



HUMPHREYS COUNTY VOLUNTEER FIRE DEPARTMENT

Comptroller's Investigative Report
December 6, 2017

Justin P. Wilson, Comptroller





**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DIVISION OF INVESTIGATIONS**

Justin P. Wilson
Comptroller of the Treasury

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December 6, 2017

Humphreys County Mayor and
Board of County Commissioners
Humphreys County
102 Thompson Street
Waverly, TN 37185

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury, in conjunction with the Tennessee Bureau of Investigation, conducted an investigation of pertinent records of the Humphreys County Volunteer Fire Department and the results are presented herein. Findings and recommendations, as a result of our investigation, are presented in our report. These findings and recommendations have been reviewed with management. Also, these findings and recommendations have been reviewed with the district attorney general for the 23rd Judicial District.

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".

Comptroller of the Treasury

JPW/RAD

INVESTIGATIVE REPORT

HUMPHREYS COUNTY VOLUNTEER FIRE DEPARTMENT

Background



Humphreys County is located in Middle Tennessee, and the county courthouse is in Waverly, Tennessee. Humphreys County provides operational funding for its fire districts through the annual budgetary process. The county has five volunteer fire districts, and the District 2 firehouse is located in Waverly, Tennessee. Included in the operational funding, the county pays each firefighter \$10 per emergency fire run. There were approximately 30 volunteer firefighters in the District 2 firehouse.

The District 2 firefighters elected to have their fire run payments deposited into a bank account under the name and for the benefit of the District 2 fire department maintained by the fire chief. The fire chief maintained two bank accounts under the name of the District 2 fire department. The



fire chief also solicited firefighters from District 2, other volunteer firefighter districts, and their families to participate in a cell phone plan offered to local governments under the name of the Humphreys County Fire Department

without authorization of the Humphreys County government. The fire chief arranged for all participants' bills to be mailed to his personal home address. Participants would receive a text message each month from the fire chief telling them how much they owed. The fire chief received the detailed bill from the cell phone provider, cash or checks from participants, and was responsible for paying the cell phone provider. In addition, the fire chief received the proceeds from the sale of soft drinks from soft drink vending machines at the District 2 fire station, which were purchased with District 2 funds. All District 2 funds (fire runs, cell phone payments, and vending machine proceeds) were exclusively in the custodial care of the fire chief maintained in the two bank accounts. All proceeds were to be spent on the operations of the District 2 fire department. The District 2 fire chief's employment was terminated on July 1, 2016, by the Humphrey's County Fire Chief.

INVESTIGATIVE FINDINGS AND RECOMMENDATIONS

FINDING 1 The former District 2 fire chief used District 2 funds totaling \$47,692.58 for personal purposes and \$10,394.27 for questionable purposes

Our examination of District 2 funds maintained exclusively by the former District 2 fire chief (fire chief) in two bank accounts revealed the following improper activities:

- A. The fire chief improperly disbursed \$47,692.58 from the two bank accounts for personal use. An examination of these disbursements revealed the funds were used to pay for his home satellite system (\$6,105.76); personal monthly credit card billings for five credit cards (\$19,136.84); payments for Apple iTunes purchases (\$1,559.23); and other personal items (\$20,890.75). Other personal items included bank debit card charges and checks issued for purchases at Walmart, convenience stores, Amazon.com (online purchases), grocery stores, auto parts stores, fuel outlets, hardware stores, NRA membership, magazine subscriptions, multiple restaurants, clothing purchases, etc.
- B. We questioned other bank disbursements totaling \$10,394.27, which included payments totaling \$8,894.50 for the purchase of soft drink products for the firehouse. We were advised by numerous District 2 firefighters that the fire chief ordered large amounts of soft drinks for his personal use with these funds.

Former fire chief Michael J. Simpson was indicted by the Humphreys County Grand Jury on December 4, 2017, and was charged with Class B Felony theft.

RECOMMENDATION

District 2 should take immediate steps to recover \$47,692.58 disbursed by the fire chief for his personal use. Officials should review the questionable disbursements totaling \$10,394.27 and determine if these funds were disbursed properly.

FINDING 2 The former fire chief installed county-purchased auto parts on his personal vehicles

Our review of county records disclosed that the fire chief installed county purchased auto parts on his personal vehicles on five different occasions. These auto parts cost the county \$392.19.

RECOMMENDATION

County officials should seek to recover \$392.19 from the fire chief for the cost of the county's auto parts installed on his personal vehicles. County purchased auto parts should not be installed on personal vehicles.

FINDING 3 District 2 had deficiencies in its cell phone operations

Our analysis of District 2 cell phone operations revealed the following deficiencies:

- A. The fire chief used the county's federal identification number without the approval of the county to obtain the cell phone service. Also, in most instances, the fire chief charged the District 2 firefighters and others an inflated monthly fee of \$45 per line; however, the cell phone provider only charged a monthly fee of \$23 per line. The District 2 firefighters we interviewed advised us that the fire chief vigorously collected the monthly charges from firefighters or canceled their cell phone service. We could not determine the total amount of collections the fire chief received on a monthly basis due to a lack of documentation.
- B. On July 23, 2016, the District 2 cell phone provider was owed \$32,159.25. We noted several months during our investigative period where the fire chief did not make the monthly payment to the cell phone provider. For all months examined, the cell phone bill maintained an unpaid balance carried forward. The average outstanding bill to the cell phone provider was \$17,775.
- C. We noted cash deposits of \$14,430 going into the fire chief's personal account during our investigative period. On July 26, 2016, after the chief's employment termination, he paid \$12,000 from personal funds to the district's cell phone provider. During an interview with the fire chief on July 19, 2017, by our investigators and the TBI, we asked the fire chief about the origin of the cash deposits. The fire chief stated that he did not know where the cash deposits originated.

RECOMMENDATION

The Humphrey's County Volunteer Fire Department should not use the county's federal identification number without county approval. Volunteer firefighters should take steps to recover any overpayments to the chief for their cell phone service. Cell phone bills should be paid in full on a current basis. All funds collected at the District 2 firehouse should be properly accounted for and deposited into the district's bank account.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCY

FINDING 4 The Humphreys County District 2 Volunteer Fire Department had operational deficiencies

Our investigation revealed internal control and compliance deficiencies in the Humphreys County District 2 Volunteer Fire Department. These deficiencies, which are noted below, can be attributed to a lack of management oversight and an inadequate maintenance of accounting records.

- A. District 2 operated without sufficient management oversight. For example, there were no written guidelines governing the use and distribution of funds. Also, checks were issued without adequate supporting documentation, and only required a single signature.

- B. Duties were not segregated adequately among its members. The fire chief was responsible for maintaining records and was also involved in receipting, depositing, and disbursing funds. Allowing one member complete control over financial transactions increases the risk of fraud and abuse.
- C. Transactions were not recorded in an official cash journal or other type of accounting system. An official cash journal or other type of accounting system should be the department's control record and should reflect all financial activity.
- D. Receipts were not issued for all collections. Therefore, we could not determine if all funds were deposited to the fire department's bank accounts.

RECOMMENDATION

Management should provide sufficient oversight over all financial and operational transactions. Management should adopt written guidelines governing the use and distribution of funds. Checks should not be issued without adequate documentation and should require two authorizing signatures. 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. Receipts should be issued for all collections.
