



NEW JOHNSONVILLE VOLUNTEER FIRE DEPARTMENT

Comptroller's Investigative Report
October 4, 2018

Justin P. Wilson, Comptroller





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

October 4, 2018

Dale Allen, Fire Chief
New Johnsonville Volunteer Fire Department
and
Mayor and Members of the City Council
City of New Johnsonville

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the New Johnsonville Volunteer Fire Department, and the results are presented herein. These results have been reviewed with personnel with the district attorney general's office of the Twenty-Third 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 that reads "Justin P. Wilson".

Justin P. Wilson
Comptroller of the Treasury

JPW/RAD

INVESTIGATIVE REPORT

New Johnsonville Volunteer Fire Department

The Office of the Comptroller of the Treasury investigated possible malfeasance related to a cell phone plan of the New Johnsonville Volunteer Fire Department (department). These results have been reviewed with personnel with the district attorney general's office of the Twenty-Third Judicial District.

BACKGROUND

Beginning in May 2016, members of the New Johnsonville Volunteer Fire Department operated a cell phone plan (department plan) for firefighters and others that was associated with the City of New Johnsonville's cell phone account. The department plan was not created to further a government purpose and was not operated by city staff, but rather was established for the benefit of firefighters and others. Collections from participants and payments on their behalf were made independent of the city's oversight. The department plan bills, when paid, were paid with individual participant money, not with volunteer fire department or government funds. Two administrators from the volunteer fire department volunteered to handle collections and payments on behalf of the department plan participants. This arrangement had been instituted during the tenure of a previous fire chief and a previous mayor. The current fire chief neither endorsed, condoned, nor participated in the department plan.

As detailed below, the design and implementation of the department plan failed in various areas which resulted in its suspension by the service provider.

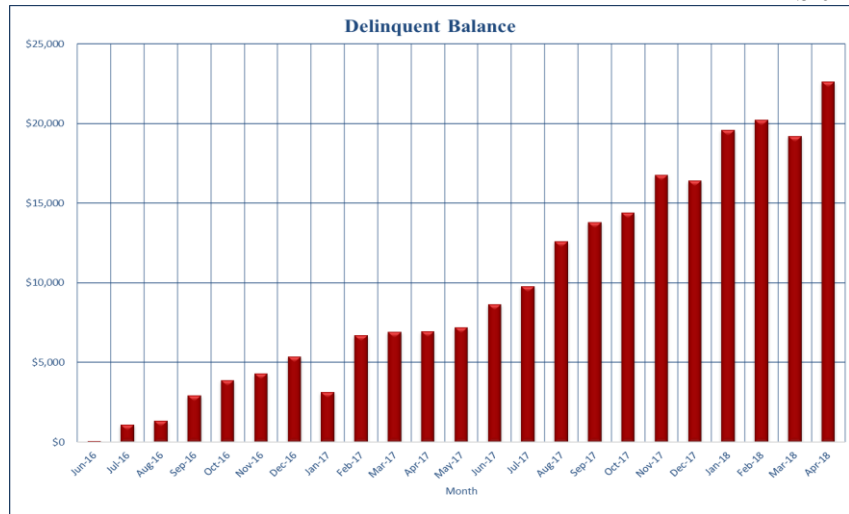
INVESTIGATIVE RESULTS

- **Delinquent balance of \$22,648 on department cell phone plan**

The department plan invoice that was due on April 2, 2018, carried a delinquent

Exhibit 1

balance of \$22,648. As illustrated in **Exhibit 1**, that balance grew over the entire lifespan of the department plan. The average monthly bill was approximately \$4,250. Billing records suggest that at least some participants failed to pay their entire bill from the beginning of the department plan. Although the department plan administrators did maintain some collection records,



those records were not complete. Investigators were therefore unable to determine in many cases the amounts and dates of collections, if any, made from individual participants.

The cell phone provider notified the City of New Johnsonville and the New Johnsonville Volunteer Fire Department in March 2018 that all associated accounts, including the city's, would be suspended if the overdue balance was not satisfied. Although department plan participants apparently paid off a portion of the bill, the cell phone provider suspended the department plan account in April 2018. In August 2018, the account had a delinquent and unpaid balance of \$7,424.

- **Department plan effectively allowed unrestricted membership**

Department plan administrators effectively had no eligibility restrictions regarding who participated in the program. The department plan included not only New Johnsonville volunteer firefighters, but also some of their family members and others. The plan included bills related to 116 phones, although the membership of the volunteer fire department was less than 25 firefighters.

- **Department plan participants failed to pay an estimated \$7,740 in taxes and fees**

Because the department improperly applied the government tax exemption to the department plan, participants failed to pay an estimated \$7,740 in taxes and fees. Although the city allowed the department to utilize the city's tax-exempt status for the department plan, it was not managed by city personnel or paid with city funds and was not intended to benefit the city. Instead, the department established the department plan to provide personal cell phone plans for firefighters and others. A review of the department's cell phone provider account

revealed that the government tax exemption was improperly extended to charges incurred for all equipment purchases and monthly service charges. As a result, participants in the plan were not properly charged applicable taxes, governmental surcharges and fees, including the 911 surcharge fee used to fund emergency communication districts.

- **Failure to hold each department plan participant accountable**

Department plan administrators failed to hold individual participants accountable for the payment of their portion of the monthly bills, ultimately resulting in the service provider suspending the department plan. The department created the department plan as a group account with multiple phones; therefore, the cell phone provider did not allocate each participant's individual payment to their individual bill. Rather, all payments were applied to the overall department plan's balance. The cell phone provider did not maintain and could not provide individual department plan participant balances. In addition, department plan administrators made no consistent effort to identify and suspend participants who had not paid their bills. After the account was suspended, at least one active participant paid delinquent bills for which he was responsible totaling \$3,100.

The current fire chief advised investigators that the department plan has been abolished and that the department will not enter into such a plan in the future.