



**LAWRENCE COUNTY FIRE AND RESCUE, INC.
AND
CROSSROADS VOLUNTEER FIRE DEPARTMENT**

Special Investigation
April 18, 2016

Justin P. Wilson, Comptroller





STATE OF TENNESSEE

COMPTROLLER OF THE TREASURY

Justin P. Wilson

Comptroller

STATE CAPITOL

NASHVILLE, TENNESSEE 37243-9034

PHONE (615) 741-2501

April 18, 2016

Lawrence County Fire and Rescue, Inc.
P. O. Box 667
Lawrenceburg, TN 38464
and
Crossroads Volunteer Fire Department
P. O. Box 662
Lawrenceburg, TN 38464

Gentlemen:

The Office of the Comptroller of the Treasury conducted a special investigation of selected records of the Lawrence County Fire and Rescue, Inc., and the Crossroads Volunteer Fire Department, 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".

Justin P. Wilson
Comptroller of the Treasury

JPW/RAD

SPECIAL INVESTIGATION

Lawrence County Fire and Rescue, Inc. *and* Crossroads Volunteer Fire Department

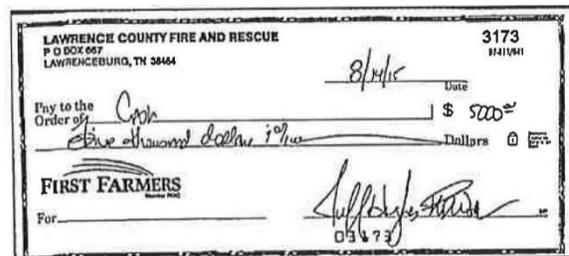
The Office of the Comptroller of the Treasury, in conjunction with the District Attorney General's Office of the 22nd Judicial District, investigated allegations of malfeasance related to Lawrence County Fire and Rescue, Inc., (Lawrence County Fire and Rescue), and the Crossroads Volunteer Fire Department (Crossroads VFD).

Lawrence County Fire and Rescue operates as an umbrella organization to facilitate the operations of the 13 volunteer fire departments in Lawrence County, including Crossroads VFD. The organization receives funds from Lawrence County, distributes to each volunteer fire department its share of those funds, and acquires insurance on behalf of the fire departments. Jeffrey Hughes served as treasurer for both Lawrence County Fire and Rescue and for the Crossroads VFD.

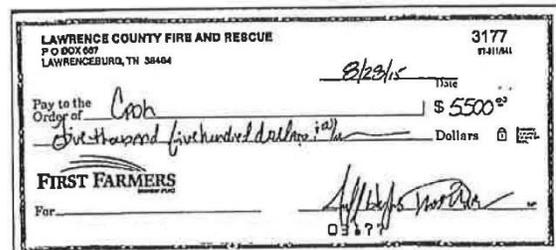
INVESTIGATIVE RESULTS

- **Former Lawrence County Fire and Rescue treasurer Jeffrey Hughes misappropriated at least \$254,266 by issuing unauthorized fire and rescue checks for his personal benefit**

During the period May 2009 through March 2016, former treasurer Jeffrey Hughes issued unauthorized Lawrence County Fire and Rescue checks totaling \$254,266 for his personal benefit. Mr. Hughes wrote more than 80 checks totaling \$188,679 payable to "cash," which he cashed for his personal use. [Refer to Exhibits 1 and 2.] He also wrote more than 80 checks totaling \$42,491 to Walmart which he used primarily to purchase gift cards for his personal benefit. Mr. Hughes made other improper withdrawals from the Lawrence County Fire and Rescue bank account totaling \$12,651 in order to obtain cash or to make unauthorized payments of personal bills. For instance, Mr. Hughes issued a Lawrence County Fire and Rescue check to repay a personal loan obtained against his retirement account with the State of Tennessee. In addition, on at least three occasions, Mr. Hughes received cash



Exhibits 1 & 2



back for his personal use when making deposits into the Lawrence County Fire and Rescue bank account. [Refer to Exhibit 3.]

Exhibit 3

LAWRENCE COUNTY FIRE AND RESCUE
 P O BOX 667
 LAWRENCEBURG, TN 38464

CASH INCLUDING COINS

DATE 1/9/2010
DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL

[Signature]

F&M FIRST FARMERS & MERCHANTS BANK
 LAWRENCEBURG, TN 38464

TO BE USED FOR DEPOSIT TRANSACTIONS ONLY

_____	61 375.-
List	
Checks _____	
Singly _____	
TOTAL ITEMS	
<input type="checkbox"/> OR TOTAL FUND REVERSE	
SUB TOTAL	61 375.-
LESS CASH RECEIVED	3 000.-
\$	58 375.00

CHECKS AND OTHER ITEMS ARE RECEIVED FOR DEPOSIT SUBJECT TO THE PROVISIONS OF THE UNIFORM COMMERCIAL CODE AND ANY APPLICABLE COLLECTION AGREEMENT

01/11/2010 \$58,375.00
 110000568015

PERFORMANCE BUSINESS FORMS

CASH OUT TICKET

CTIP-L1 DSI
 1286408G9L101105P

FIRST FARMERS & MERCHANTS BANK
 COLUMBIA, TN 38401

TELLER NO. 1105

5009

\$3,000.00

TR:96 11-1105 01/11/10 10:35 AM
 9329610 Ck Deposit
 W581781

CASH OUT

01/11/2010 \$3,000.00
 110000568016

THIS DOCUMENT IS PRINTED ON COLORED PAPER, HAS AN ULTRAVIOLET INK FEATURE AND A SIMULATED WATERMARK ON BACK.

LAWRENCE COUNTY GOVERNMENT
 219 CENTENNIAL BOULEVARD
 LAWRENCEBURG, TENNESSEE 38464

GENERAL FUND 120628

BANK OF AMERICA
 VOID AFTER 90 DAYS

64-127A
 811

*****61,375 DOLLARS AND 00 CENTS

PAY TO THE ORDER OF

DATE 01/05/2010 CHECK NO. 101 00120628 AMOUNT \$61,375.00

LAWRENCE CO FIRE & RESCUE, INC

Paul T. Rosen
COUNTY MAYOR

Leeann Purcell
DIRECTOR OF ACCOUNTS AND BUDGETS

WARNING: MICROPRINTING IN SIGNATURE LINE. MAGNIFY TO VERIFY ORIGINAL CHECK.

01/11/2010 \$61,375.00
 110000568017

Mr. Hughes also funneled \$10,445 from the Lawrence County Fire and Rescue bank account into the Crossroads VFD bank account, which he also controlled. Crossroads VFD was not due to receive this money. Using his access to the Crossroads VFD bank account as treasurer, Mr. Hughes diverted those excess funds for his personal use.

Lawrence County Fire and Rescue officers indicated that their signatures on the unauthorized checks prepared by Mr. Hughes were not authentic. The Lawrence County Fire and Rescue board did not approve and was unaware of Mr. Hughes' fraudulent financial activity.

- **Former Crossroads VFD treasurer Jeffrey Hughes misappropriated at least \$10,800 by issuing unauthorized volunteer fire department checks for his personal benefit**

During the period October 2013 through November 2015, Mr. Hughes prepared and issued unauthorized checks totaling \$10,800 from the Crossroads VFD bank account for his personal benefit. These payments were made payable either to cash or to Walmart and were in addition to the excess funds noted above that Mr. Hughes had siphoned from the Lawrence County Fire and Rescue bank account.

Summary of Misappropriated Funds by Jeffrey Hughes	Amount	Totals
Lawrence County Fire and Rescue		
Method of Misappropriation		
Checks payable to cash	\$188,679	
Purchase of Walmart gift cards	42,491	
Other improper withdrawals	12,651	
Money funneled to Crossroads	<u>10,445</u>	
Total Lawrence County Fire and Rescue		\$254,266
Crossroads Volunteer Fire Department		
Method of Misappropriation		
Checks payable to cash or Walmart	<u>\$ 10,800</u>	
Total Crossroads Volunteer Fire Department		<u>\$ 10,800</u>
Total Misappropriation		<u>\$265,066</u>

This matter was turned over to the local district attorney general. On April 15, 2016, the Lawrence County Grand Jury indicted Jeffrey Hughes on one count of Theft over \$250,000, one count of Theft over \$10,000, and 136 counts of Forgery.

ADDITIONAL ISSUES

Our investigation revealed a significant deficiency in the financial processes that contributed to the former officer's ability to perpetrate the misappropriation without prompt detection. The financial process deficiency was:

- Lawrence County Fire and Rescue and Crossroads Volunteer Fire Department failed to separate incompatible financial duties. The former treasurer determined which expenses were to be paid, prepared and signed checks, and reviewed bank statements, with virtually no oversight by the board.

Board members indicated that they have already corrected this deficiency.