



COMPTROLLER'S INVESTIGATIVE REPORT

Dry Run Volunteer Fire Department

November 17, 2023

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

November 17, 2023

Johnson County Mayor Larry Potter
and Johnson County Commissioners
222 West Main Street
Mountain City, TN 37683

Johnson County Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Dry Run Volunteer Fire Department, 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 1st 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

Dry Run Volunteer Fire Department

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Dry Run Volunteer Fire Department. The investigation was limited to selected records for the period January 1, 2022, through April 30, 2023. The results of the investigation were communicated with the Office of the District Attorney General of the 1st Judicial District.

BACKGROUND



The Dry Run Volunteer Fire Department (DRVFD) was established on April 26, 1977, to provide emergency response and fire services in the communities of Johnson County. The DRVFD is a part of the Johnson County Fire Association. Comprised of volunteer members, the DRVFD is a nonprofit corporation supported by contributions from Johnson County government, grants, donations, and fundraisers. In 2022, the DRVFD was awarded the Assistance to Firefighters Grant from the Federal Emergency Management Agency (FEMA) to purchase needed fire equipment and received a private donation of

new personal protective firefighter gear (turnout gear).

According to its bylaws, the DRVFD shall be governed by a three-member board of directors (board) and a chief. The chief appoints all officers, including assistant chief, captain, lieutenant, sergeant, safety officer, secretary, and treasurer.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed the following deficiencies in internal control and compliance:

Deficiency 1: The DRVFD did not elect a full board of directors

Since at least September 2022, the DRVFD has not elected and maintained a full board of directors. Furthermore, since at least April 2023, the DRVFD had no board members seated, resulting in organizational, financial, and membership decisions being made without board oversight. According to the DRVFD bylaws, “The Board of Directors shall consist of 3 members and the chief... [and] shall be elected yearly at the same time of chief elections if requested by the members

of the department.” The DRVFD should maintain a full, active, and continuous board of directors to oversee all DRVFD decisions. Additionally, the DRVFD bylaws should clearly document the board of directors’ responsibilities and full governing authority, as well as procedures to elect board members and the chief. Investigators determined that no elections were held for board members or the chief during the period reviewed. A full board of directors provides oversight for DRVFD decisions and operations and reduces the risk that errors or intentional misappropriations will occur and remain undetected.

Deficiency 2: The DRVFD did not adequately segregate financial duties among members

The DRVFD did not adequately segregate financial duties among its members. The treasurer was responsible for maintaining records and was involved in collecting, depositing, and/or disbursing funds. Sound business practices dictate that the board of directors is responsible for designing internal controls to give reasonable assurance of the reliability of financial reporting and the effectiveness and efficiency of operations. Allowing one member to maintain control over all financial transactions and accountings increases the risk that fraud, waste, or abuse will occur without prompt detection.

Deficiency 3: The DRVFD did not require dual signatures on checks

The DRVFD did not require dual signatures on checks. The treasurer was often the only signer on checks during the period reviewed. Requiring dual signatures on checks ensures that more than one individual verifies that check payments are for a legitimate and lawful purpose and are appropriate and reasonable.

Deficiency 4: The DRVFD failed to include a donation of turnout gear on their tax return

In September 2022, the DRVFD received a private donation of eleven (11) sets of turnout gear. The DRVFD failed to include this donation as an in-kind donation for tax reporting purposes on their tax return, as required by the Internal Revenue Service (IRS) tax codes. Therefore, the DRVFD tax return was not accurately filed. The DRVFD should ensure that financial information is accurate and that tax returns are correct and complete. Failure to accurately file tax return documents increases the risk of IRS penalties and additional expenditures for corrective tax filings.

The DRVFD chief indicated he intends to correct these deficiencies.
