into a contract with the electrical company to pay \$175,000 for the purchase and installation of a natural gas generator. The electrical company ordered the natural gas generator with an invoice price of \$78,133.60 (See Exhibit 3).

The owner of the electrical company told investigators that the electrical company did not pay for the generator from the funds paid by the district for that purpose. Instead, Ballard called the supplier of the generator and changed the invoice to bill the district (See Exhibit 4) which resulted in the district paying for the same generator twice. The owner of the electrical company told investigators that instead of returning the funds the district paid his company for the cost of the generator; he gave Ballard half of the funds over the course of multiple payments and kept half for himself.

Exhibit 3



Invoice retrieved from Ballard’s work-assigned laptop that reflects the electrical company was originally invoiced for the cost of the generator



STOWERS POWER SYSTEMS
A DIVISION OF STOWERS MACHINERY CORPORATION
TELEPHONE 865-595-3777 FACSIMILE 865-595-1075

After Matthew Ballard changed the invoiced entity from the electric company to the district, there were still traces of the electric company's original information on the new invoice.

CUSTOMER INVOICE

SOLD TO

SEVIER CO UTIL DISTRICT-GAS
PO BOX 4398
SEVIERVILLE TN 37864-4398

ACCT INFO

Invoice Number: K4458601
Invoice Date: 10-22-19
Customer Number:
Order Number:

SHIPPED TO

SEVIER CO. UTILITY DISTRICT
420 ROBERT HENDERSON RD.
SEVIERVILLE, TN
-HO GENERATOR ORDERED

CUSTOMER CONTACT: [REDACTED]
TAX EXEMPTION LICENSE GOVERNMENT

EQUIPMENT SALE
NEW CATERPILLAR DG175 NATURAL GAS FUELED GENERATOR SET, 175KW, 120/208VAC, 60HZ, SOUND ATTENUATED ENCLOSE
QTY: 1 NEW ASCO SERIES 300 600AMP TRANSFER SWITCH
QTY: 1 NEW ASCO SERIES 300 104AMP TRANSFER SWITCH
STARTUP AT JOBSITE INCLUDED IN SALE PRICE.

1.0	ID NO: KJ600119 SERIAL NO: KJ600119	72815.00
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TERMS

All invoices are due 30 days from the date of the invoice. A monthly service charge of up to 1.5% of the unpaid balance may be assessed for all past due invoices.

QUESTIONS?

If you have questions about this invoice, contact Steve Smith by phone at 865-595-3777 or via email at ssmith@stowerscat.com.

WARRANTY

STOWERS POWER SYSTEMS, the Seller, expressly disclaims all warranties, either expressed or implied, including any implied warranty of merchantability or fitness for any particular use. The Seller neither assumes nor authorizes any other person to assume for it, any liability in connection with the sale of this item/items. The Seller is not responsible for any consequential damages. Only the Manufacturer's Warranty, if any, applies to this sales transaction.

REMIT TO

Please send your payment to:
STOWERS POWER SYSTEMS
PO BOX 14802
KNOXVILLE, TN 37914

TOTAL

PAY THIS AMOUNT ► 72815.00

AMOUNT CREDITED ►

NEWS AND INFORMATION

Let Us Buy Your Used or Surplus Equipment
If you aren't sure what to do with your surplus or used equipment, call Stowers Power Systems. We may want to buy it. We can inspect your equipment, take photos, and then send you a purchase proposal. If you accept, we will arrange for payment and pickup of your equipment. For more information, contact Robbie Brown by phone at 865-279-9247 or via email at robbiebrown@stowerscat.com.

Consider Toshiba UPS from Stowers
The industry-leading power electronics used in Toshiba UPS provide the purest AC power at the highest efficiency, allowing you to extend the life of your connected equipment while providing uninterrupted power at a lower cost. Stowers currently offers Toshiba UPS solutions capable of supporting loads from 1kVA to 8MVA. For more information, contact Matt Kirkpatrick at 865-595-1093, or learn more about Toshiba UPS on our website at toshibaups.stowerspower.com.

Stowers Offers Motors and Drives From Toshiba
Toshiba produces a wide range of general and definite purpose low and medium voltage motors and drives for countless industries and applications. Toshiba's products are built to deliver superior performance in virtually any application. If your project requires a customized product or integrated system, we can deliver a solution to not only meet but exceed your expectations. To learn more, contact Matt Kirkpatrick at 865-595-1093.

CUSTOMER COPY
PAGE 1

The invoice reassigning the generator costs from the electrical company to the district

B. Former district president Matthew Ballard misappropriated district funds totaling at least \$18,581.27 for work on personal property

Former district president Ballard misappropriated district funds totaling at least \$18,581.27 for work on personal property. Investigators identified 110 instances in which district employees

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were paid by the district for work at Matthew Ballard’s and Eddie Ballard’s personal properties. In many instances, employees performed the work during district working hours.

Ballard directed district employees to work at his and Eddie Ballard’s personal properties and instructed these same employees to charge their time to the district. District employees created a unique timecode for the payroll system to account for work done at the Ballards’ personal properties. Investigators corroborated locations, dates, and times for at least one employee who worked on Ballard’s properties using cell phone data.

District employees performed work at Ballard’s personal properties, often using district vehicles and equipment. The work done by district employees included but was not limited to yardwork, general home maintenance, gravel work, installation of an in-ground pool, and other projects that benefitted Ballard’s personal properties. To perform work on Ballard’s personal property, district employees reported using district-owned equipment, including a dump truck, unloader skid steer machine, a small walk behind excavator, and an excavator requiring a machine operator and related attachments.

District employees also told investigators that Eddie Ballard kept district-owned equipment on his personal property. Additionally, employees told investigators that they frequently performed other personal tasks for Ballard during their workweek, which they could not code their time specifically for in the payroll system.

Summary of Matthew Ballard’s Misappropriation for Work on Personal Property

Year	Total Per Year
2018	\$704.52
2019	\$5,913.64
2020	\$3,268.50
2021	\$3,847.00
2022	<u>\$4,847.61</u>
Total Misappropriation:	\$18,581.27

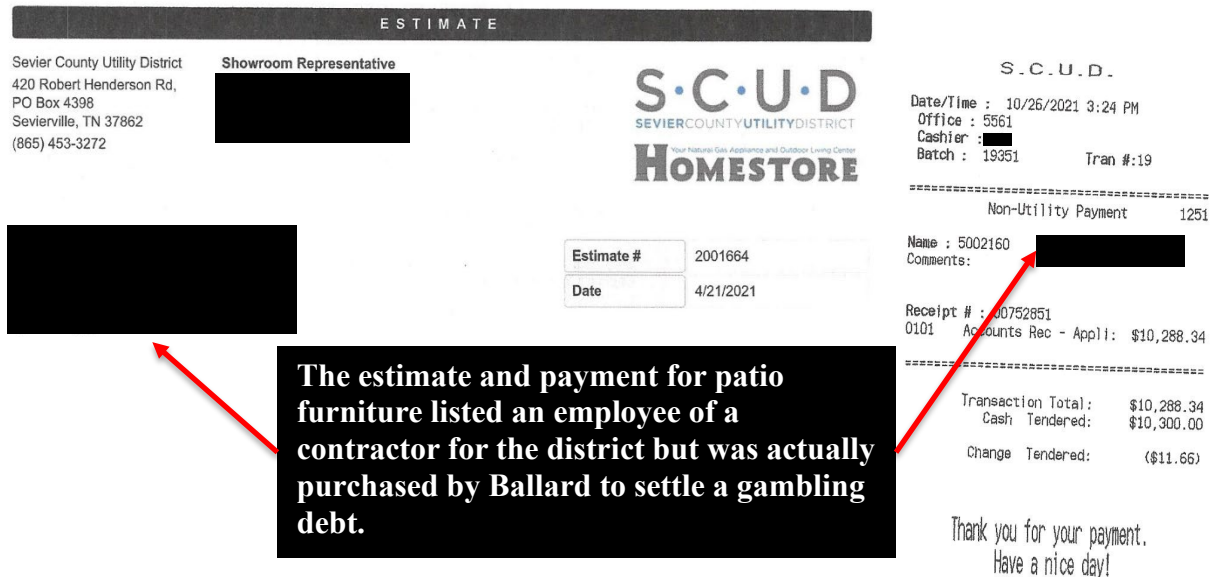
C. Former district president Matthew Ballard misappropriated \$4,241.56 for equipment used on his personal property

Former district president Matthew Ballard used district funds totaling \$4,241.56 to purchase a leaf and lawn vacuum with accessories used exclusively on his personal property. Additionally, district employees told investigators that Ballard had most trees removed from the district’s campus prior to the purchase of the leaf and lawn vacuum, and the district contracted with a landscaping company for all campus lawn maintenance.

2. FORMER DISTRICT PRESIDENT MATTHEW BALLARD INSTRUCTED A DISTRICT EMPLOYEE TO WRITE FALSE INFORMATION ON HOMESTORE CUSTOMER DOCUMENTATION

Former district president Matthew Ballard instructed a district employee to list a false purchaser on HomeStore customer documentation to disguise that he purchased patio furniture at cost to settle gambling debts (**See Exhibit 5**). The employee told investigators that Ballard asked for a 50% discount for the items, but the employee felt uncomfortable with the request, so the employee gave Ballard \$5,000 to help him pay for the patio furniture. The employee provided investigators with documentation showing that the employee withdrew \$5,000 the day before Ballard completed the purchase. The individual to whom Ballard owed gambling debts confirmed to investigators that Ballard gave him the patio furniture and other items to settle gambling debts.

Exhibit 5



ESTIMATE

Sevier County Utility District
420 Robert Henderson Rd,
PO Box 4398
Sevierville, TN 37862
(865) 453-3272

Showroom Representative
[Redacted]

S·C·U·D
SEVIERCOUNTYUTILITYDISTRICT
HOMESTORE
Your Natural Gas Appliances and Outdoor Living Center

Name: [Redacted]
Address: [Redacted]
City: [Redacted]
State: [Redacted]
Zip: [Redacted]

Estimate #	2001664
Date	4/21/2021

S·C·U·D

Date/Time : 10/26/2021 3:24 PM
Office : 5561
Cashier : [Redacted]
Batch : 19351 Tran #:19

Non-Utility Payment 1251

Name : 5002160
Comments: [Redacted]

Receipt # : 00752851
0101 Accounts Rec - Appl: \$10,288.34

Transaction Total: \$10,288.34
Cash Tendered: \$10,300.00
Change Tendered: (\$11.66)

Thank you for your payment.
Have a nice day!

The estimate and payment for patio furniture listed an employee of a contractor for the district but was actually purchased by Ballard to settle a gambling debt.

3. FORMER DISTRICT PRESIDENT MATTHEW BALLARD INTERFERED WITH THE INVESTIGATION

A. Former district president Matthew Ballard cleared data from his work-assigned devices

Investigators determined that Matthew Ballard attempted to conceal his misappropriation from the district by clearing data from his work-assigned devices. District board members told investigators that prior to the board meeting on January 25, 2023, they did not know that Ballard had misappropriated district resources. When questioned by the board, Ballard denied the allegations.

After the board meeting on January 25, 2023, Ballard began a leave of absence, but he was allowed to retain his work-assigned devices, including a

- laptop,
- cell phone,

- tablet, and
- smartwatch.

Ballard told district employees that he would not provide the electronics to the Comptroller's Office. Upon receipt of the electronics, Comptroller's Office computer forensics staff found that Ballard's work-assigned cell phone and tablet had been reset and cleared of all data.

B. Former district president Matthew Ballard directed a district employee to lie to the board

On January 25, 2023, the board received allegations that former district president Matthew Ballard used district funds to pay employees for work on personal properties. At 12:30 p.m., during the board's meeting, Ballard called a district employee and told the employee that if the board inquired about the times the employee worked on Ballard's personal property, the employee should say that he was paid in cash for those hours and did not claim time worked at the district. Ballard also warned that the employee should not "turn his back" on him and directed the employee to tell other employees who had performed work on Ballard's personal property to say the same.

Three district employees reported to investigators that between January 27, 2023, and February 1, 2023, were contacted by Ballard or his immediate family members.

4. FORMER DISTRICT PRESIDENT MATTHEW BALLARD AUTHORIZED AT LEAST \$1,704,876.11 IN QUESTIONABLE SPENDING OF DISTRICT FUNDS

A. Former district president Matthew Ballard authorized questionable payments of district funds totaling at least \$778,404.65 related to the electrical company that made kickback payments

Former district president Matthew Ballard authorized questionable payments totaling at least \$778,404.65 related to the electrical company that made kickback payments. District employees told investigators that Ballard instructed the employees to use one specific electrical company (as referenced in Finding 1) for most electrical work performed without seeking bids. The only electrical work for which the district sought bids was for the building of the district's employee center; however, contractors told investigators that Ballard had the electrical work bid separately from the other construction work of the project. Instead Ballard did not bid the electrical work, and chose the electrical company that made kickback payments to him for the project despite their offer not being the lowest offer. The district's purchasing policy states, "...if a bid is awarded to someone other than the lowest bidder, a memo shall be placed in the file stating the reason the winning vendor was selected over the low bidder. The person responsible for placing this document in the file is the President or President's Designee." Investigators did not locate any such memo in the district's files.

Additionally, investigators questioned payments to the electrical company that lacked adequate supporting documentation. 54 of 55 invoices submitted by the electrical company for payment did not include adequate supporting documentation, such as receipts that

support the district payment. Invoices submitted to the district for payment often did not list the work performed or only listed the work performed as "work as directed" or "as directed by owner." Invoices were sent directly from the electrical company to Ballard, then the invoices were approved for payment by Ballard without confirmation of work performed.

Investigators also identified questionable invoice charges, including,

- labor already paid on previous invoices,
- overcharged materials,
- labor and materials provided by district employees assisting the electrical company on the project, and
- lift rentals with a 20% mark-up charged to the district despite the fact that both the electrical company and the district owned lifts.

Ballard authorized invoices for payment without requiring adequate documentation that work was performed. The owner of the electrical company told investigators that he submitted invoices to the district for payment when Ballard requested money from him, not necessarily when work was performed.

According to the district's purchasing policy, the district is required to seek competitive bids for any contracts exceeding \$10,000 in individual or grouped purchases. During the scope of this investigation, the district paid \$937,102.50 to the electrical company from which Ballard received kickbacks. After excluding the misappropriation noted in **Finding 1**, investigators question all payments made to the electrical company that violated the district's purchasing policy.

Additionally, the district paid at least \$62.15 to mail payments overnight to the electrical company owner on at least three occasions without a documented reason for rushed payments. The owner of the electrical company told investigators that they would not pay Ballard kickbacks until payments from the district arrived. Ballard circumvented necessary internal controls surrounding payments to contractors to ensure he received kickbacks as quickly as possible.

B. Former district president Matthew Ballard authorized questionable payments of district funds totaling at least \$585,137.57 to a landscaping/construction company

Investigators determined that former district president Matthew Ballard authorized questionable payments totaling at least \$585,137.57 to a company that performs landscaping and construction work without seeking competitive bids for the work as required by district policy. The district paid the company to perform routine landscaping and build an equipment shed on the district campus. The district's purchasing policy requires the district president and board to seek competitive bids on items or groups of items costing \$10,000 or more. Without a proper bid, organizations have no way of determining the costs of the project or recourse for failures when specifications are not met. And with normal bids, costs are compared to determine best price for the project before awarding to a company.

C. Former district president Matthew Ballard authorized questionable payments of district funds totaling at least \$118,000 to a consulting firm

Former district president Matthew Ballard authorized at least \$118,000 in questionable payments to a consulting firm. Invoices submitted to the district for payment did not include adequate details, despite the consulting agreement outlining the scope of their services. Investigators' review of invoices from September 2017 to September 2019 revealed that most of the monthly billings were for the full contract amount rather than itemized charges for the specific services rendered. Furthermore, the limited details provided on the invoices merely documented broad tasks like representing the district at events, planning a vendor reception, and meeting with government officials, without including specific dates or scope of these activities. Additionally, an employee of the consulting firm told investigators that the district reimbursed the firm for the purchase of alcohol for events attended by district employees. Regarding the consumption of alcohol during work-related travel, the district's Employee Handbook states, "Alcoholic beverages are the responsibility of the employee and will not be reimbursed." The employee of the consulting firm told investigators that Ballard directed the firm to disguise the cost of alcohol in their invoices.

D. Former district president Matthew Ballard authorized questionable payments totaling at least \$76,684.48 for district credit and bank card purchases

Former district president Matthew Ballard authorized questionable payments totaling at least \$76,684.48 for district purchases. Of the \$76,684.48 in questionable spending, investigators determined that Ballard authorized purchases totaling at least \$51,075.34 on the district's credit card and authorized purchases totaling at least \$25,609.14 on the district's bank card.

Investigators identified numerous expenses that did not appear to benefit the district's ratepayers. Examples of questionable credit card purchases include local food purchases with no associated travel, birthday lunches for district employees, purchases related to golf trips taken by district employees, a firearm penalty due to Ballard carrying a handgun into an airport, a personal purchase made by Ballard after his personal credit card was declined, and a rideshare taken from Murfreesboro to Broadway, an entertainment and shopping area in Nashville. When investigators asked Ballard why he used district funds for the rideshare taken from Murfreesboro to Broadway, he replied, "We are not going to drive if we are drinking." Additionally, the vice president of finance's work-assigned credit card was used during official district travel to pay for rideshares to and from a strip club, and to and from a museum.

The district's Employee Handbook states, "Personal charges cannot be placed on the credit card."

Examples of questionable bank card purchases included at least 11 Apple Watches for upper management, Apple Watch accessories, AirPods, and birthday lunch expenses

charged to the bank card. Additionally, some bank card purchases lacked adequate supporting documentation. Therefore, investigators could not determine if the purchases were for the exclusive benefit of the district.

E. Former district president Matthew Ballard authorized questionable payments totaling at least \$7,174.41 for operating costs of a district vehicle

As noted in Section B of Finding 1, investigators determined that a district employee hauled rock and dirt to and from the home of Ballard in a district-owned dump truck. Investigators analyzed travel documentation and the LoadMan standard industry costs, and determined the minimum time and mileage used to haul rock and dirt for Ballard. Investigators question \$2,840.66 in time claimed by the district employee and \$4,333.75 for the use of the dump truck, totaling \$7,174.41.

F. Former district president Matthew Ballard authorized questionable payments totaling at least \$138,725 for advertising expenses

Former district president Matthew Ballard authorized questionable payments totaling at least \$138,725 for advertising expenses, including golf tournament registrations and a donation to a softball program at a college outside the district's service area.

Between January 2017 and April 2023, the district made questionable payments of at least \$118,725 for charity golf tournament registrations (not including the amount previously noted in Finding 3), most of which Ballard, other district employees, board members, and Ballard's father participated in. Golf registration records revealed that district employees played golf in charity tournaments frequently during their work hours for the district. The district also paid for golf tournament registrations of consultants, board members, immediate family members of board members, and retired district employee, Eddie Ballard. Investigators were not able to quantify the time claimed by district employees for golf tournaments, but confirmed that employees charged such time to the district. Golfing during working hours does not benefit the ratepayers. District employees told investigators that Ballard enjoyed golfing, which was reflected in Ballard's work calendar.

In 2019, the district also made a questionable payment totaling at least \$20,000 as a donation to the Athletics Initiative at a college outside the district's service area to support the softball team and to purchase a new scoreboard. Ballard's immediate family member played softball for the college at the time of the district's donation. Ballard signed an agreement with the college to provide the funds on the condition that the scoreboard advertise the district's HomeStore; investigators noted that while purchases from the HomeStore are not limited to residents of the district's service area, the college was located outside the district's service area for natural gas. Additionally, district employees told investigators that at least six district employees removed the old scoreboard and put up a new scoreboard. District employees drove work-assigned vehicles to and from campus and used a bucket truck and welding truck owned by the district for the removal and installation of the new scoreboard. As a result of the district's donation, Ballard was recognized by the college as a member of its President's Circle, the highest donor level for the school.

According to Attorney General Opinion 03-17, promotional efforts by public utilities may be considered a legitimate district expense if there is a likelihood that the expenditures will ultimately benefit the customers of the district by increasing system efficiency and lowering utility rates. Investigators could not identify a benefit to the district derived from donating money and the services of district employees and district equipment to various public and private organizations and institutions.

In addition, district employees may have performed work outside the scope of their governmental and proprietary functions. Any work performed outside the course and scope of governmental and proprietary functions increases the risk that the government tort liability act would not provide protection to the district in the event one of the employees was injured, someone else was injured, or damages occurred as a result of the work performed by the district employees.

G. Former district president Matthew Ballard used district facilities for a personal event with a rental value of \$750 at no charge

Former district president Matthew Ballard used district facilities for a personal event with a rental value of \$750 at no charge. Investigators determined that former district president Ballard used the employee center to host a holiday celebration on November 24, 2022, without paying to rent the space. The employee center is open to the public for rent at the cost of \$750 per day, and district employees do not receive a discount on facility rental fees. The district employee responsible for managing the employee center rental contracts told investigators that Ballard did not sign a rental contract or pay to use the space.

5. FORMER DISTRICT PRESIDENT MATTHEW BALLARD AUTHORIZED BROAD MISUSE OF DISTRICT-OWNED VEHICLES AND EQUIPMENT

District employees told investigators that district vehicles and equipment were often used for work on the personal properties of Matthew Ballard and Eddie Ballard. District employees who performed work on the Ballards' personal properties regularly used their work-assigned vehicles to commute to and from the Ballards' personal properties and used district-owned equipment to complete their work for the Ballards. District employees also told investigators that district equipment often sat on the Ballards' properties for long periods of time when not in use.

District employees told investigators that prior to the 2011 investigative audit of the district performed by the Comptroller's Office, Ballard allowed employees to take district-owned equipment off-campus for personal use. District employees stated that during the investigative audit, Ballard temporarily banned personal use of equipment, but eventually allowed personal use of equipment again as long as the person using the equipment received approval from the facilities manager. The Employee Handbook explicitly bans the use of district-owned vehicles for personal use, but regarding equipment, it states, "No employee, other than the operator, shall ride on any piece of equipment unless specifically authorized to do so. Operation of any Sevier County Utility District equipment without proper authorization is prohibited." The Employee Handbook does not

District equipment without proper authorization is prohibited.” The Employee Handbook does not provide further detail on the procedure for proper authorization and prohibits the personal use of equipment.

Multiple district employees admitted to investigators that they used district equipment for personal use. At least one employee admitted to using district equipment for personal use during work hours. One district employee told investigators that he hauled district equipment to and from personal residences for personal use during work hours using a work-assigned vehicle. District employees provided numerous examples of how they used district equipment for the benefit of the Ballards in addition to the labor described in Finding 1, including those listed below:

- District employees drove gravel in a district-owned single-axle truck to Maryville to spread on the driveway of one of Ballard’s immediate family members, then leveled the gravel using a district-owned unloader skid steer machine.
- District employees used a district-owned unloader skid steer machine and excavator to gather mountain boulders from the personal property of another district employee, then transported the boulders to Ballard’s personal property.
- Ballard and other district employees used a district-owned van almost exclusively for golf trips. At least four individuals told investigators that they either drove the van on golf trips with Ballard or witnessed the van being used for golf trips.
- District employees reported performing work on vehicles belonging to Ballard, Eddie Ballard, the immediate family members of Ballard, and a friend of Eddie Ballard.
- Ballard instructed at least six district employees to move furniture out of an immediate family member’s home and to store it on the district’s campus. (See Exhibit 6).

Exhibit 6



Items stored on the district campus that belonged to Ballard’s immediate family member

- On January 25, 2023, a district access card assigned to Eddie Ballard was used by an unidentified individual to enter the district’s campus after work hours to return a district-

employees also reported that they were instructed at times to go to Eddie Ballard's personal property and service the mower, including sharpening the blades.

Exhibit 7



Footage from the district's surveillance system of the return of the district-owned lawn mower

- A district employee told investigators that he worked on personal devices belonging to Ballard's immediate family.
- Ballard used his work-assigned computer to research backyard décor and to locate strip clubs he planned to visit while on work-related travel. Additionally, the vice president of finance and Information Technology manager used their work-assigned phones as personal phones. The district's Employee Handbook prohibits district employees from using work-assigned devices for personal use.

On January 15, 2025, the Sevier County Grand Jury indicted Matthew Aaron Ballard on one count of Bribery of a Public Servant and one count of Official Misconduct, and William Edgar Ballard on one count of Criminal Responsibility for the Conduct of Another.

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

[Sevier County Utility District Investigation Exhibit](#)

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed deficiencies in internal controls and compliance, some of which contributed to Ballard's ability to perpetrate his misappropriation without prompt detection. These deficiencies included:

Deficiency 1: The district's board failed to provide adequate oversight of district projects, management decisions, and financial operations of the district

The district's board failed in its fiduciary responsibility to ensure the best use of public funds for district projects and failed to provide adequate oversight of management decisions and financial operations. The board also failed to correct findings noted in the 2011 investigative audit report released by the Comptroller's Office.

The district's board did not provide adequate oversight of the district's operations and did not establish sufficient internal controls to ensure accountability of district funds. The lack of oversight by the board directly contributed to the failure to properly account for district funds. The district board should also ensure that audit and investigative findings are corrected.

Deficiency 2: The district's upper management structure disincentivized reporting questionable activity to the board

Investigators found that the district's vice presidents of finance, operations, and human resources reported directly to the district president during the period reviewed. The board should consider managing the hiring and oversight of the district's upper management instead of sole oversight resting with the district president. This would ensure that members of management would be able to report concerns about questionable practices or misappropriation by other upper management without fear for their jobs from the person to whom they report.

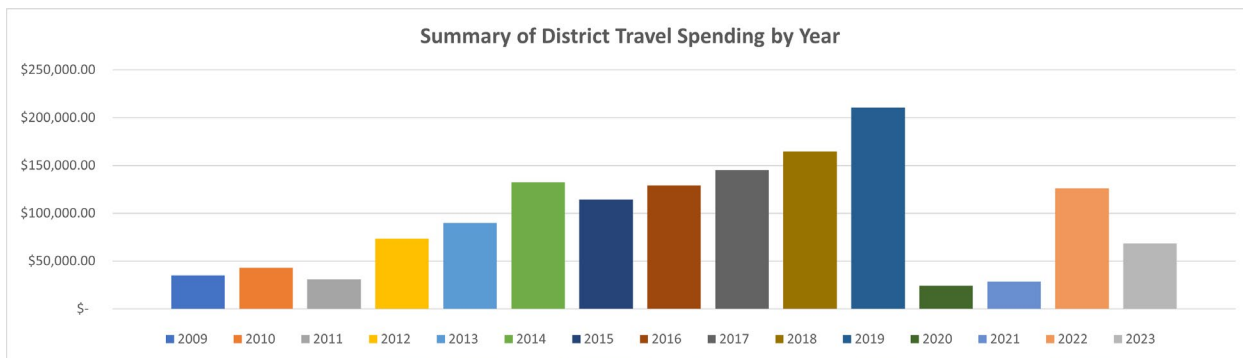
Deficiency 3: The district's vice president of finance routinely approved questionable expenses and did not report concerns to the district board

The district’s vice president of finance met with investigators prior to the leave of absence of former district president Ballard. Despite being aware of the ongoing investigation, the district’s vice president of finance did not tell investigators that he had concerns regarding spending at the district prior to Ballard’s leave of absence. Following Ballard’s leave of absence, the district’s vice president of finance told investigators that he had concerns regarding the district’s use of the electrical company and landscaping contractor, but he asserted that he had no other concerns regarding the district’s spending.

Payment records revealed that the district’s vice president of finance regularly approved payments to the electrical company, as well as other questionable expenses. The district’s vice president of finance also admitted to investigators that he had allowed district employees to charge personal expenditures to the district, then later reimburse the district for the charges, which he acknowledged to investigators should not have occurred. The district’s vice president of finance did not report his concerns regarding the electrical company, his approval or participation in questionable spending, or violations of the district’s purchasing policy to the board prior to the board’s inquiry and Ballard’s leave of absence.

Deficiency 4: The district’s travel budget grew over 400% in ten years and includes questionable expenditures of district funds

In 2009, a year that was included in the 2011 investigative audit of the district performed by the Comptroller’s Office, the audited travel expenses totaled \$35,161. By 2019, travel expenses had increased to \$210,534, a 498.7% increase from 2009. An analysis by year of audited travel expenses for July 1, 2016, to June 30, 2019, showed the combined travel cost for these 36 months was \$520,486 which averaged \$14,457.94 per month. Investigators reviewed the district’s American Express charges and determined that during the scope of the investigation, the district paid for employees to travel to various cities across the United States, including San Francisco, Seattle, St. Petersburg, Destin, Louisville, Charlotte, Orange Beach, Fort Myers, Cape Coral, and Phoenix. Management should review travel expenses to determine the necessary training needs for each of their employees.



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