

Season 2 Episode 2: Side Effects May Include Embezzling Taxpayer Money

KETTLER: A few years ago, YouGov surveyed Americans about what they fear. Charlie, what do you think might have been some of the top answers?

HUNT: Let's see. I'm going to guess maybe some creepy crawly things like spiders, perhaps.

KETTLER: Good guess. That was the third most common answer.

HUNT: Okay. Something I am afraid of. I'm not good with heights or people afraid of heights.

KETTLER: That is a very common answer. That's the second most common fear among Americans. So, Charlie, you're not alone in being uncomfortable with heights.

HUNT: All right, so I'm doing I'm doing pretty well here. Any other common ones I should know about?

KETTLER: Well, the most common fear people reported is snakes.

HUNT: Oh, snakes. Yeah, I guess I'm afraid of them, too.

KETTLER: The fourth most common was public speaking.

HUNT: Oh, okay. Yeah. So maybe, maybe they shouldn't host this podcast.

KETTLER: Yeah. Probably not. There were also some unusual answers. For example, 6% of Americans reported being afraid of clusters of small holes. I'm not sure what that means, but I definitely would not have guessed it.

HUNT: Our production assistant, Sydney, has informed us that this means a fear of things like sponges or like honeycomb that has a bunch of small holes. Honestly, to me, this raises more questions than it actually answers.

KETTLER: Yeah, I still don't completely get it. Also, 16% of respondents say they have no fears, which is just bonkers. I don't understand how that's possible.

HUNT: You should fear more things. There are things to be afraid of.

KETTLER: But you know what? I think more people should be afraid of, Charlie.

HUNT: What's that?

KETTLER: Text messages becoming public.

HUNT: Um, yeah, I think I would have to agree with that. I, I try not to put too many embarrassing things in text messages, although I'm sure some of our text chains have more gossip than we'd care to admit. You know, maybe similar to the fear of public speaking, the embarrassment is the potential issue here. We've seen leaked or released text messages cause trouble for politicians, for sure.

KETTLER: True. I think it's a good lesson for us all to be careful in what we text. Even if you think it's private, you never know if it'll leak or become public in another way.

HUNT: Or if your co-host will betray you and share all of your hot takes in public.

KETTLER: Oh, I hope not. But some people apparently really struggle to learn this lesson. One such person is Brett Favre, who has managed to get into trouble multiple times over text messages he sent. Charlie, I know you're not a big sports fan, but I'm assuming even you're familiar with Favre.

HUNT: I am. I know exactly who Brett Favre is. He was a longtime Green Bay Packers quarterback, very popular in the 1990s. I know this because the first Super Bowl I remember is one that my New England Patriots were in in 1997. They got absolutely crushed, if I recall. So I'm very familiar with Brett Favre.

KETTLER: Oh, an early heartbreak.

HUNT: Yes.

KETTLER: Well, you know, Favre had a really successful 20 year career in the NFL, including winning the league's Most Valuable Player award three times. Though honestly, I remember his Wrangler commercials better than any specific game.

MEDIA CLIP: I'm comfortable and jeans that are tough. I'm comfortable in jeans that last. I'm comfortable in Wrangler.

KETTLER: While he didn't have an unblemished reputation, Favre remained popular throughout his career. But 2010 was a rough year for him. Favre was dealing with injuries and what would be his 20th and final season in the NFL. Later in the year, the NFL fined him \$50,000 for refusing to cooperate with an investigation regarding sexually explicit pictures and other unsolicited messages he sent to a Jets sideline reporter in 2008.

HUNT: Not out of the ordinary behavior for some of the politicians we have talked about, Jaci, but still really gross even when you're talking, or maybe especially when you're talking about a famous football player.

KETTLER: And he apparently didn't learn any lessons about texting in 2022, text messages released in court documents revealed Brett Favre's involvement in a scheme to use federal welfare funds to build a volleyball facility at the University of Southern Mississippi. His alma mater.

Speaker 4: Newly revealed text messages filed in an ongoing civil lawsuit show Favre was part of a scheme that funneled at least \$5 million of welfare funds to build a new volleyball stadium at the University of Southern Mississippi, where Favre graduated and his daughter played.

KETTLER: You know, I'm a huge fan of supporting women's sports, but this is not the way to do it.

HUNT: It is a very nice thing to see former players give back to their communities like this. But in this case, Jaci, I am not sure how altruistic it was since his daughter was on the volleyball team. Also, Favre was an incredibly successful NFL quarterback, and with all those Wrangler commercials, surely he could have just paid for the stadium himself rather than using these federal funds.

KETTLER: Favre did at least use some of his own money. He made an initial donation pledge of \$650,000 to the project, and then committed to helping fundraise the rest of the \$4 million needed to build it. After that, he worked as connections to get public funds to help pay for it. And that's where these pesky text messages come into play. And they weren't exactly subtle. Favre directly asked for help in getting government funds, not private funds or philanthropy for the volleyball facility. In 2019, then Governor Phil Bryant texted Favre about the volleyball facility. Quote, we are going to get there. This was a great meeting, but we have to follow the law. I am too old for federal prison. Sunglasses. Smiley emoji.

HUNT: In the governor's defense here I am a big fan of the sunglasses smiley emoji. I use it with some regularity, as you know Jaci.

KETTLER: You do and that's great. But unfortunately for these guys, emoji use is not what got them into trouble. I personally enjoyed Favre's text that read, quote, if you were to pay me, is there any way the media can find out who it came from and how much.

HUNT: Maybe that question alone should have been a little bit of a tip-off that they should find some other way to get this volleyball facility funded.

KETTLER: Honestly, some of Favre's text messages to Bryant seem rather desperate. They're like the fundraising messages campaign sent out all the time. Quote. We need you. Help us big time with this. This is my last message, I promise.

HUNT: So now we can see why it's embarrassing for these messages to come out. Honestly, this is my last message, I promise. Sounds like something you write to your girlfriend who's trying to break up with you.

KETTLER: Favre's involvement sparked national interest in this story, which isn't surprising. He is one of the most famous quarterbacks of all time. But the Mississippi Welfare Fund scandal was so much bigger than him. From Boise State Public Radio. This is Scandalized. I'm Jaci Kettler.

HUNT: And I'm Charlie Hunt. It seems, Jaci, like this scandal might be a bit of a wild ride.

KETTLER: Oh, this story has everything. Kickbacks, outrageous purchases, pro wrestlers, political intrigue and ongoing finger pointing. Honestly, it was hard to figure out what to include in this episode, but we're gonna do our best to dive into Mississippi star studded public funds scandal, including how a fraud of this size was allowed to happen and the continued efforts to hold the people who did it accountable. Okay, so before we get to the juicy Brett Favre details, Charlie, we've got to get some background on exactly which public funds we're talking about, because it makes all of this so, so much worse. Temporary Assistance to Needy Families, or TANF, is a federal program that sends federal funds to state governments to help families living in poverty. Since it is a block grant, state governments have flexibility to choose how they will spend TANF funds in their state. But there are some guardrails. For example, money can't be spent on things like vehicles, real estate purchases, or. And this is going to be relevant construction of new buildings or renovations. But it turns out that the Mississippi Department of Human

Services was sending TANF funds to several nonprofits through a non competitive grant process, resulting in much of the money being inappropriately spent on personal items and even kickbacks to the agency's director.

HUNT: Jaci, I feel like the most common concern I hear with these types of scandals is generally about recipients of federal funds misusing or stealing the money. There's been plenty of public debate around things like Covid relief, for example, but the type of fraud we're talking about in this story in Mississippi sounds different in that people both inside the agency and running the nonprofits were working together to orchestrate it. And since we already know about Favre's involvement, I cannot wait to meet some of these other participants who I'm guessing do not have as many MVP trophies as Favre.

KETTLER: Oh, there are some characters. And at the top was the head of the Department of Human Services, John Davis. Here is Mississippi State Auditor Shad White talking about the start of their investigation into Davis.

WHITE: When I got a call from the governor of the state of Mississippi, he was calling me because he was afraid that the head of a state agency that reported to him was taking a kickback. The head of the agency was a man named John Davis, and his agency was important. It's called the Department of Human Services, or DHS, and it hands out welfare money in Mississippi. In our state, that meant tens of millions of dollars. Bryant had been told that a check for one of the vendors to DHS was actually going to a P.O. box owned by John Davis. That looked fishy. It looked like maybe the vendor was trying to pay Davis in exchange for a contract with DHS. So we started an investigation.

HUNT: First of all, that music is really banging. That's some seriously dramatic music. Uh. All right, so we've barely started, and already we have a kickback scheme. I love it already. You know, this is the kind of word that's thrown around a lot, but it does have a specific meaning. So when we're talking about a kickback scheme, we're talking about an illegal arrangement where a public official awards a grant or contract to a vendor with the agreement that the recipient will kick back a portion of those funds to the official as a kind of favor for giving them the contract in the first place. But we have, or at least I thought we had, competitive bidding processes to protect against misconduct like this, so that politicians can't just give every contract to their buddies, right?

KETTLER: So the Mississippi DHS actually did use to have competitive bidding processes, but that all changed when Governor Phil Bryant appointed John Davis to be the DHS director in January 2016. After taking over, Davis stopped the competitive

bidding processes for awarding grants and pretty quickly got to work setting up corrupt deals, including those kickbacks, one of the main targets of the kickbacks. Another main character in our story, an influential nonprofit administrator named Nancy Njoo.

WHITE: Here's how it happened. Back in 2016, John Davis met with a woman named Nancy New, an influential Mississippian who ran a nonprofit. They struck a deal. John would give Nancy a big grant of welfare funds, and Nancy agreed to use it to improve the welfare of families in the state. And that's legal. But what happened next is not Nancy and her son Zach would, over the next three years, receive tens of millions of dollars in welfare money. And sometimes they spent that on projects that were allowable and sometimes they did not.

KETTLER: In his book Mississippi Swindle, Chad White describes Nancy New as part of the state's political elite. She was a major political donor and well connected to prominent people in the state. She had founded several notable private schools and along with her son, Zack, Nancy ran the nonprofit Mississippi Community Education Center, the MCEC. Under Davis's leadership, DHS gave the MCEC more than \$65 million as part of the new family's first for Mississippi program. In her coverage of the scandal for Mississippi today, Anna Wolfe wrote that the MCEC was basically used as a piggy bank, a front for the money to be spent in other ways. And Nancy New and her family were among the people benefiting from it.

HUNT: So, Jaci, in our first season, we talked about former Congressman Duncan Hunter and his campaign buying airfare for his family's pet rabbits. I'm skeptical that we can actually top that with some of the purchases here.

KETTLER: Well, I'll let you be the judge, Charlie. You see, the new family couldn't just take this MCEC money straight away. Audits and investigations uncovered that. Instead, they funneled it through other companies the family owned, for example, a real estate company they owned rented out space to MCEC for higher rents than the going rate, with Nancy and Zack pocketing the difference. Sometimes the rent was even for locations that had nothing to do with TANF. Another \$6 million in TANF funds were transferred from MCEC to the private school run by Nancy New to pay for supplies and funds were also spent on debatably personal items. Some examples include iPhones and iPads for Nancy, Zack, Nancy's other son Jess, and the sons wives. MCEC also bought vehicles for Nancy, Zack and Jess, all costing more than \$50,000.

HUNT: Yeah, that sure sounds like a pretty clear violation of the unallowable expenses mentioned earlier. I explicitly remember you saying vehicles. Also, I'm seeing some

major red flags here. You're transferring money across multiple accounts, presumably to hide the source of the money. And this gets you into wire fraud territory. Overall, Jaci, it sounds like they thought this through pretty clearly about how to get around the straitjacket of these laws.

KETTLER: The new family also used the MCEC account to bail themselves out. Zack paid for a personal loan he took out from his retirement account using this money. Nancy once paid for a speeding ticket using TANF funds.

HUNT: Again, with the speeding tickets, it seems like we never fail to find traffic violations in these stories. I really do think this is the grand theory of scandalize that when public officials behave poorly in terms of their traffic violations, it shows this broader willingness to, you know, break the law in other ways, like a very speedy canary in the coal mine for scandals.

KETTLER: Other MCEC expenditures, though, were less clearly fraudulent. So investigators labeled them as questionable or wasteful spending through MCEC, the New family donated to nonprofit organizations like the American Heart Association, the Mississippi Highway Patrol, universities, and pageants. MCEC also spent TANF funds on sponsoring athletic events like a college baseball tournament. These types of expenditures lacked proof that they were used to help the needy.

HUNT: What kind of proof would they be able to provide that these were helpful to the needy? I mean, maybe like this. Usm volleyball facility arguably a good thing to support volleyball is fun, right? And and youth sports is great, maybe even with public funds, but this feels not so great both in ethical and in legal terms to do it this way. I think particularly because of what these funds were supposed to be spent on. And additionally, it sort of seems like this money is being used in a way mainly to improve or sustain the social standing and political standing, maybe of the people involved, right. Spreading it around in a way to kind of garner favor. Like, yes, it's great to donate to the American Heart Association, but Nancy is not donating her own money. She's donating the public's money and getting the benefits of that relationship herself in return.

KETTLER: Which brings us back to Brett Favre.

HUNT: I was wondering when he was going to come back in.

KETTLER: Before asking Bryant for help securing funding for the University of Southern Mississippi volleyball facility. The university's athletic director introduced Favre to another USM alum, Nancy New.

HUNT: Oh, what a coincidence.

KETTLER: So Favre, New and John Davis then apparently began discussions about funding options for the volleyball facility. Text messages between Favre and Nancy New acknowledge that TANF can't be spent on brick and mortar buildings, so they found a workaround with an agreement that Mcsa would lease the volleyball facility with a wellness center on site, resulting in the nonprofit giving the USM Athletic Foundation \$5 million in 2017. After one of those payments, Favre texted Nancy that quote, Nancy Santa came today and dropped some money off. Thank you. My goodness, thank you.

HUNT: Nancy Santa, you were not kidding when you said these texts weren't exactly subtle. Also, shouldn't it be Nancy Clause Santa is his first name? But besides the point.

KETTLER: So MCEC also hired Favre as a spokesman, paying him a little over \$1 million to give at least three speeches. But there is no evidence these speeches were ever given.

HUNT: I still don't understand why Favre didn't just donate his own money to build this volleyball facility. Like, why go through this whole rigmarole? I went ahead and looked this up. Jaci. And most estimates say that Brett is worth upwards of \$100 million. Like what gives dude? Why are you getting with Nancy New to get \$5 million for this.

KETTLER: I mean, to be fair, Charlie, Favre's foundation did donate to the USM Athletic Foundation during this time, but it was for far less than the original commitment. And back in 2022, Anna Wolfe shared her theory in an interview.

WOLFE: Brett Favre, unfortunately, has a reputation of being kind of a cheapskate, and so if he's going to find support for a project, he's probably going to get the funding from somewhere else rather than pay for it himself.

KETTLER: USM's president Rodney Bennett also seemed quite frustrated with the situation, telling Governor Bryant, quote, the bottom line is that he personally guaranteed the project and on his word and handshake we proceeded. It's time for him to pay up. It really is just that simple. Bryant responded, maybe he wants the state to pay off his

promises. Like all of us, I like Brett. He is a legend, but he has to understand what a pledge means.

HUNT: Yeah, it sort of seems here, Jaci, like Favre, in addition to potentially being a cheapskate, might be using his celebrity status to kind of push on some of these state officials and then them trying to push back, but without severing ties. Right. Because, I mean, to to be frank, they don't want to piss off Brett Favre and have him then maybe trash them because they know he knows that a lot of people really love him.

KETTLER: And yet Favre's involvement in the scandal doesn't even end there. During this time, he was an investor in a Florida startup drug company working on an experimental nose spray treatment to reduce the damage from concussions. Named Prevacus.

HUNT: I can see the connection here. Obviously, with football. There's been a lot of discussion recently. I know I'm not a big sports person, but there's been a lot of discussion recently around CTE and, you know, head trauma injuries from football players. It's of course natural that he be interested in something like this. And it sounds like it could do a lot of good to.

Speaker 6: Favre described it as a potential miracle drug for exactly those reasons. Charlie. He did lots of media appearances about it. And along with the company's CEO, Jacob Vanlandingham, Favre tapped his Mississippi contacts for investments in the company.

MEDIA CLIP: Favre was the drug company's biggest outside investor and used his clout to urge Mississippi's then governor, Phil Bryant, to spend millions of taxpayer dollars to test the unproven drug. Favre wrote its third and long and we need you to make it happen. I will open a hole. Bryant responded. A few weeks later, the company, Prevacus, received its first installment of what would be more than \$2 million from an unlikely source, according to court records, the state welfare agency. Federal taxpayer dollars intended to lift kids out of poverty.

KETTLER: Favre also connected Vanlandingham with Nancy New texting, quote, she has strong connections and gave me 5 million. Offer her whatever you like.

HUNT: Gave me is doing a lot of work in that sentence. Right? Gave me 5 million. I'm really afraid to ask this, but please, Jaci, tell me they didn't use the TANF funds on this drug to.

KETTLER: Oh, Charlie, you should probably know better by now. We know that Favre and Vanlandingham met with DHS director John Davis, and Nancy New about Prevacus in January 2019. In another text, Favre told Vanlandingham, quote, I believe it's possible she and John Davis would use federal grant money for Prevacus. After the meeting, MCEC invested more than \$2 million in TANF funds in Prevacus.

HUNT: So this is at a totally other level now. They are using welfare funds to invest in a private company. It's hard for me now not to think about the episode we did a couple years ago on insider trading in Congress. And that was bad enough. Like in that case, members of Congress might be using their sort of privileged information to try to make more money for themselves, but this is even worse than that. These are folks taking public money and then trying to make an additional profit for themselves off of that. Like at least with the previous stuff you were mentioning, Jaci, the real estate, the supplies, even the kids iPads and the cars. Those were actual items. Actual usable items that you know, at least it's nice that the New family got to use those. I am hoping and praying that this drug at least made the important advancements we talked about in terms of treating concussions.

KETTLER: Well.

MEDIA CLIP: Four years later, the millions in taxpayer dollars are gone. There's still no evidence the drug works in humans, and it's nowhere close to getting approval.

HUNT: Was the company at least profitable?

KETTLER: Well.

MEDIA CLIP: This past year, Prevacus entered a joint venture with Odyssey, a health care company in Nevada. Wall Street analyst David Maris says that joint venture is on shaky financial ground.

MEDIA CLIP: Look, this is a troubled company. They have less than a year's worth of cash. So if you don't have enough cash to pay your bills for this year, how are you going to get a drug to the market.

MEDIA CLIP: Based on what you know now? Would you invest your own money in this drug?

MEDIA CLIP: No. In fact, you're better off buying a lottery ticket.

HUNT: Hey, that is not a fair comparison at all. At least some people actually win the lottery sometimes.

KETTLER: So not only do we have TANF funds being used in ways they shouldn't be. We have funds basically flushed down the drain into a drug that doesn't work at the behest of a famous football star who stood to gain from the investment succeeding. Now seems like it might be a good time for the George Costanza test.

MEDIA CLIP: Was that wrong? Should I not have done that?

KETTLER: Probably not much of a question whether this was wrong. We have illegal activity happening, but beyond breaking the law, why else is this type of fraud concerning Charlie?

HUNT: I'm guessing this is a take that we both will be sharing throughout this episode, but like, it's bad to steal public funds. They're treating it like their money, but it's not their money. It's the money of the people of Mississippi or of the people of the U.S. because it's federal money. I did notice that Brett Favre, in his text, was talking about it like federal grant money. He clearly I mean, I don't know if he didn't get it or if he was just like too obtuse to get that this was supposed to be money for needy families. So it's not just that they were taking this money for themselves, it's that this was money that people in this state who really needed these benefits and really needed the support did not get. This was money coming from the federal government. This wasn't new money. That's a pun not intended. And Jaci, this is made even worse by the fact that we're talking about Mississippi, which is, you know, I think infamously sort of a very poor state. This is a state with really high poverty rates, and this is federal money that is designed to help states that are having a really hard time with this. It's sort of doubly bad because we talked about how the feds give this money to states so that they can deal with their own particular issues. And this is a spot where Mississippi has a really big issue. And in this case, they are using it for iPads and investments in drugs that don't work. It is really, really frustrating.

KETTLER: This type of fraud can really weaken support for a program, meaning that people may feel that it doesn't work when we actually don't know if that's the case or not. It's just the money's not going to where it's supposed to be going. Right. But it can also weaken support for public programs more generally.

HUNT: Yeah. I mean, like, if I'm a someone in the sort of political community in Mississippi who wants to do something to help or like be a vendor for one of these TANF programs, I see this happening, and I think I'm not getting anywhere near that. And so it damages the credibility of the program for future issues. And like, there are still a lot of poor people in Mississippi. They still need this support. But now probably people are not going to be so hot on getting involved in a program like this. When they see how the money is being spent.

KETTLER: Or they will argue that the program doesn't work and they should get rid of it. When again, we don't know for sure that that's the case.

HUNT: That's right. This totally raises huge concerns and I think legitimate concerns from taxpayers about like the efficacy of these programs, whether or not they work. It's not just that this is showing that it's not working. It's really more that we can't know whether it worked or not because we didn't get the programs for the, you know, hungry children that we were supposed to get. Instead, we just got this.

KETTLER: And if there's a public perception, the program is not working. In general, taxpayers may be less supportive of paying taxes to run public programs like this.

HUNT: That's right. You're going to there's going to be not just less support for getting involved with these programs to begin with, but maybe as a way of trying to like solve this problem, saying, well, we're just not going to have programs like these anymore. If they're just going to get abused, then let's not have them and then leave it to private industry. But that's a particular problem in this instance, Jaci, because there is not a lot of market demand in private industry to give cash assistance to poor families in Mississippi. That is why we have government programs like these.

KETTLER: Mississippi State Auditor Shad White described the scandal as involving a, quote, disgusting amount of waste and theft.

HUNT: I'm going to have to agree with Shad on that one.

KETTLER: And yet, Charlie, there's still so much we haven't covered.

HUNT: Let's get into it.

KETTLER: By 2018, the Mississippi Community Education Center brought in ten times the revenue, as the nonprofit did in 2015. The MCEC received \$58 million in government grants and less than \$1 million in private donations.

HUNT: That is a pretty broad ratio. It sounds like these grants that they were getting from Mississippi DHS were a big deal for this organization. In fact, the main thing keeping them afloat.

KETTLER: And as part of this arrangement, Nancy and Zach New had to kind of follow through on some of the DHS Director John Davis's demands in order to continue receiving this funding.

HUNT: You know, Jaci, given that these grants were the bulk of MCEC's income, I'm going to assume that they did what Davis asked. What are some of the things that Davis demanded that they do?

KETTLER: MCEC put Davis's brother in law and his nephew on their payroll.

HUNT: Okay. That's convenient. Maybe they had, you know, deep backgrounds in providing services to poor families.

KETTLER: Well, his nephew was also working at DHS at the same time.

HUNT: Yeah, that makes a ton of sense. I mean, if you already have all these conflicts of interests, you might as well just double dip.

KETTLER: You know, one audit found that Davis's nephew was paid almost \$500,000 and mostly TANF funds, while Davis was director. The brother in law received over \$600,000 in public funds over about a year.

HUNT: That is pretty wild. Few state employees are making that kind of money, right?

KETTLER: I mean, Governor Phil Bryant salary in 2019 was \$122,000.

HUNT: Okay.

KETTLER: Nancy and Zach New also purchased Davis, a GMC Yukon, and gave him unlimited access to MCEC's Amex credit Card, which he then used for luxury hotels and first class airfare.

HUNT: So this we're getting a clear picture of the kind of arrangement that we have here. Right. So Davis is using his position in DHS to funnel this money and reward his family members and himself, but he needs a vehicle to do it. And that's what Nancy and Zach New are providing. Meanwhile, Nancy and Zach, in exchange for providing this vehicle, they get all of these things paid off. The iPads and the vehicles and the things we talked about in the last segment.

KETTLER: Right, exactly. Davis also had TANF funds funneled to his friends, which means it's time to introduce yet another set of colorful characters. Charlie, are you familiar with the DiBiase family?

HUNT: No, I'm not given some of the folks involved in this scandal. I'm going to guess that they may have been involved in sports somehow, but I can't say I'm familiar with them.

KETTLER: Yeah, you got it. So some listeners may recognize Ted DiBiase Senior as the Million Dollar Man. His persona when he wrestled in the World Wrestling Federation.

MEDIA CLIP: I'm rich, you're poor. And that makes me better than each and every one of you. Everybody's got a price everybody's gonna pay. Cause the million dollar man always gets his way.

HUNT: Okay, so you're saying he was playing a villain whose gimmick was being a rich jerk? I'm starting to think you made some of this up, Jack. This is a little too on the nose for an episode like this. Tell me everything. How does the Million Dollar Man get involved in the Mississippi Welfare Fund scandal?

KETTLER: So Ted DiBiase senior, has two sons, Teddy, Junior and Brett, who are also professional wrestlers. After retiring from wrestling, Ted Senior focused on his Christian ministry motivational speaking and ran a nonprofit named Heart of David Ministries. His sons were also involved in motivational speaking and ran several companies and nonprofits of their own. Our old friend John Davis, the Mississippi DHS director, was close to the DiBiase family and decided to let them in on the action, too. Davis directed millions in TANF funds to the DiBiase after he took over. This includes MCEC donating TANF funds to the Heart of David Ministry, awarding no bid contracts to businesses run by the DiBiases, which would have been bad enough, but MCEC even hired Brett as an employee and made direct payments to both Teddy, Junior and Brett.

MEDIA CLIP: In a two year span from June of 2017 to June of 2019. The nonprofits paid DiBiase more than \$2.9 million. They accused the BBC of using that money to buy a \$1.4 million home in Madison County. They say he spent \$55,000 on a pontoon boat. \$34,000 on a tractor and \$40,000 on a truck.

KETTLER: But the payment receiving the most attention was \$160,000 that MCEC paid for Brett's rehab in a fancy facility in Malibu.

HUNT: How on earth? Like, we've seen some ridiculous ones today. How on earth does a payment like that actually get through?

KETTLER: Well, according to state auditor Shad White, the payment was falsely reported. As for curriculum rather than rehab to hide what was happening.

HUNT: Clearly, there are a few different problems here. First, it is kind of bonkers to think about how all of this is allowed to happen when, like you and I have to jump through a bunch of hoops just to spend some money on pizza for a student event. You know, these folks have had time to involve both pro football stars and pro wrestlers in this scheme. And so how on earth did it take so long for the government to uncover all of this?

KETTLER: It's a really good question for TANF. The federal government generally relies on the states to spend the funds correctly, at least in Mississippi, this meant the state was responsible for auditing procedures to identify fraud. Surprise, surprise. Mississippi DHS was not especially active or thorough in auditing the spending of the nonprofits receiving these TANF funds. In his book about the scandal, Mississippi Swindle, White discusses how previous routine audits of DHS didn't uncover this fraud, writing, quote, finding fraud in an audit could be plucking a needle from a haystack. However, uncovering the kickback scheme became much easier after an informant shared information with then governor Phil Bryant. An outside audit by a private CPA firm also helped document problematic spending and the basics of the scheme. All of this helped auditors piece together the story. For example, they found evidence that Nancy and Zach New tried to cover up some of the fraudulent spending. Maczek originally identified some transfers of money with TANF as the source, but then changed the transactions after auditors required documents.

HUNT: Is that not allowed? Or in this case, Jaci, it seems I was going to say it's not the crime, it's the cover up. In this case, it seems like maybe it's both.

KETTLER: Yeah.

HUNT: But I think more importantly, the changing of the line item there really helps demonstrate, you know, maybe for prosecutors that all these actions were intentional, that it's not like they didn't know that this was wrong. Okay. So what happened after the state auditor had some of this evidence of the fraudulent spending?

KETTLER: Well, John Davis did retire as director of the Mississippi DHS in the summer of 2019.

HUNT: Well deserved. It sounds like he had been working really hard on defrauding the public. Maybe some convenient timing here, kind of trying to get out before you get caught.

KETTLER: Seems pretty likely. Shad White was concerned that the feds would move too slowly investigating this fraud and allow more money to be misspent. So he worked with the local district attorney to prepare indictments on state charges. In February 2020, there was a big development in the case.

MEDIA CLIP: A Hinds County grand jury indicted John Davis, who stepped down seven months ago as head of the Department of Human Services and five other people on multiple counts, including embezzlement, fraud and mail fraud among those also facing charges. Nancy New and her son Zack New, of New Summit School in Jackson, and former wrestler Brett DiBiase.

HUNT: Yeah, that is quite a flashy development. I do love a good multi suspect arrest, but it sounds Jaci like they were working on building a pretty substantial case here with various audits. So hopefully they had some success in convicting these six individuals.

KETTLER: You know, things still didn't move too quickly. But eventually seven people pleaded guilty to charges related to this case, including John Davis. Nancy knew Zach knew Jacob Vanlandingham and Brett DiBiase. There was immense pressure on some of them to plead guilty, especially Nancy and Zach, since they were also being investigated for a fraud involving millions in Department of Education funding.

HUNT: So this was a completely different case, right? It's really kind of root of these people. Don't they know we only have room for one scandal per episode.

KETTLER: Charlie, while researching the scandal, I'd feel like I'd have a handle on it and then more wild details would keep coming. Ted DiBiase Jr took a different path and pleaded not guilty to 13 federal charges, making his the only case to go to trial so far. Many of the folks we've discussed in this episode testified at his trial, including John Davis. A fair amount of attention during the trial was paid to Davis's relationship with the DiBiase family, and the pressure he put on the non-profits to funnel money to them. One witness testified that Davis told her, quote, the only way I can have friends is to give them money. He's got to keep getting this money. We'll find some more money. But you've got to keep funding Teddy. After 20 days of testimony, the jury found Teddy DiBiase Junior not guilty on all counts. Pretty much all of our other main characters here. Davis, The News, Jacob Vanlandingham and Brett DiBiase are all still awaiting sentencing, which was delayed as they served as defendants in ongoing cases. Six years after the fraud, only one person, Anne McGrew, an accountant for MCEC, is currently in prison, serving a one year sentence.

HUNT: I got to be honest, just one person in prison six years later is not all that satisfying to me. So what about all the money that was involved here, Jaci? Was the government at least able to recover some of it? It kind of feels like justice being served in this case really might rest on the repayment of these funds.

KETTLER: Unfortunately, recovering the money has been complicated for a few reasons. One is that there's still confusion over exactly which funds were spent inappropriately, so it's not actually clear how much would be owed. At the same time, civil suits have been filed to recover misspent funds, including against people not facing criminal charges like Ted DiBiase senior.

HUNT: Well, I guess since he is the Million Dollar Man, he can hopefully afford to pay it back.

KETTLER: In his book, Shad White describes being quite frustrated that the state didn't seize property bought with TANF funds quickly like the vehicles. In August 2026, Chad White reported that the state had recovered \$1.5 million so far.

HUNT: So Jaci, I'm not amazing at math, but compared to some of the big numbers we've been throwing around this entire episode, 1.5 million sounds like not that much.

KETTLER: No, it's less than 2% of the estimated \$96 million in funds that were misspent.

HUNT: That is disappointing.

KETTLER: And in 2025, the federal government asked Mississippi to return around \$101 million in welfare funds. This penalty letter was actually rescinded later in the year to give the state more time, since litigation to recover the funding is still ongoing, but the federal government still plans to request this money back.

HUNT: I'll be honest, this all sounds a little unfair and that we've got the wrong targets here. Like now, the Mississippi taxpayers are on the hook for all this money that the news, and Favre and Davis and all these other people wasted on their own personal stuff.

KETTLER: And there are other major consequences for the people of Mississippi. Only 4% of Mississippi's TANF applicants in 2019 actually received assistance. The state did make some changes as a result of the scandal, including the expansion of fraud investigation within DHS. But this was not the only scandal involving government fraud in Mississippi in the last decade, Charlie. In just 2026 alone, Shad White reported that the auditor's office had uncovered a \$7.4 million fraud involving a private prison and taxpayer funds. Additionally, the local DA, Shad White, worked on the DHS fraud with resigned this year after pleading guilty to a federal conspiracy charge over a scheme to build a convention hotel in Jackson.

HUNT: And so even the good guys are getting in on the fraud here.

KETTLER: Yeah.

HUNT: Not a lot of heroes in this story.

KETTLER: No.

HUNT: I mean, maybe, Jaci, this speaks to some broader problems in the state that there is this sort of, you know, government culture issue that maybe needs to be addressed.

KETTLER: I think that's likely very much the case. One bit I found really interesting in White's book, you know, his office, the auditor's office, asked DHS employees why they never reported any of this fraud. Some of them said they didn't believe anyone in Mississippi actually investigated white collar crime involving public funds. To help better understand what happened here and what went wrong. We're going to bring in our colleague and friend, Doctor Stephanie Witt. We're so glad to have Doctor Stephanie

Witt, professor of public policy and administration at Boise State University, joining us to help kind of process some of what happened in the scandal, as well as think about ways to try to prevent future scandals like this. One thing that I think is really interesting here is that this was a federal program administered by state governments. Steph, do you think the decentralized approach to policy implementation, you know, while it allows the state to design the program as they see best, perhaps allows for some room for corruption like this to happen.

WITT: Well, I guess that it could. I mean, the the idea of the block grant, as you talked about earlier, you know, is that it gives the states more discretion over how to use the money. What's the best use of this money in Mississippi as opposed to the way it would go in New York or something like that? And that's that's the great thing about them. The hard part is, if you're coming from the perspective of Congress, you lose control over what the state decides to do with the money. But that's all supposed to stay within the law, right? And that discretion isn't supposed to include shifting the money to something that isn't legal, which is the case here, right? You're chasing getting everybody to adhere to the rules, whether you're doing it kind of at the wholesale level with the block grant or at the retail level with the individual recipients.

HUNT: So is there a concern about effectiveness of state government here? I mean, the federal government, right, is a lot bigger than any one individual state government. You know, they have their own capacity problems, as we know, particularly Congress does. But is there a sense, Steph, that, like the federal government, could do a more effective job monitoring the activity of this money or that state governments, you know, especially in poor states like Mississippi, where maybe they're lacking some of that capacity. Do you think that's a potential thing to be considering here when we're deciding whether state or local government or federal government should be the ones monitoring this kind of stuff?

WITT: Well, that's a great question. I mean, it's a big country and every state feels like they're different. I'm not sure that we all necessarily are that different, but each state feels like they're really individual and unique. We've talked about how the federal government spending all this money to states, has required state governments to kind of rise to the level to be able to accept that money. Right? Because when you get the federal money, you have to comply with all the, you know, the tracking and the recording and all that stuff. And over the last half of the 20th century, we saw this enormous increase in the number of people who work for state governments and the level of professionalism of those people in state governments. And a lot of it had to do with complying with congressional pressure. Like, we'll give you this money, but you have to

be able to handle it. And the welfare change, you know, where we essentially shifted the responsibility for the look and feel of those programs down to the states that required a big jump in capacity. And most state governments, because now they have to figure out who's who qualifies and what are our rules, and how long can you be on these rules? You have to have the capacity somewhere. Yes, you may get rid of some of the corruption if you left everything in the hands of the feds. But most people who are elected officials in state and local government would say, oh my gosh, no, that's not the way to solve it. You want we want the power to be closer to us.

KETTLER: One thing that seems to be the case in this particular scandal is that the head of the agency was deeply engaged in allowing this scandal to happen. What happens when you have someone at the top of the agency like that involved in the fraud?

WITT: It can cause an atmosphere of of fear, right? Fear of coming forward because the person implicated in the decisions is leading the agency. And I do think that the heads of agencies and the heads of executive branches, whether they're mayors or governors or whatever, they have a role of setting the expectations of what are we doing here and how are we doing it. And that's part of what a leader does. And if the signals coming off the leader are that anything goes, or that we're turning a blind eye to something that might be problematical, probably freezes a lot of potential whistleblowers in place, right where they might come forward otherwise. But they're like, well, I don't want to lose my job. So they don't want to come forward on a good day. And when it's the head of the agency, that's that's kind of giving off the fumes of I, I'm doing something wrong. I think it really makes it difficult for anyone in the organization to respond to things they see happening.

HUNT: And I wonder to the extreme version of this is like, I could lose my job if I come forward, but I feel like isn't there also a softer version of it, which is like, I don't want to be the killjoy. I don't want to ruin everybody's good time. Like, I want to fit in socially with whatever kind of organization I'm in, especially in the public sector. I mean, it feels to me like that could create some softer pressures for people to at least not come forward on things that maybe they typically would otherwise.

WITT: Yeah, I think that's absolutely true. I mean, think of all the movies about whistleblowers. None of them end happy, right? Like the whistleblower never is. Like, you know, better at the end of the movie than they were before. That loss of collegiality, that loss of being part of the team is, very weighty on people. And and I should note that there are rules against recrimination, against whistleblowers. Obviously, there are protections, but that doesn't solve the soft stuff. You know, nobody wants to sit by you

at the break room or, you know, you lose a lot of friendships, especially if you rely on your work group for your friendships. And so just because it's soft doesn't mean it's a little part of what's going on, I think. You know, most states are smart enough now to have at least an anonymous tip line for whistleblowing. At least one for the executive branch. Some agencies have their own. Then the question becomes, why isn't anybody using it? Well, probably because they don't want to lose their place in the team of workers.

KETTLER: Well, and here we're talking about a lot of influential, elite people involved in this fraud, too. So that could also make people more hesitant to speak out. Doctor Witt, you serve as the director of training for public service at Boise State. In this role, you provide a lot of ethics trainings to public officials. I'm always fascinated to hear about these. What advice do you often give to public officials about the use of public funds?

WITT: Well, I usually tell them that trust in government in the United States is the lowest it's been since we've had modern polling lower than used car salesmen. You know, I think that if you, as a as an official, are hoping that the public's going to give you the benefit of the doubt when something happens, I wouldn't expect that. Right. Especially if your explanation is. Well, what I did was technically legal, even though it looks a little gray or I don't. I don't think the public is interested in giving us a lot of breaks about that. They want a higher level of ethical behavior, even if they're not really seeing it all the time. That's what they expect.

HUNT: And I mean, it feels to me like with scandals like these, the public like it seems at the end of the day, they kind of understand that this is their money that these people are playing with and that maybe the people involved in these scandals achieve kind of a cognitive separation from the fact that it's actually their constituents money and not just their play money. I mean, do you think that could be playing a role as well? And, and would you say it's important to sort of help public officials really understand and take to heart that like, no, you should treat this as if it was the public's money because it is the public's money.

WITT: Yeah. Well, there are different rules about using the public's money than if you're in the private sector. Right. So gift giving, for example, within business networks or people who refer clients to another business, that's just the way you do networking. But there are usually fairly strict rules in the public sector about what you can spend the money on, what kind of reporting you have to do of the money you spend. And if you're coming in from, say, the private sector, maybe you get appointed to run an agency. We often think, oh, that's good. This person knows how to run a business. They'll be great.

Well, they might be great, but they may not understand that there are these other additional rules. And a lot of groups, like the Associations of Cities and the association of counties in this state and in other states, provide training to newly elected officials to try to get them to understand that the public's money has a whole different set of rules about it. Now, to follow on what you were saying, Charlie, though, if that money it comes from Congress, it goes to the state and then it goes to this nonprofit. We're now 2 or 3 steps removed from wherever it came from. And so tracking on who's doing what. It is easy to lose track of what happened to that money.

KETTLER: Do you have any suggestion on institutional or structural changes that we could make to help prevent, or at least reduce the scope of these types of frauds involving public funds?

WITT: Well, I do. I mean, these aren't new. It's just that we have to always be reminded that we need these things increased oversight and better whistleblower processes and protections. Right. Maybe the Mississippi Department did not do adequate oversight of the money when it gave it to the nonprofits. Right. Oversight isn't free. You can save money by outsourcing something to a nonprofit, for example, to provide a service. But you still have to chase down all of that money, make sure it's being spent in the right way. And in states like Mississippi and in Idaho, where we run really lean state governments, right? No extra employees really. You may not have enough capacity to actually be keeping track of the money like you should. And then the second part would be about protecting whistleblowers. There are whistleblower protection laws in every state and at the federal level. So why does it fail so often? And I think that's a question that we need to ask about in trainings. Are we covering the information about how to blow the whistle? What happens if you blow the whistle in employee orientation? And do we include this in team discussions? Like how are we doing our work? And what happens if we see something that we don't think is okay before somebody blows a whistle? Though, I would always say you might want to check and make sure that something's not already being done about it and that you have your facts straight and that you're willing to suffer the loss of the collegiality of your peers. Because blowing the whistle is, is tough. It's heroic to you, but you don't seem very heroic to your team members sometimes.

HUNT: Yeah, that that makes a ton of sense. On the oversight question, I think one sticky point here potentially is, you know, a point you made, which is that oversight costs money. It can add more hoops to jump through and potentially paperwork and other things that people don't tend to like to do, and also tend to associate with the things that they don't like about government. You know, you referenced this slide in public trust. You

know, how do we think about this sort of balance? We should probably try to strike between having the capacity and the oversight necessary here. And the process is needed to catch stuff like this versus people's, I think, you know, genuinely held beliefs that it would be great if government could run a little more smoothly and efficiently.

WITT: Yeah, that's a tough one, right? Because, um, all those things we experience as red tape, for example, having to get a number of signatures before you spend government money arose probably out of an instance where somebody used the money inappropriately and someone says, you know what we need? We need another level of eyesight on this so that we can check it out. So finding that the sweet spot there so that you don't have so much red tape that nothing can happen, but a way to get that money in the hands where it's going to make the best use. We often hear public officials talking about outsourcing something to like contracting a service with a nonprofit, for example, as a way to save money for government expenditures. And you can't cut the whole thing out, though, and send it away. You got to leave somebody who's still following that money and making sure everything's happening.

HUNT: Okay, well, especially for something like this, where the money was meant to be spent on the poor, right? This was not something where, like, somebody was supposed to be trying to turn a profit in this enterprise, right? It's a little weird to sort of think about trying to do this as efficiently as humanly possible, when the goal is just to help poor people have some money.

WITT: Yeah, no, I agree with you. I mean, this is hard to this isn't a like a silly mistake. This is real intentional. You know, directing this money to a particular use is in away from the target audience. It often happens in like in the Great Recession, we saw city governments in particular who weren't getting the revenue streams that they used to, for example, city dependent on tourism. And so they don't have the money they need to make debt payments. And they they're looking around like, well, who has a lot of money? Oh, well, the sewer fund has a lot of money. For example, we can move that money over here and use it. That's not okay.

HUNT: Well, and this was I mean, part of the point I was trying to make before is like the targeted constituency for this funding is not like a well-organized constituency where they can stand up and defend themselves and like, go to bat for this program and make sure they're getting the money spent the right way compared to, you know, let's say, subsidies for oil companies or big tech companies that have a ton of organization and support behind them. Like there's a fundamental inequality issue here, too.

WITT: Oh, absolutely. And that's probably why it was so easy to derail the money for so long that, you know, they're not organized at the end. I mean, we make them become bureaucratically experts, you know, just in terms of the gantlet that we make the poor go through to apply for money like this. It's not super straightforward, right? But we don't expect them also to be keeping an eye on on the block grant to make sure that it's all disbursed the way that it's supposed to be.

HUNT: Yeah. Again, this is part of the issue, which is that this is not necessarily a high voting constituency, right? These are not powerful electoral constituencies. And so that really adds to the pressure, I think, on on that side as well.

WITT: Well, yeah, you can make an argument that the people who got the money inappropriately are where the political power is. Right. I mean, these are the the high visibility folks that everybody wants to like. And to have like them. And so keeping them happy, it seemed to be a lot of the motivation from that nonprofit.

KETTLER: Well thank you, Doctor Witt so much for joining us.

WITT: Well it's been a joy to be here. Love the podcast. Keep up the good work.

KETTLER: This episode was written by me, Jaci Kettler, and my co-host, Charlie Hunt. It was produced and edited by Charlie Hunt, with additional production and editing support from Sydney Snider. Particularly helpful sources for this episode include Shad White's book Mississippi Swindle, Anna Wolf's Pulitzer Prize winning coverage for Mississippi Today. ESPN and coverage by Jackson, Mississippi. Television channels WAPT Channel 16 and WLBT channel three. Our theme music is by Dear Room, with other incidental sound from Shutterstock music and Blue Dot sessions. Finally, you've been listening to us talk for a while now. We think it's only fair that you get to ask the questions. This season, we're trying something new with a mailbag episode where we answer your questions about political scandals, the The podcasts are pretty much anything. You can send your questions as emails or voice notes to scandalized@boise.edu, and we'll answer as many as we can in our end of season mailbag episode.

HUNT: Next time on Scandalized.

MEDIA CLIP: There's no question there's massive amounts of both fraud and violence by the Democrats. And yet Republicans also themselves naturally prompt concerns of illegitimacy, including having state election boards throw out the results.

HUNT: A big, divisive presidential election that actually was stolen? Or was it?

MEDIA CLIP: This outcome is do or die. What's at risk here is, is really the future of the country, the future of black rights in the South. There's a real fear that there are another civil war is possible.