



COMPTROLLER'S INVESTIGATIVE REPORT

Scott County Emergency and Rescue Squad

July 30, 2021

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

7/30/2021

Scott County Emergency and Rescue Squad Officers
and Board Members
190 One Process Place
Oneida, TN 37841

Ladies and Gentlemen:

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

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the District Attorney General of the 8th Judicial District, certain state legislators, and various other interested parties. A copy of the report is available for public inspection in our Office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in blue ink that reads "Jason E. Mumpower".

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

Scott County Emergency and Rescue Squad

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Scott County Emergency and Rescue Squad. The investigation was limited to selected records for the period January 1, 2016, through December 31, 2018. The results of the investigation were communicated with the Office of the District Attorney General of the 8th Judicial District.

BACKGROUND



Scott County Emergency and Rescue Squad (Squad) was established as a non-profit corporation in 1963 and is located in Oneida, Tennessee. The Squad provides vehicle extrication, search and rescue, off-road extrication, water rescue and recovery, and aid local Sheriff, Police, EMS, Fire and Park Services. The Squad obtains operating revenue through fund raisers, donations, and contributions, with Scott County government contributing \$8,000 per year for the period reviewed. A Board of Directors (Board) governs the organization, and Squad members elect

officers that oversee the day-to-day operations.

The former squad leader became a member with the Squad in 1989 and rose to captain before he resigned in May 2019. His duties were to preside over all meetings, be responsible for all operations of the squad, to prepare a yearly report of the squad's activity, to appoint a historian and other special committees as needed, and to be in charge of the work area and serve as liaison officer between the squad and all outsiders.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed the following deficiencies in internal controls and compliance that can be attributed to a lack of management oversight and inadequate maintenance of accounting records:

Deficiency 1: Investigators identified \$37,574.46 in questionable purchases

Investigators identified total Squad purchases of \$131,436.06. Of that total, \$37,574.46 lacked proper support in the form of invoices or receipts. Investigators were thus unable to determine whether these purchases were exclusively for the Squad's benefit. The lack of documentation weakens controls over the purchasing process, increases the risk of paying for something that was not received, and does not allow management to verify that the payments are proper and

reasonable. Purchases should only be made for authorized expenditures, and adequate documentation should be maintained to support all purchases.

Deficiency 2: The board and management did not provide adequate oversight or use sufficient operational controls to promote accountability for the use of funds

The Board and management did not provide adequate oversight or use sufficient operational controls to promote accountability for the use of funds. Management is responsible for designing internal controls to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. The rescue squad board and management did not provide adequate oversight of operations and did not establish internal controls to ensure accountability of Squad funds. The lack of oversight by the rescue squad board and management contributed to the failure in the following areas:

- The captain did not require the treasurer to reconcile monthly bank statements with financial reports.
- The captain did not require the treasurer to prepare monthly financial reports that reflected the month's activity.
- The captain did not require the treasurer to reconcile cash collections with cash on hand for fundraising events.
- The captain did not establish internal controls over passwords for online accounts. The Squad could not access the online accounts held in their name because a former treasurer maintained the passwords and new passwords were not created when the treasurer left.
- The captain did not require adequate fuel logs to be maintained on \$11,914.21 of fuel purchases.
- The captain did not require the treasurer to maintain prior financial reports. Financial reports for the calendar year 2017 were missing.

Deficiency 3: The rescue squad board and management did not provide adequate control over bank account activity and credit card use

The Board and management did not have adequate control over bank and credit cards as noted below:

- There was an unauthorized withdrawal of \$200 from an ATM. A review of ATM camera pictures provided to investigators by the Scott County Sheriff's Department resulted in an inconclusive determination because the poor quality of the pictures did not allow an identification of the individual in the pictures. Investigators were informed by the captain and the former treasurer that the card was used by multiple people, and management could not provide documentation to determine the chain of custody of the bank card such as a sign-out and sign-in sheet.
- Investigators noted a letter dated November 16, 2018, addressed to the Squad from Synchrony Bank regarding a Walmart Community Commercial Credit account notifying the Squad that the bank decided to close the account due to a restriction placed on the account for suspected unauthorized use and subsequent inactivity on the account.

Investigators later learned this was at the request of a rescue squad board member who thought the activity on the card to be excessive.

Deficiency 4: The rescue squad board and management did not provide adequate control over an auto parts account

Investigators noted the Squad, which is a tax-exempt entity, paid \$69.17 in sales tax on purchases through an auto parts account. Also, we noted purchases on the auto parts account that were not paid with Squad funds, we were not able to determine who made the purchases which resulted in at least \$695.41 in sales tax not remitted to the Tennessee Department of Revenue.
