Fraud: PSAs & Cautionary Tales

Jimmy Stewart, CFE

CCFO & CMFO Training 2026

Fall 2026 –Knoxville

TENNESSEE COMPTROLLER OF THE TREASURY

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Disclaimer

- This presentation represents the thoughts and opinions of the presenter. It does not necessarily represent the thoughts or opinions of the Tennessee Comptroller of the Treasury, the State of Tennessee, or anyone else.

TENNESSEE COMPTROLLER OF THE TREASURY

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My Mistakes

- Any factual errors are unintentional and are entirely the fault of the presenter.

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CCFO & CMFO Training 2026

- Thanks for having me!
  - 75 minutes…
    - Grab your caffeine!





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Your Backgrounds

- County and Municipal Accounting and Financial Professionals in Tennessee.
  - Keep the lights on.
  - Keep the employees paid.
  - Keep records in order.
  - And so much more!

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Your Backgrounds

- County and Municipal Accounting and Financial Professionals in Tennessee.
  - No matter the size…
    - Diverse.
    - Complex.
    - Dynamic.

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My Background

- Student (Accounting)
- Legislative Auditor
- Investigator
- Senior Investigator

DALTON STATE

THE UNIVERSITY OF TENNESSEE CHATTANOOGA

TENNESSEE COMPTROLLER OF THE TREASURY | State Audit

TENNESSEE COMPTROLLER OF THE TREASURY | Investigations

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Division of Investigations

INVESTIGATIVE TEAMS & JUDICIAL DISTRICTS

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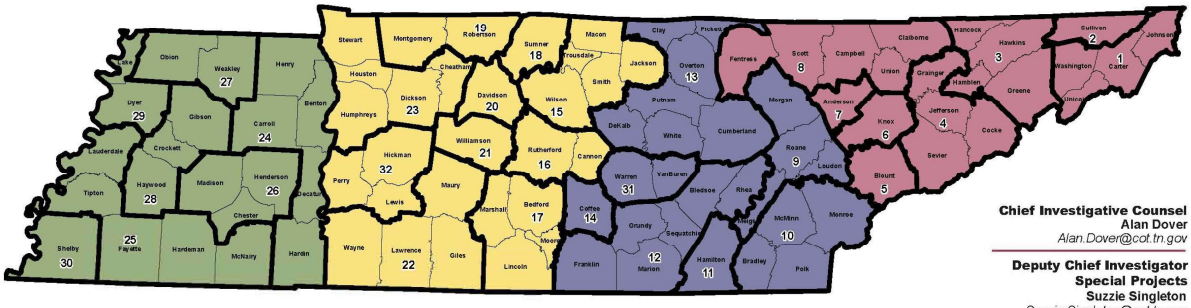
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ATTORNEYS GENERAL BY DISTRICT

1 • Steve Finney
2 • Barry Staubus
3 • Dan Armstrong
4 • Jimmy Dunn
5 • Ryan Desmond
6 • Charme Allen
7 • Dave Clark
8 • Jared Effler
9 • Russell Johnson
10 • Stephen Hatchett
11 • Coty Wamp
12 • Courtney Lynch
13 • Bryant Dunaway
14 • Craig Northcott
15 • Jason Lawson
16 • Jennings Jones
17 • Robert Carter
18 • Thomas Dean
19 • Robert Nash
20 • Glenn Funk
21 • Stacy Edmonson
22 • Brent Cooper
23 • Ray Crouch
24 • Neil Thompson
25 • Mark Davidson
26 • Jody Pickens
27 • Colin Johnson
28 • Frederick Agee
29 • Danny Goodman, Jr.
30 • Steve Mulroy
31 • Matthew Colvard
32 • Hans Schwendimann

Effective September, 2, 2026

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My Job

- Senior Investigator
  - Leads investigative teams and reviews work for completeness and accuracy.
  - Train and guide investigators; serve as a subject-matter expert
  - Plan, conduct, review, and document complex investigations, including interviewing witnesses and subjects; analyze records, laws, and regulations while preparing case files, summaries, and reports, and communicating findings

My Job

- More and more frequently, I'm seeing this allegation:
  - The office was contacted by [employee/vendor] and instructed to change the bank account information for [payroll/vendor payments].
  - Later, [employee/vendor] contacted the office and stated [employee/vendor] never got paid.
  - AKA…

Public Service Announcement

- Business Email Compromise.
  - Note: Could also happen via call, etc.
- Best advice?
  - Don't trust and always verify.

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Public Service Announcement

- Losses can be brutal!

TBI agents began investigating the scheme earlier this year, after receiving information from the victim organization, which reported losses of more than $26 million. Following a thorough investigation, agents identified a man, Wilbert Cannaday (DOB 10/18/1960), as a participant in the scheme, which involved a coordinated effort to convince at least two employees of the organization to change bank routing information and fraudulently divert payments.

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Public Service Announcement

- Losses can be brutal!
  - Even when it's not $26 million – how many of your employees can afford to miss a check?
    - Do you want to be the one responsible for the mess?



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Public Service Announcement

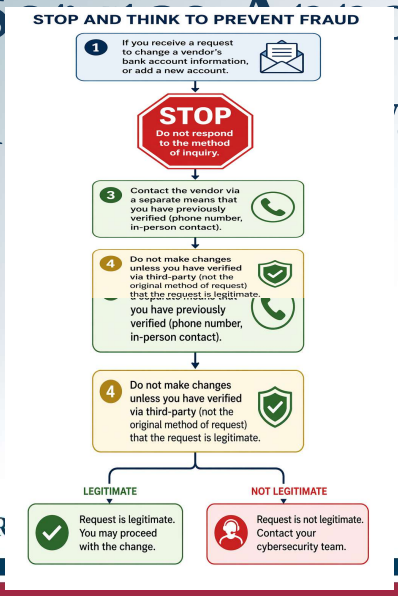
- Stop. Think. Don't Act. Don't Comply.
  - Always perform at confirmation INDEPENDENT of the request.
    - Contact the vendor or employee on your own to verify these requests.
    - Don't act until you've completed that verification.
    - Talk to someone else about it.

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Public S… …ouncement

- Look mom … …ork!



TENNESSEE COMPTROLLER

TENNESSEE COMPTROLLER OF THE TREASURY

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Session Objectives

- Provide a useful PSA.
- Discuss takeaways from a recent COT case.
  - Cautionary tale (1) of what can happen without internal control.

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Session Objectives

- Via COT Case Studies…
  - Follow the COT's investigative process.
  - Cautionary tales (2) and (3) of how a lack of internal control/oversight can devastate an organization.

Investigative Process

- Receive and assess an allegation.
- Obtain records.
- Talk to people.
- Analyze records.
- Talk to subject.
- Summarize.
- Report.

Cautionary Tale #1

- Caveat:
  - This investigation is complete and the report has been released.
  - The case has not been fully adjudicated.
    - Can't fully discuss it in this presentation.

Cautionary Tale #1

- Shelbyville,
  - Bedford Co



Cautionary Tale #1

- Where did we start?
  - An allegation…
    - City employee was observed via security video manipulating cash after hours.
    - Video footage only lasts one week, but it doesn't seem to be an isolated incident.
    - Suspended with pay.

Cautionary Tale #1

- Subject of allegation: Lilia Torres.
  - Working at City PD for 14+ years.
  - Started in Dispatch.
  - Worked as Clerk in Admin Office 10+ years.
    - Collect and process payments for citations issued by PD.

Cautionary Tale #1

- Torres' job duties included:
  - Collect citation money (cash)
  - Enter collections into system



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Cautionary Tale #1

- Torres' job duties included:
  - Complete internal city deposit logs.
  - Submit deposit $ to city for actual deposit into bank.



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Cautionary Tale #1

- Frequency which deposits required:
  - No rule enforced at Torres' department.
  - Never any exceptions with paperwork/deposits being unbalanced.



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Cautionary Tale #1

- Who prepared deposits or entered payment data when Torres was absent?
  - Nobody.



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TENNESSEE COMPTROLLER OF THE TREASURY

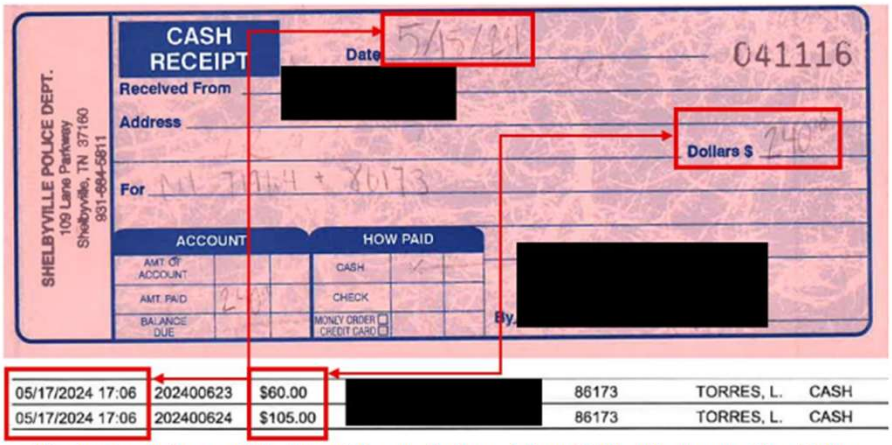
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Cautionary Tale #1

- Without any oversight, Torres:
  - Collected cash.
  - Marked citations as dismissed.
  - Retained payments for personal benefit.
    - Full and partial.
  - Remitted for deposit at her convenience.

Cautionary Tale #1

Exhibit 1



The top image is a carbon copy of the receipt issued for a $240 cash payment for citation 86173 on May 15, 2024. The bottom image shows the entry of payment into the computerized cashiering system for only $165, in cash, by Torres. The entry was made two days after payment was received and after working hours.

Cautionary Tale #1

- Torres:
  - Misappropriated at least $23,382
  - Scope: January 3, 2023, through September 8, 2025.
  - Issued receipt, altered amount owed/dismissed citation, retained funds, prepared deposit for only payments not misappropriated.

Cautionary Tale #1

- Torres:
  - Was more misappropriated?
  - Did the scheme go back further?
  - Surely so!
    - Torres was observed removing receipt books when she was suspended (surveillance video).

Cautionary Tale #1

- Torres was indicted on August 17th:
  - One count of theft over $10,000.
  - One count of Official Misconduct.
  - One count of Destruction of Gov't Records.
  - One count of Tampering with Evidence.

Cautionary Tale #1

- Public Service Announcement:
  - Failing to enforce the three-day deposit rule gives thieves more time to conceal their schemes.
  - Handwritten receipts should be retired, BUT un-numbered receipts are NOT allowed.

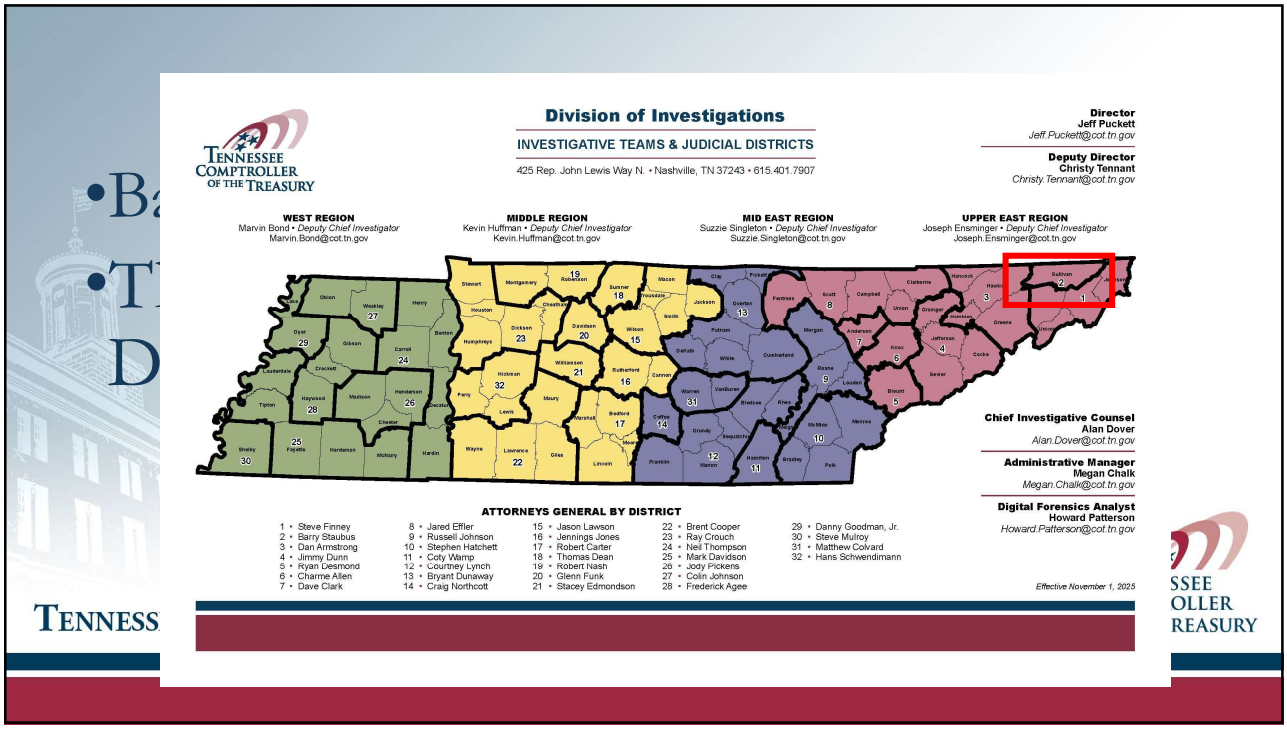
Cautionary Tale #1

- Public Service Announcement:
  - Failing to separate incompatible duties enables thieves to conceal their schemes.

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Cautionary Tale #2 Disclaimer

- This particular case was anything but linear and straightforward.



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Cautionary Tale #2

- Two Entities one location
  - Bays Mountain Park & Planetarium
  - Bays Mountain Park Association

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Bays Mountain Park & Planetarium – Case Study

Bays Mountain Park & Planetarium - Background

- 3,750-acre nature preserve owned and operated by the City of Kingsport, Tennessee
- Features a 44-acre lake, planetarium, and multiple animal habitats used for community programs and recreation
- Kingsport funds BMPP through parking and program fees and provides a computer system.

Bays Mountain Park & Planetarium – Case Study

Bays Mountain Park Association - Background

- 501(c)(3) non-profit organization
- Established in 1971 when the park opened
- provides BMPP with volunteer and financial assistance through memberships, donations, and gift shop purchases.

Bays Mountain Park & Planetarium – Case Study

- City officials submitted a fraud reporting form in January 2022 and alleged
  - New employee noticed cash collection report changed
  - Routine use of white out
  - Cash reports changed
  - Cash lowered before deposit submitted to city hall

Bays Mountain Park & Planetarium – Case Study

Mark Kilgore - Background

- August 1, 2010, Mark Kilgore became a Park Ranger at BMPP
- On June 29, 2020, Kilgore became the Program Coordinator at BMPP where he was responsible for BMPP finances
- On January 28, 2022, the city placed Kilgore on administrative leave.
- On February 23, 2022, the city terminated Kilgore's employment at BMPP

Bays Mountain Park & Planetarium – Case Study

Investigative Focus

- Understanding the Procedures
- Obtaining and analyze records
- Interviewing Employees
- Interviewing Kilgore

Bays Mountain Park & Planetarium – Case Study

- Entrance Fees
  - Standard Vehicle
  - Buses and Larger Vehicles
- Public Program Fees
  - Planetarium Theater
  - Barge Rides
  - Specialty Programs
- Memberships
  - Individual
  - Family
  - Supporting
  - Lifetime
- Gift Shop
  - T-shirts
  - Souvenirs

Bays Mountain Park & Planetarium – Case Study

Gate House Procedures

- Charge for regular vehicle parking
- Enter the transaction into the eTraks system. Each employee had their own username
- End of shift
  - Record cash and card totals on the deposit slip, first shift on the left side, second shift on the right side, with total deposit in the middle
- Cash is transported in a locked bag to the nature secretary's lock box for deposit

Bays Mountain Park & Planetarium – Case Study

Deposit Procedures

- Cash transported in a locked bag
- Placed in the nature center secretary's lock box
- Key to the lock box and locked bag accessed by multiple individuals

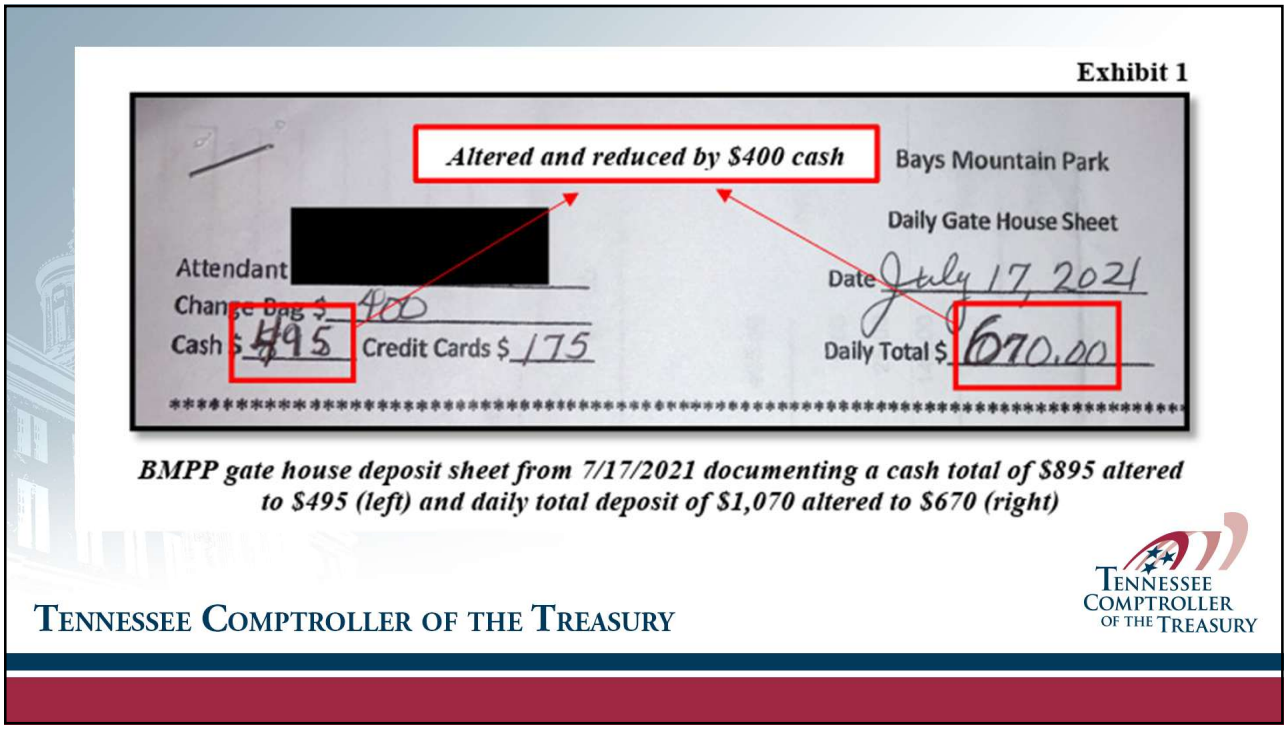
Bays Mountain Park & Planetarium – Case Study

- Obtain records:
  - Electronics
    - Bays Mountain Park computers
    - Bays Mountain Park thumb drives
    - City of Kingsport case file thumb drive
  - eTraks reports
    - Operator Reports
    - Voids with Time Stamps
  - Gatehouse deposit forms
  - Kilgore Timesheets

Bays Mountain Park & Planetarium – Case Study

Analyze the Records

- Review the physical deposit sheets
  - Correctional fluid alteration
  - Pen alterations
  - 273 out of 361 contained alterations!



BMPP gate house deposit sheet from 7/17/2021 documenting a cash total of $895 altered to $495 (left) and daily total deposit of $1,070 altered to $670 (right)

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Bays Mountain Park & Planetarium – Case Study

Analyze the Records

- Analyzed eTraks
  - Retired employee voiding transactions
  - Several current employees voiding transactions

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Exhibit 2

V139452	07/17/2021 09:06	Pay, Cash	Voided	BMP215246	-15.00 [redacted]
V139453	07/17/2021 09:41	Pay, Cash	Voided	BMP215252	-10.00 [redacted]
V139454	07/17/2021 09:57	Pay, Cash	Voided	BMP215262	-15.00 [redacted]
V139455	07/17/2021 10:33	Pay, Cash	Voided	BMP215271	-10.00 [redacted]

Retired BMPP Employee's Username

Four ($50) of 32 ($400) voided 7/17/2021 cash receipts, which listed a retired BMPP employee's username

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Bays Mountain Park & Planetarium – Case Study

Analyze the Records

- Digital forensic analysis of two desktop computers
  - Documented multiple voided gate house transactions
  - Contained URLs identifying
    - Voids
    - Logged user
    - Transaction code.

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Exhibit 3

Date	Time	URL
7/19/2021	12:46:26 AM	https://etrak-ne1.com/etrak/jsp/shoppingcart/ReceiptForVoidList.jsp?btnReceiptNumberList=Void&receiptNumber=BMP215246
7/19/2021	12:48:10 AM	https://etrak-ne1.com/etrak/jsp/shoppingcart/ReceiptForVoidList.jsp?btnReceiptNumberList=Void&receiptNumber=BMP215252
7/19/2021	12:49:08 AM	https://etrak-ne1.com/etrak/jsp/shoppingcart/ReceiptForVoidList.jsp?btnReceiptNumberList=Void&receiptNumber=BMP215262
7/19/2021	12:50:03 AM	https://etrak-ne1.com/etrak/jsp/shoppingcart/ReceiptForVoidList.jsp?btnReceiptNumberList=Void&receiptNumber=BMP215271

Computer data documenting the 7/17/2021 cash receipts (in Exhibit 2) were voided on 7/19/2021 outside of normal work hours

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Exhibit 4

URL	Source
Number=BMP215246	BaysMountainPark2023_Dell_SN_BQ2K9Z2.E01 - Partition 3 (Microsoft NTFS, 236.73 GB) OS\Users\kilgore\AppData\Roami
Number=BMP215252	BaysMountainPark2023_Dell_SN_BQ2K9Z2.E01 - Partition 3 (Microsoft NTFS, 236.73 GB) OS\Users\kilgore\AppData\Roami
Number=BMP215262	BaysMountainPark2023_Dell_SN_BQ2K9Z2.E01 - Partition 3 (Microsoft NTFS, 236.73 GB) OS\Users\kilgore\AppData\Roami
Number=BMP215271	BaysMountainPark2023_Dell_SN_BQ2K9Z2.E01 - Partition 3 (Microsoft NTFS, 236.73 GB) OS\Users\kilgore\AppData\Roami

Further computer data (continued from Exhibit 3) identifying the computer user as "kilgore" voiding the 7/17/2021 cash receipts

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Bays Mountain Park & Planetarium – Case Study

Analyze the Records

- Kilgore Timesheets
  - Forty-three days of voids occurred between 8:41 pm and 1:44am
  - Collected and/or deposited cash on 361 days
  - Kilgore worked or had access on 334 of those days

Bays Mountain Park & Planetarium – Case Study

Four Buckets of Missing Cash

- Bucket 1 - $15,505 –
  - Deposit sheets had physical manipulation that matched eTraks voids and were voided using a retired employee's access on Kilgore's computer
- Bucket 2 - $15,865 –
  - Deposit sheets had physical manipulation that matched eTraks voids and were voided using current employees' access on Kilgore's computer

Bays Mountain Park & Planetarium – Case Study

- Bucket 3 - $13,655 –
  - Transactions were voided using retired or current employees' usernames from a computer, but the gatehouse deposit sheet manipulation did not match the voids.
  - Some gate house deposit sheets did not have visible manipulation, but unsupported voids still occurred in the eTraks system.
- Bucket 4 - $5,595 –
  - Other issues noted

Bays Mountain Park & Planetarium – Case Study

- Interviewed current and retired employees and confirmed the following:
  - Kilgore primarily used his computer; two other employees sparingly used the computer, but with their own access information
  - Only Kilgore accessed his computer using his login information
  - Kilgore was the last employee to control the deposit sheets
  - Kilgore had access to the retired employees' access information
  - Kilgore assisted employees with password resets
  - Kilgore was frequently at the park after hours and during nonscheduled workdays

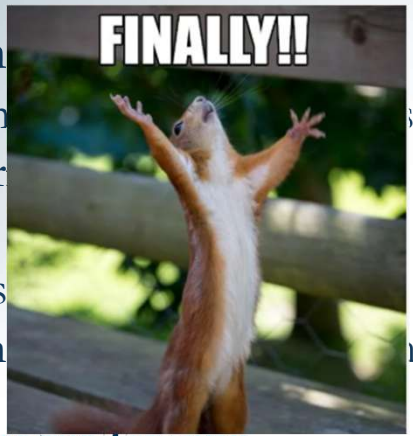
Bays Mountain Park & Planetarium – Case Study

Kilgore's Misappropriation

- Alter cash collection totals with correctional fluid or pen
- Removed cash from the locked bag.
- Voided cash receipts in the city's computer system
  - Primarily used the login information for other park employees
  - Primarily made voids using his work computer
- Resulted in deposit sheets to match system daily collection

Bays Mountain Park & Planetarium – Case Study

- Tracking down
  - Multiple phon sages
  - Hard Rock Br
  - Business card
  - Repeated calls and follow-ups
  - Confirmed an ns



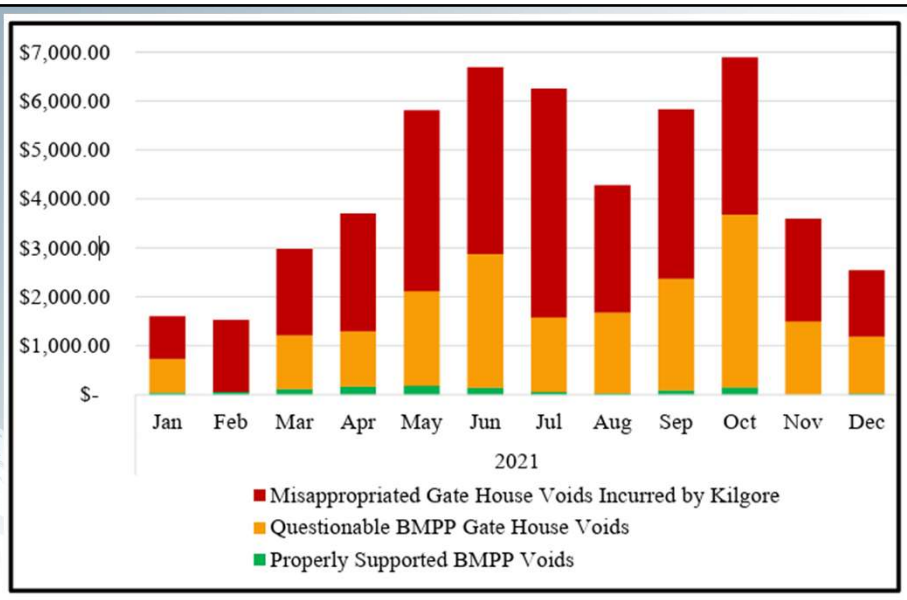
Bays Mountain Park & Planetarium – Case Study

- Interviewed Kilgore via Teams and confirmed
  - Kilgore had extensive knowledge and access to the cash handling closing procedures
  - Kilgore verified that he did not share his computer or system access information
  - Kilgore stated the City of Kingsport did not have policies and procedures for computer access
  - Kilgore stated changes would be made in the system under his computer username and on the deposit sheet to match the amounts and fix errors in the system
  - Kilgore stated changes would be made in the system using his access to match amounts and fix errors

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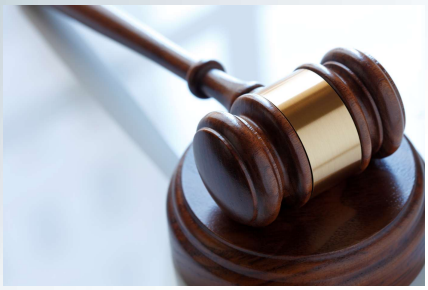
- What led to these issues?
  - Financial duties were not adequately segregated
  - Employees' computer and receipt system login information was not adequately supervised
  - Kingsport officials failed to ensure funds were deposited within three days of collection

Bays Mountain Park & Planetarium – Case Study

Public Service Announcements

- Failing to separate incompatible duties enables thieves to conceal their schemes.
- Failing to safeguard employee login credentials opens the door to unauthorized transactions and makes it harder to identify who is responsible.
- Failing to enforce the three-day deposit rule gives thieves more time to conceal their schemes.

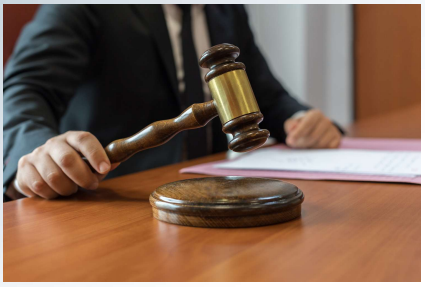
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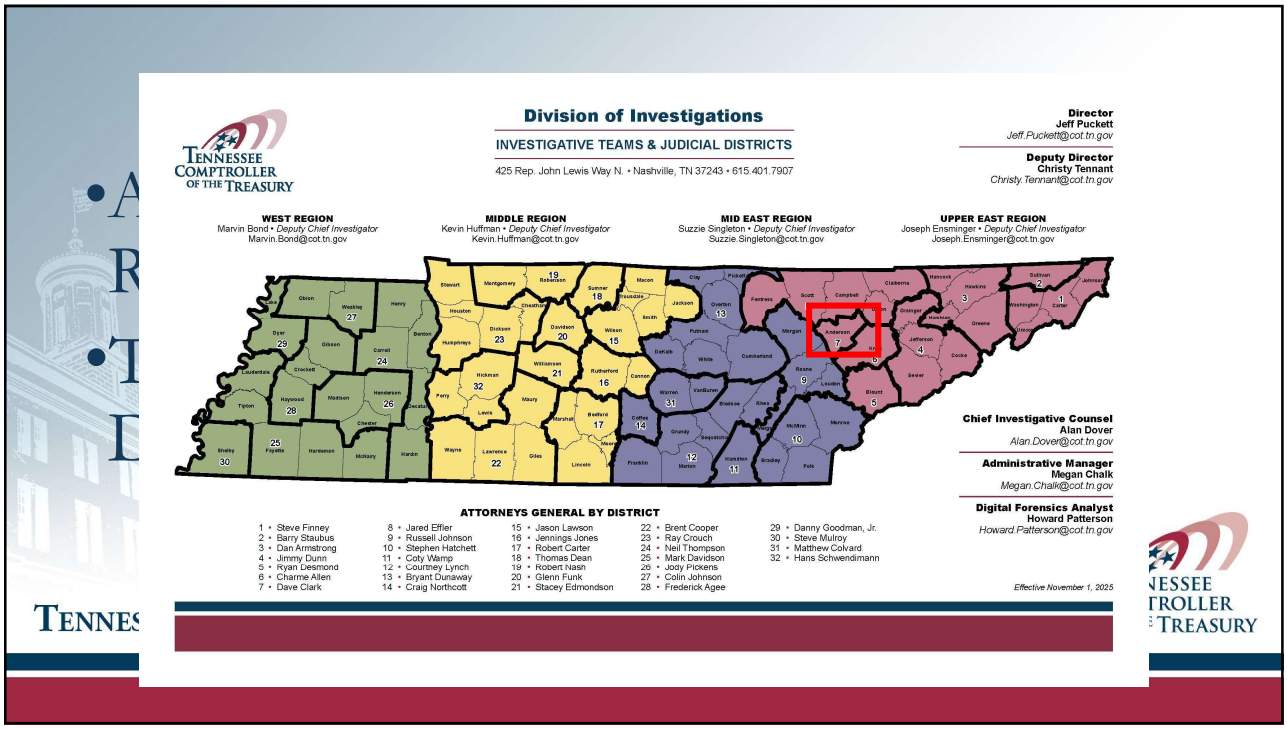
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Bays Mountain Park & Planetarium – Case Study



TENNESSEE COMPTROLLER OF THE TREASURY

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Cautionary Tale #3 Disclaimer

- This involves a publicly funded non-profit
  - Still has valuable takeaways for what can happen without internal control

TENNESSEE COMPTROLLER OF THE TREASURY

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Cautionary Tale #3 Disclaimer

- This particular case was anything but transparent, involving a calculated pattern of deception and the deliberate concealment of funds.

Anderson County Emergency & Rescue Squad – Case Study

- 501(c)(3) volunteer rescue organization incorporated June 16, 1958
- Provides emergency services to the Anderson and Surrounding Counties, such as
  - Vehicle extrication
  - Fire support
  - Mountain, water, and technical search and rescue

Anderson County Emergency & Rescue Squad – Case Study

- Anonymous individual submits an allegation concerning abuse of resources by a former member
- Arrange a meeting with the Chief and Board Chairman to gain more information about the rescue squad
  - Potential Misappropriation by former Secretary Jessica Ridenour
  - Current Secretary found checks concealed as utility payments paid to Jessica Ridenour and her husband, Alex Ridenour

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Anderson County Emergency & Rescue Squad – Case Study

Jessica Ridenour- Background

- Volunteered starting in 2012
- Operated as secretary
- Processed reimbursements and purchased supplies
- Never an authorized signatory
- Resigned May 2022

Alex Ridenour- Background

- Volunteer starting in 2018
- Served as the Assistant Chief
- No financial responsibilities
- Resigned in May 2022

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Anderson County Emergency & Rescue Squad – Case Study

Investigative Focus

- Understanding the Procedures
- Obtain and analyze records
- Interviewing Employees
- Interviewing Jessica and Alex Ridenour

Anderson County Emergency & Rescue Squad – Case Study

Financial Procedures

- Multiple bank accounts – utilized one for operating
- Used a checkbook with tear-away checks that retained the corresponding stubs.
- Former treasurer and Board Chair were authorized signatories
- Used purchase orders to document the reason and method of purchase

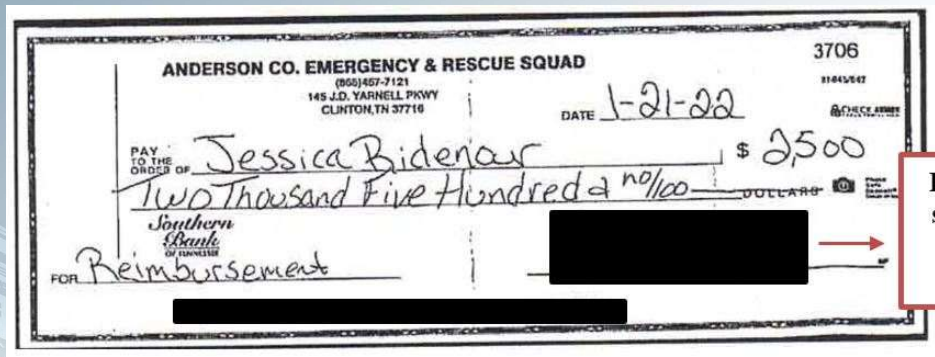
Anderson County Emergency & Rescue Squad – Case Study

- Obtain records:
  - Rescue Squad Bank Statements with check images
  - Check stub book
  - Purchase order forms with invoices and receipts
  - Signature Sample for Chief and Board Chairman

Anderson County Emergency & Rescue Squad – Case Study

Analyze the Records

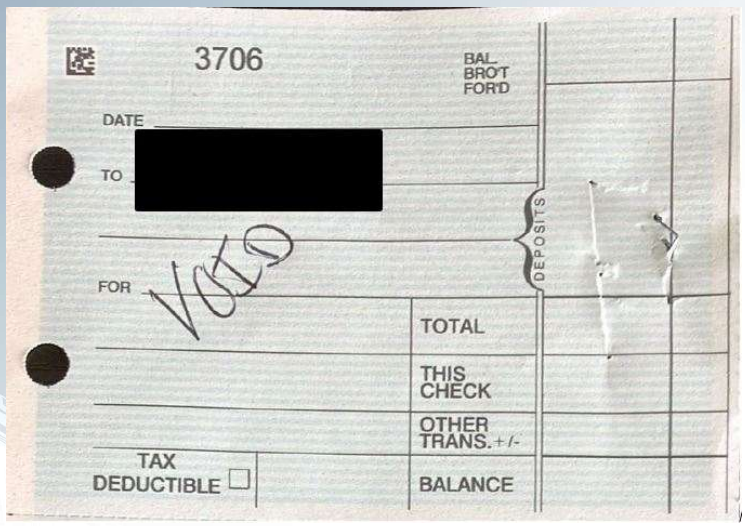
- Bank Statement Review
  - 17 checks written to Jessica Ridenour totaling $35,500.75, including
    - $14,000.75 – check stub stated VOID
    - $7,400 – check stub stated Comcast
    - $6,700 – check stub had no information
    - $5,300 – check stub missing from the check stub book
    - $2,100 – check stub stated reimbursement but did not include receipts or a purchase order
- Signatory stated they neither signed nor authorized eight of the checks
  - Pulled signature examples and determined the handwriting mimicked Jessica Ridenour



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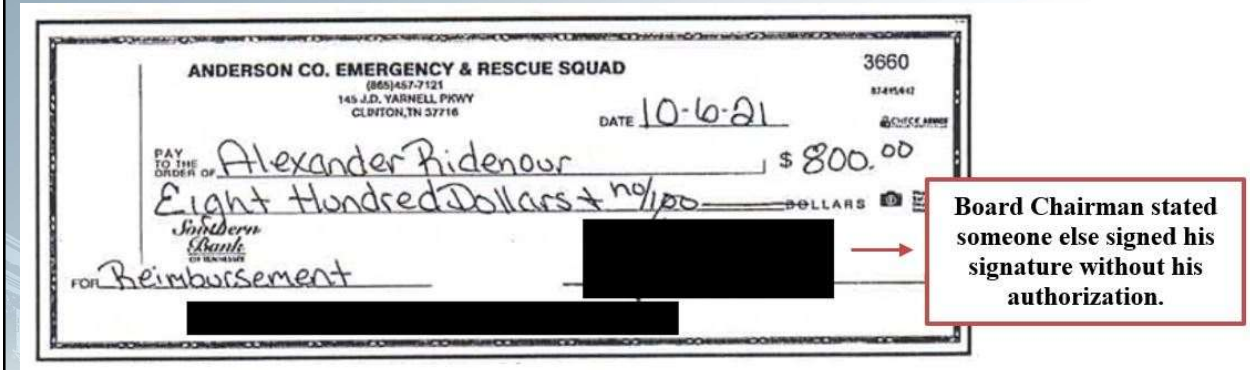
Analyze the Records

- Bank Statement Review
  - 5 checks written to Alex Ridenour totaling $4,300, including
    - $2,200 – check stub stated VOID
    - $2,100 – check stub missing from the check stub book
  - Signatories stated they neither signed nor authorized two of the checks
    - Pulled signature examples and determined the handwriting mimicked Jessica Ridenour

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- Interviewed volunteers and confirmed the following:
  - Jessica Ridenour didn't always complete a purchase order
  - Jessica Ridenour would not "cross her T's and dot her I's"
  - Ridenours' had other volunteers to do extensive renovations on their residence
  - Noticed a change in the Ridenours' lifestyle – new vehicle, buying luxurious items
  - Jessica Ridenour made it known she had an unlimited bank account
  - Confirmed with signatories that the handwriting on the numerous checks appeared to be Jessica Ridenour's handwriting
  - Signatories would pre-sign checks

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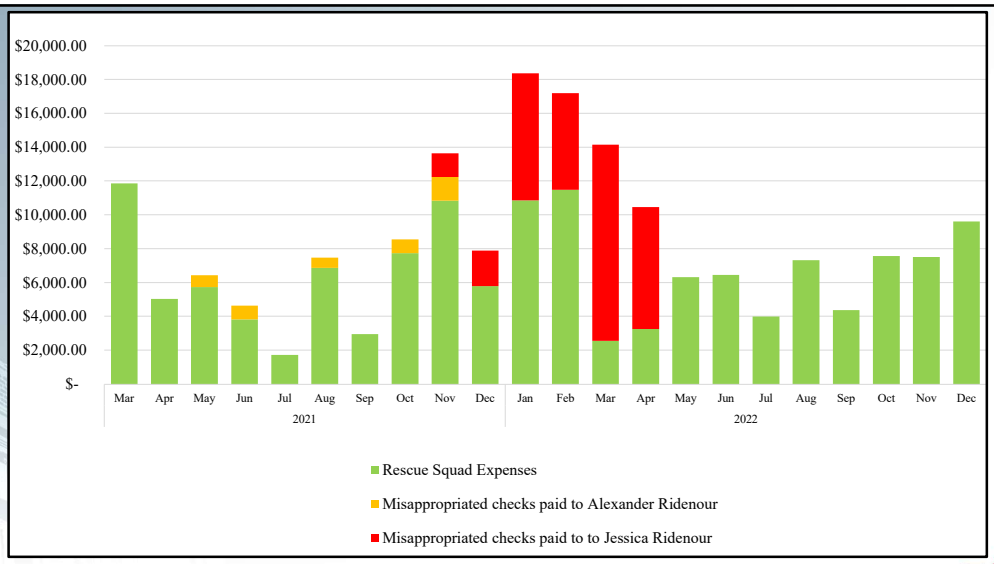
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Ridenours' Misappropriation

- Jessica Ridenour wrote checks to herself and her husband
- Jessica Ridenour would note a falsified reason for the check on the stub, remove the stub, or not complete the stub
- Jessica Ridenour would sign a signatory's name on checks
- Jessica Ridenour would use a pre-signed check

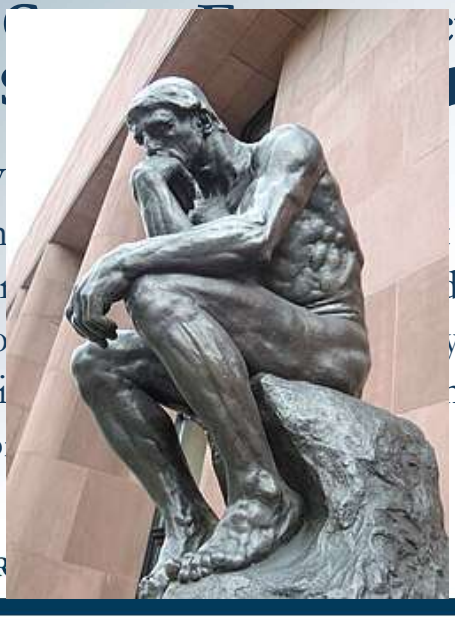
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Anderson [illegible] & Rescue [illegible]

- Tracking dow[illegible]
  - Multiple phon[illegible] messages
  - Alex Ridenour[illegible] meeting
  - Jessica Rideno[illegible] would contact us.
  - Avoided provi[illegible] information
  - No further co[illegible]



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- Additional Analysis
  - Obtained and analyzed the Ridenours' personal bank statements
    - Endorsed and deposited over $38,000 from the rescue squad
    - Minimal transactions that would indicate they spent money for the rescue squad
    - Large amount of Cash App transfers
  - Obtained the Ridenours' Cash App account transaction history
    - Used to provide payments to individuals
    - Purchases include routine spending such as automotive, gas, box store, restaurants, ATM withdrawals, Comcast, loan payments, etc.
    - Minimal transactions that would indicate they spent money for the rescue squad

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- Determined from May 2021 through April 2022, Jessica and Alex Ridenour misappropriated funds totaling $39,310.97
  - Jessica Ridenour wrote checks to herself totaling $35,010.97
  - Jessica Ridenour wrote checks to Alex Ridenour totaling $4,300
  - Jessica Ridenour falsely documented the reason on the check stubs, removed the check stub, or did not complete the check stub
  - Bank signatories did not sign multiple checks
  - Jessica Ridenour endorsed the back of the checks written to her and either cashed or deposited them into a joint personal bank account
  - Alex Ridenour endorsed the back of the checks written to him and deposited them into a joint personal bank account.

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- What led to these issues?
  - Did not document internal control policies and procedures
  - Did not retain supporting documentation
  - Pre-signed checks and had other individuals signing checks on their behalf
  - Did not reconcile bank statements
  - Did not maintain meeting minutes

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Public Service Announcements

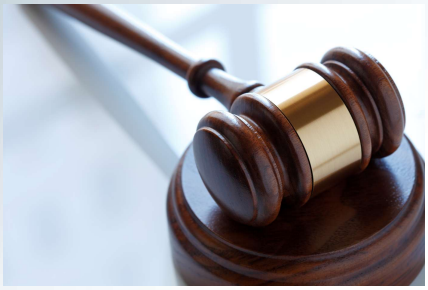
- Failing to establish and follow internal controls creates opportunities for unauthorized transactions and allows irregularities to go undetected.
- Failing to maintain supporting documentation and meeting minutes makes it harder to verify transactions, decisions, and who is responsible.
- Pre-signing checks, allowing others to sign on your behalf, and failing to reconcile bank statements weakens accountability and makes it easier to conceal unauthorized transactions.

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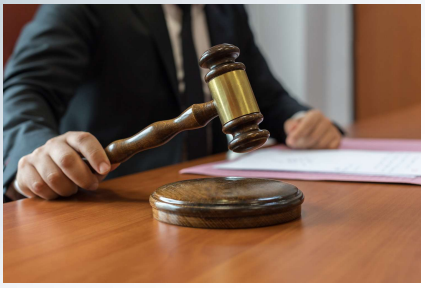


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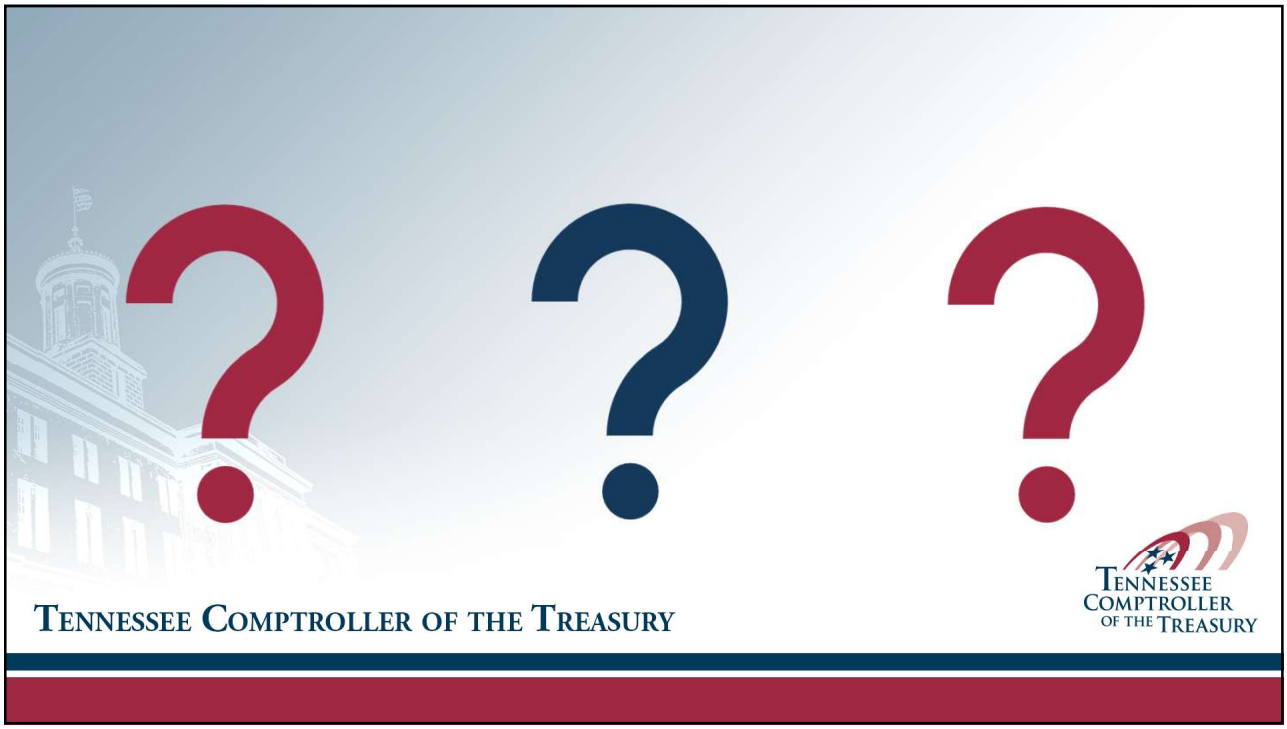
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Session Objectives

- Recap
  - Covered a couple of PSAs.
  - Followed the COT investigative process.
  - Discussed the consequences that can accompany a lack of internal controls.

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Thanks!
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