



COMPTROLLER'S INVESTIGATIVE REPORT

Next Step Initiative, Tennessee

April 23, 2026

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

April 23, 2026

Next Step Initiative, Tennessee
611 Citico Street
Knoxville, TN 37921

Next Step Initiative, Tennessee Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Next Step Initiative, Tennessee, 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 6th 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", is written over a light blue horizontal line.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

Next Step Initiative, Tennessee

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to Next Step Initiative, Tennessee. The investigation was initiated after Next Step Initiative, Tennessee officials reported questionable activity. The investigation was limited to selected records for the period July 1, 2024, through March 7, 2025. The results of the investigation were communicated with the Office of the District Attorney General of the 6th Judicial District.

BACKGROUND



Next Step Initiative, Tennessee (NSI), located in Knoxville, Tennessee, was chartered in 2018 to improve the health and stability of individuals experiencing homelessness and substance use disorder by providing harm-reduction services, basic necessities, and connections to treatment and support resources. NSI is primarily funded by private donations and grants from state and private entities. On May 28, 2025, the Tennessee Opioid Abatement Council (OAC) concluded from a fiscal monitoring of NSI's OAC Community Grant for the months of July 2024, December 2024, and January 2025, that NSI must return \$47,312.04 due to overages of expenses and unallowable charges.

On July 1, 2024, NSI hired the former executive director, the founder's daughter-in-law, to oversee all financial duties. Although the founder occasionally signed checks, the former executive director controlled NSI's financial processes. The founder terminated the former executive director's employment on March 4, 2025. The former executive director retained possession of NSI checks and access to the NSI bank account until the account was closed on March 7, 2025.

RESULTS OF INVESTIGATION

1. INVESTIGATORS IDENTIFIED QUESTIONABLE DISBURSEMENTS TOTALING AT LEAST \$76,585.57

During the investigative period, investigators identified questionable disbursements from NSI funds totaling at least \$76,585.57, as follows:

A. Over-the-Counter Cash Withdrawals

Investigators identified questionable over-the-counter (OTC) withdrawals totaling \$17,083.91, including at least \$13,763.91 withdrawn by the former executive director. According to the former executive director, she withdrew cash to pay for out-of-town conference expenses and employee payroll prior to setting up new accounting software and receiving grant funds. Due to a lack of supporting documentation, investigators could not determine the signer of three OTC withdrawals (totaling \$2,320) or whether all OTC withdrawals were used for NSI purposes.

Summary of Questionable OTC Withdrawals		
Date	Amount	Signer
9/4/2024	\$ 4,200.00	Former Executive Director
9/11/2024	\$ 2,800.00	Former Executive Director
9/20/2024	\$ 20.00	Unknown
9/25/2024	\$ 2,000.00	Unknown
10/5/2024	\$ 6,763.91	Former Executive Director
12/30/2024	\$ 300.00	Unknown
2/22/2025	\$ 1,000.00	Founder
Total	\$ 17,083.91	

B. Reimbursements

The former executive director or the founder issued reimbursement checks to various employees totaling at least \$10,210.09. Although many of the checks included memo notations describing the purpose of the reimbursement, investigators found no supporting documentation for the payments. Therefore, investigators could not determine if the reimbursements were appropriate and for NSI purposes.

C. Digital Payment Service Transfers to Employees

The former executive director used digital payment services (DPS) to make questionable transfers from the NSI bank account to employees totaling \$8,183.72. This amount included \$4,671.72 transferred after the founder terminated her employment.

The former executive director's post-termination DPS transfers appeared to equal half of the February 2025 paychecks owed to the former executive director, her father (a former employee), and another former employee. The remaining half of the February 2025 compensation had been paid previously through payroll checks. One of the former executive director's DPS transfers was issued to her husband with a description stating it was for her February pay.

Due to a lack of supporting documentation, investigators could not determine the purpose of the DPS transfers or if they were payments for time worked. Employee compensation should be processed through an entity's payroll system to ensure sufficient tax withholdings and other

deductions. Timesheets and other documentation should be maintained to support payments to employees for work performed.

D. Paid Time Off Payouts

On March 6, 2025, and March 7, 2025, the former executive director made questionable payments to herself and two other former employees (including her father) totaling \$7,213 for paid time off (PTO) balances after the founder terminated her employment and the employment of two other employees. The former executive director made an OTC withdrawal and transfers from the NSI bank account using a DPS for the value of the employees’ PTO balances.

During the investigative period, NSI policy allowed employees to accrue 15 days of PTO annually to use for vacation, personal days, or illness. The former executive director provided investigators with text messages from the founder authorizing PTO payouts for one employee. Since there was no additional documentation for PTO payouts to the other employees, investigators question those payments. Additionally, NSI’s policy, provides that “Upon termination, employees will not be compensated for any accrued, unused PTO.” The former executive director signed the policy on July 9, 2024, confirming her review and acknowledgment of the NSI employment benefit policy. Employee PTO should be paid according to board approved policy and processed through an entity’s payroll system to ensure sufficient tax withholdings and other deductions.

Summary of PTO Payouts		
3/6/2025	DPS Transfer – Former Employee’s PTO Payout	\$2,136.00
3/6/2025	DPS Transfer – Father’s PTO Payout	\$923.08
3/7/2025	OTC Withdrawal – Former Executive Director’s PTO Payout	\$4,153.92
Total		\$7,213.00

E. Payroll Advance Checks

The former executive director or the founder wrote checks totaling \$2,900 for payroll advances to four different employees. The former executive director received \$2,000 of this amount; the remaining three employees each received \$300. Investigators found no supporting documentation for the payroll advances or policy authorizing them. Investigators could not determine whether the payments were for time worked or if the payroll advances were authorized by the board.

F. Education and License Renewal Expenses

The former executive director issued payments to an individual observer for her social work license hours and to a company for license renewal fees totaling \$2,523.75. NSI’s employee benefit policy states, “Reimbursement for education courses, seminars, or certifications must be approved by the employee’s supervisors prior to enrollment.” Investigators found a contract signed by the former executive director and the individual observer; however, there was no mention of NSI in the contract. Furthermore, investigators could not determine if the education

or license renewal expenses were approved by a supervisor or the NSI board. The former executive director paid the expenses directly from NSI funds and not as reimbursement.

G. Other Disbursements

The former executive director or the founder made other questionable disbursements totaling \$28,471.10. These included technology services, insurance, accounting and trust services, grocery, retail, restaurant, and travel expenses. Investigators found insufficient supporting documentation for these disbursements. Due to the lack of sufficient supporting documentation, investigators could not determine if all disbursements were for NSI purposes.

The table below summarizes the questionable disbursements.

Summary of Questionable Disbursements	
A. OTC Withdrawals	\$17,083.91
B. Reimbursements	\$10,210.09
C. DPS Transfers to Employees	\$8,183.72
D. PTO Payouts	\$7,213.00
E. Payroll Advance Checks	\$2,900.00
F. Education and License Renewal Expenses	\$2,523.75
G. Other Disbursements	\$28,471.10
Total	\$76,585.57

2. INVESTIGATORS COULD NOT DETERMINE NEXT STEP INITIATIVE, TENNESSEE BOARD MEMBERS OR EMPLOYEE TITLES AND RESPONSIBILITIES

Investigators reviewed NSI Tennessee Secretary of State documentation, available meeting minutes, and tax documentation, but could not determine NSI board members or employee titles and responsibilities during the investigative period.

Based on available records, the former executive director appears to have been hired by the founder as executive assistant and grant administrator. However, subsequent organizational and tax documents list the former executive director as both executive director and president. Investigators found few meeting minutes clearly documenting board membership or board decisions, including whether the board voted to promote the former executive director to executive director or president. Due to the lack of clarity regarding board membership, investigators could not determine if the founder had the authority to terminate employment or if the board formally terminated any NSI employees.

INTERNAL CONTROL DEFICIENCIES

Our investigation revealed deficiencies in internal control, some of which contributed to the investigative findings above. These deficiencies included:

Deficiency 1: Next Step Initiative, Tennessee officials failed to adequately segregate financial duties

NSI officials failed to adequately segregate financial duties. The former executive director was responsible for maintaining records, accounting, collecting funds, and disbursing funds. The former executive director had sole access to checks and debit cards during the investigative period. Management is responsible for designing internal controls to give reasonable assurance of the reliability of financial reporting and the effectiveness and efficiency of operations. Standard business practice dictates that one person should not have exclusive control over all financial duties of a transaction. Allowing one individual to have exclusive control over all financial duties increases the risk that fraud, waste, or abuse will occur without prompt detection.

Deficiency 2: Next Step Initiative, Tennessee officials failed to safeguard and maintain accurate records

NSI officials failed to maintain all meeting minutes, bank reconciliations, or supporting documentation for disbursements during the investigative period. Due to the lack of this documentation, investigators could not determine board members, employee titles and responsibilities, board actions, or whether all disbursements benefited NSI. The failure to maintain meeting minutes, bank reconciliations, and supporting documentation increases the risk that errors or misappropriations could occur without prompt detection.

Deficiency 3: Next Step Initiative, Tennessee officials did not require dual signatures on checks

NSI officials did not require dual signatures on checks during the investigative period. The former executive director and the founder were authorized signatories for the NSI bank account. Investigators found that all but two checks issued during the period were signed solely by the former executive director. Standard business practice dictates that organizations should have dual signatures on checks so that more than one individual verifies the appropriateness and reasonableness of check payments.

Next Step Initiative, Tennessee officials indicated that they have corrected or intend to correct these deficiencies.