



COMPTROLLER'S INVESTIGATIVE REPORT

Cumberland Pediatric Associates

May 15, 2020

Justin P. Wilson
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

May 15, 2020

Honorable Tom P. Thompson, Jr.
District Attorney General
119 South College Street
Lebanon, TN 37087

General Thompson:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of Cumberland Pediatric Associates, and the results are presented herein.

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

Cumberland Pediatric Associates

The Office of the Comptroller of the Treasury, in conjunction with the Tennessee Bureau of Investigation, investigated allegations of malfeasance related to Cumberland Pediatric Associates (CPA). The Comptroller's Office initiated the investigation after receiving a request for assistance from the District Attorney General of the 15th Judicial District related to questionable transactions. The results of the investigation were communicated with the Office of the District Attorney General of the 15th Judicial District.

BACKGROUND

In 2019, pursuant to *Tennessee Code Annotated* Section 8-4-209, the Office of the Comptroller of the Treasury was granted authority by the General Assembly to assist district attorneys general and the Tennessee Bureau of Investigation in the investigation of private funds if the Comptroller deems the investigation to be in the public interest.

In September 2019, the district attorney general of the 15th Judicial District requested Comptroller assistance with an investigation of a potential misappropriation of more than \$60,000 in funds belonging to CPA, a private pediatric medical practice in Lebanon, Tennessee.



CPA specializes in preventative care and acute care of children from birth to age 18. CPA, which also maintains an office in Gordonsville, serves pediatric patients in the Wilson and Smith counties area. CPA accepts TennCare insurance payments. The Comptroller found that assisting in the investigation would serve the public interest because the potential loss was substantial, and CPA accepts payments from TennCare.

RESULTS OF INVESTIGATION

- CHIEF OPERATING OFFICER EMILY GANNON MISAPPROPRIATED CPA FUNDS TOTALING AT LEAST \$513,302**

From January 2014 through August 2019, CPA Chief Operating Officer Emily Gannon misappropriated CPA funds totaling at least \$513,302. Gannon was responsible for issuing payroll payments by direct deposit to all CPA staff, including herself. Gannon manipulated the payroll process in multiple ways to obtain and conceal her fraudulent pay.

A. Gannon paid herself payroll payments of at least \$312,852 to which she was not entitled

Investigators found that Gannon, without the authority or knowledge of CPA's owner, fraudulently inflated CPA's bi-monthly payroll payments to herself. For example, in March 2015, Gannon gave herself a \$60,000 raise without the owner's knowledge or approval. Investigators found that during the period January 2014 through August 2019, Gannon paid herself at least \$312,852 to which she was not entitled, through the regular payroll process.

B. Gannon paid herself fraudulent bonuses totaling at least \$200,450

Gannon paid herself unauthorized bonuses totaling at least \$200,450, without the knowledge of the owner. For example, Gannon gave herself fraudulent bonuses of \$1,000 and \$14,700 in November 2014 and \$1,000, and \$13,700 in December 2014. [Refer to Exhibit 1.]

Exhibit 1

EMPLOYEE EARNINGS RECORD (Requested Check Dates 01/01/14 - 12/31/17)													
CHECK DATE	DESCR	HOURS, EARNINGS, AND REIMBURSEMENTS & OTHER PAYMENTS					WITHHOLDINGS						
		REGULAR HOURS	OVERTIME HOURS	REGULAR AMOUNT	OVERTIME AMOUNT	TOTAL EARNINGS	REIMB & OTHER PAYMENTS	SOC SEC + MED	FEDERAL TAX	STATE TAX	LOCAL TAX	OTHER	PX401 LN PMT
11/07	Salary			3269.23		4269.23		326.61	439.42				
	Bonus			1000.00									
11/21	Salary			3269.23		17969.23		1374.64	4618.08				
	Bonus			14700.00									
12/05	Salary			3269.23		4269.23		326.59	439.42				
	Bonus			1000.00									
12/19	Salary			3269.23		16969.23		795.43	4268.08				
	Bonus			13700.00									
QTR 4				52015.38		52015.38		\$ 2723.23	10643.84				

Gannon's November and December 2014 payroll, including bonuses

C. Gannon prepared and provided false Form W-2s

As Chief Operating Officer, Gannon also produced the employee federal Form W-2s for CPA. In that role, she prepared and placed in CPA records fraudulent Form W-2s that substantially reduced the annual compensation she took from CPA. For example, CPA payroll records show that Gannon received \$185,019.21 in wages in 2015, and her employer reference copy W-2 reflected that amount. [Refer to Exhibit 2.] Gannon produced a fictitious W-2 Copy B, which was to be filed with her personal federal tax return that underreported her wages by \$100,000. [Refer to Exhibit 3.]

Exhibit 2

Form W-2 Wage and Tax Statement 2015			EMPLOYER REFERENCE COPY - DO NOT FILE															
d Control number 0034-000000022-	Void	c Employer's name, address, and ZIP code CUMBERLAND PEDIATRIC ASSOCIATE 1029 WEST MAIN STREET SUITE M LEBANON TN 37087	Department of the Treasury - Internal Revenue Service OMB No. 1545-0008															
b Employer's identification number 62-1	a Employee's social security number 62-1	<table border="1"> <tr> <td>1 Wages, tips, other compensation 185019.21</td> <td>2 Federal income tax withheld 33571.84</td> </tr> <tr> <td>3 Social security wages 118500.00</td> <td>4 Social security tax withheld 7347.00</td> </tr> <tr> <td>5 Medicare wages and tips 185019.21</td> <td>6 Medicare tax withheld 2682.78</td> </tr> <tr> <td>7 Social security tips</td> <td>8 Allocated tips</td> </tr> <tr> <td>10 Dependent care benefits</td> <td>11 Nonqualified plans</td> </tr> </table>							1 Wages, tips, other compensation 185019.21	2 Federal income tax withheld 33571.84	3 Social security wages 118500.00	4 Social security tax withheld 7347.00	5 Medicare wages and tips 185019.21	6 Medicare tax withheld 2682.78	7 Social security tips	8 Allocated tips	10 Dependent care benefits	11 Nonqualified plans
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13 Statutory employee <input checked="" type="checkbox"/>	Retirement plan <input type="checkbox"/>	Third-party sick pay <input type="checkbox"/>																
12 See Instrs. for Box 12	14 Other	e Employee's name, address, and ZIP code EMILY C GANNON																
15 State	Employer's state I.D. No.	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name												

Actual 2015 Form W-2 for wages received by Gannon

Exhibit 3

Form W-2 Wage and Tax Statement 2015			Copy B, to be filed with employee's FEDERAL tax return															
d Control number 0034-000000022-	Void	c Employer's name, address, and ZIP code CUMBERLAND PEDIATRIC ASSOCIATE 1029 WEST MAIN STREET SUITE M LEBANON TN 37087	Department of the Treasury - Internal Revenue Service OMB No. 1545-0008															
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Gannon's Fabricated 2015 W-2

Summary of Misappropriation From CPA By Gannon

Method of Misappropriation	Amount
Fraudulent Regular Payroll	\$312,852
Fraudulent Bonuses	200,450
Total Unauthorized Payroll	\$513,302

CPA terminated Gannon's employment on August 17, 2019.

On May 12, 2020, the Wilson County Grand Jury indicted Emily Crabtree Gannon on one count of Theft over \$250,000, two counts of Forgery and one count of Criminal Simulation.

[Cumberland Pediatric Associates Investigation Exhibit](#)