



TOWN OF SELMER

Comptroller's Investigative Report August 16, 2017

Justin P. Wilson, Comptroller





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

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Comptroller of the Treasury

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August 16, 2017

Board of Mayor and Aldermen
Town of Selmer
Selmer, Tennessee

McNairy County Mayor and
Board of County Commissioners
McNairy County, Tennessee

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 based on allegations of improper transactions between the fire chief of the Town of Selmer, Tennessee, and a Kentucky-based fire equipment supplier. The scope of our investigation covered the period January 1, 2012, through January 6, 2016.

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,

Comptroller of the Treasury

JPW/RAD

INVESTIGATIVE REPORT

TOWN OF SELMER

We performed an investigation, in conjunction with the Tennessee Bureau of Investigation, based on allegations of improper transactions between the fire chief of the Town of Selmer, Tennessee, and a Kentucky-based fire equipment supplier. The scope of our investigation covered the period January 1, 2012, through January 6, 2016.

BACKGROUND

The Town of Selmer is in West Tennessee and is the county seat of McNairy County. The main station for the fire department is located at 707 Industrial Park Road in Selmer. The town's fire chief also assisted McNairy County with bids for fire equipment.

Findings and recommendations, resulting from our investigation, are presented below. These findings and recommendations have been reviewed with management. Also, these findings and recommendations have been reviewed with the district attorney general for the Twenty-Fifth Judicial District.

INVESTIGATIVE FINDINGS AND RECOMMENDATIONS

FINDING 1 THE FIRE CHIEF FALSIFIED TWO INVOICES FOR EQUIPMENT PURCHASES

We determined the fire chief falsified the following two invoices for equipment purchases:

- A. An invoice billed to McNairy County for \$20,000 was falsified. County officials advised us the invoice originated from the Town of Selmer Fire Department. During the investigators' interview with the town's fire chief, the chief admitted he falsified the invoice to McNairy County for \$20,000 dated March 3, 2013, to purchase training equipment from a Kentucky fire equipment supplier. The training equipment cost \$7,500; however, the fire chief invoiced the county for \$20,000. The fire chief had the equipment fabricated by a local machine shop and had the local machine shop send the bill totaling \$7,500 to a Kentucky fire equipment supplier. The Kentucky fire equipment supplier paid the machine shop the \$7,500 for fabricating the training equipment and received the \$20,000 payment from McNairy County via the fire chief. The fire chief informed investigators he purchased other equipment from the Kentucky vendor with the additional \$12,500 (\$20,000 less \$7,500); however, we were unable to identify the additional equipment purportedly purchased. In addition, the fire chief informed us that McNairy County probably would not have approved the purchase of the additional equipment. The

county mayor advised us that he was unaware of how the fire chief handled the transaction, but believed the county only received the training equipment.

- B. Investigators noticed an invoice that contained misspelled words. This invoice was from a vendor that billed the fire department for \$200. During an interview with the fire chief on January 6, 2016, the chief admitted to falsifying this invoice. The fire chief used the town's credit card to make the purchase; however, we were unable to determine what the fire chief purchased.

RECOMMENDATION

Town of Selmer and McNairy County officials should take immediate steps to determine the propriety of these transactions.

FINDING 2 **BIDS WERE ALTERED AND EQUIPMENT WAS PURCHASED BY THE TOWN THAT DID NOT MEET BID SPECIFICATIONS**

Our analysis of bid transactions involving the fire chief, McNairy County, and the Town of Selmer disclosed the following irregularities:

- A. On September 26, 2013, McNairy County purchased two fire trucks for a total purchase price of \$209,802.60 from a Kentucky fire equipment supplier. Bids were received from various vendors. The lowest bid price for the vehicles was \$178,622.60 and was awarded to the Kentucky fire equipment supplier. We determined that the bid specifications for the two fire trucks were developed by the fire chief who intentionally omitted some equipment. After the initial bid was awarded to the Kentucky fire equipment supplier, the fire chief added other equipment totaling \$31,180 without going through a second bid process. During an interview with investigators, the fire chief initially denied leaving off the \$31,180 of equipment, but later admitted that he and the Kentucky fire equipment supplier developed the add-on equipment at inflated prices. We also noted an aluminum hose tray on one of the vehicles was included in the original bid specifications; however, this same hose tray was also included in the add-on equipment that wasn't bid, therefore, the county paid an additional \$1,000 (included in the \$31,180).
- B. The above-noted fire trucks that were purchased did not meet bid specifications. The two fire trucks had stability problems with their aluminum compartments. The county had the vehicles inspected by two local metal fabricators. The inspection noted the metal had 1/8 of an inch hose trays and 1/16 of an inch compartments, which did not comply with the original bid specifications of 3/16 of an inch thickness for both vehicles. The fire chief stated that he was unaware the vehicles did not meet the required specifications.
- C. We noted instances that fire equipment vendors submitted letters of no bid to the Town of Selmer. One company stated that the reason it did not bid was due to the relationship the fire chief had with the Kentucky fire equipment supplier.

RECOMMENDATION

Bid specifications should be written to allow all perspective bidders to fairly compete. Town of Selmer and McNairy County officials should ensure all bid specifications are met by vendors. Officials should determine any overpayments and seek any recovery.

FINDING 3 THE FIRE CHIEF IMPROPERLY DISPOSED OF TOWN ASSETS

We determined a fire pumper was improperly disposed of by the fire chief. The fire chief traded a 2008 fire pumper that allegedly had maintenance problems for other equipment. The fire pumper was originally purchased for \$81,900. Documentation provided by the fire chief indicated he received three offers of cash from three different entities ranging from \$35,000 to \$45,000 for the fire pumper. According to the fire chief, he chose to negotiate and receive \$52,878.30 in credits for other equipment from the Kentucky fire equipment supplier. We requested additional documentation of what equipment was received for the equipment credits. The Kentucky fire equipment supplier provided us with two credit equipment invoices for \$56,874 and \$1,274, which were more credits than the fire chief originally provided to us as supporting documentation. Investigators were unable to account for the disposal of the fire pumper, nor were we able to account for other equipment purchased with the credits received from the Kentucky fire equipment supplier.

RECOMMENDATION

Surplus equipment should be disposed of through a method authorized by state statute. The Town of Selmer should determine the propriety of this transaction.
