



COMPTROLLER'S INVESTIGATIVE REPORT

Tennessee Department of Revenue

November 7, 2024

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

November 7, 2024

Tennessee Department of Revenue
Commissioner
Andrew Jackson Building
500 Deaderick Street
Nashville, TN 37242

Tennessee Department of Revenue Commissioner:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Tennessee Department of Revenue, 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 26th 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

Tennessee Department of Revenue

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Tennessee Department of Revenue. The investigation was initiated after Tennessee Department of Revenue officials reported suspected malfeasance. The investigation was limited to selected records for the period June 1, 2022, through October 31, 2023. The results of the investigation were communicated with the Office of the District Attorney General of the 26th Judicial District.

BACKGROUND



The Tennessee Department of Revenue (department) is the state's primary tax collection agency, administering more than 25 different taxes and fees. The department is comprised of seven divisions and employs over 800 people. The department's Collection Services Division (division) is charged with recovering taxes that are due but have not been remitted to the state. Division employees work directly with delinquent businesses and individuals to collect overdue taxes and protect against efforts to avoid payment.

Jeffery Wadding was hired as a Revenue Collections Officer (officer) with the department on March 17, 2019 and assigned to the regional office in Jackson, Tennessee. An officer's responsibilities include attempts to collect delinquent taxes through various methods including phone negotiations, serving levies, seizing and selling assets, and filing tax liens. When a taxpayer is unable to pay their tax bill or needs more time to pay in full, officers can offer payment plans and negotiate settlement offers. Wadding was dismissed from the department effective October 20, 2023.

RESULTS OF INVESTIGATION

1. FORMER REVENUE COLLECTIONS OFFICER JEFFERY WADDING IMPROPERLY RECEIVED AT LEAST \$34,131.47 IN WAGES AND EMPLOYER-PAID BENEFITS FROM THE TENNESSEE DEPARTMENT OF REVENUE

Between June 15, 2022, and October 6, 2023, former officer Jeffery Wadding received at least \$34,131.47 in improper payroll payments consisting of unearned salary compensation and employer-paid payroll benefits from the department as follows:

A. Wadding improperly received at least \$25,854.91 in unearned salary compensation from the department

As an officer, Wadding was eligible to work from his residence as an approved alternate worksite each day instead of being physically present in the department office. In October 2023, department officials became aware that Wadding was working at Prime Auto USA (dealership) instead of his approved alternate worksite. Wadding admitted to department officials that he had been working at the dealership for approximately a year. Wadding stated that during this time he had been performing his officer duties on his department-issued laptop while present at the dealership.

Investigators compared Wadding’s department timesheets with his dealership timesheets and found 287 days with an overlap of claimed work time where Wadding received compensation from both entities for the same hours, a practice called double-dipping. Wadding claimed to be working for both entities simultaneously for 1764 hours between June 15, 2022, and October 6, 2023. Wadding received \$42,678.95 in compensation from the department for these 1764 hours.

The chart below represents Wadding’s duplicate time reporting on October 12, 2022.

Department Timesheets		Dealership Timesheets		Overlap Time	Overlap Hours
Start Time	End Time	Start Time	End Time		
7:30 AM	4:00 PM	7:30 AM	6:07 PM	7:30 AM - 4:00 PM	7:30

Investigators analyzed user logs from the department's official software, Tennessee Registration and Reporting System (TR3), to determine the amount of time Wadding spent actively performing his officer duties while simultaneously working at the dealership. Wadding claimed to perform 37.5 hours of work each week for the department. However, the analysis revealed he only performed an average of 16.4 hours of work each week in TR3. Investigators determined Wadding was inactive in increments of 15 minutes or more for 60.58% of the time he claimed to be working for the department. Investigators applied this percentage to the compensation Wadding received from the department during the scope of the investigation and determined he received at least \$25,854.91 in unearned salary compensation from the department.

Summary of Jeffery Wadding’s Compensation from the Department	
Description	Amount
Compensation Received for Overlapping Hours	\$42,678.95
Percentage of Time Spent Inactive	60.58%
Total Unearned Salary Compensation	\$25,854.91

B. Wadding received unearned payroll benefits totaling at least \$8,276.56 for hours not worked

Wadding received payroll benefits totaling at least \$8,276.56 for time not worked during the 1764 overlapping hours outlined in Finding 1A above. This amount represents prorated matching employee benefits and payments for Social Security, Medicare, and Tennessee Consolidated Retirement Systems (TCRS) contribution costs that the department incurred.

Summary of Jeffery Wadding's Misappropriation	
Description	Amount
A. Unearned Salary Compensation	\$25,854.91
B. Unearned Payroll Benefits	8,276.56
Jeffery Wadding's Total Misappropriation	\$34,131.47

Wadding admitted to investigators that he performed some work for the dealership while on the clock for the department. Wadding stated that he would only spend about two hours a day performing his officer duties. Wadding claimed he had about five hours of downtime each day and he was just utilizing this downtime in a different manner than others by having a second job.

On October 28, 2024, the Madison County Grand Jury indicted Jeffery Wadding for one count of Theft of Property over \$10,000, one count of Destruction, Tampering, or Fabrication of Governmental Records, and one count of Official Misconduct.

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.

[Tennessee Department of Revenue Investigation Exhibit](#)

INTERNAL CONTROL DEFICIENCY

Our investigation revealed a deficiency in internal controls which contributed to Wadding's ability to perpetrate his misappropriation without prompt detection. This deficiency included:

Deficiency 1: The department policy on Alternative Workplace Solutions is inadequate

The department adopted the Tennessee Department of Human Resources (DOHR) Policy 14-001 Alternative Workplace Solutions (policy) which provides employees the opportunity to work at a place other than their regularly assigned office location, such as a residence or alternate approved worksite. In October 2020, the department released the Agency Alternative Workplace Solutions Guidelines (agency guidelines) as a supplement to the policy. Investigators reviewed the policy and agency guidelines and found the following deficiencies:

- Per the policy and agency guidelines, the employee is required to submit a form listing the address of their alternate worksite for approval from division officials. However, there is no written instruction notifying an employee they must provide an updated address if their alternate worksite changes.
- The policy and agency guidelines do not require any verification that the hours worked by the employee were performed at the approved alternate worksite.

Wadding received approval for his residence to be his approved alternate worksite. Failure to require an updated address when changing his alternate worksite or verifying Wadding was physically working at his approved alternate worksite contributed to his misappropriation. Investigators recommend that the department adopt a policy addressing this deficiency to reduce the risk of improper payroll payments being disbursed to employees.

Department officials indicated that they have corrected or intend to correct this deficiency.
