



# HILLSVIEW VOLUNTEER FIRE DEPARTMENT

**Investigative Report**  
August 11, 2016

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**Justin P. Wilson, Comptroller**





STATE OF TENNESSEE

Justin P. Wilson

**COMPTROLLER OF THE TREASURY**

Comptroller

STATE CAPITOL

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August 11, 2016

Mr. Ben Sneed, Chief  
Hillsview Volunteer Fire Department  
1388 County Road 50  
Riceville, Tennessee 37370

Chief Sneed:

We performed an investigation of selected records of the Hillsview Volunteer Fire Department (HVFD) for the period July 1, 2014, through January 31, 2016, to determine if annual contributions from McMinn County, donations from citizens, and various local fundraising events were accounted for properly. During the period examined, the HVFD received \$3,800 from McMinn County and \$46,352.12 from other sources. We reviewed all disbursements totaling \$44,283.96. Also, we conducted various interviews.

Legislation effective June 30, 2015, requires volunteer fire departments receiving public funds to file an annual financial report with the state comptroller and the local governments from which they receive funding. At the time of this report, the Hillsview Volunteer Fire Department had not submitted an annual financial report.

Findings and recommendations, as a result of our investigation, are presented in this report. These findings and recommendations have been reviewed with management to provide an opportunity for their response. The written responses from management are paraphrased in this report. Also, these findings, recommendations, and management's responses have been reviewed with the district attorney general for the Tenth Judicial District.

**INVESTIGATIVE FINDINGS AND RECOMMENDATIONS**

**FINDING 1**

**WE NOTED DISBURSEMENTS TOTALING \$6,414.87 WITHOUT ADEQUATE SUPPORTING DOCUMENTATION**



Our examination revealed disbursements totaling \$6,414.87 were made without adequate supporting documentation. In many instances, no documentation was provided at all. Therefore, we were not able to determine if these disbursements were for the benefit of

the volunteer fire department or for the personal use of its members. We noted undocumented disbursements made to Wal-Mart, Lowes, Midway Mart, Staples, Auto Zone, Dollar General, Ace Hardware, Little Caesars, and several disbursements noted as “reimbursements” to various members of HVFD. Issuing checks without adequate documentation as evidence that goods have been received or services have been rendered could result in the volunteer fire department paying for items not received, paying invoices more than once, and paying for items for the personal use of its members.

**RECOMMENDATION**

Adequate documentation should be on file for all disbursements. Management should determine if the above-noted disbursements totaling \$6,414.87 were for the benefit of the volunteer fire department and that goods and/or services were received.

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**FINDING 2            FUNDRAISING ACTIVITIES VIOLATED THE TENNESSEE NONPROFIT GAMING LAW**

The Hillsview Volunteer Fire Department (HVFD) has not complied with the Tennessee Nonprofit Gaming Law. HVFD is not a registered not-for-profit organization. However, the department has local fundraising events throughout the year. In at least two of these fundraising events, we noted that tickets were sold for a chance to win a television and a .22 caliber rifle. The Tennessee Nonprofit Gaming Law, *Tennessee Code Annotated*, §§ 3-17-101, *et seq.*, only authorizes qualifying 501(c)(3) or 501(c)(19) organizations who have been recognized by the Internal Revenue Service as such for over five years and have submitted an application to the Secretary of State, Division of Charitable Solicitations and Gaming, and had the application approved by the Tennessee General Assembly to conduct certain games of chance, including raffles.

**RECOMMENDATION**

Management should not conduct raffles or other games of chance at fundraising events unless the department complies with the Tennessee Nonprofit Gaming Law.

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**INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES**

**FINDING 3            THE VOLUNTEER FIRE DEPARTMENT HAD OPERATING DEFICIENCIES**

Our examination revealed internal control and compliance deficiencies in the Hillsview Volunteer Fire Department (HVFD) as noted below. These deficiencies can be attributed to a lack of management oversight and inadequate maintenance of accounting records.

- A. The HVFD board of directors failed to provide adequate oversight. The HVFD operated in accordance with bylaws requiring two-thirds board approval for disbursements over \$100. We were not provided sufficient documentation that the board approved the disbursements noted in Finding 1. The HVFD had no written guidelines governing the use and distribution of funds.

- B. Duties related to the HVFD were not segregated adequately among its members. The member responsible for maintaining records was also involved in depositing and/or disbursing funds. Allowing one member complete control over a financial transaction increases the risk of fraud and abuse.
- C. Transactions were not recorded in an official cash journal or other type of accounting system. Sound business practices dictate that an official cash journal or other type of accounting system should be used by the department as its control record and should reflect all financial activity.
- D. Checks require a signature from two members: the fire chief and the department treasurer. However, we noted that the department treasurer and fire chief signed some blank checks in advance of the purchase.
- E. Some purchases were made with cash withheld from fundraiser events. Good internal control dictates that all collections should be deposited into the bank, and all purchases should be made by official prenumbered check.
- F. Receipts were not issued for collections. Therefore, we could not determine if all donations were remitted to the HVFD.

## **RECOMMENDATION**

Management should provide sufficient oversight over all financial transactions. The HVFD should adopt written guidelines governing the use and distribution of funds. 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 should not be signed in advance. Cash should not be withheld from fundraiser collections but should be deposited intact to the official bank account. All disbursements should be made by official prenumbered check. Official prenumbered receipts should be issued for all collections.

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## **MANAGEMENT'S RESPONSES TO FINDINGS 1, 2, AND 3**

### **CHIEF BEN SNEED, HILLSVIEW VOLUNTEER FIRE DEPARTMENT**

The Hillsview Fire Department is currently in the process of fixing all of the deficiencies noted in your report. We will no longer hold raffles of any kind. We are putting a set of guidelines in place to better govern our recordkeeping, keep up with receipts better, and limit access to funds. We are also going to take a close look at the funds we no longer had receipts for and manage that better. We thank your team for coming in and showing us our problems. We will work diligently to correct them all to the best of our abilities.

### **TREASURER BETTY JO MOTES, HILLSVIEW VOLUNTEER FIRE DEPARTMENT**

I have and will give full cooperation to your office. I am very aware of the seriousness of the deficiencies and will emphasize to our department a better system of receipt handling. As of this writing, Hillsview Fire Department has implemented a "no check without receipt" policy.

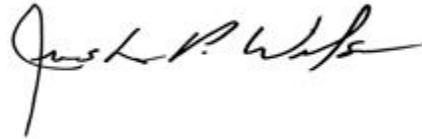
**MCMINN COUNTY MAYOR JOHN M. GENTRY**

I appreciate the thorough and professional investigation conducted by your investigators and will make sure their recommendations are effectively communicated. Although volunteer fire departments are independent organizations, my county fire coordinator will make it very clear to each fire chief that once a department accepts government funds, they are subject to financial oversight and regulation and must institute generally accepted accounting procedures. We will also ensure that the volunteer departments are aware of the statute that requires them to file an annual report with the state comptroller and McMinn County. They will also be made aware of what constitutes games of chance and raffles as instruments for fundraising. Again, we appreciate your help with these matters, and they will be addressed immediately.

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If you have any questions concerning the above, please contact this office.

Sincerely,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long, sweeping underline that extends to the left.

Justin P. Wilson  
Comptroller of the Treasury

JPW/kbh