

Mississippi Department of Human Services

TANF Forensic Audit: Findings of Possible Fraud, Waste & Abuse

September 29, 2021

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September 29, 2021

Robert. G. Anderson, Executive Director
Mississippi Department of Human Services
200 South Lamar Street
Jackson, Mississippi 39205

RE: TANF Forensic Audit – Results of Fraud, Waste & Abuse

Dear Mr. Anderson:

CliftonLarsonAllen LLP was retained by Mississippi Department of Human Services (“MDHS”) to perform a forensic audit of MDHS Temporary Assistance for Needy Families (“TANF”) transactions during the period January 1, 2016 to December 31, 2019. The purpose of this report is to provide the details of any transactions where there is evidence of possible fraud, waste, or abuse.

We performed our engagement in accordance with the Statement on Standards for Forensic Services No. 1 (“SSFS No. 1”) of the American Institute of Certified Public Accountants (“AICPA”). This report does not constitute an audit, compilation, or review, in accordance with standards of the AICPA, the objective of which would be the expression of an opinion on any specified elements, accounts, or items. Accordingly, CLA does not express such an opinion. The professional standards promulgated by the AICPA prohibit CLA from rendering an opinion as to whether there has been any fraud or other criminal activity by anyone associated with this engagement. The professional standards promulgated by the ACFE prohibits Certified Fraud Examiners (CFEs) from expressing opinions regarding the guilt or innocence of any person or party. Therefore, CLA does not render such opinions.

Respectfully submitted,

CliftonLarsonAllen LLP

Jenny Dominguez, CPA/CFF, CFE
Principal

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I. Executive Summary

CliftonLarsonAllen LLP (“CLA”) was retained by Mississippi Department of Human Services (“MDHS”) to perform forensic auditing services of MDHS TANF transactions during the period from January 1, 2016 to December 31, 2019 utilizing a risk-based approach that targets higher risk transactions through analytics to identify entities (subrecipients) and transactions that required detailed testing. See Exhibit 001 for a copy of the contract between MDHS and CLA (“MDHS-CLA Contract”).

The scope of work was to test, using a risk-based approach, only TANF disbursements for the period January 1, 2016 to December 31, 2019. CLA did not test transactions related to other federal grant programs or other periods. If, through the procedures performed, CLA identified any transactions related to other funding sources or periods that were indicative of fraud, waste, or abuse, those transactions have been identified within the relevant section of this report.

The forensic audit was undertaken by MDHS as a result of the findings in the State of Mississippi Office of the State Auditor (OSA) Single Audit for the Year Ending June 30, 2019 report. In this report, the OSA communicated single audit findings for the state, including Finding Number 2019-030 relating to the Mississippi Department of Human Services (MDHS) material weakness and material noncompliance relating to federal awards including CFDA number 93.558 Temporary Assistance for Needy Families (“TANF”). The report explained that the OSA was alerted to significant areas of fraud risk by the Governor of Mississippi on June 21, 2019. An internal audit conducted by staff at MDHS uncovered a possible fraudulent scheme involving a third-party contractor in the TANF program and the Executive Director of MDHS at the time (John Davis). Investigators from the OSA Investigative Division, after having been advised of the scheme uncovered by staff at MDHS, conducted an investigation, after which a grand jury indicted six individuals involved in a conspiracy to steal approximately \$4 million in TANF funds.

During the engagement, and as described in the MDHS-CLA Contract, CLA was provided access to the OSA working papers, the OSA Single Audits of MDHS, and other documentation “relevant to the subject audit period to assist [CLA] in narrowing and tailoring the forensic audit scope and to prevent unnecessary duplication of audit functions previously performed by OSA.”

This report communicates CLA’s findings as it pertains to evidence or documentation that is indicative of fraud, waste, and abuse identified by CLA through the performance of the forensic audit. The professional standards promulgated by the AICPA prohibit CLA from rendering an opinion as to whether there has been any fraud or other criminal activity by anyone associated with this engagement. The professional standards promulgated by the ACFE prohibits Certified Fraud Examiners (CFEs) from expressing opinions regarding the guilt or innocence of any person or party. Therefore, CLA does not render such opinions.

CLA identified transactions with evidence indicative of possible fraud, waste, and/or abuse totaling \$12,424,995.¹ The transactions have been summarized into three categories, as discussed further below.

Transactions Indicative of Conflicts of Interest by John Davis

CLA identified transactions and agreements entered into by MCEC, FRC, and MDHS that were indicative of fraud, waste, and abuse as they related to agreements made with family members of John Davis. Additionally, the involvement by John Davis was apparent and suspiciously, in some instances, entities were established shortly before agreements were executed. These observations related to payments to his brother-in-law, Brian Jeff Smith ("Brian Smith"), or companies Brian Smith owned; and payments to John Davis's nephew, Austin Smith. Table 1 included below summarizes those transactions indicative of conflicts of interest by John Davis.

Table 1: Summary of Payments Indicative of Conflicts of Interest by John Davis

Beneficiary	Payee	Payer	Funds	Services	Contract Term or Dates of Payment(s)	Amount Paid	Total Paid
Brian Jeff Smith (Brother-in-Law to John Davis)	Jeff Smith/Brookhaven landlord	MCEC	TANF	Lease	02/05/19 - 02/07/19	\$ 365,050	\$ 615,894
	Transformational Ventures, LLC	MCEC	TANF	Leadership Outreach Coordinator	06/01/18 - 05/31/19	150,000	
	Brian Jeff Smith	FRC	TANF/SSBG/CCDF	Employee	07/01/18 - 05/31/19	100,844	
Austin Smith (Nephew of John Davis)	Austin Smith	MDHS	TANF/Unknown	Employee	09/16/16 - 10/15/17	69,993	496,391
	Austin Smith	FRC	TANF	Employee & Independent Contractor	10/17/17 - 06/14/19	216,128	
	Austin Smith	MCEC	TANF	Employee	07/16/18 - 02/15/19	70,770	
	ESA Technologies	MCEC	TANF	Contractor	02/01/19 - 01/31/20	139,500	
Total Payments Indicative of Conflicts of Interest							<u>\$1,112,285</u>

Transactions Indicative of Undue Influence and Favoritism by John Davis

CLA identified payments made to members of the DiBiase family, for the benefit of a DiBiase family member, or to entities owned or used by a DiBiase family member. CLA has identified

¹ This includes the amounts listed on Tables 1, 2, and 3 as follows: Conflicts of interest by John Davis - \$1,112,285; Undue influence and favoritism by John Davis - \$7,488,079; and other instances of possible fraud, waste, or abuse - \$3,824,631 (\$1,112,285 + \$7,488,079 + 3,824,631 = \$12,424,995).

these payments as undue influence and favoritism as the influence exerted by John Davis was apparent. Based on the contents of email communications identified, it was apparent that John Davis had a very close relationship to the DiBiase family and may have had some control over the establishment of certain entities owned by the DiBiases. CLA did not have access to the financial records of John Davis; therefore, CLA is not in a position to determine whether John Davis financially benefitted from payments made to members of the DiBiase family, Priceless Ventures, Heart of David, Familiaie Orientem, or Restore2.

CLA identified payments to other individuals and entities that were introduced to John Davis by the DiBiase family and for whom John Davis orchestrated contracts with FRC, MDHS, and/or MCEC. These include transactions with Nick Coughlin of NCC Ventures, LLC and Adam Such. John Davis also demonstrated a significant involvement in the transactions between MCEC and Victory Sports Foundation.

Due to John Davis's involvement in these transactions, CLA has determined these transactions to be indicative of undue influence by John Davis over MDHS, FRC, and MCEC to award contracts to and/or hire certain individuals. These transactions are also indicative of favoritism.

Table 2 included below summarizes those transactions indicative of undue influence and favoritism by John Davis.

Table 2: Summary of Payments Indicative of Undue Influence and Favoritism by John Davis

Beneficiary	Payee	Payer	Funds	Services	Contract Term or Dates of Payment(s) ²	Amount Paid	Total Paid
Nicholas "Nick" Coughlin	NCC Ventures, LLC	FRC	TANF	Independent Contractor	11/01/17 - 04/30/18	\$ 50,000	\$ 168,733
	NCC Ventures, LLC	MDHS	TANF	Contactore	03/09/19 - 09/08/18	72,900	
	NCC Ventures, LLC	MCEC	TANF	Contractor	02/26/18 - 07/24/18	45,833	
DiBiase Family	Heart of David	MDHS	TANF	TANF Grants	05/01/17 - 09/30/19	1,721,223	1,746,223
	Heart of David	MCEC	TANF	Donations	05/18/18 - 05/14/19	25,000	
	Priceless Ventures	FRC	TANF	Leadership Outreach Coordinator	06/01/17 - 09/30/17	500,000	2,197,487
	Priceless Ventures	FRC	SSBG	Leadership Outreach Coordinator	05/15/18 - 09/30/18	500,000	
	Priceless Ventures	FRC	TEFAP	Leadership Outreach Coordinator	05/22/18 - 09/30/18	497,987	
	Priceless Ventures	MCEC	TANF	Law of 16	10/01/18 - 09/30/19	699,500	
	Ted DiBiase, Jr.	FRC	TANF	Leadership Outreach Coordinator (No Contract)	08/28/17	250,000	265,435
	Ted DiBiase, Jr.	MCEC	TANF /Administrative	Reimbursements	11/10/17- 06/14/19	15,435	
	Familiae Orientem	FRC	TANF	TANF - RISE Program	06/25/18 - 06/24/19	700,000	700,000
	Brett DiBiase	MCEC	TANF	Employee	09/12/17 - 07/31/19	486,259	642,227
	Brett DiBiase	FRC	TANF	Consulting & project management	06/15/18 - 06/14/19	130,000	
	Brett DiBiase	MCEC	TANF /Administrative	Reimbursements and Credit Card	10/12/17- 06/18/19	25,968	
	Restore2/Recover2	MDHS	TANF	Opioid and substance addiction training	12/10/18 - 06/09/19	48,000	48,000
	Rise Malibu Training	MCEC	TANF	Rehabilitation center	02/12/19 - 06/13/19	160,000	160,000
Adam Such	Adam Such	FRC	TANF	Center for Excellence for Mississippi	08/01/17 - 07/31/18	250,790	250,790
Victory Sports Foundation	Victory Sports Foundation	MCEC	TANF	12-week boot camp fitness program	10/01/18 - 09/30/19	1,309,183	1,309,183
Total Payments Indicative of Undue Influence and Favoritism							<u>\$7,488,079</u>

Other Transactions Indicative of Fraud, Waste, and/or Abuse

CLA identified various other payments and transactions indicative of fraud, waste, and/or abuse. Some examples include:

- (a) Payments made by MDHS related to first-class travel, which are indicative of abuse by John Davis and Jacob Black.
- (b) Certain payments made by Family Resource Centers (“FRC”) appeared indicative of possible fraud, waste, and/or abuse. Because FRC fully cooperated with the forensic audit, CLA was able to reach conclusions on most items analyzed and tested for this subgrantee. Several of the FRC disbursements identified in this report as possible fraud, waste, or abuse were made, based on the statements by FRC to CLA, at the direction of John Davis. CLA did not have access to the personal financial records of FRC personnel; however, there was no evidence uncovered of personal financial benefit to FRC personnel beyond any matters discussed in this report.
- (c) Mississippi Community Education Center (“MCEC”) failed to sufficiently cooperate with CLA in this forensic audit.³ As a result, CLA was unable to complete the forensic audit of MCEC without access to the additional records requested and without the ability to speak with the representatives of MCEC. The insufficient cooperation caused CLA’s scope of work to be severely limited for MCEC. In this report, CLA provides conclusions regarding potential evidence of fraud, waste, and abuse as it relates to payments made by MCEC only for the following:
 - For 2 of the 25 third tier subrecipients for which CLA presented conclusions in its Forensic Audit Procedures and Results report.
 - Any subgrantee and related parties for which CLA had documentation provided by the OSA and for which evidence of potential fraud, waste, and/or abuse was discovered through the review of publicly available information and the review of the MDHS email for John Davis.

Other instances of possible waste are identified due to TANF funds being expended in excess of contracted amounts or not receiving perceived value for the goods/services purchased.

² CLA used the period of the contract if a contract was provided. Otherwise, CLA used the dates payments were made.

³ The extent of cooperation by MCEC was very limited. Documents were provided in response to CLA’s initial document request, that included a Microsoft Excel version of MCEC’s general ledger, chart of accounts, disbursement ledger (which MCEC’s attorney communicated to CLA appeared to contain some posting errors), listing of third tier subrecipients, high-level program summaries by year, and a listing of projects requested by MDHS. A written response was provided to specific written questions CLA provided to MCEC’s attorney, as the MCEC representatives declined an interview with CLA. After receiving the written response, CLA made further requests to interview MCEC representatives and for additional documentation. These requests were not fulfilled.

Table 3 summarizes the various other transactions with evidence indicative of possible fraud, waste, and/or abuse.

Table 3: Other Instances of Possible Fraud, Waste, or Abuse

Beneficiary	Payee	Payer	Funds	Services	Contract Term or Dates of Payment(s)	Amount Paid
John Davis	UMB Bank NA Card Services	MDHS	TANF	First-class airfare	08/10/18	\$ 1,367
Jacob Black	UMB Bank NA Card Services	MDHS	TANF	First-class airfare	08/10/18	1,367
Various	Various	FRC	TANF	Atlanta, GA Football Tournament	11/21/17 - 11/19/18	26,962
American Express	American Express	FRC	TANF	OnStar and satellite radio subscription	12/22/17 - 11/17/18	247
Amy Harris	Amy Harris	FRC	TANF	Medio Coordinator; Special Project Coordinator; legal services (overlap in employment and contractor)	10/01/18 - 09/30/19	57,953
Beau Rivage Casino & Resort	Beau Rivage Casino & Resort	FRC	TANF	Lodging for Gen+ training (no shows)	08/02/17 - 09/22/17	598
Chase Computer Services	Chase Computer Services	FRC	TANF	Development of participant tracking system application	07/25/16 - 09/28/17	375,750
Family Resource Center (FRC)	Family Resource Center (FRC)	FRC	TANF	Transfer funds to "General & Administrative" to set aside funds for Micah's Mission third tier payments	09/30/18	52,482
Fastwrapz	Fastwrapz	FRC	TANF	Advertising on billboards (evidence that invoice was manipulated or falsified)	09/15/16	23,500
MCEC	MCEC	FRC	TANF	Third tier subrecipient for Mississippi Delta and Madison County; payments intended for New Learning Resources, Inc.; training; advertising; lease with USM; Healthy Teen rally; and other various reimbursements	01/29/16 - 05/21/18	2,137,436
New Learning Resources, Inc.	New Learning Resources, Inc.	FRC	TANF	New Learning Resource Online - online high school diploma program	07/29/16 - 10/02/18	583,096
Nancy New	Nancy New	FRC	TANF	Airfare and meals for travel to Dallas, TX to visit a residential school for troubled children	10/31/17	1,761
Jess S. New	Jess S. New	FRC	TANF	Legal services	07/31/17 - 12/21/18	34,506
Zach W. New	Zach W. New	FRC	TANF	Facilitate opening of Families First centers in colleges throughout the state	11/01/16 - 02/28/19	57,456

Beneficiary	Payee	Payer	Funds	Services	Contract Term or Dates of Payment(s)	Amount Paid
Marcus Dupree	Marcus Dupree	FRC	TANF	Motivational speaker and celebrity endorser for Families First Mississippi (overlap between contractor and employee)	September 2017	27,500
NEMCC Development Foundation	NEMCC Development Foundation	FRC	TANF	Sponsorship of All-Star experience - directed by John Davis	01/22/19	30,000
Southtec, Inc.	Southtec, Inc. / Verizon	FRC	TANF; June Block Grant	Installation of network and phone systems for newly expanded FRC locations; Verizon data overages	09/28/18	127,478
Three Rivers Planning and Development	Three Rivers Planning and Development	FRC	TANF	Assist Executive Director and Workforce Director (overpayments on contract)	07/01/16 - 07/30/17	10,982
Through the Fire Ministries, LLC	Through the Fire Ministries, LLC	FRC	TANF	Purchase of religious books at the direction of John Davis	12/10/18	25,000
WWISCAA	WWISCAA	FRC	TANF	Academic tutoring for younger children and career skill development for older children - letter from FRC indicates non-compliance and allegations of fraud	10/1/16 - 06/30/17	49,190
Soul City Hospitality	Soul City Hospitality	MCEC	TANF	Lease agreement to rent a warehouse with the intention of using it to re-purpose food and act as a food donation center (space was never utilized)	02/22/19	200,000
Total Other Payments Indicative of Fraud, Waste, and Abuse						<u>\$ 3,824,631</u>

A detailed discussion of the transactions is included in the body of this report. This executive summary is not intended to stand alone without the additional context included in the remainder of the report. Had additional documents been provided to CLA, or additional individuals been interviewed, additional information may have been discovered that could impact the results communicated in this report.

II. Information about CliftonLarsonAllen, LLP

Established on January 2, 2012, as the nation's newest top 10 accounting firm, CLA is well positioned with knowledge, insight, and industry-specific accounting, tax, and consulting services. CLA is the result of a union between Clifton Gunderson and LarsonAllen, both established more than 60 years ago. CLA has a national forensic and governmental practice.

According to Accounting Today, CLA is the 8th largest accounting firm by revenue. With a nationwide network of experienced professionals, clients include law firms, school districts, CEOs, leaders in education, municipalities, governmental agencies, the law enforcement community, commercial businesses, and not-for-profit agencies. The CLA Forensic Services team is a highly respected and sought-out authority in fraud prevention, detection, and investigation. Our multi-disciplined team is comprised of Certified Public Accountants, Certified Fraud Examiners, professionals Certified in Financial Forensics, and Certified Internal Auditors.

William A. Early, Jr., CPA, is a principal in CLA's governmental practice and was responsible for the oversight of this engagement. Bill has over 22 years of experience as the engagement principal and quality review principal for a wide range of large, complex governmental audit engagements. During his career Bill has developed a specialty for state and local government audit and accounting services. He is also well versed in OMB Uniform Guidance (UG) compliance audits, and has managed, planned, and performed single audits for a variety of governmental agencies.

Sean Walker, CPA, CFE, CGFM, CGMS, is the Eastern region state and local government leader and has been serving regulated industries clients since 1999. Sean assisted the engagement team on technical aspects related to TANF. He is one of the few practitioners within the governmental auditing field that currently serves as a principal on a state-wide financial and single audit. Sean specializes in providing accounting, financial auditing, and consulting to large and complex governmental audit engagements. He is involved in the government industry on a national basis and is a frequent speaker on government accounting, auditing, and single audits for professional associations around the country. Sean also serves as a consulting technical partner on CLA's clients on government accounting and auditing, including OMB Uniform Guidance.

Jenny Dominguez, CPA/CFF, CFE, is a principal in the Forensic Services practice of CLA and was responsible for the overall execution of this engagement. Her practice areas include accounting and auditing, fraud investigations and examinations, forensic accounting, internal control review and analysis, and litigation support. Her experience includes seven years with Ernst & Young as a fraud investigator and forensic accountant, three years with Kroll as a financial fraud investigator, and two years as an independent consultant in the field of forensic accounting and litigation support before joining CLA at a management position eleven years ago.

Ana Rodriguez, CPA, CFE, is a manager in the Forensic Services practice of CLA. Ana was responsible for supervising the field work and assisted Ms. Dominguez throughout this engagement. Her practice areas include accounting and auditing, fraud investigations and

examinations, forensic accounting, internal control review and analysis, and litigation support. Ms. Rodriguez has over seven years of experience in the forensic accounting and fraud investigation fields.

Aires Coleman, CPA, is a director in CLA's governmental practice and assisted the engagement team with technical aspects of TANF. Aires has more than 20 years of experience with auditing and accounting services; mainly focusing on *Government Auditing Standards*. She is recognized as one of CLA's single audit technical professionals. Aires manages single audits for state and local governmental entities as well as performs presentations and trainings on the OMB *Uniform Guidance (UG)*. Aires provides extensive knowledge, skills, and experience with federal compliance requirements as well as value-added best practices.

III. Professional Standards Followed by CliftonLarsonAllen, LLP

The overall scope of work and approach was conducted utilizing standards in accordance with the Statement on Standards for Forensic Services No. 1 (“SSFS No. 1”) of the American Institute of Certified Public Accountants (“AICPA”) and the Code of Professional Standards of the Association of Certified Fraud Examiners (ACFE). This report does not constitute an audit, compilation, or review, in accordance with standards of the AICPA, the objective of which would be the expression of an opinion on any specified elements, accounts, or items. Accordingly, CLA does not express such an opinion.

Because of the unique nature of fraud, and because our engagement was limited to the matters described in the engagement letter, fraud and/or financial irregularities may exist within the organization that we may not have identified during the performance of our procedures. However, if during the performance of our services other matters had come to our attention suggesting possible financial improprieties and/or irregularities, we would have communicated such matters to the MDHS Forensic Audit Committee.

The professional standards promulgated by the AICPA prohibit CLA from rendering an opinion as to whether there has been any fraud or other criminal activity by anyone associated with this engagement. Therefore, CLA does not render such opinions.

IV. Background

Temporary Assistance for Needy Families (TANF)

Temporary Assistance for Needy Families (TANF) grant funding is issued by the United States federal government under Catalog of Federal Domestic Assistance (CFDA) number 93.558. The TANF program provides states and territories with flexibility in operating programs designed to help low-income families with children to achieve economic self-sufficiency. States use TANF to fund monthly cash assistance payments to low-income families with children as well as a wide range of services.

TANF is the cash assistance program formerly known as welfare. The TANF program was created in the 1996 welfare reform law. The federal legislation was enacted on August 22, 1996, as part of the Personal Responsibility and Work Opportunity Reconciliation Act.⁴ Mississippi implemented its TANF program on October 1, 1996.

MDHS TANF Program and Mississippi Office of the State Auditor

On April 22, 2020 the State of Mississippi Office of the State Auditor (OSA) issued its Single Audit for the Year Ending June 30, 2019 report. In this report, the OSA communicated single audit findings for the state, including Finding Number 2019-030 relating to the Mississippi Department of Human Services (MDHS) material weakness and material noncompliance relating to federal awards including CFDA number 93.558 Temporary Assistance for Needy Families. The report explained that the OSA were alerted to significant areas of fraud risk by the Governor of Mississippi on June 21, 2019. An internal audit conducted by staff at MDHS uncovered a possible fraudulent scheme involving a third-party contractor in the TANF program and the Executive Director of MDHS at the time. Investigators from the OSA Investigative Division, after having been advised of the scheme uncovered by staff at MDHS, conducted an investigation, after which a grand jury indicted six individuals involved in a conspiracy to steal approximately \$4 million in TANF funds.

The OSA single audit report communicated “during the audit of fiscal year 2019, auditors noted that the MDHS Executive Leadership (specifically the former Executive Director, JD) participated in a widespread and pervasive conspiracy to circumvent controls, state law, and federal regulations in order to direct MDHS grant funds to certain individuals and groups. Executive Director JD purposefully and willfully disregarded federal and state procurement regulations in order to award a substantial portion of grant funds from the TANF program to two specific subgrantees. These two subgrantees were granted monies under the Families First Resource Center portion of the TANF State Plan, which requires verification of eligibility criteria, defined as income at or below 300 percent of the Federal Poverty Level.” The OSA Single Audit report further concluded that the Executive Director JD circumvented internal controls set in place by MDHS in regard to procurement, monitoring, and other allowable costs controls in order to direct monies to certain subrecipients, who then directed federal monies to individuals associated with Executive Director JD. Due to high risk of additional

⁴ Source: <https://www.congress.gov/bill/104th-congress/house-bill/3734/text>

fraud, waste, and abuse other than what has been reported to authorities or detailed in the OSA report, the OSA questioned the entire grant award amounts totaling \$98,379,121 to subgrantees Mississippi Community Education Center (MCEC) and Family Resource Center of North Mississippi (FRC).⁵ Management at the MDHS concurred with this finding. The questioned costs included federal funding for TANF as well as three other federal grants as listed in Table 4.

Table 4: Questioned Costs Identified by the OSA Single Audit Report for FY 2019

Fiscal Year	TANF	CCDF	SNAP	SSBG	Total
2017	\$ 21,941,224	\$ -	\$ -	\$ -	\$ 21,941,224
2018	34,801,286		497,987	6,900,000	42,199,273
2019	26,517,614	6,576,057	1,144,953		34,238,624
TOTAL	\$ 83,260,124	\$ 6,576,057	\$ 1,642,940	\$ 6,900,000	\$ 98,379,121

Relating to Finding Number 2019-030, the OSA Single Audit report made seven recommendations for MDHS to take swift and immediate action to re-instill trust in the public welfare system in Mississippi. Recommendation Number 3 stated, “Procure an independent certified public accounting firm to conduct a widespread forensic audit of MDHS to determine the extent of fraud, waste, and abuse in other programs, as well as the TANF program, and of MCEC and FRC to support any attestation made by MDHS of the allowability of costs, and report any suspected criminal activity to the Mississippi Office of the State Auditor.”

On April 30, 2020, to begin addressing Recommendation Number 3 made in the OSA report, MDHS publicly issued a Request for Information (RFI) for forensic audit services with responses required by June 2, 2020 (Exhibit 002).⁶ MDHS communicated the purpose of this RFI was “seeking to identify and potentially select a firm to provide Forensic Auditing Services of MDHS relating to the federal Temporary Assistance for Needy Families (TANF) grant. The purpose of this Request for Information (RFI) is to obtain market information regarding the capabilities and qualifications of firms positioned to provide forensic auditing services of governmental agencies particularly relating to federal TANF grants and other similar federal grants.” MDHS communicated in the RFI that the period subject to the forensic audit was January 1, 2016 through December 31, 2019. MDHS provided a preliminary scope of services to serve as a guide in responding to the RFI. The scope of services was to include expenditures and payments from the TANF program.

CLA responded to the RFI and other requests of MDHS and was ultimately retained by MDHS on November 2, 2020 to conduct a forensic audit of the TANF program as outlined in the contract between MDHS and CLA (“MDHS-CLA Contract”), with the OSA established to serve as a third party to the contract (see Exhibit 001).

⁵ Source: <https://www.osa.ms.gov/documents/single-audit/19sar.pdf> (Pages 101 to 172). Total questioned costs as part of Finding Number 2019-030 were \$94,164,608 while \$4,214,513 was questioned in another finding. The total amount of questioned costs was \$98,379,121 (\$94,164,608 + 4,214,513 = \$98,379,121).

⁶ The MDHS published RFI was RFx No. 3150002847 and is included as Exhibit 002.

V. Scope of Work

CLA performed a forensic audit of MDHS TANF transactions for the period from January 1, 2016 to December 31, 2019 utilizing a risk-based approach that targets higher risk transactions through analytics to identify entities (subrecipients) and transactions that required detailed testing. Through the contract negotiation process, MDHS confirmed its desire to have all areas of TANF expenditures tested and agreed to using a risk-based approach to perform the forensic audit so that 100% of transactions did not have to be detail tested. CLA anticipated performing detailed testing on transactions and entities where risk was not determined to be low.

MDHS requested that CLA provide a report to communicate *TANF Forensic Audit: Procedures & Results*. CLA has provided this report to MDHS as requested. The complete scope of work as it relates to the performance of the forensic audit procedures is described in detail in that report.

Additionally, MDHS requested that CLA prepare this report communicating *Findings Regarding Fraud, Waste, and Abuse and Identity of all Persons Involved*. This second report was intended to be an extension of the first report in order to communicate, based on the results of the forensic audit, an aggregated listing of any funds which may have been potentially embezzled, misappropriated, or obtained under false pretense, or of any possible waste or abuse of TANF funds.

VI. Summary of Work Performed

The forensic audit of the TANF grants for the period of January 1, 2016 through December 31, 2019 was conducted by CLA through the execution of the steps listed in the *TANF Forensic Audit: Procedures & Results* report. The procedures included below provide an overview of the work performed that resulted in the findings that are communicated in this report.

1. Assessment and planning – Accomplished through planning and meetings with MDHS and OSA.
2. Interviews and analytics – Included obtaining and reviewing the OSA Single Audit report, workpapers, and documentation; conducting interviews of MDHS current and former staff; obtaining, reviewing, and normalizing relevant MDHS financial data; performing analytical review on MDHS financial data; and performing analytical review on subgrantee financial data.
3. Systems evaluations – Included documenting internal controls during the forensic audit period related to the processing of TANF agreements and obtaining and organizing supporting documentation for MDHS and subgrantee data.
4. Testing, Validation, and Examination – Included the performance of public record searches for the individuals and entities of interest based on the results communicated in the OSA Single Audit report; review of email for John Davis; testing of payments made by MDHS to TANF subgrantees; testing for other transactions by MDHS that included subsidies, loans and grants, contracts, salary disbursements, payments related to travel, payments related to purchases of equipment and commodities; review of financial records of TANF subgrantees; testing of subawards issued by TANF subgrantees to third tier subrecipients; identification of TANF-funded subgrants/contracts issued at the direction of the former executive director (John Davis); and testing for other issues identified, as needed.⁷
5. Reporting – included preparing and providing monthly progress reports, status updates, and final reports to the Forensic Audit Committee, other MDHS staff, and the OSA, as requested.

As part of the forensic audit, CLA conducted interviews of various MDHS staff, interviewed 27 of the 28 subgrantees of MDHS (only MCEC did not comply with CLA's request for an interview), and spoke with several third tier subrecipients of MCEC. The scope of work was a forensic audit and not an investigation; therefore, not all entities or individuals for which transactions were examined were contacted by CLA. Per the scope of work, CLA interviewed MDHS and communicated directly with subgrantees of MDHS. At the request of MDHS during one of the Forensic Audit Committee meetings, CLA attempted contacting the third tier

⁷ CLA was unable to obtain a copy of John Davis's MDHS computer hard drive as it was in the possession of the OSA Investigative Division. Additionally, the scope of work limited CLA's review of emails to include only John Davis's MDHS emails. If other electronic evidence had been made available to CLA, additional information not currently known to CLA could impact the findings communicated in this report.

subrecipients of MCEC due to the lack of cooperation by MCEC. Included in Table 5 is a list of the individuals interviewed by CLA and the organization they represent for those entities discussed in this report.

Table 5: Interviews Conducted by CLA Relevant to this Report

No.	Description	Organization	Representative Name	Date of Interview	If No Interview - Reason
1	MCEC Lower Tier Subrecipient	NCC Ventures/Nicholas Coughlin	Nicholas Coughlin	No Interview Granted	Attempted contact several times - last attempt was 6/21/2021
2	MCEC Lower Tier Subrecipient	Heart of David	Ted DiBiase	No Interview Granted	Only Heart of David representative, Melanie DiBiase, spoke with CLA on multiple dates; Ted DiBiase did not speak with CLA
3	MCEC Lower Tier Subrecipient	Heart of David	Melanie DiBiase	Multiple dates	Multiple dates
4	MCEC Lower Tier Subrecipient	Priceless Ventures	Ted DiBiase, Jr.	No Interview Granted	Attempted contact several times - last attempt was 7/9/2021
5	FRC Lower Tier Subrecipient	Familiae Orientem	Ted DiBiase, Jr.	No Interview Granted	Attempted contact several times - last attempt was 7/9/2021
6	Subgrantee	Family Resource Center	Christi Webb	Multiple dates	Multiple dates
7	MCEC Lower Tier Subrecipient	Victory Sports Foundation	Paul V. LaCoste	No Interview Granted	Paul LaCoste was unable to meet with CLA due to what appeared to be legitimate reasons
8	MCEC Lower Tier Subrecipient	Soul City Hospitality	Jeff Good	6/22/2021	

VII. Entities/Individuals Paid by MDHS, MCEC, and FRC

Included in this section are those individuals and entities that were paid by two or more of MDHS, MCEC, and FRC through various contracts or other agreements.

Conflicts of Interest

The OSA Audit Report identified certain transactions related to the former Executive Director's brother-in-law and nephew as a conflict of interest. CLA confirmed with OSA that this finding referred to Brian Jeff Smith and Austin Smith, and through a public record search CLA confirmed that both Brian Smith and Austin Smith are relatives of John Davis. OSA questioned the costs paid to Brian Smith, Austin Smith, and entities owned by Brian Smith under 2 CFR § 200.318(c), which addresses conflicts of interest. The CFR states that no employee, officer, or agent of a grantee (i.e., MDHS) may participate in the selection, award or administration of a contract supported by a federal award if he or she has a real or apparent conflict of interest. CFR defines a conflict of interest as any instance when the officer, or agent, or any member of their immediate family, their partner, or an organization which employs or is about to employ any of the parties indicated, has a financial or other interest in or a tangible personal benefit from a firm that is considered for a contract supported by federal awards.

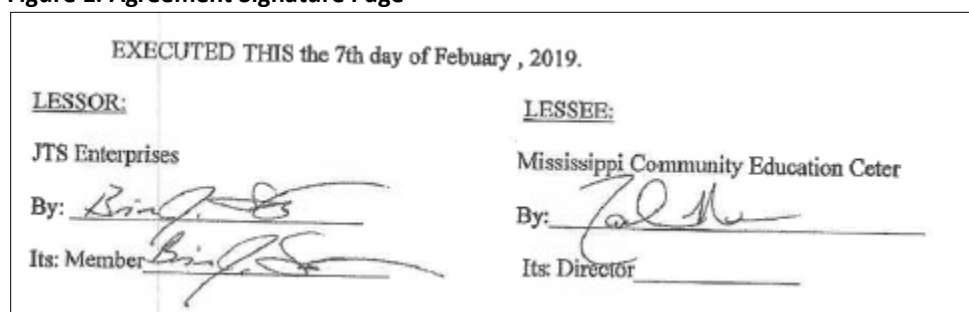
According to public record searches, Brian Smith and Austin Smith appear to currently reside (or recently resided) at 502 Charles Street, Brookhaven, MS 3960. It appears that Brian Smith and Austin Smith have been associated with this address since the early to mid-2000s. John Davis's personnel file with MDHS lists the 502 Charles Street address as his residence. Due to the familial relationship, and the shared address that exist between John Davis, Brian Smith, and Austin Smith, CLA further examined transactions related to them for possible evidence of fraud, waste, and abuse. Items number 1 and 2 below communicate CLA's assessment concerning conflicts of interest relating to John Davis's brother-in-law and nephew.

1. Conflict of Interest – Brian Jeff Smith (Brother-in-Law of John Davis - \$615,894.37)

A. Brookhaven Lease

The OSA Single Audit report identified this lease agreement as a conflict of interest due to the familial relationship between the former Executive Director of MDHS and the lessor to MCEC, Brian Smith. The lease terms listed on the contract specified a three-year agreement for annual rent of \$88,333.32, payable in installments of \$7,351.11 per month once the building was completed. The lease also stated that a \$100,000 non-refundable construction security deposit was due at the signing of the lease for the renovation of the space. The space was located at 117 W Cherokee St. Brookhaven Mississippi 39601.⁸ The lease was signed on February 7, 2019, by Brian Smith, on behalf of JTS Enterprises, and Zach New, on behalf of MCEC, as shown in Figure 1.

⁸ Public records confirmed the property at 117 W. Cherokee Street, Brookhaven, MS is currently owned by JTS Enterprises, LLC.

Figure 1: Agreement Signature Page

MCEC issued three payments to vendor name “Jeff Smith/Brookhaven landlord.” The first check for \$100,000 dated February 5, 2019, presumably for the non-refundable deposit, was followed by two additional checks two days later in amounts of \$70,000 and \$195,050, respectively. Exhibit 003 includes copies of the three checks.⁹ Exhibit 004 includes the lease agreement. These payments are detailed on Table 6.

Table 6: Payments to Brookhaven Lease

Check No.	Date	Payee	Amount
31033	02/05/2019	Jeff Smith/Brookhaven landlord	\$ 100,000.00
31048	02/07/2019	Jeff Smith/Brookhaven landlord	70,000.00
31049	02/07/2019	Jeff Smith/Brookhaven landlord	195,050.00
Total			<u>\$ 365,050.00</u>

In a letter dated May 2, 2019, less than three months after the agreement was executed, MCEC communicated to JTS that due to unforeseen funding issues, MCEC would exercise the termination option and request that JTS refund to MCEC any lease payments “as paid through the original contract terms” in two payments due no later than August 15, 2019 and September 15, 2019. The response letter from JTS dated May 8, 2019, accepts the request for refund, however, the actual amount of the refund is not stated in either letter. An undated and unaddressed memorandum signed by Nancy New states that, per verbal agreement, “TSG [sic] has agreed to begin repayment in the amount of \$375,000, made in six equal installments to begin on or prior to November 25, 2019.”¹⁰ Exhibit 005 contains the two letters and undated memorandum. The general ledger provided for MCEC, which included transactions dated through December 31, 2019, did not contain records of a refund from JTS.

The following facts provide potential evidence that this agreement had elements of fraud, waste, and abuse.

- According to the agreement with JTS, the \$100,000 non-refundable deposit would be made at the time the agreement was executed. However, the

⁹ All three checks cleared the bank on February 11, 2019.

¹⁰ The amount paid by MCEC was \$365,050, not \$375,000. It is not known why the undated and unaddressed memorandum listed \$375,000 as the amount to be repaid. Additionally, the reference to “TSG” appears to be a typo, as CLA did not see any payments to a “TSG” in MCEC’s TANF general ledger.

\$100,000 check was dated on February 5, 2019, which is two days prior to the execution of the contract.¹¹

- According to the agreement with JTS, the first monthly rent installment of \$7,351.11 was due on the first day of completion of the building; however, on the day the contract was executed, February 7, 2019, two separate checks totaling \$165,000 were issued to Brian Smith.
- CLA was unable to locate any refunds from JTS Enterprises (or Brian Smith) recorded in the general ledger of MCEC.
- Brian Jeff Smith was confirmed to be the brother-in-law of John Davis (CLA's review of the email communication of John Davis did not contain any communication regarding the lease agreement).
- JTS Enterprises LLC was created on October 29, 2018 and lists Brian Smith as the only member. Notice that JTS Enterprises was created a little over three months before the lease agreement with MCEC was executed. (Exhibit 006 includes the Certificate of Formation obtained by CLA from the Mississippi Secretary of State website).
- According to property records, Brian Smith owns the residential property located at 502 Charles Street, Brookhaven, MS (Exhibit 007), which appears to currently be a rental property. John Davis's public records search also associates John Davis with this address, and John Davis has used this address as his mailing address in his MDHS employee file and on travel related documents (Exhibit 008 and 009). It appears that John Davis lived at this address either as a tenant or renter for at least a majority of the time covered by the forensic audit period. If there is any personal financial arrangement between John Davis and Brian Smith due to this shared address, John Davis may have had an indirect financial benefit from any earnings of Brian Smith.
- In the written response to CLA by Zach New, provided to CLA by MCEC's attorneys, Zach New stated, "MCEC disagrees with all of the findings pertaining to MCEC as listed in the Auditor's Report ... Listed below is information and detail which pertains to the MCEC specific findings as cited in the Auditor's Report. If a specific finding is not detailed below, it absolutely does not reflect MCEC's agreement with the Auditor's Report. MCEC welcomes the opportunity to discuss any findings listed in the Auditors' Report." The response by Zach New did not address the lease agreement, which was the first finding in the OSA Audit Report. Furthermore, although Zach New stated that he welcomed the opportunity to discuss any findings listed in the Auditors' Report, despite repeated requests by CLA to meet with him, Zach New did not agree to meet with CLA.

¹¹ This check cleared the bank on February 11, 2019.

Due to the above listed facts, it is CLA's conclusion that this agreement has elements of fraud, waste, and abuse as the non-refundable deposit was made two days before the contract execution, and an additional \$165,050 was paid on the day of the agreement execution even though the agreement called for monthly payments of \$7,351.11 once the building was completed. Furthermore, JTS Enterprises LLC was formed only approximately three months before the lease was executed, the owner of JTS Enterprises is the brother-in-law of John Davis, and Zach New did not address this OSA finding in his written response to CLA and did not make himself available to meet with CLA even though he had communicated welcoming the opportunity to discuss findings from the State Auditor's Report.

B. Transformational Ventures, LLC

The OSA Audit Report listed this agreement as a conflict of interest due to the familial relationship between the former Executive Director of MDHS and the owner of Transformational Ventures, LLC ("Transformational Ventures"). The agreement between MCEC and Transformational Ventures was effective June 1, 2018 to May 31, 2019, for the provision of services as the Leadership Outreach Coordinator. The agreement stated that MCEC would provide a cash advance of \$150,000. The agreement appears to have been signed by representatives from MCEC, Nancy New, and Transformational Ventures representative, Brian Smith. MCEC issued one payment of \$150,000 with check number 10225 dated June 1, 2018.¹² Exhibit 010 includes a copy of the check. Exhibit 011 contains this agreement and Figure 2 includes an image of the signature page for the agreement obtained by OSA from MCEC.

Figure 2: Agreement Signature Page – Provided to OSA by MCEC

AGREED, ACKNOWLEDGED AND UNDERSTOOD, by the duly authorized representatives as set forth below and evidenced by their signatures affixed hereto on this the 1 of June, 2018.

MISSISSIPPI COMMUNITY EDUCATION CENTER

BY: Nancy New
 MISSISSIPPI COMMUNITY EDUCATION CENTER
 Dr. Nancy New, EXECUTIVE DIRECTOR

TRANSFORMATIONAL VENTURES, LLC

BY: Brian J. New

¹² Check number 10225 cleared the bank on June 4, 2018.

The following facts suggest that this agreement had elements of fraud, waste, and abuse.

- A \$150,000 payment to Brian Smith was made on the day the contract was executed.
- Transformational Ventures LLC was created on May 29, 2018 and registered Brian Smith as the only member. The LLC was dissolved on August 19, 2021 (Exhibit 012 includes the Certificate of Formation and Articles of Dissolution obtained by CLA from the Mississippi Secretary of State website).
- In the written response by Zach New mentioned in the observation above, Zach New did not address this agreement, which was the second finding in the OSA Single Audit Report.
- Brian Smith was contracted by MCEC for the provision of services as the Leadership Outreach Coordinator from June 1, 2018 to May 31, 2019; however, Brian Smith was hired as an employee by FRC from July 1, 2018 to July 15, 2019. This timeline suggests that for eleven months (July 1, 2018 to May 31, 2019) Brian Smith was both a contractor to MCEC and an employee of FRC.¹³
- CLA's review of John Davis's email communication uncovered an email dated June 10, 2018, which was sent to John Davis's MDHS email address from a copier machine at MDHS and contained an executed copy of the agreement between MCEC and Brian Smith. This copy, however, was undated and contained signatures that appeared different than the signatures contained in the agreement provided to OSA by MCEC. Figure 3 below shows these signatures which appear different than those signatures shown in Figure 2 above. Exhibit 013 contains this email and its attachment.

¹³ Brian Smith received compensation from FRC, including fringe benefits, in the amount of \$100,844.37, which was funded from three separate MDHS grants: SSBG funded - \$4,406.74 (1st payment); TANF funded - \$48,383.72 (next 11 payments); CCDF funded \$48,053.91 (last 15 payments).

Figure 3: Agreement Signature Page – Discovered in John Davis’s MDHS Email

AGREED, ACKNOWLEDGED AND UNDERSTOOD, by the duly authorized representatives as set forth below and evidenced by their signatures affixed hereto on this the ____ of _____, 2018.

MISSISSIPPI COMMUNITY EDUCATION CENTER

BY: Dr. Nancy New
MISSISSIPPI COMMUNITY EDUCATION CENTER
Dr. Nancy New, EXECUTIVE DIRECTOR

TRANSFORMATIONAL VENTURES, LLC

BY: [Signature]

Due to the above listed facts, it is CLA’s conclusion that this agreement contains elements indicative of fraud, waste, and abuse as the advance payment was made on the day the contract was effective, the LLC was established only three days before the contract effective day, the contract with MCEC overlapped with Brian Smith’s employment with FRC for a period of eleven months, John Davis was kept informed or had apparent involvement (a version of this contract was sent to his MDHS email from an MDHS copier), and Zach New did not address this OSA finding in his written response to CLA.¹⁴

Conclusion

At a minimum, the contract between MCEC and JTS for the lease of building space, and the contract between MCEC and Transformational Ventures, have apparent conflicts of interest due to the familial relationship between John Davis and Jeff Smith and the influence John Davis had over MCEC as a subgrantee to MDHS. CLA did not have access to John Davis’s personal bank account or financial records to determine whether he received a direct financial benefit from the payments made to JTS or Transformational Ventures. John Davis may have an indirect financial benefit from the MCEC payments to the extent there are any personal financial arrangements between John Davis and Brian Smith in which one of the parties is obligated to pay (e.g., for rent on a personal residence).

In the course of a formal investigation into these matters, it may be possible to determine whether John Davis received a direct or indirect financial benefit from the payments to Brian Smith and Transformational Ventures.

In Summary, TANF funded payments totaling \$563,433.72, CCDF funded payments totaling \$48,053.91, and SSBG funded payments totaling \$4,406.74 were made to JTS

¹⁴ CLA did not review John Davis’s bank account information and is thus unable to determine whether there was a personal financial benefit to John Davis from this transaction.

Enterprises, Transformational Ventures, and Brian Jeff Smith by both MCEC and FRC. For the reasons mentioned above, these payments contain elements indicative of fraud, waste, and abuse. These payments total \$615,894.37 as described on Table 7.

Table 7: Payments to Brian Jeff Smith and Entities Owned by Him

Agreement Beginning Date	Payment Beginning Date	Description	Amount	Funding Source	Payer	Payee
2/7/2019	2/5/2019	Brookhaven Lease	\$ 365,050.00	TANF	MCEC	JTS Enterprises
6/1/2018	6/1/2018	Transformational Ventures	150,000.00	TANF	MCEC	Transformational Ventures
7/1/2018	7/12/2018	Employment	100,844.37	TANF/SSBG/CCDF	FRC	Smith, Brian J
Total			<u>\$ 615,894.37</u>			

2. Conflict of Interest – Austin Smith (Nephew of John Davis - \$496,391.17)

Employment and Contracts with Austin Smith

Austin Smith is the son of Brian Smith and the nephew of John Davis. Austin Smith's MDHS personnel file lists that he graduated from Mississippi College, a Christian University in Hinds County, Mississippi, in May 2015 with a Bachelor of Science in Political Science. The employment history of Austin Smith appears unusual and may provide indications of possible nepotism as explained below:

- **Employment:** According to the personnel file provided by MDHS, Austin Smith was first hired by MDHS on September 16, 2016, at a starting salary of \$41,254.98. Two and a half months later, on December 1, 2016 he was promoted to the position of Staff Officer I in the Division of Field Operations at a semi-monthly salary of \$1,875, which is an annualized rate of \$45,000. Austin Smith remained at MDHS through October 15, 2017.
- **Employment:** Austin Smith was then hired by FRC from October 17, 2017 to July 12, 2018. His first paycheck was on October 27, 2017 and he initially received semi-monthly salary payments of \$2,500, which is an annualized rate of \$60,000. Total payroll costs paid by FRC, using TANF and SSBG funds, equaled \$60,102.32, which includes Austin Smith's gross pay and the employer portion of payroll taxes.¹⁵ While an employee of FRC, FRC also reimbursed Austin Smith a total of \$24,789.40 for travel related costs and other expense reimbursements (using TANF and SSBG funds).¹⁶ The travel costs included mileage, lodging, and meals.¹⁷ In addition, FRC

¹⁵ Fringe benefits, such as health insurance and retirement, were not recorded to the employee name in the FRC general ledger; therefore, CLA is unable to determine any fringe benefit costs paid on behalf of Austin Smith without reviewing the underlying invoice/statement from the provider.

¹⁶ These amounts exclude \$899.14 paid to Austin Smith by FRC using General and Administrative funds.

¹⁷ Out-of-state travel included trips to Austin, TX for Smartsheet training; Atlanta, GA for "Ethical Hacking" training; and New Orleans, LA for "Code Immersion" training. One reimbursement included the purchase of a laptop, and some meal receipts included alcohol purchases.

used its American Express credit card to pay for costs related to Austin Smith totaling \$2,085.04. Of this, only \$1,236.04 appears to have been charged to TANF. These costs relate to Smartsheet training (\$700) and lodging in Tupelo, MS (\$536.04).¹⁸ Exhibit 014 includes a copy of the American Express credit card statements and the underlying support.

- **Contract Agreement:** Austin Smith, as an independent contractor, was contracted by FRC from June 15, 2018 to June 14, 2019, to coordinate and create a coding academy program for FRC clients. The contract amount was \$130,000 and was paid in full on July 16, 2018. From June 15, 2018 to July 12, 2018 Austin Smith was both an employee and a contractor of FRC. Exhibit 015 includes the contract.
- **Employment:** Austin Smith was then employed by MCEC From July 16, 2018 through February 15, 2019 at a semi-monthly salary of \$5,000, which is an annualized rate of \$120,000. For this entire period, Austin Smith was an employee of MCEC and a contractor to FRC. For comparison, according the personnel file of John Davis, as the Executive Director of MDHS, his salary which was not set by statute, was at the annual rate of \$130,000.
- **Contract Agreement:** Austin Smith, doing business as (dba) “ESA Technologies,” was contracted by MCEC from February 1, 2019 to January 31, 2020, a period of one year. The contract amount was \$139,500, which was paid in full on February 2, 2019. From February 1, 2019 to June 14, 2019, Austin Smith was also under contract with both MCEC and FRC. Exhibit 016 includes the contract, Certificate of Formation, and the Certificate of Amendment. ECS Logistics LLC was formed in the State of Mississippi on September 11, 2017, listing Austin Garrett Smith as the manager and registered agent. On May 13, 2019, the name of the LLC changed from ECS Logistics LLC to ESA Technologies. This means that as of the agreement execution on February 1, 2019, the dba name listed on the contract “ESA Technologies” did not exist.¹⁹

At 22 years old, Austin Smith was hired by MDHS on September 16, 2016 at an annualized rate of \$41,254.98. By July 2018, which is less than two years later, he was hired by MCEC at an annualized rate of nearly triple the amount (\$120,000) he had started with at MDHS. Additionally, he received a lump sum payment of \$130,000 from FRC and a lump sum payment of \$139,000 from MCEC. Of additional concern is the fact that there was overlap between employment dates, and concurrent dates for contracts with both FRC and MCEC. Because the timelines overlap and may create confusion, Table 8 lists the relevant details surrounding Austin Smiths’ employment with MDHS and contractual agreements with MDHS, MCEC, and FRC.

¹⁸ The remaining cost of \$849 was related to Smartsheet training and was charged to a Toyota grant.

¹⁹ CLA was unable to find ESA Technologies in any database prior to the official name change with the Mississippi Secretary of State in 2019. Additionally, CLA was unable to locate any mention of ESA Technologies on the internet or any other source that would indicate the name was used as a DBA prior to the official name change.

Table 8: Timeline of Events Concerning Austin Smith

Begin Date	End Date	Circumstance	Amount
9/16/2016	11/30/2016	Hired as employee by MDHS at starting semi-monthly salary of \$1,875	Annualized salary of \$41,254.98 – Actual amount paid equals \$18,172.70
12/1/2016	10/15/2017	Promoted by MDHS to Staff Officer I in Division of Field Operations (Paid for with TANF funds)	Annualized salary of \$45,000 – Actual amount paid from TANF equals \$51,820.30
10/17/2017	7/12/2018	Hired as employee by FRC (Paid with TANF and SSBG Funds)	Annualized salary of \$60,000 – Actual amount paid equals \$86,127.76
6/15/2018	6/14/2019	Contracted as an independent contractor by FRC to create coding academy (Paid with TANF Funds) – Notice overlap of nearly one month with FRC employment period	Lump sum payment of \$130,000 on 7/16/2018
7/16/2018	2/15/2019	Hired as employee by MCEC (Paid with TANF funds) – notice overlap of seven months with FRC contract above	Annualized salary of \$120,000 – Actual amount paid equals \$70,770.36 between 7/31/18 and 2/15/19
2/1/2019	1/31/2020	Contracted by MCEC under dba to create coding academy” (Paid with TANF funds) – Notice overlap of over five months with FRC contract and overlap of two weeks with MCEC employee contract	Lump sum payment of \$139,500.05 on 2/14/2019

Email Review

Through the email review performed of John Davis’s email and research conducted, additional information was uncovered that appears related to the agreements with FRC and subsequently with MCEC. This additional information is presented below.

- On June 11, 2018, an email from John Davis’s MDHS email was sent to his personal email at jgdj123@yahoo.com with the subject line “Agreement.”²⁰ This email contained an attachment in Microsoft (MS) Word that appeared to be a draft agreement between an entity named “ABLE Consultants, LLC” and FRC. The scope of work included compensation of \$1.25 Million for “ABLE” to provide a scope of work that was detailed in duties numbered 1 to 9. Duties numbered 3 to 6 included language that was an exact duplication of the scope of work listed in the agreement between Austin Smith and FRC on the agreement effective June 15, 2018. The MS Word document properties were analyzed by CLA, which showed John Davis as the

²⁰ CLA confirmed that the “jgdj123@yahoo.com” was the personal email of John Davis through an email communication John Davis sent on November 4, 2016. In this email John Davis communicated his personal email address and the personal email address of Austin Smith to an individual he referred to as “Bro. Stan.” In this email John Davis, in addition to communicating his personal email address, advised the recipient that he was “welcome to send to either my work or personal. Anything you send to my work email (john.davis@mdsh.ms.gov) becomes public record.” Exhibit 017 includes this email.

author and last editor of the document. Exhibit 018 includes the email, the document properties, and the attached document.

- On June 12, 2018, just three days before June 15, 2018, when the contract between Austin Smith and FRC was effective, ABLE Consulting LLC was registered with the State listing two members, Austin Smith and Brett DiBiase. The Nature of Business was described as “Educational Support Services.” Exhibit 019 includes the Certificate of Formation for ABLE Consulting LLC.
- On June 13, 2018, John Davis emailed MDHS employee Garrig Shields stating “Try this:” and after that two-word sentence, John Davis pasted the scope of services for Education and Substance Abuse Coordinator, “ABLE.” The scope of services was the same that had been included in the email discussed above. Again, duties numbered 3 to 6 included language that was duplicative of the scope of work listed in the agreement between Austin Smith and FRC. Exhibit 020 includes this email.
- CLA reviewed the disbursement ledgers of MDHS, MCEC, and FRC, and did not identify payments to “ABLE Consultants LLC” or a variation of that name. However, the agreement between FRC and Austin Smith, effective June 15, 2018, reflected in the scope of work duties numbered 1 to 4 that were an exact copy of the duties 3 to 6 included in the “ABLE Consultants LLC” draft agreement that John Davis appears to have drafted.

Austin Smith’s employment at MDHS is an indication of nepotism by John Davis, as Austin Smith was John Davis’s nephew. Austin Smith’s employment with MDHS, FRC, and MCEC, including the fact that his salary nearly tripled in less than two years, represents possible abuse by John Davis of his position at MDHS as the Executive Director and his influence over MCEC and FRC in that his nephew may have received preferential treatment and received lucrative employment agreements and contracts, some which overlapped with each other.

MDHS provided a personnel file for Austin Smith as well as timecards and confirmed that he had been an employee of MDHS. FRC similarly provided to CLA a personnel file and timesheets and communicated that Austin Smith had performed his duties while an employee of FRC. MCEC did not sufficiently cooperate with CLA; therefore, CLA does not have information relating to the employment of Austin Smith by MCEC. The excessive increase in compensation to Austin Smith, as well as the overlap between periods of employment and periods of performance for his contracts suggest the possibility of fraud, waste, and abuse.

The lump sum payments made to Austin Smith from both FRC and MCEC for contractual periods that overlapped with his employment and overlapped with each other may present further evidence of fraud, waste, and abuse.

The following circumstances provide further indication of possible fraud, waste, and abuse:

- The fact that John Davis appears to have drafted an agreement for “ABLE Consultants LLC” which among nine elements of scope of work, it contained the four elements of the scope of work ultimately used in the agreements between Austin Smith and FRC, and separately MCEC, provides indication that John Davis was involved and had at the very least influenced the process. It is concerning and evident of the influence exercised by John Davis that, in the span of only five days, John Davis had drafted a contract (Monday), Austin Smith and Brett DiBiase had formed an LLC (Tuesday), John Davis had shared a scope of work with Garrig Shields (Wednesday), and a contract was executed between Austin Smith and FRC (Friday). Although the company “ABLE Consultants LLC” was not the ultimate recipient of the agreement to provide services relating to FRC, there is a clear correlation in the chain of events.
- The fact that at the time Austin Smith dba “ESA Technologies” entered into a contract with MCEC, effective February 1, 2019, ESA Technologies did not legally exist is additional evidence that this contract and the related payment contained evidence of potential fraud, waste, and abuse.
- The fact that Austin Smith, who held a bachelor’s degree in Political Science from Mississippi College, was hired to “coordinate and create a coding academy and website design program” for both FRC and MCEC appears unreasonable as little to no elements of a political science program would have included instruction in coding or website design. Additionally, his job application for FRC does not include any reference to previous coding or website design. He was a general manager at two restaurants, oversaw operations at a canoe rental company, and worked with his father (Brian Smith) in his father’s landscaping business. There was nothing else in his employee file that suggested experience with coding and website design. Therefore, it appears that Austin Smith lacked the qualifications and potentially the experience to coordinate and create a coding academy and website design program.
- As mentioned previously, Brian Smith (Austin Smith’s father) owns the residential property located at 502 Charles Street, Brookhaven, MS (see Exhibit 007), which appears to currently be a rental property. John Davis’s public records search also associates John Davis with this address, and John Davis has used this address as his mailing address in his MDHS employee file and on travel related documents (Exhibit 021 and 022). It appears that John Davis lived at this address either as a tenant or renter for a majority of the forensic audit period. Additionally, Austin Smith’s public records search associates him with this address, likely because he is the son of Brian Smith and possibly lived at this address for an unknown period of time. If there is any personal financial arrangement between John Davis and Brian Smith or Austin Smith due to this shared address, John Davis may have an indirect financial benefit from any earnings of Austin Smith.

Conclusion

CLA did not have access to John Davis's personal bank account or financial records to determine whether he received a direct financial benefit from the payments made to Austin Smith or ESA Technologies. John Davis may have an indirect financial benefit from the payments to Austin Smith and ESA Technologies to the extent there are any personal financial arrangements between John Davis and Austin Smith in which one party is obligated to pay the other (e.g., for rent on a personal residence).

In the course of a formal investigation into these matters, it may be possible to determine whether John Davis received a direct or indirect financial benefit from the payments to Austin Smith and ESA Technologies.

CLA finds that payments to Austin Smith, and his company ESA Technologies, contained indications of possible fraud, waste, and abuse. TANF and SSBG funded payments totaling \$496,391.17 were paid to Austin Smith as follows: \$69,993.00 was paid by MDHS, \$216,127.76 was paid by FRC, and \$210,270.41 was paid by MCEC as described in Table 9.

Table 9: Payments to Austin Smith

Begin Date	End Date	Payment Date	Description	Amount	Funding Source	Payer
9/16/2016	11/30/2016	Semi-monthly	Hired as employee by MDHS at starting salary of: \$41,254.98	\$ 18,172.70	Unknown to CLA	MDHS
12/1/2016	10/15/2017	Semi-monthly	Promoted by MDHS to Staff Officer I in Division of Field Operations (Paid for with TANF funds)	51,820.30	TANF	MDHS
10/17/2017	7/12/2018	Semi-monthly	Hired as employee by FRC (Paid with TANF Funds); includes payroll costs and expense reimbursements	86,127.76	TANF/SSBG	FRC
6/15/2018	6/14/2019	7/16/2018	Contracted as an independent contractor by FRC to create coding academy (Paid with TANF Funds) – Notice overlap of nearly one month with FRC employment period	130,000.00	TANF	FRC
7/16/2018	2/15/2019	Semi-monthly	Hired as employee by MCEC (Paid with TANF funds) – notice overlap of seven months with FRC contract above	70,770.36	TANF	MCEC
2/1/2019	1/31/2020	2/14/2019	Contracted by MCEC dba ESA Technologies "to create coding academy" (Paid with TANF funds) – Notice overlap of over five months with FRC contract and overlap of two weeks with MCEC employee contract	139,500.05	TANF	MCEC
Total				<u>\$496,391.17</u>		

Undue Influence and Favoritism by John Davis

The OSA Single Audit report communicated that certain payments made by FRC and MCEC had been directed by John Davis. The OSA Audit reports sites The *MDHS Subgrant/Contract Manual*, which subgrantees must attest to have read and understood prior to receiving grant awards. Section 6, under the heading “Open and Free Competition,” states that “all procurement transactions shall be conducted in a manner that provides maximum open and free competition consistent with...applicable federal law. Procurement procedures shall not restrict or eliminate competition...Examples of what is considered to be restrictive of competition include, but are not limited to...noncompetitive contracts to consultants that are on retainer contracts...organizational conflicts of interest.”

As mentioned previously, CLA’s forensic audit scope was severely limited as it relates to review and testing of transactions incurred by MCEC; however, based on review of documentation provided by FRC, documentation related to MCEC provided by OSA, and the results of the examination of email communications by John Davis, CLA was able to make certain determinations relating to evidence suggesting possible fraud, waste, and abuse. Specifically, it is CLA’s assessment that the following contracts/agreements and related payments were made through the undue and inappropriate involvement by John Davis, reflected favoritism to certain individuals and companies, and, in some cases, there was no evidence that even an attempt at following required procurement procedures was made.²¹ The analysis for this section is presented by relevant categories such as payments made to members of the DiBiase family or organizations founded or owned by them.

3. Undue Influence and Favoritism – NCC Ventures LLC/Nicholas “Nick” Coughlin (\$168,733.25)

The OSA Single Audit report identified certain transactions with NCC Ventures LLC for which the costs were questioned due to a personal relationship between John Davis and the president of NCC Ventures, Nick Coughlin. OSA also pointed out that John Davis hired an immediate family member of Nick Coughlin to work in the Executive Office of MDHS.

The following information identified through the review of John Davis’s emails indicates that John Davis desired to have MDHS contract with Nick Coughlin prior to undergoing the required procurement method. Additionally, public records indicate that Nick Coughlin formed NCC Ventures shortly after meeting with John Davis.

- August 17, 2017: Brett DiBiase forwards to John Davis a copy of Nick Coughlin’s resume (Exhibit 023).²² John Davis emails Nick Coughlin to schedule a meeting (Exhibit 025).

²¹ CLA was able to make an assessment only on those contracts for which CLA obtained documentation and sufficient evidence to suggest the possibility of fraud, waste, and abuse. As mentioned, MCEC failed to comply with CLA’s request for meetings, bank statements, and other documentation.

²² Mississippi Secretary of State filings show Nick Coughlin and Ted DiBiase, Jr. (“Teddy DiBiase”) associated with Dofflin, LLC formed on August 5, 2013 (Exhibit 024). Nick Coughlin is the Registered Agent with an

- August 22, 2017: Emails between Nick Coughlin and John Davis confirm an in-person meeting between the two discussing “possible opportunities to help further the mission and purpose of [MDHS]” (Exhibit 026). In this email, John Davis provides a summary of a specific role he has in mind for Nick Coughlin in which he would work with the Division of Workforce Development to “create opportunities for conversations with industry leaders and potential employers for individuals [sic] seeking [MDHS] services.” John Davis states that MDHS would contract for Nick Coughlin’s services with an initial amount of \$100,000, and if things go well, they could discuss increasing the amount. John Davis states that Nick Coughlin would report directly to John Davis. John Davis sends another email shortly after asking Nick Coughlin not to discuss this with anyone until they have time to discuss.
- September 6, 2017: Mississippi Secretary of State filing shows NCC Ventures was formed using the business email nick@dofflin.com (Exhibit 027). The registered agent is Andrew Sorrentino, Esq.²³
- September 23, 2017: John Davis emails Jacob Black telling him not to approve the Nick Coughlin contract until they (John Davis and Jacob Black) talk. John Davis said he had “something that came to mind.” Exhibit 029.
- October 16, 2017: A Competitive Procurement Request Form is completed at MDHS for “Employer Engagement Services.” NCC Ventures is the first company listed from which to obtain quotes. Exhibit 030
- October 17, 2017: Nick Coughlin submits a proposal to FRC for “WorkForce Development/Training.” Exhibit 031
- November 1, 2017: Effective date of contract between NCC Ventures and FRC. Exhibit 032
- November 9, 2017: MDHS issues RFQ#WDEE2017 for “Employer Engagement Services” with a submission deadline of November 15, 2017 (Exhibit 033).
- November 14, 2017: NCC Ventures submits a quote to MDHS in response to RFQ#WDEE2017. Exhibit 034
- February 26, 2018: First payment from MCEC to NCC Ventures. Exhibit 035
- March 9, 2018: John Davis executes the contract between MDHS and NCC Ventures. Exhibit 036

address of 109 Navajo Circle, Clinton, MS 39056 and the business email DofflinLLC@gmail.com. Ted DiBiase, Jr. is listed as a Managing Member with an address of 144 Mullherrin Drive, Madison, MS 39110. The current status of Dofflin, LLC is “Dissolved.”

²³ The 2021 filing with the Secretary of State indicates Nick Coughlin as the Manager of NCC Ventures (Exhibit 028).

- March 31, 2018: Nick Coughlin forwards to John Davis the resume for John Coughlin, an apparent relative of Nick Coughlin's (Exhibit 037).²⁴

NCC Ventures received payments from MDHS, FRC, and MCEC beginning in November 2017 and going through September 2018. Table 10 summarizes these payments.²⁵

Table 10: Summary of Payments to NCC Ventures

Contracting Entity	Payee	Contract Term	Dates of Payments	Total Paid	Funding Source
FRC	NCC Ventures	11/1/17 – 4/30/18	11/30/17 - 4/30/18	\$ 49,999.98	TANF
MDHS	NCC Ventures	3/9/18 - 9/8/18	4/13/18 – 9/14/18	72,900.00	TANF
MCEC	NCC Ventures	Unknown	2/26/18 - 7/24/18	45,833.27	TANF
Total Payments to NCC Ventures				<u>\$ 168,733.25</u>	

A. FRC Contract with NCC Ventures

FRC paid NCC Ventures \$49,999.98 as part of an independent contractor agreement. FRC identified the disbursements as subsidies, loans, and grants. The agreement with NCC Ventures indicated that NCC Ventures would be paid \$50,000 “to be divided and paid in equal monthly installments beginning November 1, 2017 and ending on April 30, 2018” (see Exhibit 032).²⁶ Christ Webb signed on behalf of FRC, and Nick Coughlin signed on behalf of NCC Ventures.

The scope of work per the agreement stated that “NCC shall:

- Plan and coordinate industry sector initiatives with small businesses and conduct workforce needs assessments,
- Develop Priority and Demand Occupations lists or resources to be used by FFM,
- Provide FFM training and development regarding Workforce Development as needed,
- Complete an evaluation and inventory of certificate and degree training programs for use by FFM,
- Assist FFM or its partners in development [of] certificate and degree training programs,
- Provide reporting to FFM regarding the need for planning and coordinating layoff aversion programs,

²⁴ John Coughlin was paid by MDHS from June 2018 through September 2019 based on the payroll data provided to CLA.

²⁵ CLA checked MDHS' entire disbursement register to determine whether any additional payments were made to NCC Ventures or Nick Coughlin during the forensic audit period. CLA did not identify any additional payments.

²⁶ Six payments of \$8,333.33 each were made to NCC Ventures between November 2017 and April 2018.

- Assist FFM in developing marketing/promotional material to showcase workforce opportunities,
- Assist in implementation of career exploration and job search workshops including training for trainers.”²⁷

In addition, NCC Ventures was to also provide proof of employment of 25 individuals through direct assistance efforts.

Limited supporting documentation was available for the payments made to NCC Ventures. FRC provided the following:

- Four invoices from Nick Coughlin/NCC Ventures numbered 1, 2, 4, and 6 (Exhibit 038). The description on the invoices lists only the company’s name and the amount due of \$8,333.33.
- A proposal from Nick Coughlin dated October 17, 2017 titled “WorkForce Development/Training” (see Exhibit 031).
- A handful of emails at the time Nick Coughlin’s contract was being negotiated and signed (Exhibit 039) and an introduction of Nick Coughlin to various FRC employees in April 2018 (Exhibit 040).
- An email chain from June 2018 that originated with Zola Haralson, John Davis’s assistant, requesting FRC meet with John Davis and Nick Coughlin (see Exhibit 039).
- An excerpt of a workforce development update dated April 30, 2018, which shows six individuals that were seeking employment (see Exhibit 040).

According to FRC, “NCC ventures was sent to FRC by Director Davis. The proposal was a good proposal and fit into the [Families First] pillars.” Additional supporting documentation was requested by CLA, but FRC was unable to provide anything additional. There was no evidence that NCC completed any of the items in the scope of work: conduct and provide the workforce needs assessments, develop Priority and Demand Occupations lists or resources, provide training and development, complete an evaluation and inventory of certificate and degree training programs, prepare reporting to FRC, develop marketing/promotional material, or place 25 individuals into jobs. Based on the lack of any deliverables and the limited information included in the invoices to FRC, there is little evidence of any time and effort by NCC Ventures to complete the projects provided in the contract.

B. MDHS Contract with NCC Ventures

MDHS paid NCC Ventures \$72,900 under a professional services contract. The agreement with NCC Ventures indicated that payments to NCC Ventures would not exceed \$72,900, which was based on a monthly fee of \$12,150 for six months (see

²⁷ FFM stands for Families First for Mississippi.

Exhibit 036).²⁸ John Davis signed on behalf of MDHS, and Nick Coughlin signed on behalf of NCC Ventures.

The scope of work per the agreement stated that NCC Ventures was to:

- Expand and replicate effective approaches for linking education and training efforts with the skills and competencies that employers need.
- Study and measure how well the public workforce system is meeting employer needs and facilitate partnership between employers and MDHS to fill the gaps in instructional as well as supportive services.
- Link information on industry trends as well as skills needed for targeted occupations to aide in career pathway mapping.
- Identify available Employment and Training components offered by employers to give participants the opportunity to gain work experience or clinical experience required for licensure, transitional jobs or internships.
- Translate between employers and training providers, communicating information about industry trends and needs.
- Engage employers on behalf of MDHS clients to assist in improving opportunity and outcomes in the workforce.
- Cultivate relationships with employers who are wary of working with the government or with nonprofits due to competition or skepticism by raising awareness, inspiring, motivating and providing on-going support to employers, as potential recruiters.²⁹

The MDHS contract with NCC Ventures specifies a performance period to “begin on December 1, 2017, or after all parties have signed, whichever is later, and end on May 31, 2018, or six (6) months after all parties have signed, whichever is later.”³⁰ The agreement was signed by John Davis on March 9, 2018, thus beginning the six-month term of March 9, 2018 through September 8, 2018.

Invoices submitted by NCC Ventures and paid by MDHS included general descriptions of work performed but did not include hourly details (see Exhibit 043 for the invoices submitted). Invoice #000105 dated July 31, 2018 included additional typed details of the following:

²⁸ Attachment E, Budget Narrative, to the agreement provide the fee structure.

²⁹ The scope of services for NCC Ventures is very similar to the scope of services seemingly crafted by John Davis for the agreement with Familiae Orientem for the RISE program. See email dated June 7, 2018 from John Davis to Garrig Shields with the attachment “Scope.docx” (Exhibit 041). The document properties of the Word file attached indicate that John Davis was the author of the file (Exhibit 042).

³⁰ An email dated March 5, 2018 from Elizabeth Rocquin to Sandra Giddy, Jacob Black, John Davis, and Bridgette Bell indicates that the contract was updated to reflect a period of performance to end six months after all parties have signed.

- Coordinating with regional smart start offices and identifying employment partnerships for candidates
- Working closely with MDHS regional office directors and FFM coordinators to identify clients in need of careers/jobs
- Meetings and coordination with companies in the “soft skills” industry to help implement and adapt into the core mission of MDHS
- Discovery and development of training and human resource and essential needs facility (Hinds County) – 100 acres

OSA raised concerns regarding the solicitation process for obtaining quotes/bids for these services noting that only three solicitations were sent out, with the other two being sent to companies outside the State of Mississippi. When OSA contacted one of the companies, the representative said that he did not respond because he did not have expertise in the scope of work requested.

The documentation provided to CLA related to the solicitation process shows the following:

- October 16, 2017: A “Competitive Procurement Request Form” is completed and signed by John Davis (see Exhibit 030).
- November 9, 2017: MDHS issues RFQ#WDEE2017 for “Employer Engagement Services” with a submission deadline of November 15, 2017 (see Exhibit 033).
- November 14, 2017: NCC Ventures submits a quote to MDHS (see Exhibit 034). Based on the list of quotes included in the documentation, NCC Ventures is the only company that provided a quote (see Exhibit 044).³¹
- November 16, 2017: Quotes were opened and evaluated by three individuals, and Nick Bridge submitted a memorandum to John Davis recommending the award of the contract to NCC Ventures.

There was no information provided to CLA regarding the lapse in time between when the recommendation to award the contract was made on November 16, 2017 and the contract was signed by John Davis on March 8, 2018. The contract between NCC Ventures and FRC was effective November 1, 2017 through April 30, 2018; therefore, it is possible that a pause was put on executing the contract between MDHS and NCC Ventures until closer to the end date of the contract with FRC.

³¹ The Competitive Procurement Request Form indicated the other two companies to be contacted: Zenith Consulting, Inc., and Becker Contracting Services. The documentation provided indicates that these companies did not respond to the RFP.

Through the review of John Davis's emails, CLA identified emails in February and March 2018 between John Davis, Sandra Giddy, and Jacob Black discussing the scope of work and deliverables by NCC Ventures (Exhibit 045). On April 2, 2018, Nick Coughlin emails an invoice for March 2018 to John Davis (Exhibit 046). A second email is sent with the same invoice to Janet Mann with John Davis copied (Exhibit 047). After April 2018, there were limited emails including John Davis and Nick Coughlin related to the specific services performed.

Based on the information uncovered by OSA, and the initial communications and meetings between John Davis and Nick Coughlin in August 2017, there is evidence that indicates the procurement process may have been manipulated and/or rushed to support the hiring of NCC Ventures. Additionally, based on the lack of any deliverables from NCC Ventures and the limited information included in the invoices to MDHS, there is little evidence to support any time and effort by NCC Ventures to perform the services as described in the agreement. Lastly, NCC Venture's scope of services with FRC and MDHS are very similar, and there is approximately two months of overlap for the two contracts, with MDHS's contract beginning on March 8, 2018 and FRC's contract ending on April 30, 2018.

C. MCEC Contract with NCC Ventures

MCEC paid NCC Ventures \$45,833.27 from February 26, 2018 through July 24, 2018. Due to the lack of cooperation by MCEC during this forensic audit, CLA was unable to get documentation beyond what was included in the OSA Single Audit report. According to OSA, MCEC retained NCC Ventures to "plan and coordinate industry sector initiatives with small businesses, and to provide training regarding workforce development."

Due to the scope limitation with respect to the forensic audit of MCEC, CLA was unable to obtain additional information regarding the services provided by NCC Ventures to MCEC. However, the payment dates on which MCEC paid NCC Ventures overlap with both the FRC contract and MDHS contract with NCC Ventures. Additionally, based on the description of the services included in the OSA Single Audit report, the services appear very similar in nature to both agreements with MDHS and FRC.

Conclusion

After being introduced to Nick Coughlin by Brett DiBiase, John Davis identified Nick Coughlin as an individual that he wanted to work with at MDHS. Evidence suggests that the procurement process may have been manipulated or rushed to ensure that Nick's company, NCC Ventures, was awarded a contract. John Davis also introduced Nick Coughlin to FRC and MCEC, and it appears the contract between FRC and NCC Ventures was orchestrated before the procurement process could be completed at MDHS, which may have delayed John Davis's signing of the contract between MDHS and NCC Ventures. There are a few email communications that support some work activities by Nick Coughlin related to the contracted services; however, detailed documentation of his time, efforts, and results were not provide to CLA. The contracts with MDHS and FRC were both fixed

fee agreements; therefore, it is difficult to determine any value to MDHS or FRC without any deliverables. CLA does not have a copy of the contract between NCC Ventures and MCEC, but based on the equal monthly payments made, the contract was likely also based on a fixed fee.

Based on this information, it appears that John Davis abused his position and power at MDHS and over the subgrantee relationships with FRC and MCEC in order to retain Nick Coughlin through his company, NCC Ventures. No evidence was identified that John Davis personally benefitted from the contracts awarded to NCC Ventures; however, CLA did not have access to the personal finances of John Davis or the business/finance records of NCC Ventures. Due to the overlapping time periods for which NCC Ventures was paid by MDHS, FRC, and MCEC, and the similarity in the scopes of work, there appears to be a duplication of effort or scope. Although CLA did not identify a personal friendship between John Davis and Nick Coughlin prior to John Davis's efforts to hire Nick Coughlin, the position John Davis held at MDHS and the level of control over MCEC and FRC suggest undue influence and favoritism by John Davis.

4. Undue Influence and Favoritism – DiBiase Family (\$5,759,371.83)

The OSA Single Audit report communicated several contracts and payments that were related to members of the DiBiase family or to organizations owned or founded by them. These payments are listed in Table 11. CLA provides a brief overview of the purpose of the payments as they were communicated in the OSA Single Audit report followed by a discussion of CLA's findings on the assessment of circumstances that may contain indications of fraud, waste, and abuse that became evident through the performance of research and review of email communications of John Davis.

Table 11: Payments Made to DiBiase Family Due to Undue Influence and Favoritism by John Davis³²

Payer	Payee	Payment Beginning Date	Payment Ending Date	Paid Amount	Contract Date	Contract Amount	Funding Source
MDHS	Heart of David	5/16/2017	6/28/2018	\$1,006,878.70	5/1/2017	\$1,500,000.00	TANF
FRC	Priceless Ventures	6/1/2017	6/1/2017	250,000.00	6/1/2017	250,000.00	TANF
FRC	Ted DiBiase, Jr.	8/28/2017	8/28/2017	250,000.00	No Contract	No Contract	TANF
MCEC	Brett DiBiase	9/12/2017	7/31/2019	486,258.87	Employee	Employee	TANF
MCEC	Brett DiBiase	10/12/2017	6/18/2019	25,967.68	N/A	N/A	TANF
MCEC	Ted DiBiase, Jr.	11/10/2017	6/14/2019	15,434.83	N/A	N/A	TANF ³³

³² According to search results from the Mississippi Secretary of State website, Ted DiBiase is listed as the incorporator of Heart of David Ministries; Ted DiBiase, Jr. is listed as the manager and registered agent for Priceless Ventures LLC and as a member of Familiaie Orientem; and Brett DiBiase is listed as a member of Restore2 LLC. Payments made to Rise Malibu, a luxury rehabilitation facility in Malibu, California, were made for the benefit of Brett DiBiase.

³³ The payments to Ted DiBiase, Jr. from MCEC were recorded to TANF, with the exception of two payments totaling \$1,791.09, which were recorded in the general ledger to an "administrative" class. CLA has included these payments here for completeness. Additionally, a \$5,000 payment recorded in the disbursement ledger with check number 9622 on November 10, 2017 to payee Ted DiBiase (Jr.) was recorded in the general ledger to payee Priceless Ventures. Because the check was made payable to Ted DiBiase (Jr.), it is

Payer	Payee	Payment Beginning Date	Payment Ending Date	Paid Amount	Contract Date	Contract Amount	Funding Source
FRC	Priceless Ventures	11/13/2017	8/30/2018	249,999.96	No Contract	No Contract	TANF
FRC	Priceless Ventures	5/15/2018	5/15/2018	500,000.00	5/15/2018	500,000.00	SSBG
MCEC	Priceless Ventures	5/17/2018	6/18/2019	699,500.00	10/1/2018	130,000.00	TANF
MCEC	Heart of David	5/18/2018	5/14/2019	25,000.00	No Contract	No Contract	TANF
FRC	Priceless Ventures	6/22/2018	6/22/2018	497,987.00	5/22/2018	497,987.00	TEFAP
FRC	Familiae Orientem	6/26/2018	8/23/2018	700,000.00	6/25/2018	1,000,000.00	TANF
FRC	Brett DiBiase	6/26/2018	6/26/2018	130,000.00	6/15/2018	130,000.00	TANF
MDHS	Heart of David	12/6/2018	10/11/2019	714,344.79	10/5/2018	1,250,000.00	TANF
MDHS	Restore2/Recover2	1/11/2019	3/7/2019	48,000.00	12/10/2018	48,000.00	TANF
MCEC	Rise Malibu Training	2/12/2019	6/13/2019	160,000.00	No Contract	No Contract	TANF
Total				<u>\$5,759,371.83</u>			

CLA did not receive all contracts relevant to all of the payments made by MCEC, FRC and MDHS to the individuals who were part of the DiBiase family or organizations owned/founded by a member of the DiBiase family. Background as to the reasons for the above listed payments is discussed below as well as any additional information obtained by CLA from MDHS, FRC, and MCEC.

A. Heart of David Ministry

(1) MDHS awarded TANF grants to Heart of David

MDHS paid Heart of David Ministry (“Heart of David”) a total of \$1,721,223.49 related to two grants awarded by MDHS.³⁴ The first grant was grant number 6011757/6011759 effective from May 1, 2017 to September 30, 2018. The second grant was grant number 6014990/6014991 and was effective from October 1, 2018 to September 30, 2019. Heart of David was formed in 1997 by Ted DiBiase.³⁵ Exhibit 048 includes Articles of Incorporation for Heart of David. Ted DiBiase is a WWE Hall of Fame professional wrestler and an ordained minister, speaker, author, and businessman.³⁶ Heart of David stated it has provided services that have included “developing collaborative networks, training related to Family Dynamics, referral services, motivational speaking...LINC (Local Initiative to Network Compassion)

included here in the payments to Ted DiBiase, Jr. even though the general ledger had this payment incorrectly recorded to Priceless Ventures.

³⁴ The Heart of David grants included actual payments of \$2,121,083.76; however, Heart of David made two refunds to MDHS related to these grants and only the net amount of \$1,721,223.49 is communicated here.

³⁵ According to publicly available Forms 990 filed by Heart of David, in the year ending December 31, 2016, total revenues reported were \$196,653. The following year revenue reported was \$284,846, and by the year ending December 31, 2018, total revenue included \$942,249. This provided evidence that prior to receiving grants from MDHS, Heart of David’s total revenue was significantly less.

³⁶ Heart of David document, “History of the Organization,” received May 15, 2021 (Exhibit 049).

services...[and] providing training services using WhyTry.”³⁶ Heart of David claims that it was solicited to collaborate with MDHS in 2017 to “collaborate around the newly implemented Gen Plus referral system...[and] collaborate as a faith-based leader for [MDHS] in [the] Family First Initiative.”³⁷

CLA initially communicated with Heart of David through its attorney, Tom Fortner, at Lowrey & Fortner, P.A. On January 21, 2021, Fortner provided documents to CLA on behalf of Heart of David that Fortner stated were provided to the U.S. Attorney’s Office in response to the federal grand jury subpoena. CLA reviewed the documents and observed that, although relevant, they were not responsive to CLA’s original request submitted to Heart of David on November 25, 2020. CLA then provided the request list to Tom Fortner and requested that he communicate the request to Heart of David. On February 12, 2021, Tom Fortner provided CLA with an organizational chart and profit and loss (P&L) statement, which was in response to the request for the general ledger. CLA observed that the P&L statement had been exported from a QuickBooks file and contained detailed information relating to the grants issued by MDHS. CLA then requested an interview with Tom Fortner and asked that Melanie DiBiase, the Heart of David Assistant Executive Director, also attend.³⁸ The interview was conducted on February 16, 2021.

Melanie DiBiase confirmed that she would be the point of contact for Heart of David. All requests were made to Melanie DiBiase, and Heart of David’s attorney, Tom Fortner, was informed of communications. In May 2021, Melanie DiBiase began providing documents to fulfill CLA’s request. CLA noted that documentation appeared to be incomplete and made several attempts to request additional documentation necessary to complete the testing outlined in the MDHS scope of work. After failing to obtain the requested documentation and communicating to MDHS the difficulties incurred, CLA reached out to the OSA to assist in issuing an administrative subpoena to require Heart of David to produce the documents and records in its possession. Only July 30, 2021, CLA received from the OSA the Heart of David documents, more than eight months after the original request was submitted to Heart of David.³⁹ On August 24, 2021, Heart of David produced its QuickBooks backup file to OSA in

³⁷ Heart of David document, “Executive Summary,” received May 15, 2021 (Exhibit 050).

³⁸ CLA requested to speak with the representatives of Heart of David; however, only Melanie DiBiase was available to attend the interview. Melanie DiBiase implied that Ted DiBiase would not be available to speak with CLA due to his busy schedule.

³⁹ Heart of David provided 1,155 pages of documents separated into 15 files, which Heart of David claimed contained all of the requested documentation. Within the 1,155 pages were 371 check images. There were check images for 90 of the 109 transactions CLA selected for testing; however, 19 transactions selected for testing were missing a copy of the check image. CLA performed a verification of the check image to ensure the payee name on the check matched the payee recorded in the check register. In addition, the files contained documents relevant to the transactions selected for testing as well as documents unrelated to the transactions selected for testing.

response to the subpoena. OSA provided the QuickBooks backup file to CLA, and provided the password to view and access the information.⁴⁰

At no time during the course of document production or communication with Heart of David did Ted DiBiase make himself available for interview or to answer questions regarding the produced documents. CLA reviewed the documentation provided, and, although relevant, determined a majority of the documentation to be insufficient to answer the question of how the expenses related to a TANF purpose as defined by 45 CFR § 260.20 – “What is the purpose of the TANF program?” As noted in CLA’s report, *MDHS TANF Forensic Audit: Procedures and Results*, there were 94 instances totaling \$528,250 in unallowable costs where CLA determined there was insufficient documentation to determine the TANF purpose behind the expense.⁴¹ Ted DiBiase’s cooperation may have provided answers to that question if he had been available. Additionally, the timing with which the documents were provided to CLA in response to the subpoena issued by the OSA did not allow CLA to perform follow-up inquiry with any representatives of Heart of David.

(2) MCEC paid donations to Heart of David

A total of \$25,000 was paid to Heart of David by MCEC for what was recorded as two payments labeled as donations. No contract or agreement was provided for these payments.

B. Priceless Ventures

Priceless Ventures was formed as a Limited Liability Company in the State of Mississippi on May 11, 2017, listing Ted DiBiase, Jr. as the manager. The current status of Priceless Ventures shows as dissolved. It appears suspicious to CLA that this entity was formed less than one month prior to the first agreement executed with FRC, on June 1, 2017, which indicates Priceless Ventures was not an established business already performing services and was formed simply for the benefit of the contracts with MCEC and FRC. Exhibit 051 contains the Certificate of Formation, annual reports, Administrative Dissolution, and Application for Reinstatement.⁴²

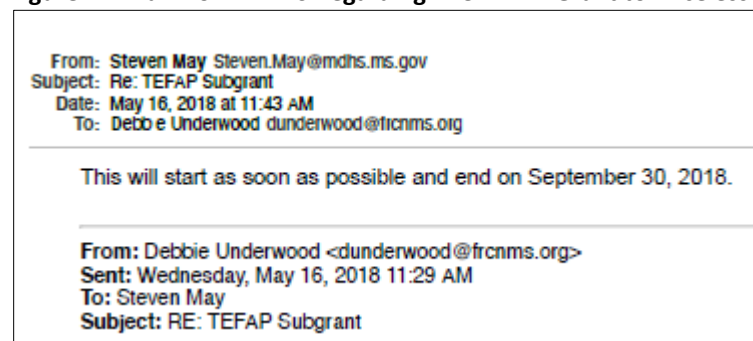
⁴⁰ Heart of David provided a QuickBooks backup file (QBB format) that appeared to contain information for the period December 30, 2016 to August 20, 2021. Heart of David did not provide any bank statements, which prevented CLA from evaluating the completeness or accuracy of the QuickBooks file.

⁴¹ The amount of unallowable costs is related only to the transactions selected for testing, which equaled \$640,968 of the total population of disbursements.

⁴² MDHS representatives communicated to CLA that Ted DiBiase, Jr. occupied one of the largest offices in MDHS that was located next to John Davis’s office. Upon review of John Davis’s email communication, CLA noticed that “Ted.DiBiase@mdhs.ms.gov” was copied on over 450 emails from February 1, 2018 through July 30, 2019. However, no emails appear to have been sent from “Ted.DiBiase@mdhs.ms.gov” to the MDHS email address of John Davis. CLA also reviewed the payroll records of MDHS, and Ted DiBiase, Jr. does not appear to have been paid by MDHS as an employee. It is not clear to CLA as to the reason why Ted DiBiase, Jr. would have occupied office space at MDHS.

(1) FRC made total payments of \$1,497,986.96 to Priceless Ventures.

- (a) Payments of \$499,999.96 with TANF funding. CLA received only one contract for these payments. The contract was effective June 1, 2017 through September 30, 2017 and provided for payment of a cash advance of \$250,000. The scope of work listed Priceless Ventures serving as the “Leadership Outreach Coordinator” for FRC. According to a response provided by FRC, this contract was originally intended to be administrative and programmatic in nature due to its relationship with the Healthy Teens Initiative and other youth development activities that included character building and responsible choices. FRC provided a schedule for a Healthy Teens rally taking place in September 2017 and email communications related to planning activities and events. It appears that some level of work was taking place; however, it is not clear to CLA that the amount of work taking place is commensurate to the amounts paid to Priceless Ventures.
- (b) Payments of \$500,000.00 paid from SSBG funding were made by FRC. The scope of work included serving as the “Leadership Outreach Coordinator” to FRC. FRC, in its response, addressed this agreement in conjunction with the agreement above. See above for details provided by FRC.
- (c) Payment of \$497,987.00 paid with The Emergency Food Assistance Program (TEFAP) funds, for which the scope included serving as the “Leadership Outreach Coordinator” for FRC. A contract dated May 22, 2018 was provided listing a cash advance of \$497,987.00 for services to be performed from May 22, 2018 through May 21, 2019. The full payment was made with a check dated June 22, 2018. FRC communicated that it began attempts to monitor Priceless Ventures; however, it had been instructed by MDHS that MDHS itself would be monitoring the activities of Priceless Ventures and maintaining all necessary paperwork and documentation related to scope completion and activities. Additionally, FRC provided CLA with email communication it had received from Steven May, MDHS Office Director II, on May 16, 2018. The email communication states, “As we discussed, please provide a budget narrative for the \$497,987 funds. I am attaching the Scope of Services for your review.” There is additional communication that appears to indicate MDHS staff was directing FRC as to the scope and timing of this contract. Exhibit 052 contains the email communications and attachments and Figure 4 includes an excerpt from one of the emails.

Figure 4: Email from MDHS Regarding FRC TEFAP Grant to Priceless Ventures

(2) MCEC issued payments totaling \$699,500 to Priceless Ventures.

MCEC paid \$699,500 to Priceless Ventures from TANF funding for providing a self-help program titled “Law of 16” for MCEC. The only related contract available to CLA listed effective dates of October 1, 2018 through September 30, 2019. The contract amount was \$130,000 and is included in Exhibit 053. No other contract related to these payments was available to CLA. MCEC, in its written response to CLA stated, “It is MCEC’s opinion that the Auditor’s staff made no attempt to review or ascertain the correlation to TANF...and the work and services provided.” However, MCEC did not provide any details or documentation that would have enabled CLA to reach a conclusion different than that presented by the OSA Single Audit report.

C. Ted DiBiase, Jr.

(1) FRC paid \$250,000 to Ted DiBiase, Jr.

A total of \$250,000 was paid to Ted DiBiase, Jr. by FRC on August 28, 2017. No contract or any supporting documentation was provided for this payment. The explanation provided by FRC addressed this payment to Ted DiBiase, Jr. as if it were part of the scope of work that listed Priceless Ventures serving as the “Leadership Outreach Coordinator.” Refer to section B.(1)(a) included above. Exhibit 054 includes an image of the check issued to Ted DiBiase, Jr.

(2) MCEC paid reimbursements totaling \$15,434.83 to Ted DiBiase, Jr.

In the MCEC disbursement ledger provided to CLA, there are payments totaling \$15,434.83 paid to Ted DiBiase, Jr. for what appears to be expense reimbursements from November 10, 2017 through June 14, 2019. CLA did not test these charges as it received no cooperation from MCEC; however, the OSA Single Audit report states that for fiscal year 2019, expense reimbursements to Ted DiBiase, Jr. include first class travel, high-end hotels, and expensive meals. The payments to Ted DiBiase, Jr. from MCEC were recorded to TANF, with the exception of two payments totaling \$1,791.09, which were recorded in the general ledger to the “administrative” class. CLA has included these payments here for completeness. Additionally, a \$5,000 payment recorded in the disbursement ledger with check number 9622 on November

10, 2017 to payee Ted DiBiase (Jr.) was recorded in the general ledger to payee Priceless Ventures. Because the check was made payable to Ted DiBiase (Jr.), it is included here in the payments to Ted DiBiase, Jr. even though the general ledger had this payment incorrectly recorded to Priceless Ventures. Attachment 01 lists the payments made from MCEC to Ted DiBiase, Jr.

D. Familiae Orientem

A total of \$700,000 was paid using two separate \$350,000 checks to Familiae Orientem by FRC. FRC entered into a \$1,000,000 contract with Familiae Orientem to “coordinate and create the RISE Program serving inner city youth.” The contract was signed by “Teddy DiBiase” as President of Familiae Orientem.⁴³ This contract was effective from June 25, 2018 to June 24, 2019. According to information provided by FRC, after issuing this grant, FRC began attempts to secure monthly monitoring and activity reports. FRC communicated that “MDHS instructed FRC that MDHS, not FRC, was monitoring the subgrant activities of Familiae Orientem, LLC and MDHS maintained all necessary paperwork and documentation related to scope completion and activities and services provided under the subgrant.” Exhibit 056 includes a letter from FRC to Ted DiBiase, Jr.

CLA located on the Mississippi Secretary of State website a company by the name of Familiae Orientem LLC that was registered with the state as a Foreign Limited Liability Company, organized in the state of Wyoming on June 25, 2018 (the same day of the contract effective date), and filed with the State of Mississippi on July 17, 2018. However, the name of the only member listed was Scott Elliot with an address of 8919 Pace Road, Meridian, MS 39305.⁴⁴ An Amendment was filed on June 18, 2019 to amend the registered agent and list an additional individual by the name of Heather Buller. The results of CLA’s public record searches did not list either Scott Elliot or Heather Buller as being connected with the DiBiase family. A letter sent by FRC to Ted DiBiase, Jr., as representative for Familiae Orientem LLC, lists an address of 105 LaSalle Street, Madison, MS 39110.⁴⁵ The Mississippi State filings for Familiae

⁴³ “Teddy DiBiase” is the same as Ted DiBiase, Jr., who is the son of Ted DiBiase.

⁴⁴ Scott Elliott owned this property until mid-2018 (Exhibit 055). Scott Elliott is the former President of Meridian Community College and retired in the summer of 2018: (https://www.meridianstar.com/news/meridian-community-college-president-scott-elliott-to-retire-this-summer/article_d940859a-f65e-11e7-8577-8b232b03faee.html).

⁴⁵ Based on public record searches, 105 LaSalle Street, Madison, MS is currently owned by McCaskill Properties, LLC, which was formed by Joseph McCaskill and his wife Jennifer McCaskill (Exhibit 057). The McCaskills purchased the property from Samuel Everett in 2019, who was likely the owner of the property around the time the letter was sent to Ted DiBiase, Jr. at this address. Public records indicate that Ted DiBiase, Jr. and his wife, Kristen DiBiase, may have been associated with this address. Samuel Everett has a son, James Everett, born in 1979 putting him close in age to Ted DiBiase, Jr., who was born in 1982. CLA was unable to find a connection between Ted DiBiase, Jr. and James Everett through social media; however, it is possible the two were/are friends. According to the Mississippi Secretary of State, DiBiase Consulting LLC was created in 2018 listing “Ted DiBiase” as the Registered Agent and “Theodore DiBiase” as the Organizer,

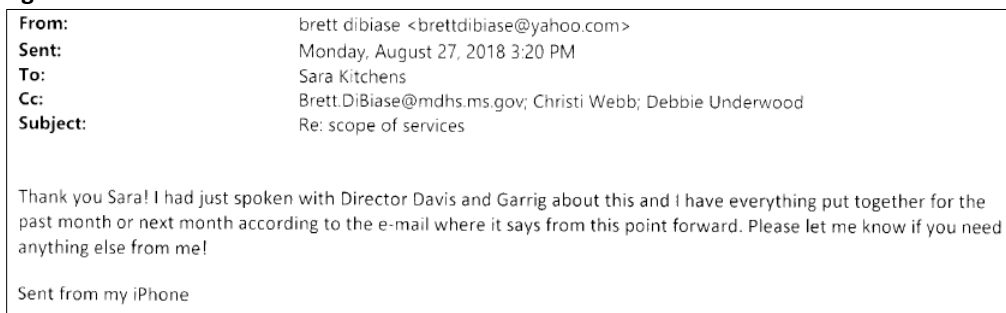
Orientem list Ted DiBiase (Jr.) as a Member in the December 16, 2019 Application for Reinstatement.⁴⁶ The current state of Familiae Orientem is “Revoked.” Exhibit 059 includes documents related to Familiae Orientem LLC. It is very concerning that the company was established on the same day that the agreement with FRC was executed.

E. Brett DiBiase

(1) FRC paid \$130,000 to Brett DiBiase for contractual services

Brett DiBiase, as an independent contractor, was paid \$130,000 by FRC on June 26, 2018. The contract between Brett DiBiase and FRC was executed on June 15, 2018 and required Brett DiBiase to provide FRC with consulting and project management services for FRC's substance abuse and addiction programs for FRC's clients. The contract had an effective period through June 14, 2019. FRC communicated to CLA that it had requested Brett DiBiase submit monthly activity reports detailing his performance and deliverables of the scope of services. FRC provided to CLA the letter it had issued to Brett DiBiase with this request. FRC communicated to CLA that Brett DiBiase never provided FRC with the requested monthly activity reports detailing his performance although Brett DiBiase had responded via email that he had, “everything put together.” FRC provided this email from Brett DiBiase. The email communication from Brett DiBiase mentioned that he had spoken with John Davis and Garrig Shields concerning FRC's request. Figure 5 below includes this email.

Figure 5: Email from Brett DiBiase to FRC



CLA noticed that Brett DiBiase added his MDHS email (Brett.DiBiase@mdhs.ms.gov) in the copy line of this email. Brett DiBiase was an employee of MDHS from March

both with the address of 105 LaSalle Street (Exhibit 058). CLA does not know if the names are referring to Ted DiBiase or Ted DiBiase, Jr., or both.

⁴⁶ The December 2019 Reinstatement lists Ted DiBiase, Jr. and Scott Elliott as members, and the email address listed is heather@rbcpas.com (Exhibit 059). This email address appears to be a work email address for Richard Buller CPA Services, an accounting firm in Louisiana. According to LinkedIn, Heather Buller is/was employed by Richard Buller CPA Services as an Office Manager.

2017 through September 2017.⁴⁷ Although Brett DiBiase was no longer an employee at the time of this specific email, it appears his MDHS email address remained active.

The full contracted amount of \$130,000 was paid shortly after the contract was executed. At a minimum, this is a poor business practice and leaves limited options for recourse should the contractor/vendor not perform the services as requested. Considering the noted relationships between the DiBiase family and John Davis, and John Davis's influence over FRC, this prepayment is concerning. Additionally, Brett DiBiase mentioned to FRC that he had spoken with John Davis about pulling together information FRC requested, which is additional evidence of the involvement and influence by John Davis on the contracts awarded to members of the DiBiase family. The fact that no activity reports were provided to FRC detailing work performed provides evidence that likely little to no work was performed on this contract.

Exhibit 060 includes the check issued to Brett DiBiase, the contract between Brett DiBiase and FRC, the letter from FRC to Brett DiBiase, and the email response from Brett DiBiase.

(2) MCEC paid \$25,967.68 in reimbursements to and for travel benefiting Brett DiBiase

In the MCEC disbursement ledger provided to CLA, there are payments totaling \$13,818.52 from October 12, 2017 to June 18, 2019 paid to Brett DiBiase for what appears to be expense reimbursements. CLA did not test these reimbursements as it received no cooperation from MCEC; however, the OSA Single Audit report states that for fiscal year 2019, expense reimbursements to Brett DiBiase include first class travel, high-end hotels, and expensive meals.

Additionally, the review of John Davis's emails identified several emails that indicate Zola Haralson booked travel for Brett DiBiase from February 11, 2019 through June 5, 2019. According to the travel details listed on the travel confirmation (and receipts), an American Express credit card ending in 2009 was used to pay for the travel. After the airfare confirmation emails were received by Zola Haralson, she forwarded the email confirmations to both Brett DiBiase, at bretttdibiase@yahoo.com, and John Davis. On at least two occasions, Zola Haralson forwarded the email confirmation to Anne McGrew, MCEC bookkeeper, with a copy to John Davis, and stated it was for Brett DiBiase's travel. The fact that Zola Haralson was providing these email confirmations (and receipts) to Anne McGrew suggests the American Express credit card ending in 2009 belonged to MCEC. CLA identified in MCEC's general ledger all of the charges related to this travel, which totaled \$12,149.16. The American Express payments included in the MCEC general ledger included the detail of the transactions making up each payment. CLA confirmed that the dates and amounts matched between the email confirmations and the American Express detail in the MCEC general ledger. Of the \$12,149.16, only \$8,489.17 was charged to TANF and \$3,659.99 was charged to the "administrative" class. CLA does not know the funding source of

⁴⁷ His payroll costs were not charged to TANF.

revenues classified to “administrative”; therefore, CLA cannot confirm whether TANF or other grant funds were used to pay for costs in the “administrative” class.⁴⁸ For this reason, the full amount of the travel charged to the credit card of MCEC is included in this analysis.

The reimbursements to Brett DiBiase total \$13,818.52, and the payments for travel benefiting Brett DiBiase equal \$12,149.16, which totals \$25,967.68. Attachment 02 includes the MCEC disbursement ledger and general ledger detail for the \$13,818.52 in expense reimbursements paid to Brett DiBiase. According to the general ledger detail, the reimbursements related to travel and meal costs. Attachment 03 includes the MCEC general ledger detail for the airfare costs paid with MCEC’s credit card totaling \$12,149.16.⁴⁹ The travel booked for Brett DiBiase from February 11, 2019 to June 9, 2019 appears to be related to his stay at Rise Malibu, which is discussed in subsection *G. Rise Malibu Training* included below. Additional details relating to these instances of travel are included therein.

Furthermore, through the review of John Davis’s emails, CLA identified an email dated September 29, 2017 from Anne McGrew, MCEC bookkeeper, to Brett DiBiase with the information for an MCEC credit card, which she mentioned Brett DiBiase would need to pay for his airfare. On October 2, 2017, Brett DiBiase forwarded the email with the MCEC credit card information to John Davis. Exhibit 60 includes this email chain. CLA is unaware of a legitimate business reason for Brett DiBiase to forward the MCEC credit card information to John Davis. Brett DiBiase was employed by MDHS through September 15, 2017 and began receiving payroll payments from MCEC on September 12, 2017. The open exchange of credit card information from MCEC to Brett DiBiase, and then from Brett DiBiase to John Davis, demonstrates the close involvement by John Davis in MCEC finances and the financial favoritism toward the DiBiase family.

(3) MCEC incurred \$486,258.87 in payroll and benefits cost relating to Brett DiBiase

In the MCEC general ledger provided to CLA, there are payroll and benefit expenses relating to Brett DiBiase totaling \$486,258.87 from September 12, 2017 to July 31, 2019. CLA did not receive a personnel file for Brett DiBiase from MCEC due to MCEC’s lack of cooperation. According to MCEC’s general ledger, the starting payroll and benefit costs relating to Brett DiBiase was approximately \$258,401.28 annually. There does not appear to have been any salary increases during his period of employment with MCEC, and all of his payroll and benefit costs were charged to TANF. As discussed

⁴⁸ MCEC’s attorney, Carrol Bufkin, communicated to CLA that, with respect to the chart of accounts, general ledger, and disbursement ledger provided, “the detailed items in these three categories were input by Anne McGrew and appear to contain some posting errors.” Additionally, based on the general ledger provided to CLA, MCEC TANF expenses were \$7.6 million less than TANF revenues. Therefore, it is possible that TANF or other MDHS grant funds were used to pay for these travel costs even though they were recorded to a different class.

⁴⁹ The OSA Single Audit report lists total reimbursements to Brett DiBiase of \$31,808.52. According to discussion with the OSA, the reimbursements to Brett DiBiase totaling \$31,808.52 includes airfare receipts paid by MCEC in 2019.

in subsection *G. Rise Malibu Training*, for a period of four months from February 11, 2019 to June 18, 2019, it appears that Brett DiBiase was receiving treatment at a luxury rehabilitation facility in Malibu, California. Therefore, it is highly unlikely that he would have been able to perform his duties as an employee of MCEC during this period; however, he continued to be paid as an employee of MCEC. Attachment 04 lists the payroll and benefit costs relating to Brett DiBiase that were recorded in the general ledger of MCEC.

F. Restore2, LLC

Brett DiBiase's company, Restore2, LLC ("Restore2"), was paid \$48,000 by MDHS to provide training to MDHS employees on opioid and substance addiction. The Mississippi Secretary of State lists Restore2 as being formed on August 21, 2018 with Brett DiBiase as the only Member. The contract was signed by John Davis on December 12, 2018 on behalf of MDHS (Exhibit 061 includes the Restore2 formation document and the contract with MDHS).⁵⁰ The term of the contract was December 10, 2018 through June 9, 2019. MDHS paid the full \$48,000 to Restore2 between January 2019 and March 2019. According to the invoices submitted, the dates of training were December 2018 through February 2019 (Exhibit 062).

According to the OSA Single Audit report, documents provided to OSA "revealed that the opioid trainings did not actually occur, and, in fact, the principal of Restore2 who supposedly conducted the trainings was in a luxury rehabilitation facility in Malibu, CA at the time of the contract."

Through the review of John Davis's emails, there were multiple communications between John Davis, other MDHS employees, and Brett DiBiase regarding the opioid addiction trainings DiBiase was to provide to MDHS employees. It appears the initiation of these trainings began around July 6, 2018 when John Davis sends an email to several MDHS employees stating that Families First has been working on a training module for opioid and substance abuse and requested that regional directors attend the training (Exhibit 063). From July 2018 through October 2018, there are various emails regarding the training, including one with an attendee list. On October 30, 2018, an email is sent indicating trainings scheduled for later that week are canceled due to Brett DiBiase going out of town (Exhibit 064).

On November 20, 2018 at 12:01pm EST, Brett DiBiase sends an email to John Davis with a quote for an opioid abuse training (Exhibit 065). Eighteen minutes later, Brett DiBiase sends the same quote to Waustella King at MDHS and copies John Davis and Chip Butler. The quote was for \$48,000 for 24 training sessions (Exhibit 066). Based on the document properties, the quote sent to John Davis and then to Waustella King

⁵⁰ The contract shows the vendor name as Recover2 LLC; however, the payments are made to Restore2 LLC.

and Chip Butler at MDHS was created on November 20, 2018 by Steven May (Exhibit 067). Steven May was an employee of MDHS at the time.⁵¹

On January 16, 2019, there is one additional email from Zola Haralson regarding potential dates to reschedule the opioid training with Brett DiBiase (due to the cancelation in October 2018), but CLA did not identify any additional emails in 2019 to indicate whether the trainings were rescheduled or if any MDHS employees attended.

Although there is an email trail suggesting that Brett DiBiase provided opioid abuse trainings to MDHS employees in 2018, CLA did not see evidence that Brett DiBiase (or his company) was paid for the trainings provided in 2018. And it is not until November 2018 that there is evidence of a quote for the trainings, which were billed to MDHS as having occurred in December 2018 through March 2019.

Based on this information, it appears that services provided by Brett DiBiase, if any, were actually performed in 2018 and billed to MDHS as 2019 services. The quote and invoices submitted in 2019 appear to be a paper trail to cause MDHS to make payments to Brett DiBiase's company without actually providing the services indicated in the quote and invoices.

Brett DiBiase was also a former employee of MDHS from approximately March 2017 through September 2017.⁵²

MDHS provided documentation to CLA that indicates Gregory Latimer Smith ("Latimer Smith"), a former employee of MDHS in the Contracts Unit, picked up the checks issued to Restore2 (Exhibit 068). The documents include a copy of the warrant (i.e., check) issued, a signature or notation of the check having been picked up, and a deposit slip indicating the deposit of the check into an account ending in 5915. Latimer Smith was indicted by a Grand Jury of the State of Mississippi on February 4, 2020 in relation to the scheme with Brett DiBiase and Restore2.

G. Rise Malibu Training

A total of \$160,000 was paid to Rise Malibu with four \$40,000 wire transfers issued between February 11, 2019 and June 13, 2019. The OSA Single Audit report communicated that these were payments made to a luxury rehabilitation facility in Malibu, California, for the benefit of Brett DiBiase. CLA did not receive any additional

⁵¹ Steven May worked for MDHS from approximately October 2017 through July 2019 (based on the pay period dates in the payroll data provided to CLA). The OSA Single Audit report indicated that MCEC used CCDF funding of \$44,964 in fiscal year 2019 to pay for the purchase of 2,600 copies of a children's book. The author of the book, B.J. May, is the wife of Steven May. Their daughter is married to Brett DiBiase. OSA communicated to CLA that the book's title was "Eli's Christmas." CLA did not test or review this transaction since it was paid from CCDF funds.

⁵² Based on the pay period ending dates in the payroll data provided to CLA. His payroll costs were not charged to TANF.

documentation from MCEC that would allow CLA to reach a different conclusion. The response provided in writing to CLA by Zach New indicated that he disagrees with the characterization of this finding. However, due to pending criminal indictments which pertain to the rehabilitation facilities, he could make no further comments.

As mentioned in subsection *E.(2)* *MCEC paid \$25,967.68 in reimbursements to and for travel benefiting Brett DiBiase*, CLA identified evidence that Zola Haralson booked travel for Brett DiBiase from February 11, 2019 through June 5, 2019 using what appeared to be a credit card of MCEC. The timeline of travel as shown through the travel confirmations is as follows:

- Monday, February 11, 2019 – First-class one-way flight from Jackson, MS to Los Angeles, CA at a cost of \$1,239.50. An additional email appears to indicate that the flight for February 11, 2019 was rescheduled for a change in departure time. The updated travel cost appears to have been \$833.87.⁵³
- Friday, March 22, 2019 – First-class round-trip flight from Los Angeles, CA to Jackson, MS. The return flight was on Sunday, March 24, 2019. The total cost was \$3,500.30
- Friday April 12, 2019 – First-class round-trip flight from Los Angeles, CA to Jackson, MS. The return flight was on Sunday, April 14, 2019. The total cost was \$961.50.
- Thursday, April 18, 2019 – First-class round-trip flight from Los Angeles, CA to Jackson, MS. The return flight was on Sunday, April 21, 2019 from Jackson, MS to Los Angeles, CA. The total cost was \$849.50. An additional email from Zola Haralson appears to indicate that Brett DiBiase’s wife accompanied him on his flight back to Los Angeles, CA. The email from Zola Haralson to Brett DiBiase and John Davis stated that she was able to book first-class travel for Brett DiBiase’s wife so that she would be sitting next to Brett on one flight, and across the aisle from him on another. Leah DiBiase’s flight schedule was a round trip flight from Jackson, MS to Los Angeles, CA with a layover in Dallas, TX on April 21, 2019. The return flight from Los Angeles, CA to Jackson, MS, with a layover in Dallas, TX, was on Tuesday, April 23, 2019. The cost of the flight is not included in the email as the ticket showed a status of “pending.” However, the general ledger shows the amount of \$1,614.00 with the description “Leah DiBiase 4/21-4/23/2019 Los Angeles – seat upgrade.” In the email communication regarding Leah DiBiase’s trip, Zola Haralson apologized to Brett DiBiase for not using his wife’s correct name in the initial email. John Davis responded to Zola, “we are just thankful to have you help us with all of this.”

⁵³ Although the general ledger contains a note that the \$1,239.50 was cancelled and would be credited, CLA did not identify a refund that offset this amount. For this reason both the \$1,239.50 and the \$833.87 is included in this analysis.

- Friday, May 3, 2019 – First-class round-trip flight from Los Angeles, CA to New Orleans, LA. The return flight to Los Angeles, CA was on Sunday May 5, 2019. The total cost was \$2,045.99
- CLA did not identify an email communication that provided flight details from Los Angeles, CA to Jackson, MS after the May 5, 2019 details; however, on Wednesday, June 5, 2019, a first-class round-trip flight from Jackson, MS to Los Angeles, CA was identified. The return flight to Jackson, MS was on Sunday, June 9, 2019. The total cost of the round-trip flight was \$1,104.50.

The total cost of the flights listed above is \$12,149.16. As mentioned, CLA located the specific flight costs in the MCEC general ledger, which provides evidence that the flights were charged to an MCEC credit card. CLA did not gain access to MCEC's credit card statements due to MCEC's lack of cooperation. The timeline of the flights to and from Los Angeles, CA correlate to the payments made by MCEC to Rise Malibu from February 12, 2019 through June 13, 2019; therefore, these flight costs appear to be related to Brett DiBiase's stay at Rise Malibu. Exhibit 069 includes the payments to Rise Malibu and the emails that document the travel to and from Los Angeles, CA. Attachment 03 includes the detail of the flights for Brett DiBiase and Leah DiBiase as identified through the email review, and the corresponding credit card charges in the MCEC general ledger.

Email Review and Research Results

It is CLA's assessment that for the above-mentioned payments made to members of, or organizations owned by, the DiBiase family, sufficient documentation was not available that would enable CLA to discern that the payments were proper. Additionally, CLA identified information that provides indications of possible waste, fraud, and abuse as listed below:

- Priceless Ventures LLC was established less than one month before the contract was executed with FRC. This is indicative that the organization was likely formed with the objective of pursuing the agreement with FRC.
- Heart of David Ministry's revenue prior to receiving funding from MDHS was less than \$200,000. Nonetheless, a grant initially for \$500,000 was awarded, then increased fivefold to \$2,500,000, and then ultimately modified to \$1,500,000. The MDHS grants significantly increased the revenue of Heart of David.
- Familiae Orientem LLC was established in the State of Wyoming on June 25, 2018, which is the effective date of the agreement with FRC.

Furthermore, through email review and research, CLA identified information indicative of a close relationship John Davis had with Ted DiBiase, Ted DiBiase, Jr., and Brett DiBiase. The subsection below provides some history regarding their close relationship including the fact that John Davis appeared to view the relationship with Ted DiBiase as advantageous due to Ted DiBiase's celebrity status. Several red flags were identified including decisions made by John Davis regarding funding the organizations

owned/founded by the DiBiase family, and instances where John Davis covertly included Ted DiBiase, Jr. and Brett DiBiase in email communications with MDHS employees and subgrantees. Ted DiBiase, Jr. and Brett DiBiase would have had no legitimate purpose for being included in these emails. The following subsection lists some of the email communications and/or results of research that were identified relevant to the DiBiase family members and/or organizations owned/founded by the DiBiase family.

- 1) On April 19, 2017, after discussions as early as April 1, 2017, John Davis communicated to Ted DiBiase, Jr. regarding funding Heart of David. In this email, John Davis stated, "I have my staff working on the scope you all submitted and requested they go ahead and expand the leadership component as we discussed. I requested they go increase the total award amount to \$500,000 to include the original proposal and the overall leadership development program in one grant." In the same email thread John Davis then stated, "the \$500,000 should provide an opportunity for great things with the HOD youth camps as well as the Leadership Program you and I both have a passion to see succeed." Exhibit 070 includes this email. On the same day, Ted DiBiase, Jr. had provided John Davis with goals for MDHS leadership development (Exhibit 071). Grant number 6011757/6011579 was executed May 1, 2017 for \$500,000. Exhibit 072 contains the grant documentation.
- 2) On May 17, 2017, John Davis exchanged email communications with Ed Garret, an assistant professor at Belhaven University. In this communication, John Davis mentioned having a good friendship with Ted DiBiase and described the benefit of Ted DiBiase's celebrity status. The email read in part, "We have become good friends... [he] started the Heart of David ministries. They are energetic and on fire to help people and their celebrity opens doors that may not otherwise be open." Exhibit 073 contains this email.
- 3) On July 3, 2017, John Davis emailed Ted DiBiase, with a copy to Nancy New and Christi Webb of MCEC and FRC, respectively. In this email John Davis indicated the desire of having MCEC and FRC collaborate with Ted DiBiase. The email stated, "As we discussed, I would like to bring Nancy New and Christie [sic] Webb, together with us to further explore developing 'Everybody's Got A Price' into a formal curriculum which could be used as a tool for both Healthy Teens, Fatherhood Initiative, etc. ... I believe it would be best to come through a collaborative project under the Families First umbrella." In the same email, John Davis complimented Ted DiBiase, "Your two sons, Teddy and Brett, are great young men and it is apparent their dad is as well." Exhibit 074 contains this email.
- 4) On September 8, 2017, Nick Bridge, MDHS Bureau Director II, asked John Davis regarding the name that should be used for "signing the mod." John Davis replied, "Ted DiBiase Sr." This email appears to confirm that John Davis made decisions on behalf of MDHS to increase the TANF grant funding to Heart of David. The modification for the Heart of David grant number 6011757/6011759 was executed on September 15, 2017 and had the effect of increasing the grant from the original \$500,000 mentioned in number 1) above to \$2,500,000. Exhibit 075

contains this email. Refer to Exhibit 072 for the grant agreement and modifications and to Figure 6 for the top portion of the Subgrant Modification Signature Sheet.

Figure 6: Modification for Heart of David Ministries

MDHS FUNDING DIVISION: <u>FIELD OPERATIONS</u>																															
1. SUBGRANTEE'S NAME: ADDRESS & PHONE NUMBER: Heart of David Ministries PO Box 1291 Clinton, MS 39060 Duns # 961121688	2. EFFECTIVE DATE: September 15, 2017																														
CONTACT PERSON: Ted DiBiase	3. SUBGRANT NUMBER: 6011757/6011759																														
PHONE NUMBER: 601-946-3386	4. MODIFICATION #: 1																														
FAX NUMBER: NA	FUNDING SOURCE and YEAR: TANF 17																														
EMAIL: tdbi3@comcast.net	5. BEGINNING AND ENDING DATES: May 1, 2017 through April 30, 2018																														
	6. SUBGRANT PAYMENT METHOD: <input checked="" type="checkbox"/> CURRENT NEEDS/CASH ADVANCE <input type="checkbox"/> COST REIMBURSEMENT <input type="checkbox"/> OTHER																														
7. PAGE: 1 OF 4																															
8. AS A RESULT OF THIS MODIFICATION, FUNDS OBLIGATED ARE CHANGED AS FOLLOWS:																															
<table border="1"> <thead> <tr> <th></th> <th>FROM</th> <th>TO</th> </tr> </thead> <tbody> <tr> <td>FEDERAL</td> <td>\$ 500,000.00</td> <td>\$ 2,500,000.00</td> </tr> <tr> <td>STATE</td> <td>\$ -</td> <td>\$ -</td> </tr> <tr> <td>OTHER</td> <td>\$ -</td> <td>\$ -</td> </tr> <tr> <td>TOTAL</td> <td>\$ 500,000.00</td> <td>\$ 2,500,000.00</td> </tr> </tbody> </table>		FROM	TO	FEDERAL	\$ 500,000.00	\$ 2,500,000.00	STATE	\$ -	\$ -	OTHER	\$ -	\$ -	TOTAL	\$ 500,000.00	\$ 2,500,000.00	<table border="1"> <thead> <tr> <th></th> <th>FROM</th> <th>TO</th> </tr> </thead> <tbody> <tr> <td>ADMINISTRATION</td> <td>\$ 39,834.00</td> <td>\$ 39,834.00</td> </tr> <tr> <td>SERVICES</td> <td>\$ 460,166.00</td> <td>\$ 2,460,166.00</td> </tr> <tr> <td>OTHER</td> <td>\$ -</td> <td>\$ -</td> </tr> <tr> <td>TOTAL</td> <td>\$ 500,000.00</td> <td>\$ 2,500,000.00</td> </tr> </tbody> </table>		FROM	TO	ADMINISTRATION	\$ 39,834.00	\$ 39,834.00	SERVICES	\$ 460,166.00	\$ 2,460,166.00	OTHER	\$ -	\$ -	TOTAL	\$ 500,000.00	\$ 2,500,000.00
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STATE	\$ -	\$ -																													
OTHER	\$ -	\$ -																													
TOTAL	\$ 500,000.00	\$ 2,500,000.00																													
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OTHER	\$ -	\$ -																													
TOTAL	\$ 500,000.00	\$ 2,500,000.00																													
9. THE ABOVE SUBGRANT IS HEREBY MODIFIED AS FOLLOWS:																															

- 5) On October 30, 2017, Ted DiBiase, Jr. emailed Christi Webb, with a copy to John Davis. In his email, Ted DiBiase, Jr. communicated an address change and stated that he had not received a payment for the month of October. Christi Webb replied that she thought payment of \$250,000 had been made about three months prior. Then she stated, "I will discuss with John Davis." By this date, FRC had issued two payments: a check for \$250,000 dated June 1, 2017 to Priceless Ventures and a check for \$250,000 dated August 28, 2017 to Ted DiBiase, Jr.⁵⁴ Refer to Table 11 for these payments and to Exhibit 054 for the check image and email dated October 30, 2017.
- 6) On November 28, 2017, John Davis received an email from Nancy New who communicated, "Per our conversation yesterday pertaining to Charlie, I followed through and informed him to discontinue his involvement with all faith-based activities ... We did agree to follow through in an expedient way to wrap up with pending partners initiatives but as quickly as possible, and then hand those over to HOD as well"⁵⁵ (Exhibit 076). John Davis replied to this email, with a blind copy to Brett DiBiase. In this email, John Davis stated, "I apologize for putting you in this position. I appreciate the complexity of this task and believe this is for the best." This email, accompanied by the fact that John Davis blind copied Brett DiBiase, appears to indicate that John Davis had directed MCEC to terminate someone's involvement with MCEC in order to transfer the work to Heart of David

⁵⁴ The \$250,000 check issued to Priceless Ventures on June 1, 2017 cleared the bank on June 8, 2017. The \$250,000 check issued to Ted DiBiase, Jr. on August 28, 2017, cleared the bank on September 1, 2017.

⁵⁵ HOD is the acronym that was used to refer to Heart of David Ministries, which was founded by Ted DiBiase.

or a company owned by the DiBiase family. On May 17, 2018, MCEC made the first payment to Priceless Ventures.⁵⁶ No contract was provided that matched the date of the first payment. Refer to Table 11 for MCEC payments to Priceless Ventures. Priceless Ventures was formed on May 11, 2017, listing Ted DiBiase, Jr. as the manager. The email communication mentioned handing all faith-based activities to Heart of David, which was formed by Ted DiBiase; however, the individual copied on the email was Brett DiBiase. Ultimately the first of the DiBiase family companies/entities to receive payment from MCEC was Priceless Ventures, which suggests funding was directed to Priceless Ventures versus Heart of David. The inclusion of various DiBiase family members in emails regardless of their official role with the respective organization shows the fluidity of the relationships and the level of involvement of John Davis with Ted DiBiase, Ted DiBiase, Jr., and Brett DiBiase.

- 7) On September 30, 2018, John Davis sent from his MDHS email to his personal email an email with the subject line “Boots” and included an attachment entitled “Boots for Teddy.” The attachment contained pictures of men’s cowboy boots. This email may suggest that John Davis intended to purchase the boots as a present to a son of Ted DiBiase, which may further indicate a level of friendship with the DiBiase family. Exhibit 077 contains this email and attachment.
- 8) On October 4, 2018, Ted DiBiase emailed John Davis to thank him for “granting an opportunity to serve the people of Mississippi in the upcoming year.” He also stated, “We need a letter from you for our accountant stating that we have been given the grant in the amount of 1.25 million. Thank you for providing that for us.”⁵⁷ Heart of David had been awarded a second TANF grant, grant number 6014990/6014991, for \$1,250,000 on October 1, 2018. Exhibit 078 contains the email and Exhibit 079 includes the grant documentation.
- 9) On October 18, 2018, John Davis sent from his MDHS email to his personal email communication with the subject line “stuff” which included an attachment entitled “TED MCEC.” The attachment was a Microsoft (MS) Word document that listed what appeared to be a scope of work as included in Figure 7 below. CLA reviewed the document properties of the MS Word document and identified that the document had been created on the same day as the email at 7:21 a.m. and had last been modified on the same day at 7:30 a.m. The author of the document was listed as “John Davis” and similarly, “John Davis” was the last to modify. The fact that the MS Word document appears to have been created by John Davis provides evidence that he was directly involved in planning the work that Priceless Ventures was contracted to provide to MCEC. See Figure 7 below for the

⁵⁶ Ted DiBiase, Jr. is listed as the manager and registered agent for Priceless Ventures LLC.

⁵⁷ Actual payments by MDHS to Heart of David for both grants was \$1,721,223.49.

language in the MS Word document, which references the Law of 16 program. Exhibit 080 includes the email, the document properties, and the attachment.⁵⁸

Figure 7: Language Included in the MS Word Attachment to John Davis's Email

Act as Liaison between Mississippi Community Education Center (MCEC) and the Mississippi Department of Human Services (MDHS) Leadership Development program.

Act as Liaison between the MCEC Executive team and the MDHS Executive Director.

Develop, formalize and implement the Law of 16 Personnel Development Training Program.

Provide technical and programmatic assistance with Workforce Development.

Develop and promote projects which provide opportunities for companies/industry to become familiar with the MCEC Families First Initiative.

Develop relationships with CEOs and industry leadership to build workforce opportunities.

Perform public appearances at MCEC events to promote the Healthy Teens for a Better Mississippi and the overall Families First Goals.

Perform public appearances and fund raising activities which promote MCEC.

- 10) On December 7, 2018, John Davis emailed Jess New (son of Nancy New) to thank him for being a good friend and then commented, "The names that are of greatest importance include" Law of 16, Ted DiBiase, Jr., Priceless Ventures, and others.⁵⁹ Jess New on the same day replied, "Happy to Help!"; he then appears to have listed the status of each of the names provided by John Davis including, "Priceless Ventures, LLC remains an entity in good standing at this time. Teddy is the Manager/Member." He then states "If we need to reorganize any of these entities, it will be easy to do so. Assuming you want them organized as an LLC. I'll just need one Member's name, address and email address. I can register as the Agent for Services of Process for these entities if you like, or let me know what you prefer...I can reserve any of the above names at this time without have [sic] to create an entity. Just let me know how you want to proceed and I'll take care of it. Thank you for letting me help." This email communication appears to intimate that John Davis was in a position of control and influence over the entities related to the DiBiase family. CLA did not have access to the financial records of John Davis; therefore, CLA is not in a position to determine whether John Davis financially benefitted from payments made to Priceless Ventures, or other entities registered to the name of a member of the DiBiase family. Exhibit 081 includes this email, and Figure 8 includes the response by Jess New.

⁵⁸ The contract effective October 1, 2018 between MCEC and Priceless Ventures contained contactor obligations that included vague language including, "Provide, perform and complete in a satisfactory manner, as determined by MCEC's standard policies and procedures."

⁵⁹ The full listing of names included in the email communication was the following: Law of 16, "the letter 16," the letter P, Give Chat, GiftChat, Ted DiBiase, Jr., LLC, Priceless, LLC, and Priceless Ventures, LLC.

Figure 8: Email from Jess New to John Davis

From:	Jess New <jesse.new@gmail.com>
Sent:	Friday, December 7, 2018 7:19 AM
To:	John Davis
Subject:	Re: Law of 16 and other names

Happy to help!

This is what I have found thus far:

Law of 16 - nothing registered on the Secretary of State's website; we're clear here

The Letter 16 - nothing registered on the Secretary of State's website; we're clear here

The Letter P - nothing registered on the Secretary of State's website; we're clear here

GiveChat - this entity is now named GiveChat Management, LLC and it was dissolved in December 2017. We are clear to reorganize this entity as either GiveChat, LLC or GiveChat Management, LLC.

GiftChat - GiftChat, LLC has nothing registered on the Secretary of State's website; we're clear here

Ted DiBiase Jr., LLC - Ted DiBiase, Jr., LLC was dissolved in December 2014. We are clear to reorganize this entity as Ted DiBiase, Jr., LLC.

Priceless, LLC is an available entity name.

Priceless Ventures, LLC remains an entity in good standing at this time; Teddy is the Manager/Member.

If we need to reorganize any of these entities, it will be easy to do so. Assuming you want them organized as an LLC, I'll need just one Member's name, address and email address. I can register as the Agent for Service of Process for these entities if you like, or let me know who you prefer. When these entities go active, we'll also need to apply for a TAX I.D. # at some point. If you prefer, I can reserve any of the above names at this time without have to create an entity. Just let me know how you want to proceed and I'll take care of it. Thank you for letting me help.

Jess

- 11) On January 2, 2019, John Davis organized a calendar invitation with the subject, "Restructuring MDHS Division Head Meeting." The required attendees included Ted DiBiase, Jr. (ted@dofflin.com). Ted DiBiase, Jr. was not employed by MDHS; therefore, there does not appear to be a legitimate reason for John Davis to include him in these MDHS internal discussions.⁶⁰ Exhibit 082 includes this email.
- 12) On January 23, 2019, Christi Webb emailed John Davis with a copy to Nancy New. In this email, she communicated that she had attached the information John Davis had requested of her and Nancy New, and communicated that the modified budgets would be submitted. John Davis then forwarded this email and attachment to Bridgett Bell, the Chief Financial Officer of MDHS, and other MDHS employees stating, "Could you please prepare a formal response back for me to send to Ms. Webb?" John Davis had blind copied Ted DiBiase, Jr. (ted@dofflin.com). This is further evidence that John Davis covertly included Ted DiBiase, Jr. in MDHS internal conversations, which is not appropriate and

⁶⁰ CLA could not verify whether Ted DiBiase, Jr. in fact attended the meeting on January 2, 2019.

indicates a level of collaboration between the two that appears concerning. Exhibit 083 includes this email.

- 13) On January 23, 2019, John Davis and Ted DiBiase, Jr. received a calendar invitation to attend a reception at the Governor's Mansion. The email stated, "John and Ted [sic] I want to take a moment to thank you for serving on the planning committee for the Inaugural Governor's Workforce Summit. Without your assistance this event could not happen." John Davis then appears to have organized the event on his calendar and listed Ted DiBiase, Jr. (ted@dofflin.com) as a required attendee. This is another indication of the involvement of Ted DiBiase, Jr. on the activities relevant to John Davis's work for MDHS. Exhibits 084 and 085 contain these calendar items.
- 14) On February 14, 2019, Bridgette Bell emailed John Davis, with a copy to other MDHS employees, to provide an updated draft of the direct deposit procedures. John Davis then replies on the same day to thank her for her prompt attention to "this request." On his email response, John Davis had blind copied Ted DiBiase, Jr. at ted@dofflin.com. In CLA's perspective, there appears to be no legitimate reason for John Davis to covertly include Ted DiBiase, Jr. in MDHS internal conversations related to direct deposit procedures.⁶¹ Exhibit 086 includes this email.
- 15) On June 20, 2019, Zola Haralson, an employee of MDHS, forwarded to John Davis and Ted DiBiase, Jr. at ted@dofflin.com, confirmation of a reservation for Ted DiBiase, Jr.'s one-day stay at Trump International Hotel Washington, D.C. Arrival date was June 20, 2019 and departure date was June 21, 2019. The room description was "1 Premier Room" at the cost of \$620.73 per night. Exhibit 087 includes this email. A separate email contained a similar reservation for John Davis. Airline confirmations for corresponding departure and arrival dates listed first-class accommodations for \$944.80 each (Exhibit 088).⁶²
- 16) On June 21, 2019, Gail Smith, an employee of MDHS, sent to John Davis an email with the subject line "Law of 16 Information Packet." The email contained an attachment with the same name. The information packet opened with a letter from John Davis introducing the Law of 16 as "a new innovative training that was developed and designed to help encourage, motivate and empower leaders for the State of Mississippi." It further explains that the training was developed by John Davis and Ted DiBiase, Jr., and the Law of 16 training was funded by Families First for Mississippi at no cost to "your organization" and was scheduled for a two-

⁶¹ CLA identified over 100 instances where John Davis copied or blind-copied Ted DiBiase, Ted DiBiase, Jr., or Brett DiBiase on MDHS internal discussions. The examples provided in this report are only to provide some of the most concerning instances where this was done, as they demonstrate John Davis's actions to keep members of the DiBiase family informed of what should have been internal discussions at MDHS.

⁶² Similar sets of reservations of premier rooms and first-class flights to Washington D.C. were identified for John Davis and Ted DiBiase, Jr. in December 2018, September 2018, and February 2019. Exhibit 089 contains these reservations.

day course that could be condensed into a one-day session if requested. The information communicated in the Law of 16 Information Packet indicates that John Davis played a role in developing and hosting these trainings, and the trainings would be at the expense of “Families First of Mississippi.”⁶³ Exhibit 090 includes this email and attachment. The contract executed on October 1, 2018 between Priceless Ventures and MCEC describes, “MCEC is willing to authorize Contractor to provide Law of 16 personal development and professional leadership training and other services and activities throughout the State of Mississippi.”

The fact that John Davis was involved in the development of the “Law of 16” training combined with the fact that he appeared to have some level of control over the organization of the entities owned/formed by members of the DiBiase family (refer to number 10 above), and the fact that the agreement between MCEC and Priceless Ventures provided for the “Law of 16” training to be offered throughout the State of Mississippi, all appears to indicate that John Davis was intimately involved in the operations of the entities owned by the DiBiase family. As mentioned above, CLA did not have access to the financial records of John Davis; therefore, CLA is not in a position to determine whether John Davis financially benefitted from payments made to Priceless Ventures or other entities registered to the name of a member of the DiBiase family. Figure 9 contains a portion of the contract between MCEC and Priceless Ventures.

⁶³ The text of the document states “Families First of Mississippi”; however, the logo on the document indicates “Families First for Mississippi.” According to the Mississippi Secretary of State website, Families First for Mississippi is a nonprofit corporation organized on December 8, 2017 by William Garrigues Shields (CLA believes this to be Garrig Shields who worked for MDHS). Both Nancy New and Christi Webb are listed as a Chief Executive Officers. The organization is currently listed as “dissolved.” There is a Families First for Mississippi-South, LLC listed on the Mississippi Secretary of State website as being formed on December 6, 2017. Jess New is the Registered Agent and Nancy New is the Member. The organization is currently listed as “dissolved.” Families First for Mississippi-North, LLC is also listed on the Mississippi Secretary of State website as being formed on December 12, 2017. Amy Harris is the Registered Agent and Christi Webb is the Member. The current status is also “dissolved.”

Figure 9: Contract Language for MCEC and Priceless Ventures

<p style="text-align: center;">MISSISSIPPI COMMUNITY EDUCATION CENTER FAMILIES FIRST RESOURCE CENTER CONTRACTOR SERVICES AGREEMENT</p> <hr/> <p>THIS AGREEMENT (the “Agreement”) is made and entered into effective as of the <u>1st</u> day of October 2018 (the “Effective Date”), by and between Mississippi Community Education Center, a Mississippi 501(c)(3) non-profit organization with its principal place of business at 2525 Lakeward Drive, Jackson, Mississippi 39216 (hereinafter referred to as “MCEC”) and Priceless Ventures, LLC (hereinafter referred to as “CONTRACTOR”).</p> <p>WHEREAS, MCEC is in the business of implementing, operating, managing and overseeing the operation of various grant initiatives throughout the State of Mississippi, to include Families First for Mississippi which operates in numerous counties in Mississippi, in addition to providing schools, communities and families with educational services and training programs on a state-wide basis, along with other associated services (the “Program”); and</p> <p>WHEREAS, MCEC is willing to authorize CONTRACTOR to provide Law of 16 personal development and professional leadership training and other services and activities throughout the State of Mississippi.</p>

Conclusion for Undue Influence by John Davis Relating to DiBiase Family

In summary, a total of \$5,759,371.83 was paid to individuals of the DiBiase family, entities owned by the DiBiase family, or for the benefit of a DiBiase family member. Due to the close relationship that existed between John Davis and the DiBiase family, as well as the probable control that John Davis appears to have had over the organizations owned by the DiBiase family, CLA finds that elements of fraud, waste, and abuse exist. Additionally, as mentioned, concerning facts were discovered related to certain entities owned by the DiBiase family:

- Priceless Ventures LLC was established less than one month before the contract was executed with FRC. This is indicative that the organization was likely formed with the sole objective of entering into contracts with MCEC and FRC. Additionally, the contracts were awarded by MCEC and FRC without soliciting bids/quotes from other service providers, which is reflective of favoritism.
- Heart of David Ministries revenue prior to receiving funding from MDHS was less than \$200,000, nonetheless, a grant initially for \$500,000 was awarded and then increased fivefold to \$2,500,000 and then ultimately modified to \$1,500,000.
- Familiae Orientem LLC was established in the State of Wyoming on June 25, 2018, which is the effective date of the agreement with FRC.

CLA did not have access to the financial records of John Davis, therefore CLA is not in a position to determine whether John Davis benefitted from payments made to members of the DiBiase family, Priceless ventures, Heart of David, Familiae Orientem, or Restore2.

VIII. MDHS Disbursements

Included in this section are those disbursements by MDHS which have evidence of possible fraud, waste, or abuse.

1. John Davis & Jacob Black Travel – Possible Abuse

Based on the testing performed for travel costs, CLA has identified certain transactions that include evidence of possible abuse. Each payee or type of transaction is discussed separately below.

First-Class Travel

Detailed receipts for airfare travel costs were not provided for all airfare costs selected for testing.⁶⁴ Of those available, CLA identified two transactions for a total amount of \$2,733.60 from the direct bill payment testing in which the airfare tickets included first-class seats.⁶⁵ According to MDHS travel policies, the DFA's State Travel Policy rules and regulations will be adhered to by MDHS employees when traveling on official business for the state. According to the DFA website, first class airfare tickets are not allowable without a completed eWaiver Request Form and approval from the State Travel Office.⁶⁶ Table 12 below lists these two transactions. Approval for first-class travel purchases was not provided.

Table 12: Summary of First-Class Flights

Fiscal Year	Clearing Date	Vendor Name	FI Document Number	Amount	Expense Type	Travel Purpose	Traveler Name
2019	8/10/2018	UMB BANK NA CARD SERVICES	2300060283	1,366.60	Credit Card - Airfare	No Documentation	Black, Jacob
2019	8/10/2018	UMB BANK NA CARD SERVICES	2300060283	1,366.60	Credit Card - Airfare	No Documentation	Davis, Johnny G

⁶⁴ One hundred three (103) transactions selected for testing for the direct bill payments were the purchase of airfare. Of these, sufficient documentation was not provided to CLA for 79 of the transactions in order to determine whether the most economical route/ticket was purchased. These 79 transactions have been categorized as unallowable due to missing supporting documentation (see *TANF Forensic Audit: Procedures and Results* report). According to 2 CFR § 200.475(e)(1) Commercial air travel, "Airfare costs in excess of the basic least expensive unrestricted accommodations class offered by commercial airlines are unallowable except when such accommodations would: (i) Require circuitous routing; (ii) Require travel during unreasonable hours; (iii) Excessively prolong travel; (iv) Result in additional costs that would offset the transportation savings; or (v) Offer accommodations not reasonably adequate for the traveler's medical needs. The non-Federal entity must justify and document these conditions on a case-by-case basis in order for the use of first-class or business-class airfare to be allowable in such cases."

⁶⁵ Direct bill payments include travel related costs that are billed directly to and paid by MDHS. Direct bill payments generally include lodging, car rentals, and airfare. Within the direct bill payments are credit card transactions paid by MDHS for these travel costs.

⁶⁶ <https://www.dfa.ms.gov/media/xxkohqdv/travel-manual-2019-resaved.pdf> (see page 12).

The documentation for the first-class ticket for Jacob Black and John Davis is included in Exhibit 091. The route traveled by John Davis and Jacob Black was the same (Jackson, MS to Atlanta; Atlanta to Washington; Washington to New York; and New York to Atlanta).⁶⁷ There are no approvals captured on the documents available to CLA.

During the testing period, CLA identified two transactions for Premium Economy class tickets for John Davis charged to TANF. One ticket was a roundtrip flight to Atlanta, GA for a cost of \$970.60. The second ticket was a one-way flight (Washington, DC – Atlanta, GA – Jackson, MS) for a cost of \$372.80. Amounts listed exclude a service fee of \$35 each ticket. CLA was not provided with information documenting the purpose of the travel.

CLA noted additional charges for business class and potential seat upgrades while reviewing the credit card statements and attached itineraries, if available, that were not included in the sample selected. Expanded testing would be necessary to determine the full extent of any additional airfare upgrade charges. This would require reviewing all direct bill credit card statements, identifying airfare charges and whether detailed itineraries were attached, identifying any first-class or other upgraded classes listed on the itineraries, and then determining whether the cost was charged to TANF.

Lobbying

Limited supporting documentation for credit card transactions was available, including airfare transactions, which limited the extent to which CLA could analyze the travel related costs. However, the direct bill transactions included 23 charges for travel to Washington, DC. CLA is able to determine the route of travel as the credit card statements paid by MDHS include the travel route and traveler. The purpose of travel could not be determined for these transactions as insufficient information was provided by MDHS.⁶⁸

From the reimbursement testing, CLA identified one reimbursement to John Davis for meals and other incidental expenses in the amount of \$260.23. The purpose of travel listed on the travel voucher stated, “Meeting with Senator Thad Cochran” with points of travel from Jackson, MS to Washington, DC on September 28 and 29, 2017 (see Exhibit 092). The specific nature of the meeting was not documented. It is possible that this meeting could be considered a lobbying activity.⁶⁹ As a Senator, Thad Cochran would be considered a public official on a legislative body.⁷⁰ CLA identified three airfare

⁶⁷ This is the route listed on the credit card statement. The detailed itinerary provided, which indicates the first-class airfare, does not show the flight from Washington to New York.

⁶⁸ Due to insufficient supporting documentation provided by MDHS, all of these transactions have been categorized as unallowable.

⁶⁹ The Merriam-Webster dictionary defines the verb “lobby” as “to conduct activities aimed at influencing public officials and especially members of a legislative body on legislation.” <https://www.merriam-webster.com/dictionary/lobby>

⁷⁰ This expense was categorized an unallowable due to a non-TANF purpose.

transactions in September 2017 for John Davis and travel to Washington, DC; however, there was no documentation of the details of the trips.

CLA reviewed John Davis's emails in an effort to obtain additional documentation related to the various airfares purchased; however, limited information was found in Davis's emails. CLA identified some email communications related to certain conferences in Washington, DC, but with the limited information available, it was difficult to align the information obtained through email to the actual travel charges.

IX. FRC Disbursements

Included in this section are those disbursements made by FRC which have evidence of possible fraud, waste, or abuse.

Per the MDHS-CLA Contract, CLA was given access to the OSA workpapers for review in order to minimize the duplication of effort during the forensic audit. At the commencement of the engagement, CLA summarized the findings from the OSA Single Audit report where OSA made a definite conclusion regarding costs that were unallowable or possible fraud, waste, or abuse. CLA assessed the evidence and conclusions by OSA and identified those transactions that would not be selected for re-testing by CLA in order to minimize duplicative work. Those payees and transactions identified as fraud, waste, and abuse by OSA for which CLA did not test are included in this section.

1. Adam Such (SBGI, LLC) - \$250,790 (Indicative of Waste, Abuse, and Undue Influence by John Davis):

Adam Such was paid \$250,000 by FRC on August 28, 2017. According to the OSA Single Audit report, SBGI, LLC ("SBGI") "was contracted by FRC from August 1, 2017 to July 31, 2018 to develop a 'Center for Excellence' for Mississippi." The payment of \$250,000 was paid in advance in one lump-sum payment. Based on OSA's inquiry with FRC, the project was never completed.

On June 15, 2020, FRC responded to the OSA Single Audit report and specifically addressed OSA's finding on this contract and payment. FRC stated:

"At the time the agreement was entered into, the scope of work included programmatic activities geared toward at-risk youth. Ultimately due to circumstances beyond the control of FRC and SSBGI, LLC [sic], the scope as intended concept was not feasible and accordingly his scope of work was modified as stated in the summary attached in the supporting documentation." FRC stated that SBGI continued working with FRC staff and community partners "to coordinate and deliver program services and create a referral network as outlined in FRC's scope of services with MDHS. FRC acknowledges the majority of work performed under the agreement could be considered administrative in nature to support FRC's implementation of the TANF programs - therefore the services do not require direct correlation to the tenets of TANF. Upon review, FRC acknowledges a budget modification should have been requested to address these changes, however, MDHS was also aware of the change in scope of work for SSBGI, LLC [sic] and did not provide any guidance or voice any concern for the need for a modification as a result of the changes."

FRC attached approximately 52 pages of documents to support the contract and payments.⁷¹ The documentation provided by FRC included:

⁷¹ Referenced as FRC001602 – FRC001654 by FRC and attached here as Exhibit 0093.

- A three-page email from Adam Such providing a written description of the work he performed
- The agreement between FRC and SBGI
- Adam Such's LinkedIn profile
- Outline of proposal or scope of work to be performed by SBGI
- Various email communications dated between November 2017 and March 2018

The documentation did not include any deliverables from SBGI nor a detailed accounting of Adam Such's time (or any other employee of SBGI) spent performing activities on behalf of FRC. In addition to the advance payment of \$250,000, FRC reimbursed Adam Such \$789.94 with a check dated February 1, 2018 for supplies, curriculum, and lodging.

Based on a review of John Davis's emails, Adam Such was introduced to John Davis on May 23, 2017 by Ted DiBiase, Jr. (Exhibit 094).⁷² It appears John Davis then introduced Adam Such to Nancy New of MCEC and Christi Webb of FRC (Exhibit 095). There are a few email communications between John Davis and Adam Such, and others, discussing some of the activities performed by Such and a meeting that Davis and Such would be attending together with Oakley (Exhibit 096). Additional emails between Davis and Such show that Such was using an MCEC email address (asuch@mscec.org) – Exhibit 097 and Exhibit 098.

Although there is some evidence of activities performed by Such, there is limited information to support a fee of \$250,000. Additionally, there is no evidence of a competitive process performed by FRC to contract with Such, and it appears that Adam Such was introduced to FRC by John Davis.

Based on the information provided, the advance payment of \$250,000 appears to be wasteful and possibly an abuse of power and authority by John Davis. There is no evidence that John Davis, any representatives of MDHS, or FRC personally benefitted from the payments to Adam Such. However, CLA did not have access to the personal financial records of any of these individuals.

Christi Webb, Executive Director of FRC, signed the agreement with Adam Such.

2. Atlanta, GA Football Tournaments - \$26,962.00 (Indicative of Abuse):

FRC paid for a portion of the costs to take a group of youth to a football tournament in Atlanta, GA in 2017 and 2018. The event costs included chartered buses, hotel accommodations and registration fees (paid through Football University), and meals. Table 13 includes a list of these transactions.

⁷² The email is from ted@dofflin.com, which CLA understands to be the email address of Ted DiBiase, Jr.

Table 13: List of Costs Associated with Atlanta, GA Football Game

Check Date	Payee Name	Amount Paid	Additional Description/Details
11/21/17	FBU (Atlanta, GA trip)	\$ 7,000.00	Hotels for Atlanta, GA football game
11/19/18	A Man and a Grill (Atlanta, GA trip)	3,480.00	Catering for Atlanta, GA football game
11/19/18	Delta Bus Line (Atlanta, GA trip)	2,982.00	Bus rental for Atlanta, GA football game
7/27/18; 11/19/18	Football University (Atlanta, GA trip)	13,500.00	Event for Atlanta, GA football game
		<u>\$ 26,962.00</u>	

In 2017, FRC paid \$7,000 to Football University (“FBU”) for registration and hotels.⁷³ The only supporting documentation provided by FRC was a copy of the check issued and an email chain. A receipt or other detailed support was not provided. FRC told CLA that the payment was to cover the registration and hotel for 90 children in third and fourth grade; however, FRC did not provide to CLA a list of the students that attended the event.

In 2018, FRC paid a total of \$19,962 for registration and hotels (paid to Football University), chartered buses, and catered meals. Supporting documentation included email chains, catering proposals and invoice from A Man and A Grill, and an unsigned version of the chartered bus contract. The chartered bus contract indicated a departure date of November 30, 2018 and a return date of December 3, 2018 (3 nights; 4 days) for one bus with 55 passengers. The catering proposals indicated one meal each day for 120 people from November 30, 2018 through December 2, 2018. According to FRC, free participation in the event required all parents to attend parenting classes, fatherhood classes, and to have a full assessment to evaluate the whole family. However, within the supporting documentation provided, CLA was not provided with a list of the students or parents that attended the event or classes.

Exhibit 099 includes the supporting documentation provided to CLA for the expenses incurred.

Based on the email communication provided by FRC, the first communication related to this event was on November 16, 2017. Marcus Dent, founder of Powerhouse Youth Football League and Southern Athletics, emailed Marcus Dupree, who was an employee of FRC at the time. Marcus Dent provided an overview of the event, student count, plans for transportation, and referenced possible financial support from FRC (Exhibit 099). Based on the email, the tournament was already planned and partially paid for. Marcus Dent stated, “I have included attachments of the rosters plus shirt sizes also the catering

⁷³ According to their website, Football University is “the recognized leader in developing and enhancing the ability and skill of serious football players in middle school and high school. Since 2007, Football University has trained over 100,000 student-athletes become better football players through intense, position-specific technique training, NFL-level coaching and instruction, and the country’s most elite events. Football University puts on over 50 + events a year that include FBU Camps and Showcases, the FBU National Championship tournament, the FBU Freshman All-American Bowl, the National Combine, and the All-American Bowl on NBC.” <https://footballuniversity.org/about/>

company that [will] be providing meals for the kids. Our balance to FBU is 8830.00[.] The total cost per team is 4,500 per team to enter the tournament [and] 13,500 for all 3 teams 6th 7th 8th grade levels. Vans[,] hotels [and] food tremendously ate up the [sic] most of the money we have raised. The Pernell (McPhee Football Camp) is the 501-C3 we talked about using to donate the money through ran by Shaun Holiday at TCPS...He will donate the money to team if Families First decide[s] to go that route. Or you can send it straight to FBU or FBUNC.” It appears Marcus Dent intended on including Christi Webb on the email as she was addressed in his salutation. It appears Marcus Dupree then forwarded the email to Christi Webb, and she replied, “We will use parents names and children for our numbers. Do we need to send two instructors to talk to parents [each] day for about an [hour] so we can use it as a parent teaching activity? Let us know.”⁷⁴ This was the last email communication provided by FRC for the 2017 tournament. Based on this email chain, it appears the football tournament was already a planned event and Marcus Dent, via Marcus Dupree, reached out to FRC for financial support. It appears a parenting class (or classes) was added to justify the use of TANF funds.

For the 2018 event, the first email was from Marcus Dent to Christi Webb on July 27, 2018 related to the deposit of \$1,500 due to Football University. In his email, Marcus Dent states, “Each parent of the 90 kids will have to attend [at] least two days of classes as [we] talked about on Wednesday.” On November 19, 2018, Marcus Dent emailed Christi Webb stating, “FBU Team Mississippi is well underway. I have acquired TCPS for classes to be held Saturday at 10:00 November 24, 2018 for the parents of FBU Team.” The classes addressed suicide and bullying, and Marcus Dent requested that someone come out to teach the classes on Saturday. This was the last email communication provided by FRC for the 2018 tournament. Based on the email chain, it appears it was agreed between FRC and Marcus Dent that at least one parenting class would be held for the parents of the children attending. FRC did not provide documentation of the actual number of students that attended the event nor a list of parents that attended the parenting classes.

The parenting classes included with both trips, although technically aligned with the pillars of TANF, was a minimal part of the overall trip. Additionally, based on the email communication in 2017, it appears that the classes with the parents were added to justify the use of TANF funds. To accomplish the goal of preventing and reducing the incidence of out-of-wedlock pregnancies, or to promote two-parent families, FRC could have hosted a similar event in a nearby area of Mississippi for a significantly less cost. Additionally, there is no documentation of the actual attendance by children or parents.

The costs of this event, as a direct charge to TANF, is indicative of abuse and the cost could be viewed as an unreasonable use of federal funds.

3. American Express - \$247.08 (Indicative of Abuse):

FRC employees used an American Express credit card for multiple purchases each month. Charges on the statements included OnStar and satellite radio subscriptions (see Exhibit

⁷⁴ Based on the email chain provided, it appears this message was sent to Marcus Dupree.

100 for the specific charges identified by CLA). Based on the detailed testing performed by CLA, which was for only a sample of credit card statements, the total OnStar and satellite radio subscriptions equaled \$247.08.⁷⁵ These charges would be considered personal charges on individual vehicles. These charges are of a personal nature and could be considered abuse.

According to FRC, “The administration and supervision of a multi-faceted TANF program throughout 42 counties in North Mississippi, involving more than three hundred staff and thousands of participants and engaging county, state and the federal governments, required extensive travel, materials, supplies, technology and personal interaction on behalf of FRC with regional centers, educational organizations and other non-profits. Of necessity, expenses of a wide range was [sic] required to successfully carry out our mission to meet the needs of the whole TANF families and to bring as much and as many resources to the challenge to achieve our documented results. One federal agency was in the process of determining the FRC holistic program a national model for study and replication just prior to our loss of DHS funding. This explanation is intended to provide background and context to the specific answers that are being provided which might in isolation seem questionable but, in context illuminates the means to provide essential programs and services to a vulnerable population. This was for safety of staff who traveled all over N MS to carry out the FF Mission.”

4. Amy Harris - \$57,952.79 (Indicative of Abuse):

Amy Harris was hired on July 1, 2016 as a media coordinator and special project coordinator by FRC. Based off the general ledger, her last payroll check was December 20, 2019. During her employment with FRC, she was also hired by FRC as an independent contractor for legal services from October 1, 2018 through September 30, 2019. Under the contractor agreement contained at Exhibit 101, Amy Harris was to receive 12 equal monthly installments totaling \$30,000. Within the general ledger detail provided by FRC, CLA was unable to distinguish between her normal employee salary and the payments she received as a contractor. Therefore, CLA has deemed unallowable all payments to Amy Harris during the period of the independent contractor agreement. Table 14 includes the total payments by category by year received by Amy Harris.

Table 14: Payments to Amy Harris

Month	Contractual	Payroll	Travel	Commodities	Other Expenses	Total
Oct-18	\$ -	\$ 23,449.93	\$ 50.14	\$ 430.12	\$ 100.00	\$ 24,030.19
Nov-19		8,638.91	54.50	-	100.00	8,793.41
Dec-19		8,638.92	40.88	-	100.00	8,779.80
May-19	7,770.63	-	-	-	-	7,770.63
Oct-19		8,432.58	-	146.18	-	8,578.76
Total	\$ 7,770.63	\$ 49,160.34	\$ 145.52	\$ 576.30	\$ 300.00	\$ 57,952.79

⁷⁵ CLA selected a statistically significant sample for the American Express payments so that the results could be extrapolated. Including extrapolation, the personal charges for OnStar and satellite radio equal \$1,075.08.

The practice of hiring an employee as an independent contractor to perform additional services for additional compensation is, at a minimum, a poor business practice. It could also be seen as a form of abuse, particularly if efforts are not made to clearly distinguish between the time spent working as an employee versus the time spent working as an independent contractor.⁷⁶

According to FRC, “Amy Harris is one person who was contracted to coordinate the MAVP Program (Lee, Marshall, Benton, Tippah, Alcorn, Prentiss, Tishomingo, Itawamba, Union, Pontotoc, Lafayette, Yalobusha, Grenada, Calhoun, Chickasaw, Monroe Clay, Webster, Choctaw, Attala, Winston, Oktibbeha, Lowndes, Noxubee, and Neshoba Counties) and was an employee who worked as the special project coordinator. She also gave legal advice when necessary and performed other duties as needed. Her MAVP duties were usually after hours to give working fathers the opportunity to visit with children after work. She also helped coordinate and worked free legal clinics after hours in Itawamba, Alcorn, Union, Prentiss, Monroe, Lee, Pontotoc, Tishomingo, Tippah, counties for those who could not pay. She worked with guardians who needed legal guardianship for children to enter school and any other nonviolent legal matters. She also worked on expungements for these fathers and others. This was in addition to her other duties as special project coordinator.”

5. Beau Rivage Casino & Resort - \$598.08 (Indicative of Waste):

FRC used the facilities at Beau Rivage Casino & Resort to host a required training for all FRC employees on the Gen+ program. Employees from MCEC and MDHS were also listed on sign-in sheets provided to CLA, though they were unsigned. Gen+ is a multi-generational, collaborative approach on four key components of education; economic support through workforce development; health and well-being along with social capital. The training was held during the day from 7:00 am until 3:00 pm. FRC reserved hotel rooms for the staff to stay on-site. Six employees were listed as no shows on the hotel receipt; however, FRC still had to pay for the rooms, which totaled \$598.08.⁷⁷ Exhibit 102 includes a copy of the hotel receipts showing the individuals that were no shows.

6. Chase Computer Services - \$375,750 (Indicative of Waste):

FRC and MCEC entered into two contracts with Chase Computer Services (“Chase”) for the development of a participant tracking system app that would provide data management and reporting, contained at Exhibit 103. The total of the two contracts is \$430,000 plus sales tax. According to Christi Webb with FRC, there was a verbal agreement with MCEC to equally split the development costs. FRC paid Chase Computer Services \$375,750 for these two contracts, including MCEC’s portion. According to interviews the OSA had with FRC employees, the application was not functioning as

⁷⁶ FRC told CLA that independent contractors were not required to maintain timecards. When CLA inquired about an invoice that might detail her work as an independent contractor, FRC referred CLA back to Amy Harris’s contract.

⁷⁷ The employees listed as no shows included Billy Benson, Laura Goodson, Steve Pickering, Debbie Lewis, Selena Phillips, and Zach New.

intended and, according to the OSA, the program did not have the value intended. Based on this information, the contract for application development with Chase Computer Services is indicative of waste.⁷⁸

7. Family Resource Center - CSUMC Micah's Mission - \$52,482.42 (Indicative of Abuse):

Micah's Mission Home School, LLC ("Micah's Mission") was a subgrantee of FRC with an agreement for the period August 1, 2018 through July 31, 2019.⁷⁹ The grant covered the costs of a private school (K-12) for children with or without disabilities and learning or social disorders. According to FRC, this grant was authorized by FRC for \$150,000 at the request of John Davis.⁸⁰ The supporting documentation, contained at Exhibit 104, shows FRC and MCEC were to split the grant costs, with FRC covering the reimbursements from August 1, 2018 through January 31, 2019.

On September 30, 2018, FRC wrote a check to itself for \$52,482.42 to cover their portion of the grant (Exhibit 105). According to FRC, "we wrote a check to ourselves to make sure there was enough in the funds to pay out the contract." As explained by FRC, it intended to use the TANF grant funds for the subgrant agreement with MDHS that ended on September 30, 2018. Rather than pay any unused funds back to MDHS, FRC wrote a check to itself to "obligate" the funds prior to the end of the grant period and transferred the money to their general fund ("General & Administrative") to cover future payments to CSUMC Micah's Mission.

When Micah's Mission submitted reimbursement claim forms, FRC paid those claims out of current TANF funds, not the general fund where the proceeds had been set aside. FRC made the following payments to CSUMC Micah's Mission from TANF funds:

- November 1, 2018 - \$8,364.88⁸¹
- December 5, 2018 - \$9,234.71
- January 8, 2018 - \$7,419.54

An additional payment of \$11,738.06 was paid to CSUMC Micah's Mission out of FRC's "MCEC-General" funds.⁸² None of the payments made to CSUMC Micah's Mission after

⁷⁸ CLA did not conduct an examination of the program to determine its functionality or whether it was designed as intended.

⁷⁹ Micah's Mission was first registered with the State of Mississippi on August 21, 2017. The registered agent is Emily Harber Williams.

⁸⁰ CLA did not find any relevant communications through the review of John Davis's emails.

⁸¹ An additional payment to CSUMC Micah's Missions was paid on September 30, 2018 for \$14,152.70. Because this payment was made on September 30, 2018, on the last day of the MDHS grant period, CLA does not consider this a payment intended for the grant funds transferred to FRC's general fund.

⁸² According to discussions with FRC, the "MCEC-General" fund likely represents the two \$500,000 payments FRC received from MCEC.

September 30, 2018 were paid from FRC's general fund, where the money had been transferred.

This cost was determined unallowable since the funds were never paid to CSUMC Micah's Mission from FRC's general fund. Additionally, all grant costs must be incurred during the approved budget period or returned to the awarding agency (2 CFR § 200.403(h)). The transfer of funds by FRC to their general fund for later use is a violation of CFR and possible abuse or fraud if these steps were intentionally taken with disregard of this specific requirement of CFR. CLA did not find this to be a pervasive pattern of FRC; therefore, it seems more likely that the representatives of FRC lacked the understanding of the implications of these transactions.

8. Fastwrapz - \$23,500 (Indicative of Fraud and Abuse):

FRC issued two disbursements to Fastwrapz totaling \$28,500.

The first disbursement was dated September 15, 2016 totaling \$23,500. The supporting documentation provided to CLA was invoice #1 dated September 15, 2016 from Transport Trailer and appears to be issued to Transport Trailer (Exhibit 106). The description on the invoice is "advertising on billboards" but does not provide any additional details regarding the billboards. CLA performed a public record search on Transport Trailer, which identified Transport Trailer and Fastwrapz as companies owned by Michael L Charles, in addition to multiple other companies that FRC conducted business with.⁸³ According to FRC, "This was a digital billboard for a year on Green Street in Tupelo, MS." FRC did not provide an explanation to CLA as to why the payment was made to Fastwrapz but the invoice came from Transport Trailer. Additionally, based on the website, Transport Trailer specializes in "selling new and used semi-trailers. Transport Trailer also provides top-notch repair service, rents and leases storage and road trailers."

CLA identified multiple concerns with the invoice provided for the September 15, 2016 payment of \$23,500 to Fastwrapz:

- The payment was to Fastwrapz but the invoice provided by FRC indicated the company name of Transport Trailer.
- The invoice provided for Transport Trailer is similar to an invoice provided for NCC Ventures. Both invoices have the same layout, format, and font. In addition, they both are labeled invoice #1. See Exhibit 107 for copies of both invoices.
- Invoices provided to CLA for other Transport Trailer and Fastwrapz transactions tested are vastly different from the invoice provided for this sample. These invoices are contained in Exhibit 108.

⁸³ Other companies owned by Michael L Charles is Fastwrapz.com, LLC; Precision Machine & Metal Fabrication, Inc; Rent-a-box, Inc.; QuickStitch; Make Your Mark; and Precision Hose & Industrial Supply. In addition to Transport Trailer and Fastwrapz, FRC also conducted business with Rent-a-box and Make Your Mark.

- Based on the similarities in invoices from NCC Ventures and this one particular invoice from Transport Trailer, it appears the invoices were created by the same person using the same generic template. Based on how different the invoice is from others provided for Transport Trailer, it seems unlikely that the invoice actually came from Transport Trailer.
- Transport Trailer was incorporated in 1982, but the invoice issued was labeled #1 (see Exhibit 109 for the incorporation information).

The second disbursement to Fastwrapz was dated August 11, 2017 totaling \$5,000. The supporting documentation contained invoice #6300 dated August 11, 2017 from Celebrity Fastwrapz for \$5,000 for advertising on billboards (Exhibit 110). According to FRC, "This was a digital billboard for a year on Green Street in Tupelo, MS." According to the website for Celebrity Fastwrapz, it provides custom signage and decals, vehicle wraps, and specialty prints, but does not mention billboard advertising.

The descriptions provided by FRC for both transactions are the same, yet the amounts differ by \$18,500. There was no contract provided for the advertising. FRC's response to making a check payable to one company for an invoice to a different company is, "The same individual owns Fastwrapz and Transport Trailer. They just sent the invoice on the wrong company I suppose."⁸⁴ Although CLA reviewed a copy of the front of the check, CLA is unable to determine where the check was deposited or cashed.

The above facts are indicative of manipulation or falsification of invoices provided to CLA to support the payment made to Fastwrapz. Because the files were provided in a scanned PDF format, CLA is unable to determine who created the original invoice. It is unknown if the invoices were created to mask an inappropriate disbursement of funds, or to provide "support" for a transaction that otherwise did not have any. The fact pattern presented above is indicative of fraud and/or abuse.

9. Various Payments to MCEC, NLRO, and the News - \$2,820,828.07 (Indicative of Fraud, Waste, and Abuse):

FRC made various payments to Nancy New, Jess New, Zachary New, and the organizations with which they are associated (MCEC and New Learning Resources, Inc.). The following list summarizes the payments made during the forensic audit period using TANF funds:

- MCEC - \$2,137,435.81
- New Learning Resources, Inc. - \$583,096.13
- Nancy New - \$1,760.92
- Jess S. New - \$34,506.44⁸⁵

⁸⁴ CLA conducted public records searches and did not identify any correlation between Transport Trailer/Fastwrapz, John Davis, or Christi Webb.

⁸⁵ Jess New's name was spelled as "New, Jesse S" in the FRC general ledger.

e. Zachary W. New - \$57,456.36⁸⁶

Nancy New is the Executive Director of MCEC. Jesse S. New and Zachary W. New are sons of Nancy New. New Learning Resources, Inc. (“NLR”) is a for-profit business incorporated by Ernest W. Stewart in 1992 (Exhibit 111). Nancy New is the President and Zachary New is the Registered Agent according to current Mississippi Secretary of State filings.

MCEC Payments

The payments made by FRC to MCEC are summarized in Table 15. Following the table is a brief description of the purpose for the payment and whether FRC provided supporting documentation.

Table 15: Summary of Payments to MCEC by FRC

	Type of Payment	Period or Date	Scope/Purpose	Amount Paid
[a]	Contract	2015/16	Implement program initiatives including services to parentings and abstinence classes, teen pregnancy, healthy marriages, relationship building, etc.	\$ 133,330.57
[b]	Contract	2016/17	Implement program initiatives including services to parentings and abstinence classes, teen pregnancy, healthy marriages, relationship building, etc.	171,999.88
[c]	Unknown	2016/17	Unknown	699,997.00
[d]	Disbursement	2/28/2017; 4/30/2017; 5/16/2017	Licenses for career diplomas (per FRC general ledger)	66,498.00
[e]	Contract	7/25/2017	Provide 5 Levels of Leadership Workshop, certifications, 5 Levels attendee training resource kit	89,750.00
[f]	Disbursement	8/28/2017	Advertising at the New Summit School 5k & October 2017 Fall Festival	500.00
[g]	Contract	9/10/2017	Southern Lifetime Lease for Families First with University of Southern Mississippi	500,000.00
[h]	Disbursement	10/6/2017	Possible: Healthy Teen Rally and New Learning Resources Online	197,000.00

⁸⁶ Zach New’s name was spelled as “New, Zackary W.” in the FRC general ledger.

	Type of Payment	Period or Date	Scope/Purpose	Amount Paid
[i]	Disbursement	4/3/2018	Reimbursement for Families First folders	312.00
[j]	Contract	5/21/2018	Implement program initiatives including services to parentings and abstinence classes, teen pregnancy, healthy marriages, relationship building, etc.	250,000.00
[k]	Disbursement	2/16/2018	Project management	22,500.00
[l]	Disbursement	2/19/2018	Healthy teens rally in March 2018	2,583.36
[m]	Disbursement	9/30/2016	Payroll and travel	2,383.00
[n]	Disbursement	9/30/2016	Copier lease; website hosting	582.00
Total				<u>\$ 2,137,435.81</u>

- [a] The payments represent a third tier subrecipient grant agreement issued by FRC to MCEC for \$172,000 for the grant period October 1, 2015 to September 30, 2016 (Exhibit 112). MCEC was to implement program initiatives including services to provide classes on parenting and abstinence, teen pregnancy, healthy marriages, relationship building, child abuse prevention, fathering, domestic violence, and support groups. MCEC was to make quarterly evaluations of the progress of the programs and use sign-in sheets and intake forms developed by MDHS.

FRC paid MCEC a total of \$174,000 under this subgrant agreement. All payments were charged to TANF; however, \$40,669.43 was paid to MCEC in 2015, which was prior to the forensic audit period and is therefore excluded from the amount reported.

According to FRC, it was given verbal permission by Wynn Gerard at MDHS to contract with MCEC to serve Greenwood, Leflore, and a few other counties in the Mississippi Delta and Madison County. MCEC and Nancy New had a presence in those counties for the past 25 years and asked to continue serving those counties via a contract with FRC. MCEC had been previously receiving a grant from MDHS to serve those counties since approximately 1998.

FRC provided limited supporting documentation for certain payments and months, including class sign-in sheets, coalition meeting reports, reimbursement request forms from MCEC, timesheet detail for employees, and some expense reimbursements. The supporting documentation provided is contained in Exhibit 113. These documents were not provided for all months or all payments made and relate only to the time period of September 2016 through November 2016. FRC stated that MDHS did not require supporting documentation at this time.

- [b] The payments represent a third tier subrecipient grant agreement issued by FRC to MCEC for \$172,000 for the grant period October 1, 2016 to September 30, 2017 (Exhibit 114). MCEC was to implement program initiatives including services to provide classes on parenting and abstinence, teen pregnancy, healthy marriages, relationship building, child abuse prevention, fathering, domestic violence, and

support groups. MCEC was to make quarterly evaluations of the progress of the programs and use sign-in sheets and intake forms developed by MDHS. According to FRC, this grant award was a continuation for the two main counties that MCEC had covered in the prior few years.

Limited supporting documentation was provided by FRC to CLA (Exhibit 115). Most months included a monthly budget form, which appeared to be a report prepared through QuickBooks. FRC stated that this budget form was prepared by MCEC. Some sign-in sheets were provided for classes held.

- [c] According to FRC, these payments represent a contract with MCEC to cover the counties in the Mississippi Delta and Madison County. FRC was unable to locate a copy of the grant agreement, but stated the contract was for \$700,000, and the increase in the grant amount from the prior year was due to the expansion of the Families First program to hire additional staff, secure additional sites and cover additional counties in the Mississippi Delta and Madison County. FRC stated that it was “charged by MDHS” to increase the number of centers throughout the state, which included significant growth for the county covered by MCEC in the Mississippi Delta and Madison County.

An initial payment of \$233,333 was paid as “start up [sic] funds for the new grant year October 2016-September 2017.”⁸⁷ An additional eight monthly payments of \$58,333 were made through June 2017. FRC stated that MCEC continued providing services through September 30, 2017.

FRC provided limited supporting documentation which included only sign-in sheets for a limited number of months during the grant period (Exhibit 116).

It is unclear to CLA how the payments totaling \$700,000 for the expansion of the Families First centers varies from the grant awarded to MCEC for the 2016-2017 grant year discussed in [b] above. Unlike the grant discussed in [b] above, MCEC did not provide a monthly budget summary outlining expenses incurred under this agreement.

- [d] According to FRC, these payments relate to an agreement between FRC and New Learning Resources, Inc. (“NLR”) for FRC to “provide an online high school program through its association with New Summit School.” FRC provided a copy of a contract between FRC and MCEC in support of these payments; however, the contract appears to be the same as that provided for [b] above, which does not mention NLR or the online high school program (Exhibit 118).⁸⁸ FRC operated an online diploma program

⁸⁷ One check issued for this grant (check #18018) on October 31, 2016 was for \$233,333. The memo line states “July-Sept. 2016” (Exhibit 117). According to FRC, this memo line was an error, and the payment was for the new grant year, which reflected monthly payments of \$58,333.

⁸⁸ New Summit School, LLC is a for-profit entity formed on December 5, 2011 (Exhibit 119). An Annual Report filed on October 1, 2012 listed Jess New as a Member (Exhibit 120). Jess New was also listed as the Registered Agent with the Annual Report filed on January 14, 2014 (Exhibit 120). Nancy New became a

(referred to as NLRO) in all site locations for TANF families to complete high school online. According to FRC, it received permission from Wynn Gerard at MDHS to “buy seats” from NLRO high school diploma program. FRC paid for all seats in the high school diploma program. See the subsection *“New Learning Resources, Inc. Payments”* included below for additional discussion related to payments to NLR by FRC.

The invoices provided are from New Learning Resources, Inc. (“NLR”), but FRC paid MCEC (Exhibit 124). According to FRC, the financial officer of FRC likely used MCEC and NLRO interchangeably since they were both operated by Nancy New. The invoices from NLR include a two-line description, “Educational Services and access to include curriculum, online diploma program and job readiness,” and a lump-sum amount due. There is no break-down or detail in the invoice of the number of students served. Included with the supporting documents for one invoice (February 2017) are emails from a representative of NLR that provide a count, presumably of students using the online program. A status report is also attached that appears to be a count of students participating in the program by school. From the documents provided, there is no correlation between the counts provided and the fee charged by NLR to FRC.

- [e] According to FRC, the administration of MDHS requested a training provided by John Maxwell Training. The training was attended by MDHS and FRC staff. John Maxwell is an author, lecturer, and trainer. According to FRC, “this training equipped participants to gain knowledge that was beneficial in working with families in need, individuals in poverty and clients with special needs.”

FRC provided the invoice from John Maxwell Training and the invoice from MCEC to FRC. The training was purchased for 30 people. Participants received a hard cover copy of the book *The 5 Levels of Leadership*, a participant guide, a deck of leadership value cards, a value cards booklet, and a certification. Based on the information provided, this training appeared to be related to general leadership development rather than a technical TANF focused training. The supporting documentation for this transaction is included in Exhibit 125.

- [f] This payment was for advertising at the New Summit School 5k and October 2017 Fall Festival. FRC was unable to provide supporting documentation for the advertising.
- [g] This payment is a reimbursement to MCEC for FRC’s shared portion of a lifetime lease with The University of Southern Mississippi (“USM”). The lease was under Nancy New’s name. The payment to USM was to fund the construction of a new facility,

Member with the Annual Report filed on April 15, 2015 (Exhibit 121). The current status shows as “Dissolved.” New Summit School, LLC is a separate legal entity from New Learning Resources, Inc. (“NLR”). Nancy New was the President and Zach New was the Registered Agent of NLR, which has a status of “Intent to Dissolve - Tax” (Exhibit 122). New Learning Resources Online, LLC (“NLRO”) is a separate legal entity with Jess New as the Registered Agent and Nancy New as a Member (Exhibit 123). Per the website, NLRO is the “distance learning division of New Summit School and North New Summit School as part of the New Learning Resources School District.”

which the Families First Resource Centers would have access to once complete. The space was intended to be used by students and the community in the Hattiesburg area. According to FRC, an attorney at MDHS concluded that this was an acceptable transaction for TANF funds.⁸⁹

Initially, FRC received an invoice dated September 10, 2017 for \$500,000 that said it was for “Youth Development” (Exhibit 126). FRC requested that the invoice indicate USM to ensure clarity in FRC’s records and to comply with TANF guidelines. FRC received a revised invoice with the revision as requested (also see Exhibit 126). FRC stated that it did not have a connection with anyone at USM and did not know where to send the funds; hence why the funds were forwarded to MCEC.

According to FRC, John Davis requested that FRC contribute to the Southern Lifetime Lease for Families First.⁹⁰

The invoice provided to CLA states, “University of Southern Women’s Health & Wellness.” No other supporting documentation was provided, and FRC stated it never received a copy of the lease agreement.

Based on the OSA Single Audit report, MCEC paid \$5,000,000 to USM as “lease prepayments” for rental of a multi-purpose wellness center on the University’s campus. The lease term was for a period of five years, and at the time of signing the lease agreement, the facility had not yet been built.⁹¹

- [h] FRC located limited supporting documentation for this payment of \$197,000. The copy of the check state that \$153,000 was spent for NLRO seats (the high school diploma program) and \$44,000 was for the Healthy Teen Rally. FRC believes the portion for the Healthy Teen Rally was to reimburse MCEC for shirts, printing, state set-up, and other expenses associated with the rally. FRC believes the \$153,000 was for prepaid seats for the following grant year. FRC stated that it was not uncommon to pay ahead for services if money was left in the budget as it had to be spent or sent back.

An invoice from MCEC to FRC dated September 25, 2017 states the \$153,000 was for consulting for July to September 2017 and the \$44,000 was for the Healthy Teens Rally (Exhibit 127). An assortment of documents was provided to CLA by FRC for the Healthy Teens Rally reimbursement; however, the documents did not sum to the amount paid and not all expenses occurred in the time frames mentioned (Exhibit 128). For example, a letter and space contract from Mississippi Coast Coliseum & Convention Center indicates the Healthy Teens Rally was scheduled for January 24,

⁸⁹ FRC did not provide evidence of this.

⁹⁰ CLA did not find any relevant communications through the review of John Davis’s emails.

⁹¹ See *TANF Forensic Audit: Procedures and Results Report*.

2018. The set-up fee and facility rental totaled \$4,225. There were no other receipts indicating costs spent for the Healthy Teens Rally.

There was no support provided for the payment related to NLRO.

- [i] FRC paid \$312 to MCEC on April 3, 2018 as a reimbursement for Families First Resource Centers folders printed and to be used by FRC for meetings. Supporting documentation included an invoice from MCEC, but no underlying support for the cost incurred by MCEC (Exhibit 129).
- [j] This payment represents the lower tier subgrant issued by FRC to MCEC to provide Families First Resource Center services in the Mississippi Delta and Madison County for the period October 1, 2017 to September 30, 2018 (Exhibit 130). The total contract amount was \$350,000, and only \$250,000 was charged to the TANF grant. According to FRC, the total grant award was less than in prior years because FRC was going to set up its own fully staffed resource centers in the Mississippi Delta. This was the last contract issued by FRC to MCEC.

Supporting documentation provided to CLA included the contract and approximately 68 pages of sign-in sheets for classes held in October 2017 and April 2018, contained in Exhibit 130.

- [k] Documentation provided by FRC indicates that this payment was for its shared cost of a Families First Training hosted January 16 to 19, 2018. Support provided by MCEC to FRC includes an invoice for \$45,000 from Institute of Project Management (Exhibit 131). Emails between Adam Such, Nancy New, Christi Webb, and John Davis indicate participants included MCEC, FRC, and MDHS (the emails are also included in Exhibit 131). The nature of the training was general leadership development rather than technical TANF training. No documentation was provided by FRC that confirmed the attendees at the training.
- [l] Documentation provided by FRC indicates this was a reimbursement to MCEC for a Healthy Teens Rally in March 2018. FRC requested 8 iPads be purchased for giveaways at the rally. A receipt from an Apple Store was attached to the documentation (Exhibit 132).
- [m] FRC paid \$2,383 for the salary and travel related costs of one of MCEC's trainers who provided TANF services in the Mississippi Delta region covered by MCEC. Exhibit 133 includes the supporting documentation provided by FRC.⁹² The payment was related to the 2015-2016 grant agreement.
- [n] Supporting documentation was not provided for these disbursements.

⁹² The payment to MCEC was for \$8,500. Only \$2,383 was charged to TANF and the remaining amount (\$5,535) was charged to General & Administrative.

Limited supporting documentation was available to support the payments made by FRC to MCEC. The majority of the payments reflected above relate to a third tier subgrant agreement between FRC and MCEC for MCEC to cover the Mississippi Delta and Madison County. According to FRC, it asked FRC on many occasions to itemize the expenses related to the payments from FRC, but this rarely happened. When FRC requested back-up documentation from MCEC, it was often ignored by MCEC.

Because of CLA's scope limitations with respect to obtaining documentation from MCEC and not being able to speak with any representatives of MCEC, CLA considers all payments to MCEC by FRC as unallowable because CLA cannot verify that MCEC did not receive reimbursement from MDHS for these same expenses.

New Learning Resources, Inc. Payments

FRC paid NLR for an online diploma program. FRC did not provide a signed contract to CLA for the agreement between FRC and NLR; therefore, CLA was unable to determine the rate structure except for some rates provided on the invoices from NLR (see Exhibit 134 for an example of an invoice from NLR that included a rate). Starting in approximately August 2017, the invoices included a participant count and rate. Not all payments had sign-in sheets to support the fee charged by MCEC, particularly for 2016, and the sign-in sheets that were provided did not necessarily correlate to the month for which payment was being made. Upon reviewing the sign-in sheets, it was difficult to determine whether the class for was an ongoing class or a stand-alone program. The months that did have sign-in sheets varied in the number of days provided and students that signed-in. For example, December 2017 included only four days of sign-in sheets with one, zero, five, and three signatures per page (Exhibit 135). Alternatively, FRC provided a significant volume of sign-in sheets for January and February 2019 (Exhibit 136). For 2017 and 2018, FRC also provided a client participation count sheet, which was in Excel.

With regard to the lack of documentation of participants, FRC stated that 2016 did not have a participation count spreadsheet because the data capturing system (EAC) was not implemented until 2017. Additionally, FRC moved five times and could not locate all of the sign-in sheets. FRC stated they were eventually partnered with over 100 schools in the state and working with many other nonprofits. MCEC trained all of FRC's staff in every center to facilitate the NLRO program. FRC had full-time and part-time NLRO facilitators in all centers. In 2016, FRC was open all day, five days a week and three nights a week. NLRO was open from 8:00 AM to 8:00 PM. Each time a new center was added, additional NLRO students were added, which accounts for large increases in NLRO costs. FRC was paying the cost for students in north Mississippi and south Mississippi as the "integrity director" at MDHS said FRC could pay for the services, but MCEC could not.

According to FRC, this program helped reduce the dropout rate in the state because the NLRO students were dual enrolled in their own public school and NLRO. If a student did not pass the state test, the student could use the NLRO program to graduate as it was considered a private school, which did not require state testing.

Nancy New

FRC paid Nancy New \$1,760.92 on October 31, 2017 for an airline ticket and meals. According to FRC, the Executive Director of FRC (Christi Webb) and Nancy New visited a residential school for troubled children in Dallas, TX in the hopes to replicate the school model at the Oakley Center in Jackson, MS. Receipts were provided for the meal costs totaling \$903.10 (Exhibit 137).⁹³

Jess New

FRC paid Jess New \$34,506.44 from TANF funds over the period from July 2017 to December 2018. The contract provided to CLA indicated that Jess New was contracted to provide legal services to FRC for a flat fee of \$30,000 “to be divided and paid in equal monthly installments beginning on June 1, 2017 and ending on September 30, 2018” (Exhibit 138). According to FRC, Jess New reviewed and wrote contracts for FRC, answered legal questions concerning TANF spending, employment matters, and other matters when needed.

FRC provided an employment file for Jess New that contained an E-Verify confirmation, a Form I-9, a W-4, a copy of his driver’s license, and certain forms required by FRC. The contract provided for Jess New indicated he was an independent contractor, but he was paid as an employee. Certain payments contained an invoice from Jess New provided an hourly rate and the total numbers of hours for the month. A general description was provided, such as “Legal review of contracts & leases” (Exhibit 139). There was no detail of the specific activities performed.

Zachary New

FRC paid Zachary New \$57,456.36 from TANF funds over the period from November 2016 through February 2019. The contract provided to CLA indicates that Zachary New will serve as an “Evaluator for Families First for Mississippi” but does not include a scope of work or detail of his specific responsibilities (Exhibit 140). According to FRC, John Davis requested a Families First center be placed in senior colleges throughout the state so that athletes and other students would have access to service pillars of the Families First program such as anger management, parenting, healthy relationships, fatherhood, and others. Per FRC, John Davis had personally informed Zachary New of his responsibilities under this program and FRC was not kept informed but relied on second-hand information. The contract is between Zachary New, FRC, and MCEC for \$10,000 to be “paid in equal monthly installments beginning in October, 2016 and payable by the end of each month.” The contract does not indicate who is responsible for payment (FRC or MCEC) and it is unsigned.

Although the agreement with Zachary New indicates an independent contractor relationship, he was paid by FRC as an employee with taxes being withheld. FRC indicated

⁹³ Meal receipts included alcoholic beverages, which cannot be paid using Federal grant funds.

that it did not know why that was done and speculated that Zachary New may have asked for taxes to be withheld.

Supporting documentation provided by FRC was limited. An article (Exhibit 141) was provided that discussed a ribbon cutting ceremony for a “Student Athlete and the Family Enhancement Center” at Alcorn State University’s Lorman campus. FRC was unable to provide any other documentation substantiating the work performed by Zachary New but stated that similar programs were opened at Delta State University in Cleveland, MS, and Mississippi State in Starkville.

10. Marcus Dupree - \$27,500.00 (Indicative of Abuse and Waste):

Marcus Dupree is a former professional athlete. He was employed by FRC from October 13, 2017 through March 28, 2019. He also entered into a contract with FRC and MCEC (as “Families First for Mississippi”) for the period August 1, 2017 through July 31, 2018. The contract states, “FFM shall provide a retainer in the sum of \$30,000 to Dupree for services to begin August 1, 2017, and end on July 31, 2018. Dupree will provide services as a Motivational Speaker and Celebrity Endorser for FFM in the northern half of Mississippi in exchange for this retainer.” The contract is contained at Exhibit 142.

There is an overlap between his contractual arrangement and employment.⁹⁴ His contract was for \$30,000 which was paid as an advance retainer on August 19, 2017. His first payroll check was issued on October 13, 2017, just over two months after his contractual period started. Based on the supporting documentation, CLA identified services being provided in September 2017 that are related to his contract. Based on the payment terms of his contract, CLA determined the monthly payment for services provided would have been \$2,500 per month. With only one month of services being provided before becoming an employee of FRC, CLA disallowed \$27,500 of the contractual retainer and finds this to be indicative of abuse and waste.⁹⁵

⁹⁴ CLA asked FRC why there was an overlap in his contract and employment. FRC stated, “MD started with a small contract to speak and help make people aware of the Families First Program. Not long after, we employed him to make appearances representing the FRC, make radio advertisements, visit schools and talk about the FF pillars as well as speak to youth about character, teen pregnancy and other topics. Anywhere he went he drew a crowd and was a great motivator and spokes person [sic] for all ages but particularly youth.” FRC did not provide an explanation for why the full retainer amount of \$30,000 was paid and then began paying him as an employee just over two months later, when the term of his contract had not yet expired.

⁹⁵ According to the OSA Single Audit report, MCEC entered into a contract dated January 1, 2018 with MD Foundation to provide equine-assisted learning and activities. The contract provided to CLA by the OSA appears incomplete and does not provide payment terms or include a signature page. A “Marcus Dupree Foundation” is listed on the Mississippi Secretary of State website as being formed on December 14, 2010 as a non-profit corporation. Kimberly Funchess is the Incorporator and Registered Agent. CLA did not identify any relevant emails from the review of John Davis’s emails, and CLA did not receive a response from the MD Foundation during the attempts to contact the representative. CLA did not include the costs paid by MCEC to the MD Foundation as CLA does not have any information beyond that communicated in the OSA Single Audit report.

11. NEMCC Development Foundation - \$30,000.00 (Indicative of Abuse):

FRC paid NEMCC Development Foundation \$30,000 as a subsidies, loan, and grant. There was no grant agreement or claim support form/reimbursement form provided. The invoice provided as the supporting documentation is from NEMFCA for the total of \$30,000 (Exhibit 143). CLA was also provided an 11-page document that identifies NEMFCA as Northeast Mississippi Football Coaches' Association (Exhibit 144). It also details that "Families First for Mississippi" was a sponsor for the All-Star experience that was being paid for with the \$30,000. Sponsorships are unallowable per the CFR.

According to FRC, "This was a directive from Director Davis as a result of TB being asked by FRC to speak at the NEMFCA All-Star Banquet the year before. In order to fund this event with TANF funds, we made it into a learning event, not an all-star game. We had two staff members on premises both days for the event. [Pete Story] and [Shelia Davis], FRC employees, were presenters to the parents and players which included a team building exercise the first day with the players and a seminar about parenting and teen pregnancy prevention. She provided resource training for effective discipline and trauma to the parents of the participants. [Pete Story] manned an FRC booth with all FRC/FF literature and provided explanation for anyone who came by. [Pete Story] provide[d] anti bullying, character education and family education to team members and parents. Other FRC staff were there to assist."⁹⁶

Based on the written description provided by FRC, this event was originally an all-star game, which would be considered entertainment or recreation. Although presentations were made by FRC employees for parents and students to add an education component, the \$30,000 paid was to support the cost of the all-star game portion of the event and was structured as a sponsorship. Additionally, based on FRC's statements, this funding was directed by John Davis.⁹⁷

CLA finds the evidence presented above to be indicative of abuse by John Davis of his position and influence over FRC in its relationship as a subgrantee of MDHS.

12. Southtec Inc. - \$118,935.85 / Verizon - \$8,542.25 (Indicative of Abuse and Waste):

Southtec Inc ("Southtec") was contracted by FRC to provide the labor and materials necessary to install network and phone systems (VoIP) for the newly expanded FRC locations, according to FRC. In the supporting documentation provided, there was not a contract with Southtec; therefore, CLA could not determine a period of performance. According to a letter FRC sent to Southtec, FRC paid Southtec \$118,935.85 as a prepayment for services to be provided and paid Verizon \$19,000 for data overages on a hotspot that was provided to Southtec for use. The letter was addressed to Blake Marcy, Southtec employee, requesting a reimbursement of the \$19,000 in data overages and a detailed breakdown of services performed (Exhibit 145). According to FRC, the advance

⁹⁶ CLA was able to determine the full names for "PS" and "SD" from additional supporting documentation provided. The documentation did not provide information to identify the full name for "TB."

⁹⁷ CLA did not find any relevant communications through the review of John Davis's emails.

payment to Southtec was made based on quotes for upcoming work, and, at the time payment was made, FRC was still opening new centers under the expansion of the Families First Resource Centers program. Shortly after the payment was made, the TANF grant funding from MDHS was decreased, many of the centers were being closed, and new centers were not opening. Of the \$118,935.85 prepayment, \$24,550.52 was paid from TANF funds and the remainder was charged to the June Block grant. In testing the payments to Verizon, CLA identified two overage payments totaling \$8,542.25 that were charged to TANF (Exhibit 146). CLA was unable to identify the remainder of the overages to determine other funds impacted.

CLA inquired with FRC regarding the status of a refund to FRC from Southtec as well as a breakdown of services performed. FRC stated, "Monetary payments were made totaling in the amount of \$3975. The remaining balance was traded for services rendered by Southtec to assist in closing, packing, storing and moving our centers after being forced to close by Director Davis' sudden cut in funding. They helped with the Greenville, Columbus, Amory, Oxford, Indianola, Holly Springs, Southaven, Clarksdale, Iuka, Tunica, and Batesville centers by trailering and driving their own company vehicles by paying their own gas money and staff to help pack, load and temporarily store items from these centers until FRC's storage facility was available. They are continuing to work off the balance in labor and support for FRC."

FRC did not provide any documentation to CLA to support the effort by Southtec to provide labor and equipment to assist FRC with closing, packing, storing, and moving the centers. Even if this was agreed to and Southtec provided these services, this would not be an allowable use of TANF funds. Because FRC questioned the amount paid to Southtec knowing that the services had not been fully provided, and FRC did not anticipate or approve the data overages that were incurred, CLA finds the events to be indicative of abuse by Southtec. Data overages were incurred by Southtec without notifying FRC or getting approval, and Southtec failed to provide a detailed accounting of services provided for the advance payment received.

13. Three Rivers Planning and Development - \$10,981.97 (Indicative of Waste):

FRC entered into an agreement with Three Rivers Planning and Development ("Three Rivers") for the period July 1, 2016 through July 30, 2017 (Exhibit 147). The scope of work per the contract was to allow Three Rivers to employ a person, David Cole, that would be assigned to FRC to assist the Executive Director and to act and function as a "Workforce Director."⁹⁸ According to the contract, David Cole was to be provided a salary and benefit package to include base salary, fringe benefits for insurance, and allowances, as part of the total contract cost to be paid by FRC. The salary and benefits package were to be billed to FRC on a quarterly basis and was not to exceed \$91,342 for the contract term.

FRC made two payments to Three Rivers, as follows:

⁹⁸ David Cole was not named in the contract but was identified by FRC as the employee hired by Three Rivers. FRC provided the employment documentation it required David Cole to complete, including authorization for a background check.

- October 24th, 2016 – \$22,622.93 (quarter 1 – July 2016 to September 2016)⁹⁹
- January 31, 2017 – \$33,817.47 (quarter 2 – October 2016 – December 2016)

The payment made for the second quarter of the agreement exceeded the amount that should have been paid per the contract. Additionally, FRC made direct payments to David Cole for health insurance, a cell phone, and mileage reimbursements that should have been covered under the contract between FRC and Three Rivers. These payments totaled \$5,198.06 for the period July through December 2016.

In January 2017, FRC then hired David Cole as an employee of FRC.

The overpayment of the second quarter (\$10,981.97) is unallowable as there was no explanation provided for the overpayment.¹⁰⁰ The additional payments to David Cole (\$5,198.06) should not have been made as those costs were covered by the contract terms and are also unallowable.

CLA finds the payments that exceed the contracted amounts to be indicative of waste as they were not required to be paid based on the terms of the agreement, and no documentation was provided to support the reason for the overpayments.¹⁰¹

14. Through the Fire Ministries, LLC - \$25,000 (Indicative of Abuse and Waste):

FRC paid Through the Fire Ministries, LLC (“Through the Fire”) \$25,000 for religious books to be used in the Beds for Kids program. The invoice total was for \$50,000 (Exhibit 148). Per FRC, it “received [an] email from Zola Harrison [sic], Director Davis’ [sic] administrative assistant/secretary instructing the FRC to pay for the books that he bought from the Jason Crabb Concert. He bought books at the Tupelo Concert and at the Brookhaven Concert.”¹⁰² The books were shipped to FRC and MCEC, and FRC requested MCEC to pay the remaining \$25,000.

CLA identified the following emails related to the purchase and payment of these books:

- August 24, 2018: Philip Morris at Jason Crabb Ministries, LLC/Through the Fire Ministries, LLC in which he sends an invoice to John Davis stating, “I don’t have the words to explain the gratitude we have here at Jason Crabb Ministries for your kindness in getting these great books out to our children.”¹⁰³ The invoice is

⁹⁹ The quarter one payment is slightly less than ¼ of the contract. CLA was not provided a reason for the difference.

¹⁰⁰ $\$91,342 \div 4 = \$22,835.50$; $\$33,817.47 - \$22,835.50 = \$10,981.97$.

¹⁰¹ CLA did not find any relevant communications through the review of John Davis’s emails.

¹⁰² CLA was unable to locate a business name filing for Through the Fire on the Mississippi Secretary of State website.

¹⁰³ CLA was unable to locate a business name filing for Jason Crabb Ministries, LLC on the Mississippi Secretary of State website.

labeled “3rd Qtr2018” and has John Davis’s name in the “Bill To” box. This is an earlier invoice for \$50,000 paid by FRC using SSBG funds.¹⁰⁴

- August 27, 2018: Zola Haralson email Philip Morris (John Davis is copied on the email) stating, “Mr. Davis asked if you could please change the billing on the attached invoice to: Families First Resource Center of North Mississippi.” Zola Haralson includes the address for FRC and asks Philip Morris to send back a copy of the invoice.
- August 27, 2018: Zola Haralson emails Christi Webb and Debbie Underwood; John Davis was copied on the email. Zola Haralson stated, “Mr. Davis asked that I forward to you the attached Through the Fire Ministries Invoice for payment. Please let me know if you need anything else.” The invoice attached has the same invoice number reference, quantity and description of books, and is for the same amount. The only difference is that it is now addressed to FRC.
- August 30, 2018: Philip Morris emails John Davis indicating that he received the check from FRC and thanked John Davis “for doing this and making things like this happen!” Philip Morris stated that they were ready to ship/deliver the books at the time and location that John Davis desired and to let him know how to proceed or if they should work with Christi Webb.
- September 4, 2018: Zola Haralson emails Philip Morris asking him to ship half of the books to FRC and half to MCEC. Several others are copied on the email, including John Davis, Christi Webb, and Nancy New.

These emails are included in Exhibit 148. The emails demonstrate John Davis’s involvement in securing the religious books from Through the Fire, his instruction to have the books billed to and paid by FRC, and his involvement in coordinating the shipment of the books.

Due to the religious nature of the books, the cost was determined as unallowable. Due to the instructions to FRC and MCEC to pay for these books, CLA finds the actions by John Davis to be indicative of abuse of his position and influence over FRC and MCEC.

15. WWISCAA - \$49,190.06 (Indicative of Fraud, Waste, and Abuse):

FRC entered into a contract with Warren Washington Issaquena Sharkey Community Action Agency (“WWISCAA”) for \$175,000 (Exhibit 149). The period of the agreement was October 1, 2016 through June 30, 2017. The scope of the agreement was for WWISCAA to focus on academic tutoring for younger children and career skill development with older children, focusing on ages 12-24. According to FRC, WWISCAA was previously funded by MDHS as a family resource center before the families first model was

¹⁰⁴ FRC paid the 3rd quarter 2018 invoice for \$50,000 with a check dated August 27, 2018. CLA did not test this transaction as it was not charged to TANF and was, therefore, outside of the scope of this engagement. However, based on the invoice attached to the email, this payment also appears to be for religious books.

developed. FRC paid a total of \$49,190.06 to WWISCAA based on reimbursement claims submitted.

Included in the supporting documentation provide by FRC was a copy of a certified letter dated April 24, 2017 sent to WWISCAA to terminate the agreement, contained in Exhibit 150. The letter stated, “based on the information gathered from a thorough review and follow-up written reports that were submitted by WWISCAA, site visits with multiple parties, we are convinced of the non-compliance of WWISCAA, Inc.” FRC requested reimbursement for the \$49,190.06 that had already been released to WWISCAA; however, FRC has not yet received this refund. According to the letter from FRC, “After a proper refund of the funds is received by our office and once a determination is made regarding our organization’s duty to report the deficiencies and allegations of fraud through proper channels, we request no further contact by WWISCAA, Inc. to any staff member of The Family Resource Center of Northern Mississippi.”

Through CLA’s review of John Davis’s emails, Christi Webb forwarded this letter to John Davis on April 25, 2017. In her email to John Davis, Christi Webb described the allegations of fraud. FRC received a phone call from an employee of WWISCAA who said that there had been no activities and no clients, yet a meeting was called and employees were instructed to “come up with some regardless.” FRC received sign-in sheets indicating activities had been conducted; however, after FRC followed up with the clients on the list, Christi Webb said she was “sure that the employee [was] telling the truth.” Christi Webb provided additional details of her investigation into the allegation and basis for her conclusion. This email is included in Exhibit 150.

X. MCEC Disbursements

Included in this section are those disbursements made by MCEC which have evidence of possible fraud, waste, or abuse, and were not already discussed in section VII *Entities/Individuals Paid by MDHS, MCEC, and FRC* beginning on page 16.

Mississippi Community Education Center (MCEC) failed to sufficiently cooperate with CLA in this forensic audit.¹⁰⁵ As a result, CLA was unable to complete the forensic audit of MCEC without access to the additional records requested and without the ability to speak with the representatives of MCEC. The insufficient cooperation caused CLA's scope of work to be severely limited.

The documents available to CLA included only those documents obtained by the OSA Financial & Compliance Audit Division that were obtained through its 2019 Single Audit, documentation obtained from the MCEC third tier subrecipients that responded to CLA's requests, and partial documentation provided by MCEC through its attorney, Carrol Bufkin, PLLC.¹⁰⁶ It is CLA's understanding that additional records of MCEC were obtained by the OSA Investigative Division as part of its criminal investigation (e.g., QuickBooks backup of MCEC).¹⁰⁷ Through CLA's contact in the OSA Financial & Compliance Audit Division, CLA requested access to the MCEC records obtained by the OSA Investigative Division. However, CLA was informed that these records could not be provided due to the pending criminal litigation. Because CLA has not seen the records in the possession of the OSA Investigative Division, CLA cannot speak to the impact those records would have had on the forensic audit. Although these records may have provided additional insight into the transactions of MCEC, CLA would possibly still have a scope limitation due to the inability to interview any of the representatives of MCEC.

In this report, CLA provides conclusions regarding potential evidence of fraud, waste, and abuse as it relates to payments made by MCEC only for the following:

- The 26 third tier subrecipients for which CLA presented conclusions in its Forensic Audit Procedures and Results report.

¹⁰⁵ The extent of cooperation by MCEC was very limited. Documents were provided in response to CLA's initial document request, that included a Microsoft Excel version of MCEC's general ledger, chart of accounts, disbursement ledger (which MCEC's attorney communicated to CLA appeared to contain some posting errors), listing of third tier subrecipients, high-level program summaries by year, and a listing of projects requested by MDHS. A written response was provided to specific written questions CLA provided to MCEC's attorney, as the MCEC representatives declined an interview with CLA. After receiving the written response, CLA made further requests to interview MCEC representatives and for additional documentation. These requests were not fulfilled.

¹⁰⁶ The documents provided to CLA by MCEC's attorney included a Microsoft Excel version of MCEC's general ledger, chart of accounts, disbursement ledger (which MCEC's attorney communicated to CLA appeared to contain some posting errors), listing of lower tier subrecipients, high-level program summaries by year, and a listing of projects requested by MDHS.

¹⁰⁷ The OSA Investigative Division also obtained John Davis's computer hard drive, which was not provided to CLA.

- Any subgrantee for which CLA had documentation provided by the OSA and for which evidence of potential fraud, waste, and/or abuse was discovered through the review of publicly available information and the review of the MDHS email of John Davis.

Further work would be necessary for CLA to be able to reach further conclusions as it relates to payments made by MCEC. CLA advises the reader to refer to the OSA Single Audit report for the fiscal year 2019 for any additional information for those third tier subrecipients of MCEC for whom CLA was unable to assess for potential fraud, waste, or abuse due to the severely limited scope as it relates to MCEC. This section communicates CLA's findings concerning potential fraud, waste, and abuse relating to payment by MCEC that were not already discussed at the beginning of this section.

1. Victory Sports Foundation – \$1,309,183.00 (Indicative of Abuse and Undue Influence by John Davis)

The OSA Single Audit report questioned the costs for the agreement between MCEC and Victory Sports Foundation ("Victory Sports") due to the direct involvement of MDHS personnel, whether costs are reasonable in the performance of the federal award, and if the TANF eligibility criteria were met. Additionally, the OSA Single Audit report indicated that the fitness program was offered to a member of the Mississippi Legislature, other elected officials, and other political staffers for no charge. The agreement between MCEC and Victory Sports was effective October 1, 2018 to September 30, 2019 for the provision of three 12-week Boot Camp "fitness programs." The trainings were held in Flowood, Pascagoula, and Madison. Total payments to Victory Sports equaled \$1,309,183.00.

CLA performed a review of John Davis's email in which several communications between John Davis and representatives of Victory Sports and MCEC were noted. CLA also reviewed IRS filings for Victory Sports which reflected that MCEC funding was more than 95% of the Foundation's income in 2018 and 2019. Paul Lacoste is listed as the president of the nonprofit organization. CLA contacted Victory Sports and received the documentation requested that included general ledgers, supporting documentation for expenses, reports on work performed, participant training reports that included blood pressure, blood sugar, cholesterol, triglycerides and other health and fitness metrics with names redacted due to HIPAA requirements and several others. However, Paul Lacoste was not available to meet with CLA due to what appeared to CLA to be legitimate reasons.

The following facts suggest that this agreement had elements of fraud, waste, and abuse due to the direct involvement by John Davis prior to contract execution, while payment requests were being made from MCEC, and while requesting an additional contract.

- 1) Paul Lacoste, President of Victory Sports sent an email on October 4, 2018 to MDHS Executive Director, John Davis, with a contract draft, budget, scope of services, Charity Renewal Form, and Registration certificate dated August 31, 2018 attached. Paul Lacoste requested John Davis's review of the documents and any changes that may be necessary. Exhibit 151 includes this email. Michael Heilman, of Heilman Law Group, is the attorney for Victory Sports that assisted with the contract preparation. Michael Heilman included John Davis as a recipient, along

with Zach New of MCEC, in an email with Victory Sports' W-9 and direct deposit information attached. Exhibit 152 includes this email dated October 10, 2018. John Davis sent an email on September 24, 2018 to Zach and Nancy New of MCEC requesting they work with Michael Heilman, an attorney for Victory Sports Foundation, on the Lacoste Contract. Exhibit 153 includes this email dated September 24, 2018. The fact that Paul Lacoste was communicating directly with John Davis on the scope of work, and John Davis's request to MCEC that they work with Michael Heilman, provides indication that John Davis's influence was needed for Victory Sports to be awarded a grant from MCEC.

- 2) Paul Lacoste copied John Davis on an email to Zach New on February 4, 2019 in which Lacoste requests the balance of the contract be transferred. Exhibit 154 includes this email. The fact that John Davis was copied on this email appears to be an indication that he had influence or authority over the disbursements by MCEC to Victory Sports and Victory Sports relied on that influence.
- 3) Exhibit 155 is an email from Paul Lacoste to John Davis dated March 14, 2019 in which Lacoste asks if he and Zach New can sign the new contract for additional training camps. CLA did not identify a response email from John Davis. The effective dates of the new proposed contract are March 1, 2019 through July 31, 2020. The dates listed for the new proposed contract overlap with the dates of the original contract that listed an end date of September 30, 2019. This email is a clear indication that both MCEC and Paul Lacoste (Victory Sports) considered John Davis's approval obligatory before moving forward with signing a new contract. CLA did not identify an email with John Davis's response and the new contract appears to have never been executed.
- 4) A calendar meeting was organized by John Davis for May 1, 2019 in response to an email from Paul Lacoste sent on April 23, 2019 indicating, "John and I need to also talk about the other programs that he and I want to do and finalizing the contract." This email is in Exhibit 156. This email and calendar item reflect the influence and control John Davis had over the funding to Victory Sports.
- 5) On May 2, 2019, Victory Sports' attorney Michael Heilman copied John Davis on an email to Zach New requesting an additional \$400,000 in funding be released for February, March, and April 2019 expenses (Exhibit 157). Attached to the email is a copy of the April 2019 expense reimbursement invoice and related bank ledger. The invoice and ledger attached to the email at Exhibit 158 include the listing of a \$25,000 payment to Paul Lacoste from Victory Sports.¹⁰⁸
- 6) Review of Victory Sports Foundation 2019 Form 990 indicates total revenue from gifts grants, contributions, and membership fees were less than \$135,000 annually from 2013 through 2017. Based on the general ledger detail provided by the OSA, total payments from MCEC in 2018 under the agreement were \$232,472, which

¹⁰⁸ CLA was not provided sufficient information to assess the nature of the \$25,000 payment to Paul Lacoste from Victory Sports.

was 98% of Victory Sports' total revenue for 2018. Total payments from MCEC to Victory Sports in 2019 was \$1,076,711.32, also 98% of total revenue reported for 2019.

Conclusion - Undue Influence - Victory Sports

As reflected by the email communications listed above, Paul Lacoste was communicating directly with John Davis on the scope of work for Victory Sports, and John Davis specifically requested MCEC work with Michael Heilman as the representative of Victory Sports. Furthermore, John Davis was included in multiple discussions relating to requests for payments and additional contracts. This evidence is indication that John Davis was of influence throughout the negotiation and awarding of a grant to Victory Sports and was even included in emails for disbursement requests. Based on additional email communication reviewed by CLA, and review of the documentation provided, it does appear that Victory Sports was providing services in accordance with the agreement even if the scope of work was not in alignment with TANF purposes.¹⁰⁹

2. Soul City Hospitality - \$200,000 (Indicative of Waste and Abuse)

The OSA Single Audit report identified this lease agreement as a "subgrant to create a community garden and to educate youth about sustainable agriculture." The organization was issued a single payment of \$200,000 on February 22, 2019 for the one-year lease of a large warehouse located at 352 E Woodrow Wilson Blvd., Jackson, MS 39216 known as Merchants Building Store #4 at the "Old Mississippi Farmers Market." See Exhibit 159 for a copy of the lease agreement, which was for a twelve month period beginning with February 1, 2019. Soul City Hospitality ("Soul City") was leasing the warehouse from the University of Mississippi Medical Center during the agreement period. No scope of work was detailed in the agreement; however, this entity responded to CLA's request for an interview. Through the interview conducted of Jeff Good, CLA learned that the building was leased by MCEC with the intention of using it to re-purpose food and act as a food donation center, to create a workforce training partnership, to create a virtual food hub coordinating local farming efforts and providing technical support and commercial market access to small and disadvantage farmers throughout the state and region, and to serve as a food business incubator to spark small food-related business entrepreneurship. Jeff Good communicated to CLA that he and David Watkins Jr. had worked together to create a food aggregation facility they named "Up in Farms Food Hub." This endeavor had not worked well and, in the fall of 2018, MCEC had approached them with the desire to rent the warehouse space and collaborate to achieve the objective of MCEC. The following facts provide potential evidence that this agreement had elements of fraud, waste, and abuse (specifically, waste and abuse):

- Although the terms of the agreement provided for monthly rent payments of \$16,620, the total lease amount of \$200,000 was prepaid by MCEC on February

¹⁰⁹ Victory Sports provided a significant volume of documentation, including invoices with receipts and general ledger detail, participant health assessments (with names redacted), pre and post medical assessments, sign-in sheets, program reports, and final reports.

22, 2019, the same day the agreement was signed. According to the interview conducted of the Soul City representative, Jeff Good, he was surprised when after the contract was signed, he was handed the check for \$200,000. The contract was signed by David Watkins, Jr. and Nancy New.

- The Soul City representative communicated that, after the contract was signed and the payment was received, communication from MCEC stopped. He stated that he attempted to communicate with MCEC as paperwork was needed to obtain permits for the improvements on the building to make it fit for the intended use, but he received no response. He stated that “not a hammer was lifted” the entire time of the lease. He also mentioned that MCEC had communicated plans to place MCEC staff in an office space at the warehouse, but no one was ever placed in the building. Jeff Good also stated that he was unaware that the funds came from TANF.
- CLA performed a records search with the City of Jackson’s Zoning Office for building permit records that were filed under the address of the leased building. CLA identified two electrical permits, one created on March 20, 2013 and the other created on August 5, 2020. No permits were issued during the agreement period, which confirms the statements made by Jeff Good.
- The written response MCEC’s attorneys provided to CLA on behalf of Zach New did not address the agreement with Soul City. A review of John Davis’s emails did not contain any communication relating to Soul City or its representative.

Conclusion – Waste – Soul City Hospitality

The fact that MCEC pursued this lease agreement and paid Soul City Hospitality the full year lease obligation of \$200,000 at the signing of the lease agreement, when the contract required monthly lease payments, combined with the fact that at no point MCEC took possession of the warehouse, provides convincing evidence of MCEC’s wasteful spending of TANF funding. The \$200,000 was not repaid to MCEC by Soul City; however, because Soul City was leasing the space from the University of Mississippi Medical Center, Soul City incurred the costs associated with its lease agreement as well as the cost of debt service for the leasehold improvements already in existence prior to the negotiation of the lease, cost of property and casualty insurance, utilities, security monitoring, and pest controls services for the facility. Jeff Good provided CLA with the consent for sublease from the University of Mississippi Medical Center.

XI. Conclusion

Based on the procedures performed as part of the forensic audit, CLA identified transactions with evidence indicative of possible fraud, waste, and/or abuse totaling \$12,424,995. The transactions are summarized into three categories described further below.

Transactions Indicative of Conflicts of Interest by John Davis

CLA identified transactions and agreements entered into by MCEC, FRC, and MDHS that were indicative of fraud, waste, and abuse as they related to agreements made with family members of John Davis. Additionally, the involvement by John Davis in negotiating or directing the agreements was apparent and, in some instances, entities were established shortly before the agreements were executed. These observations relate to payments to John Davis's brother-in-law, Brian Smith, or companies Brian Smith owned; and payments to John Davis's nephew, Austin Smith. These transactions are indicative of conflicts of interest by John Davis due to the familial relationships.

CLA did not have access to the personal financial records of John Davis, Brian Smith, or Austin Smith; therefore, CLA could not determine whether there was any personal financial benefit to John Davis from these transactions.

The total payments in this category equal \$1,112,285.

Transactions Indicative of Undue Influence and Favoritism by John Davis

CLA identified payments made to members of the DiBiase family, for the benefit of a DiBiase family member, or to entities owned or used by a DiBiase family member. CLA has identified these payments as undue influence and favoritism as the influence exerted by John Davis was apparent. Based on the contents of email communications identified, it was apparent that John Davis had a very close relationship to the DiBiase family and may have had some control over the establishment of certain entities owned by the DiBiases.

CLA identified payments to other individuals and entities that were introduced to John Davis by the DiBiase family and for whom John Davis orchestrated contracts with FRC, MDHS, and/or MCEC. These include transactions with Nick Coughlin of NCC Ventures, LLC and Adam Such. John Davis also demonstrated a significant involvement in the transactions between MCEC and Victory Sports Foundation.

Due to John Davis's involvement in these transactions, CLA has determined these transactions to be indicative of undue influence by John Davis over MDHS, FRC, and MCEC to award contracts to and/or hire certain individuals. These transactions are also indicative of favoritism. CLA did not have access to the financial records of John Davis; therefore, CLA is not in a position to determine whether John Davis financially benefitted from payments made to any of these individuals or entities.

The total payments in this category equal \$7,488,079.

Other Transactions Indicative of Fraud, Waste, and/or Abuse

CLA identified various other payments and transactions indicative of fraud, waste, and/or abuse. Some examples include:

- (a) Payments made by MDHS related to first-class travel, which are indicative of abuse by John Davis and Jacob Black.
- (b) FRC paid for out-of-state travel for a football tournament that was primarily recreational in nature, but certain parent classes were added in order to use TANF funds.
- (c) Independent contractor agreements that overlapped with employment of FRC, which appeared to cause duplicative or excess payments. Generally, this occurred when the full amount of the contract was paid in one lump-sum at the beginning of the contract, and the individual was then hired as an employee before the end of the contract period.
- (d) FRC made payments for the development of a participant tracking system application that was intended to provide data management and reporting. According to statements made to the OSA, the application did not function as intended.
- (e) An FRC transaction with documentation that appears to have been manipulated or falsified as the invoice varied significantly from other invoices provided by the same vendor.
- (f) FRC made large payments with little to no supporting documentation.
- (g) Advance payments to a vendor for which the services were not completed and a refund was not paid by the vendor. According to FRC, the vendor negotiated to provide labor and the use of their equipment to assist FRC with moving out of their locations instead of paying the refund.

Other instances of possible fraud, waste, and/or abuse are identified in the detail of this report, and the examples provided above are not a complete list of the transactions identified.

The total payments in this category equal \$3,824,631.

XII. List of Attachments

Attachment Number	Attachment Description
01	List of payments made from MCEC to Ted DiBiase, Jr.
02	MCEC disbursement ledger and general ledger detail for the \$13,818.52 in expense reimbursements paid to Brett DiBiase
03	MCEC general ledger detail for the airfare costs paid with MCEC's credit card totaling \$12,149.16
04	List of the payroll and benefit costs relating to Brett DiBiase that were recorded in the general ledger of MCEC

XIII. List of Exhibits

Exhibit Number	Document Description
001	MDHS - CLA Forensic Audit Contract #8200053462
002	MDHS RFI No. 3150002847
003	Checks paid by MCEC to "Jeff Smith/Brookhaven Landlord"
004	MCEC - JTS Lease Agreement
005	JTS Enterprises Two letters and undated memorandum
006	JTS Enterprises LLC Certificate of Formation
007	Property records for 502 Charles Street Brookhaven, MS
008	John Davis use of 502 Charles Street Address; employee file
009	John Davis use of 502 Charles Street Address; travel documents
010	Check No. 10225 paid by MCEC to "Transformational Ventures, LLC"
011	MCEC - Transformational Ventures Agreement
012	Transformational Ventures Certificate of Formation and Articles of Dissolution
013	John Davis email and attached scan of executed agreement between MCEC and Brian Smith
014	FRC American Express charges related to Austin Smith
015	FRC - Austin Smith Agreement for the period of June 15, 2018 through July 12, 2018
016	Austin Smith Agreement for the period of February 1, 2019 through January 31, 2020 ECS Logistics LLC Certificate of Formation and Articles/Certificate of Amendment and MCEC -
017	Confirmation of John Davis's personal email account
018	Email forwarded to John Davis's personal email account from John Davis's MDHS email account dated June 11, 2018
019	Able Consulting LLC Certificate of Formation
020	John Davis email to Garrig Shields dated June 13, 2018
021	John Davis personnel document with 502 Charles Street mailing address
022	John Davis hotel receipt with 502 Charles Street mailing address
023	Email from Brett DiBiase to John Davis August 17, 2017 with Nick Coughlin's resume
024	Dofflin, LLC Certificate of Formation
025	Email from John Davis to Nick Coughlin dated August 17, 2017 to schedule meeting
026	Emails between John Davis and Nick Coughlin August 22, 2017
027	NCC Ventures, LLC - Certificate of Formation
028	NCC Ventures, LLC - 2021 LLC Annual Report
029	Email from John Davis to Jacob Black September 22, 2017
030	MDHS Competitive Procurement Request Form for DWD Employer Engagement
031	Nick Coughlin proposal to FRC for "Workforce Development Training"
032	FRC - NCC Ventures agreement effective November 1, 2017
033	MDHS RFQ #WDEE2017 for Employer Engagement Services

Exhibit Number	Document Description
034	NCC Ventures quote to MDHS in response to RFQ #WDEE2017
035	Payments from MCEC to NCC Ventures
036	MDHS and NCC Ventures executed Employer Engagement contract
037	Email from Nick Coughlin to John Davis with Subject: "Confidential - John Coughlin Resume"
038	Invoices from NCC Ventures to FRC
039	FRC emails regarding Nick Coughlin
040	FRC email introduction of Nick Coughlin dated April 3, 2018; April 30, 2018 Workforce Development Update
041	Email from John Davis to Garrig Shields dated June 7, 2018
042	Document properties of the attachment for email from John Davis to Garrig Shields dated June 7, 2018
043	Invoices submitted to MDHS from NCC Ventures
044	NCC Ventures - ARM and Procurement documents (see list of quotes submitted)
045	Various email in February 2018 and March 2018 between John Davis, Sandra Giddy, Jacob Black, and other MDHS employees re: NCC Ventures scope of work and deliverables
046	Email from Nick Coughlin to John Davis dated April 2, 2018 with NCC Ventures March 2018 invoice attached
047	Email from Nick Coughlin to Janet Mann (cc: John Davis) dated April 2, 2018 with NCC Ventures March 2018 invoice attached
048	Heart of David Ministries Articles of Incorporation
049	Heart of David Document, "History of the Organization"
050	Heart of David Document, "Executive Summary"
051	Priceless Ventures state filing documents
052	Email from MDHS staff to FRC May 16, 2018
053	MCEC - Priceless Ventures agreement effective October 1, 2018 through September 30, 2019
054	FRC Check #2251 issued to Ted DiBiase, Jr. on August 28, 2017
055	Scott Elliott property document
056	Letter from FRC to Ted DiBiase, Jr.
057	McCaskill Property Documents
058	DiBiase Consulting LLC Certificate of Formation
059	Familiae Orientem LLC Mississippi state filings
060	Check issued to Brett DiBiase by FRC, the contract between Brett DiBiase and FRC, the letter from FRC to Brett DiBiase, and the email response from Brett DiBiase
061	MDHS - Restore 2 Signed Contract and Restore2 Certificate of Formation
062	Restore2 invoices to MDHS
063	Email from John Davis to MDHS employees July 6, 2018
064	Email canceling Opioid and Substance Abuse Training for October 31, 2018
065	Email from Brett DiBiase to John Davis with Opioid Abuse Training Quote

Exhibit Number	Document Description
066	Opioid Abuse Training quote sent by Brett DiBiase to John Davis
067	Document properties for Opioid Abuse Training quote sent by Brett DiBiase to John Davis
068	Latimer Smith documents
069	MCEC wire transfers to Rise Malibu
070	Emails between John Davis and Ted DiBiase, Jr. regarding funding for Heart of David April 19, 2017
071	Email from Ted DiBiase, Jr. to John Davis regarding goals for MDHS leadership development April 19, 2017
072	Heart of David Ministries Subgrant 6011757 and 6011579 Signature Sheet and Modifications
073	Email exchange between John Davis and Ed Garrett May 17, 2017
074	Email from John Davis to Ted DiBiase July 3, 2017
075	Email from John Davis to Nick Bridge September 8, 2017
076	Email from John Davis to Nancy New November 28, 2017
077	Email from John Davis's MDHS email account to John Davis's personal email account September 30, 2018
078	Email from Ted DiBiase to John Davis October 4, 2018
079	Heart of David Ministries Subgrant 6014990 and 6014991 Signature Sheet
080	Email from John Davis's MDHS email account to John Davis's personal email account October 18, 2018 that includes the document properties, and the attached document
081	Email from John Davis to Jess New December 7, 2018
082	Calendar invitation January 2, 2019
083	Email from Christi Webb to John Davis January 23, 2019
084	Calendar invitation January 23, 2019
085	Calendar item required attendee Ted DiBiase, Jr. January 23, 2019
086	John Davis email to Bridgette Bell; blind copy Ted DiBiase, Jr. February 14, 2019
087	Trump International Hotel confirmation June 20 through June 21, 2019
088	John Davis Airline Confirmation June 20 and June 21, 2019
089	Confirmations of first-class flights to Washington D.C.
090	Email from Gail Smith to John Davis June 21, 2019
091	First-class flights to Washington, DC for Jacob Black and John Davis - August 2018
092	John Davis Travel Voucher "Meeting with Senator Thad Cochran" in Washington, DC (travel dates September 28, 2017 & September 29, 2017)
093	Documents attached to FRC response to OSA Single Audit report regarding contract with Adam Such (SBGI, LLC) - documents were bated stamped FRC001602 - FRC001654
094	Email from Ted DiBiase, Jr. to John Davis dated May 23, 2017 - introducing Adam Such
095	Email from Christi Webb to Adam Such (cc: John Davis, Amy Harris, and Nancy New) dated October 12, 2017

Exhibit Number	Document Description
096	Email communications between John Davis, Adam Such, and others
097	Email from Adam Such (asuch@mscec.org) to John Davis dated November 1, 2017
098	Emails from Adam Such (asuch@mscec.org) to John Davis dated January 12, 2018
099	Atlanta, GA football tournaments documentation
100	FRC American Express charges for OnStar and satellite radio
101	FRC - Amy Harris Independent Contractor Agreement for Legal Services effective October 1, 2018 through September 30, 2019
102	Beau Rivage Casino & Resort receipts for Gen+ training
103	FRC and MCEC contracts with Chase Computer Services to develop participant tracking application (scopes of work dated April 20, 2016 and September 21, 2017)
104	FRC & MCEC - Micah's Mission Homeschool Agreement effective August 1, 2018 through July 31, 2019
105	September 30, 2018 check from FRC to FRC for \$52,482.42 for "CSUMS Micah's Mission-Obligated"
106	September 15, 2016 Fastwrapz invoice and check payment
107	Transport Trailer and NCC Ventures Invoice #1
108	Celebrity Fastwrapz Invoice #7000 REVISE dated March 23, 2018 and Transport Trailer Invoice #11415 dated November 26, 2018
109	Transport Trailer Certificate of Incorporation
110	Celebrity Fastwrapz Invoice #6300 and check payment #22179 both dated August 11, 2017
111	New Learning Resources Articles of Incorporation and 2016 Corporate Annual Report
112	FRC - MCEC Services Agreement effective October 1, 2015 through September 30, 2016
113	Supporting documentation provided to CLA by FRC for FRC - MCEC Services Agreement effective October 1, 2015 through September 30, 2016
114	FRC - MCEC Services Agreement effective October 1, 2016 through September 30, 2017
115	Supporting documentation provided to CLA by FRC for FRC - MCEC Services Agreement effective October 1, 2016 through September 30, 2017
116	Sample of supporting documentation provided to CLA by FRC for expansion of Families First program
117	Check No. 18018 paid by FRC to Mississippi Community Education Center on October 31, 2016
118	Duplicate contract provided by FRC as support for payments to New Learning Resources, Inc. (see Exhibit 114)
119	New Summit School, LLC Certificate of Formation
120	New Summit School, LLC 2012 and 2014 Annual Report
121	New Summit School, LLC 2015 Annual Report
122	New Learning Resources, Inc. 2021 Corporate Annual Report
123	New Learning Resources Online, LLC - 2021 LLC Annual Report

Exhibit Number	Document Description
124	Invoices from New Learning Resources, Inc. and checks payable to MCEC from FRC
125	Supporting documentation for John Maxwell Training
126	MCEC invoice dated September 10, 2017 for "Youth Development" (no invoice number); MCEC invoice #093017889 dated September 10, 2017 for "University of Southern Women's Health and Wellness"
127	MCEC invoice dated September 25, 2017 for "Consulting for July to Sept, 2017" and "Healthy Teens Rally"; FRC check dated October 6, 2017 to MCEC for same
128	Supporting documentation for Healthy Teens Rally reimbursement
129	Supporting documentation for FRC reimbursement to MCEC for Families First Resource Centers folders
130	FRC - MCEC Services Agreement effective October 1, 2017 through September 30, 2018 and related supporting documentation
131	Supporting documentation for Families First Training hosted January 16 to 19, 2018; email between Adam Such, Nancy New, Christi Webb, and John Davis
132	Supporting documentation for iPad reimbursement from FRC to MCEC
133	Supporting documentation for salary and travel related costs of an MCEC trainer
134	Example invoice from New Learning Resources, Inc. to FRC for NLRO diplomas program
135	December 2017 Families First for Mississippi Participant Sign-In Sheets
136	January 2018 and February 2018 Families First for Mississippi Participant Sign-In Sheets
137	October 31, 2017 reimbursement from FRC to MCEC for Nancy New - supporting documentation
138	FRC - Jess New Independent Contractor Agreement for legal services from June 1, 2017 through September 30, 2018
139	Invoice from Jess New to FRC and related check payment for "Legal review of contracts & leases" for October 2017
140	FRC - MCEC - Zach New Independent Contractor Agreement effective October 1, 2016 through June 30, 2017
141	Article discussing a ribbon cutting ceremony for a "Student Athlete and the Family Enhancement Center" - provided by FRC to CLA in support of payments to Zach New
142	Families First for Mississippi and Marcus Dupree Independent Contractor Agreement for Speaking and Endorsement Services effective August 1, 2017 through July 31, 2018
143	Check No. 5253 from FRC to NEMCC Development Foundation dated January 22, 2019; invoice dated January 22, 2018 from NEMFCA (invoice date appears to be a typo as due date is January 22, 2019)
144	NEMFCA background and "Families First for Mississippi" sponsorship documentation
145	July 9, 2019 letter from FRC to SouthTec, Inc.
146	FRC payments to Verizon for overages and related Verizon invoices
147	FRC - Three Rivers Planning & Development District Agreement effective July 1, 2016 through July 30, 2017

Exhibit Number	Document Description
148	FRC check no. 4448 to Through the Fire Ministries, LLC dated December 10, 2018; invoice from Through the Fire Ministries, LLC for "4thQtr 2018"; related emails
149	FRC - Warren Washington Issaquena Sharkey Community Action Agency Agreement effective October 1, 2016 through June 30, 2017
150	FRC termination letter to WWISCAA dated April 24, 2017; email from Christi Webb to John Davis dated April 25, 2017 describing nature of allegation and investigation performed
151	Email from Paul Lacoste to John Davis October 4, 2018
152	Email from Michael Heilman to MCEC and John Davis October 10, 2018
153	Email from John Davis to MCEC September 24, 2018
154	Email from Paul Lacoste to Zach New February 4, 2019
155	Email from Paul Lacoste to John Davis March 14, 2019
156	Calendar item Paul Lacoste and John Davis May 1, 2019
157	Email from Michael Heilman to Zach New and John Davis May 2, 2019
158	Victory Sports April 2018 expense reimbursement invoice and bank ledger
159	Soul City Hospitality Lease Agreement February 1, 2019

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