



COMPTROLLER'S INVESTIGATIVE REPORT

Main Street, Lawrenceburg, Inc.

January 27, 2023

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

January 27, 2023

Michele Gantz, Executive Director
and the Board of Directors
Main Street, Lawrenceburg, Inc.
25A, Public Square
Lawrenceburg, TN 38464

Main Street, Lawrenceburg, Inc. Management:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of Main Street, Lawrenceburg, 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 22nd 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 line extending to the right.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

Main Street, Lawrenceburg, Inc.

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to Main Street, Lawrenceburg, Inc. The investigation was initiated in February 2021, after the Office of the Comptroller was made aware of potential financial misconduct with Main Street, Lawrenceburg, Inc. The investigation was limited to selected records from January 2013 through March 2019. The results of the investigation were communicated with the Office of the District Attorney General of the 22nd Judicial District.

BACKGROUND



Main Street, Lawrenceburg, Inc. (MSL), is a non-profit organization in Lawrenceburg, Tennessee. MSL was incorporated in 1989 and is primarily funded by contributions from the City of Lawrenceburg and the Lawrence County government. MSL’s mission is economic restoration and revitalization of historic downtown Lawrenceburg. MSL also became the custodian of the funds of the James D. Vaughan Quartet Festival (JDV) around 2008. The JDV was established in 1999 as a fundraising event to support the James D. Vaughan Museum, Inc., but the James D. Vaughan Museum, Inc. entity

was administratively dissolved by the Tennessee Secretary of State in 2001. The James D. Vaughan Museum itself has remained open and is located in the City of Lawrenceburg’s Municipal Complex building. Until 2019, MSL acted as the custodian of the JDV’s funds. JDV and MSL were each governed by separate boards; however, a member of MSL’s board was also active in JDV’s governance until approximately 2015. Afterwards, the only overlap between the two boards was the MSL Director, who maintained both the MSL and JDV accounts and met with each board separately. April Judkins served as the MSL Director, part-time, from mid-2012 until she resigned in early 2019. After Judkins’ resignation, management and control of the JDV were assumed by private interests. Presently MSL has a new director and board, and unofficially rebranded itself as Downtown Lawrenceburg in 2020.

RESULTS OF INVESTIGATION

- 1. MAIN STREET, LAWRENCEBURG, INC. DIRECTOR APRIL JUDKINS MISAPPROPRIATED MSL AND JDV FUNDS TOTALING \$12,488.72**

Main Street, Lawrenceburg, Inc. Director April Judkins misappropriated \$12,488.72 from the MSL and the JDV from November 12, 2015, through December 28, 2018. Judkins misappropriated these funds by issuing herself unauthorized paychecks, unauthorized reimbursements for cell phone bills, extra expense reimbursements, withdrawing cash for personal use, and issuing herself an unauthorized bonus as noted below.

A. Judkins issued herself unauthorized paychecks totaling \$9,016 from 2015 through 2018. Judkins' weekly payroll was increased to \$451.40 in 2014 and remained the same throughout her tenure at MSL (**Refer to Exhibit 1**); however, Judkins occasionally issued herself more than one weekly paycheck. These unauthorized paychecks were more than Judkins' approved MSL salary.

Exhibit 1

LAWRENCE COUNTY GOVERNMENT
OFFICE OF ACCOUNTS AND BUDGETS
202 DELLER STREET
LAWRENCEBURG, TN 38464
PHONE: (931) 766-4199
FAX: (931) 766-1595

Non-Profit Funding Checklist

Agency Main Street Lawrenceburg

Fiscal Year: 2016-2017

| | | |
|----|---|------------------------|
| 1. | Completed Application | <u>4-26-16</u> |
| 2. | Prior Year Budget | <u>\$51,530</u> |
| 3. | Beginning Cash Balances | <u>\$11,343.20</u> |
| 4. | Current Year Budget | <u>\$56,730</u> |
| 5. | Detailed Salary Schedule, if applicable | <u>\$451.40 weekly</u> |

CERTIFYING STATEMENT

I hereby certify that to the best of my knowledge and belief that the information with this request is accurate and that the attached budget was approved by our governing board on 4-27-16. The Board also agreed to allow Lawrence County officials to review the books and records of this agency should they so desire.

4-27-16
Date

April Judkins
Signature

Director
Title

Annual funding request completed by Judkins certifying her salary as \$451.40 weekly.

B. Judkins received six unauthorized cell phone reimbursements totaling \$540 from 2015 through 2018. Judkins was approved and entitled to receive one \$90 cell phone bill reimbursement per month throughout the duration of her employment; therefore, these additional payments were more than Judkins' authorized reimbursement amount.

- C. In 2018, on three occasions, Judkins issued herself a total of \$1,017.72 in reimbursements in excess of the amounts she spent. These reimbursements included overpayments on both the MSL and JDV accounts for personal purchases and conference related travel expenses for hotels and food.
- D. Judkins made a cash withdrawal of \$415 in October 2017 at MSL’s bank. Investigators noted the withdrawal ticket simply stated, “Main Street Lawrenceburg,” and the ticket was signed by Judkins. There was no documented business purpose on file to support this cash withdrawal.
- E. Judkins paid herself an unauthorized \$1,500 bonus from the JDV account in November 2018. Initially, there were insufficient funds in the JDV account to cover the check, so she withdrew \$2,000 in cash from the MSL account and deposited the funds into the JDV account to cover the bonus check. This effectively concealed the nature, amount, and source of the bonus payment from anyone reviewing MSL’s bank statements.

Judkins made these improper payments from both the MSL and JDV bank accounts. She concealed this information from both MSL and JDV personnel until a new MSL board treasurer eventually obtained bank statements and reported the suspicious payments to other board members on February 9, 2019.

| Summary of Misappropriation by April Judkins | | | | | | | | | | | | |
|--|-----------|-----------------|-----------|---------------|-----------|-----------------|-----------|---------------|-----------|-----------------|-----------|------------------|
| Year | \$ | A. | \$ | B. | \$ | C. | \$ | D. | \$ | E. | \$ | Total |
| 2015 | \$ | 451.40 | \$ | 180.00 | \$ | 0.00 | \$ | 0.00 | \$ | 0.00 | \$ | 631.40 |
| 2016 | | 3,611.20 | | 0.00 | | 0.00 | | 0.00 | | 0.00 | | 3,611.20 |
| 2017 | | 2,294.80 | | 180.00 | | 0.00 | | 415.00 | | 0.00 | | 2,889.80 |
| 2018 | | 2,658.60 | | 180.00 | | 1,017.72 | | 0.00 | | 1,500.00 | | 5,356.32 |
| Totals | \$ | 9,016.00 | \$ | 540.00 | \$ | 1,017.72 | \$ | 415.00 | \$ | 1,500.00 | \$ | 12,488.72 |

2. INVESTIGATORS IDENTIFIED QUESTIONABLE TRANSACTIONS BETWEEN THE MSL AND JDV ACCOUNTS TOTALING \$57,473.45

Investigators were advised by JDV and MSL board members that Judkins did not have authorization to pay MSL’s expenses with JDV funds or JDV’s expenses with MSL funds. However, one former MSL board treasurer told investigators that Judkins advised the MSL board that it was acceptable for the two entities to borrow funds from each other, and another former MSL board member stated that Judkins had mentioned a transfer between the two entities on one occasion that was to be promptly repaid to JDV upon MSL’s next receipt of government funding. The MSL board took no action to prohibit or question such transactions, and it also never took any action to verify that repayment had occurred. Investigators observed one note about a transfer in the December 2014 meeting minutes of the MSL board of directors. No other MSL board minutes or documentation mentioned or approved any transfers through the end of Judkins’ tenure at MSL in 2019.

Investigators analyzed transactions from both accounts and discovered questionable transfers between the MSL and the JDV as listed below. Neither the MSL nor JDV boards had been made aware of these transfers and payments.

- A. Judkins made nine transfers from JDV to MSL totaling \$11,800 that were then directly used to pay MSL debts. This included three transfers that were used to pay MSL’s payroll tax debts to the IRS in August 2016, August 2017, and July 2018 when MSL had insufficient funds to make the payments. Judkins affirmed to investigators that she made the transfers before making the payments to the IRS because she did not want the IRS to see that JDV was paying MSL’s tax debts.
- B. Judkins issued MSL payroll checks and reimbursements to herself from the JDV account 25 times totaling \$11,376.72.
- C. Judkins made at least 14 MSL purchases directly from the JDV account totaling \$5,940.35.
- D. Judkins’ purchases and transfers led to 15 overdraft and extended overdraft fees in the JDV account totaling \$562.
- E. Judkins diverted \$14,991.62 of JDV ticket revenue to the MSL account in September 2017.
- F. Judkins made two transfers totaling \$6,000 from MSL to JDV to cover insufficient balances in the JDV account. One was the \$2,000 transfer in November 2018 used to fund Judkins’ \$1,500 unauthorized bonus payment that was made from the JDV account.
- G. Judkins diverted \$2,000 of MSL’s funding allotment from the City of Lawrenceburg in June 2017 to JDV to conceal an overdrawn balance of over \$500 in the JDV account.
- H. Judkins transferred \$88,000 of a \$100,000 state grant reimbursement from MSL to JDV in 2017. She then paid \$83,197.24 of those funds to grant recipient business owners to whom the funds were due and left the remaining \$4,802.76 in the JDV account. Judkins told investigators that she was running low on MSL checks, and she made the transfer so she could use JDV checks instead.

| Summary of Questionable Transactions by April Judkins | | |
|--|-----------|------------------|
| Description | | Total |
| A. Transfer JDV funds to MSL to pay MSL bills | \$ | 11,800.00 |
| B. MSL paychecks/reimbursements from JDV account | | 11,376.72 |
| C. Direct MSL purchases from JDV account | | 5,940.35 |
| D. JDV overdraft fees | | 562.00 |
| E. Diverted JDV funds to MSL account | | 14,991.62 |
| F. Transfer MSL funds to JDV account | | 6,000.00 |
| G. Diverted MSL funds to JDV account | | 2,000.00 |
| H. Residual MSL grant funds transferred to JDV account | | 4,802.76 |
| Total | \$ | 57,473.45 |

Investigators reviewed JDV’s bank accounts, ticket sales numbers, and available expense documentation. That information indicated that JDV netted over \$5,000 of revenue per year from 2015-2018; however, due to the transfers between the accounts, this revenue was not reflected. Due to Judkins’ transfers and use of JDV funds for MSL expenses, as of January 1,

2019, the JDV account balance was \$167.11, and the MSL account balance was \$162.69. Judkins concealed this information from both MSL and JDV boards until a new MSL board treasurer eventually obtained bank statements and reported the suspicious payments to other board members on February 9, 2019.

3. CITY OF LAWRENCEBURG OFFICIALS WHO ALSO SERVED ON THE MAIN STREET, LAWRENCEBURG, INC. BOARD OF DIRECTORS FAILED TO REPORT SUSPICIONS OF UNLAWFUL CONDUCT TO THE COMPTROLLER OF THE TREASURY

Investigators reviewed February 9, 2019, email correspondence of MSL board members who were advised that Judkins had likely been overpaying herself. Two board members, who were also officials of the City of Lawrenceburg, subsequently met with Judkins, and permitted her to resign in lieu of being fired based on her actions. The officials also permitted Judkins to take the MSL office computer with her when she resigned as a condition of her separation. The officials did not disclose details of the meeting with Judkins with the full board and did not file any report with the Comptroller of the Treasury about Judkins' potential unlawful conduct.

According to Tennessee's *Local Government Instances of Fraud Reporting Act*, "A public official with knowledge based upon available information that reasonably causes the public official to believe that unlawful conduct has occurred shall report the information in a reasonable amount of time to the office of the Comptroller of the Treasury." Public officials are defined as persons "...elected or appointed to any office of a public entity." A reasonable amount of time "...shall not under any circumstances exceed five (5) working days." The two officials did not report the matter to the Comptroller of the Treasury.

Investigators discovered that in 2019, MSL was required to file amended tax returns with the IRS for multiple years after its new tax preparer informed the board of irregularities in past years' bank statements. The two former board members told investigators in 2022 that they never knew whether Judkins' conduct was unlawful. They affirmed that they permitted Judkins to take the MSL computer upon her resignation because Judkins stated she needed the computer for personal use. Judkins told investigators in 2022 that the MSL computer she took with her when she resigned was not a new computer when MSL bought it. She stated that it had since crashed and was inoperable, and she had disposed of it. Investigators could not verify this information.

On January 26, 2023, the Lawrence County Grand Jury indicted April Judkins for one count of Theft of Property over \$10,000 and two counts of Money Laundering Offenses.

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.

[Main Street, Lawrenceburg, Inc. Investigation Exhibit](#)

INTERNAL CONTROL DEFICIENCIES

The investigation revealed deficiencies in internal controls, some of which enabled Judkins to perpetuate her scheme without prompt detection. These deficiencies included:

Deficiency 1: The Main Street, Lawrenceburg, Inc. board of directors failed to provide adequate oversight of operations and finances

The board of directors did not provide adequate oversight of MSL's operations and did not establish internal controls to ensure accountability of funds. These failures include the following.

- A. Throughout Judkins tenure, she was the only person in-charge of the custody and recordkeeping of MSL's and JDV's funds. She approved purchases, signed checks, signed her own payroll checks, reviewed bank statements, and reported financial information at her own discretion. Bank reconciliations were never completed throughout her tenure, and no review of her work was conducted until early 2019. Permitting one employee to retain sole custody and recordkeeping of assets without any oversight permitted Judkins' scheme to continue without prompt detection.
- B. The board did not create or retain a personnel record for its sole employee, Director Judkins. There was no record documenting her hire date, starting salary, or approved changes or bonuses. There was no record of her beginning job duties or changes to those duties over the years. The board had no record documenting any review of Judkins' job performance. The board also did not maintain an equipment inventory of items she had in her custody. Inadequate recordkeeping and monitoring by the board permitted Judkins' scheme to continue without prompt detection.
- C. The board drafted a set of job responsibilities for Judkins in 2016 but did not enforce them. Those responsibilities included the preparation of GAAP (Generally Accepted Accounting Principles) financial statements on a quarterly basis and the maintenance

of timesheets for each pay period. The board's failure to ensure Judkins was complying with her job responsibilities permitted her scheme to continue without prompt detection.

- D. The two board members who permitted Judkins to resign in-lieu of termination and who did not report suspected unlawful conduct to the Comptroller of the Treasury also permitted her to take the office computer with her when she resigned. The two board members told investigators they decided to allow her to take the computer because Judkins asked them if she could take it. She told them she had been using the computer for personal matters and that she wanted to keep it. Judkins told investigators in 2022 that the computer had since crashed and was inoperable, and she had disposed of it. The board members' actions allowed for potentially relevant and useful evidence to be lost prior to the start of the investigation into the director's actions.

The board is responsible for ensuring that management designs and implements internal controls to give reasonable assurance of the reliability of financial reporting and the effectiveness and efficiency of operations. The board's failures permitted Judkins' scheme to continue without prompt detection.

Deficiency 2: The Main Street, Lawrenceburg, Inc. board of directors failed to establish policies to delineate the entity's responsibilities for the James D. Vaughan Quartet Festival

One of the founders of the JDV event was also a MSL board member, and that person was responsible for bringing the JDV under MSL's custodial umbrella. That person is now deceased. There is no documentation of when the consolidation occurred. Neither the JDV board nor the MSL board ever formally documented MSL's role over the JDV and its funds, and the undocumented arrangement continued for at least ten years until funds were so low that management and control of JDV had to be assumed by private interests. The failure by the JDV and MSL boards to formally define and document their relationship and establish proper policies and procedures for the use and monitoring of funds permitted the director's scheme to continue without prompt detection.

Main Street, Lawrenceburg, Inc. officials indicated that they have corrected or will correct these deficiencies.