



## COMPTROLLER'S INVESTIGATIVE REPORT

### City of Covington Fire Chief

*March 6, 2019*

**Justin P. Wilson**  
*Comptroller of the Treasury*



**DIVISION OF INVESTIGATIONS**



JUSTIN P. WILSON  
*Comptroller*

JASON E. MUMPOWER  
*Deputy Comptroller*

March 6, 2019

Mayor Justin Hanson and Board of Alderman  
City of Covington  
200 W. Washington Ave  
Covington, TN 38019

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the City of Covington Fire Chief, 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 25th 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**

## **CITY OF COVINGTON FIRE CHIEF**

### **BACKGROUND**

On April 5, 2018, the Comptroller's Office received a Fraud Reporting Form regarding allegations of financial improprieties by City of Covington Fire Chief Michael Naifeh. We performed an investigation of the suspected improper charges made to the City of Covington's credit card by the Fire Chief. The scope of the investigation covered the period February 1, 2018 through April 30, 2018.

It should be noted that on May 1, 2015, Mr. Naifeh signed a City of Covington Credit Card Agreement where Mr. Naifeh acknowledged the receipt of a city-owned credit card, agreed to comply with the city's credit card policies and procedures, and agreed that he would not use the credit card to make personal purchases for himself or others.

A finding and recommendation, as a result of our investigation, is presented below. This finding and recommendation has been reviewed with management. Also, this finding and recommendation has been reviewed with the district attorney general for the Twenty-Fifth Judicial District.

### **RESULTS OF INVESTIGATION**


#### **FINDING 1      **THE FIRE CHIEF IMPROPERLY USED THE CITY'S CREDIT CARD FOR HIS PERSONAL BENEFIT****

Our investigation disclosed that Fire Chief Michael Naifeh made four personal purchases using his city assigned credit card. In February 2018, Mr. Naifeh used the city's credit card to purchase: 1) two pairs of black umpire shoes from BP Athletics paid for via his personal PayPal account he linked to the city's credit card totaling \$172.80; 2) an umpire shirt and jacket from Sports Fan Outlet paid for directly on the website for \$87.47; 3) 13 items from JK Davis Officials Supplies (umpiring accessories, bags, belt, jacket, shirt, pants, and a hat) and paid for directly on the website for \$298.87; and 4) an Ultramailer (an email marketing software) which was ordered and paid for via the PayPal linked account for \$43.99 (see Exhibit 1). Mr. Naifeh disputed the fourth charge by

sending an email to the city's Senior Accountant stating the transaction was a scam. The Senior Accountant followed up with the credit card company regarding the transaction, and the credit card company stated they could not verify that the charge was a scam or verify that the transaction was not conducted by Mr. Naifeh. Therefore, the four personal transactions discovered on the city's credit card statement for Mr. Naifeh totaled \$603.13 as summarized in the following table. On April 3, 2018, Mr. Naifeh reimbursed the city \$603.13 from his personal funds. On April 5, 2018, the city mayor issued Mr. Naifeh a written reprimand for his actions.

Transaction Date	Description	Amount
2/19/18	PayPal - BP Athletics	\$ 172.8
2/19/18	PayPal - Ultramailer	43.99
2/20/18	Sportsfanoutlet.com	87.47
2/10/28	JK Davis Officials Supplies	298.87
<b>Total</b>		<b>\$ 603.13</b>

**Exhibit 1 – City Credit Card Statement**



Member FDIC

**BUSINESSCARD**

Account Number: XXXX XXXX XXXX 4880  
CITY OF COVINGTON  
Statement Closing Date: 03/18/18

**Summary of Account Activity**

Previous Balance		\$6,926.19
Payments	-	\$6,926.19
Other Credits	-	\$0.44
Purchases	+	\$9,055.63
Cash Advances	+	\$0.00
Other Debits	+	\$0.00
Fees Charged	+	\$0.00
Interest Charged	+	\$0.00
<b>New Balance</b>		<b>\$9,055.19</b>
Past Due Amount		\$0.00
Credit Limit		\$28,500.00
Available Credit Limit		\$19,444.81
Cash Advance Credit Limit		\$14,250.00
Available Cash Advance Credit Limit		\$14,250.00
Statement Closing Date		03/18/18
Days in Billing Cycle		28

**Payment Information**

New Balance	\$9,055.19
Minimum Payment Due	\$362.00
Payment Due Date	04/12/18

To avoid paying interest on purchases, pay your entire balance by the due date. Interest is imposed on cash advances from the Transaction Date.

**QUESTIONS?**  
Call Customer Service 1-800-844-2723  
Lost or Stolen Credit Card 1-800-844-2723  
Manage your account online at [www.bancorpsouth.com](http://www.bancorpsouth.com).  
Please send billing inquiries and correspondence to:  
PO BOX 3370, TUPELO, MS 38803

**Transactions**

Trans Date	Post Date	Reference Number	Description	Amount
03/02	03/02	7543991806100000000341	PAYMENT RECEIVED -- THANK YOU CITY OF COVINGTON TOTAL XXXX XXXX XXXX 4880 -\$6,926.19	-\$6,926.19
02/19	02/20	554295080508941148906799*	PAYPAL *BPATHLETICS 4029357733 CA	\$172.80
02/19	02/21	55429508051894151014951*	PAYPAL *ULTRAMAILER 4029357733 CA	\$43.99
02/20	02/21	0543684805130013787244*	SPORTSFANOUTLET.COM IN 913-239-0638 KS	\$87.47
02/20	02/21	55432668051200097662805*	INT IN *JK DAVIS OFFIC 330-5641082 KY	\$298.87

*Personal Charges*

We analyzed the invoices for BP Athletics, Sports Fan Outlet and JK Davis Officials Supplies. Our examination disclosed that all three orders were purchased with the city’s credit card intentionally. We also spoke with a representative from JK Davis Officials Supplies and obtained a copy of the transaction receipt for that order showing Mr. Naifeh’s name as the cardholder, the last 4-digits of the city’s credit card as the payment method, the amount of the transaction and the date and time the order was completed by Mr. Naifeh (see Exhibit 2).

**Exhibit 2 – JK Davis Officials Supplies Order Confirmation**



Transaction ID:	PG0142701609	Date & Time Stamp:	Feb 19th, 2018 07:20 pm
Payment Type:	Credit	Transaction Type:	Sale
Cardholder Name:	Michael Naifeh	Card Swiped:	No
Card Number:	...4898	Expiration Date:	xx/xx
Card Type:	MasterCard	Recurring:	No
Amount:	\$298.87	Batch ID:	914640332
AVS Cardholder Billing Address:	101 TN Ave	AVS Cardholder Billing Address Match:	No
AVS Cardholder Billing Zip Code:	38019	AVS Cardholder Billing Zip Code Match:	Yes
Response:	Approved	Card Security Code Match:	Yes
Security Features:	No	Authorization Code:	040149
Original Transaction ID:		Result Code:	0
Comment:	Order #13339 for mwnaifeh@bellsouth.net		
Commercial Card:	Yes	Fee:	(\$11.53)

During our interview on October 8, 2018, Mr. Naifeh admitted to maintaining possession of the city’s credit card in his wallet and making the purchases due to personal cash flow problems. He stated that he knew he would have the cash in a few weeks and therefore used the city's credit card to order the attire with the intention of paying the city back. However, he decided to wait until the credit card statement arrived to reimburse the city. Mr. Naifeh apologized for his actions, stating he never intended to break the public's trust. We met with the Assistant Fire Chief and the Secretary of the Fire Department on October 17, 2018, and both stated they were not aware of a PayPal account nor did they set up a PayPal account for the Fire Department.

**RECOMMENDATION**

Management should periodically remind those employees authorized to use a city credit card of the city's credit card policy and the users' responsibility to use the card in compliance with that policy. As a best practice, all city credit cards should be maintained in a secure designated location within each department when not in use.

On March 4, 2019, the Tipton County Grand Jury indicted Michael Naifeh on one count of official misconduct and one count of theft under \$1,000.

[City of Covington Fire Chief Investigation Exhibit](#)