



SEQUATCHIE COUNTY RESCUE SQUAD

Comptroller's Investigative Report
January 9, 2018

Justin P. Wilson, Comptroller





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

January 9, 2018

Board of Directors
Sequatchie County Rescue Squad
16385 Rankin Avenue
Dunlap, TN 37327

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Sequatchie County Rescue Squad, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Haslam, the State Attorney General, the District Attorney General, certain state legislators, and various other interested parties. A copy is available for public inspection in our office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in black ink, appearing to read "Justin P. Wilson", is written over a light gray rectangular background.

Justin P. Wilson
Comptroller of the Treasury

JPW/RAD

INVESTIGATIVE REPORT

SEQUATCHIE COUNTY RESCUE SQUAD

BACKGROUND

Since at least 2007, the Sequatchie County government has made an annual contribution to the rescue squad. The rescue squad also receives contributions from donations from citizens and various fundraising events.

During the period examined, the rescue squad could not provide sufficient/any documentation supporting the amount of collections from donations and fundraising events it received; however, we did verify that the rescue squad received \$10,000 from Sequatchie County during the 2016 fiscal year. Also, we examined supporting documentation for disbursements totaling \$95,679.26 made by the rescue squad for the period examined.



INVESTIGATIVE FINDING AND RECOMMENDATION

FINDING 1 The rescue squad had unsupported and questionable transactions totaling at least \$10,062.32

Our investigation noted at least \$10,062.32 in unsupported and questionable disbursements. During the period examined, the captain and the treasurer/secretary were the two members responsible for signing checks for the rescue squad. Based on our interviews and a review of the records, the unsupported and questionable disbursements consisted of the following:

- A. The rescue squad had \$9,382.59 in unsupported purchases. This includes \$4,920 in checks written payable to cash. One check written to cash for \$700 indicated it was for the Gatlinburg fire relief effort and included a receipt for hotel rooms totaling \$280.35. The \$280.35 is not included in the unsupported total.
- B. Personal purchases of at least \$71.48 were made at Sam’s Club. This disbursement to Sam’s Club was for personal items for members of the rescue squad. The treasurer/secretary stated that she did not have a Sam’s card to purchase some shorts and other items she wanted, so the other members she was shopping with agreed that she could purchase the items and just pay back the rescue squad. The treasurer/secretary stated other individuals also made personal purchases, and their names and totals owed to the rescue squad were written on the top of the receipt; however, when we received the receipt, the names and amounts were blacked out. The treasurer/secretary stated the money was paid back, but she did not provide us supporting documentation.
- C. The rescue squad had questionable charges and cash payments to AutoZone totaling \$628.24. The rescue squad allowed members to make personal purchases at AutoZone using the rescue squad’s charge account totaling \$113.72, and we did not find supporting documentation that these charges were repaid. We calculated \$494.53 in cash purchases from a stack of documents labeled “personal purchases.” On some occasions, the rescue squad withheld cash from fundraising collections/deposits (Refer to Finding 2A.) so we could not determine if the cash purchases were made with rescue squad fundraising proceeds.

**Unsupported and Questionable Transactions
January 1, 2016, through December 31, 2016**

Disbursements to vendors with no supporting documents	\$4,742.94	
Checks written to cash	4,920.00	
Partial support for checks written to cash	<u>(280.35)</u>	
Total transactions lacking supporting documentation		\$ 9,382.59
Sam’s Club personal purchases		71.48
AutoZone charges	\$ 113.72	
AutoZone cash purchases labeled personal	<u>494.53</u>	
Total questionable AutoZone expenses		<u>608.25</u>
Total questionable expenses		<u>\$10,062.32</u>

RECOMMENDATION

Supporting documentation should be maintained for all collections and disbursements. Personal purchases should not be made using rescue squad funds. Rescue squad officials should determine if these unsupported and questionable disbursements are proper and whether all personal purchases have been refunded. All collections of the rescue squad should be timely deposited to the official bank account, and all disbursements should be made by check.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCY

FINDING 2 The rescue squad had multiple operating deficiencies

Our investigation revealed the following internal control and compliance deficiencies in the rescue squad. These deficiencies can be attributed to a lack of management oversight and the inadequate maintenance of accounting records.

- A. Fundraising proceeds were not deposited intact; i.e., all funds collected during a specific time period or event were not deposited together. For example, not all the cash that was collected from a photo fundraiser was deposited. The captain and treasurer/secretary told us cash was sometimes withheld from deposits for purchases of food and other items for squad members.
- B. The rescue squad also raises funds by selling fireworks. We were told some of the checks written to cash noted in Finding 1 were used to create change for the cash registers at the fireworks tent. We could not determine if these funds were deposited back into the squad's bank account. We also noted no inventory or reconciliations of sales proceeds from the fireworks.
- C. Duties related to the rescue squad's finances were not segregated adequately among its members. The member responsible for maintaining records was also involved in collecting, depositing, and/or disbursing funds. Allowing one member complete control over a financial transaction increases the risk of misappropriation.
- D. Transactions were not included in an official cash journal or other type of accounting system. An official cash journal or other type of accounting system should be used as the rescue squad's financial control record and should reflect all financial activity.
- E. During the period of our review, rescue squad checks required two signatures, one from the captain and one from the treasurer/secretary. However, the treasurer/secretary signed both names on some checks and just her signature on at least two other checks when the captain was not available. We understand the signature procedure has been changed since the beginning of our work, and an additional member now signs checks when necessary.

RECOMMENDATION

All collections of the rescue squad should be deposited intact into the bank, and all collections and disbursements should be adequately documented. Inventories and drawer reconciliations should be maintained for fireworks sales. Duties should be segregated to the extent possible using available resources. All transactions should be posted to an official cash journal or other type of accounting system. Checks written should contain the appropriate signatures.