



KEITH SPRINGS VOLUNTEER FIRE DEPARTMENT

Comptroller's Investigative Report
January 24, 2019

Justin P. Wilson, Comptroller





JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Chief of Staff

January 24, 2019

Keith Springs Volunteer Fire Department
Chief Sherman Steele
86 Community Lane
Belvidere, TN 37306

Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Keith Springs Volunteer Fire Department, and the results are presented herein.

Copies of this report are being forwarded to Governor Bill Lee, the State Attorney General, the District Attorney General of the 12th Judicial District, 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/MLC

INVESTIGATIVE REPORT

KEITH SPRINGS VOLUNTEER FIRE DEPARTMENT

On March 30, 2018, our office was informed of potential misappropriations of funds at the Keith Springs Volunteer Fire Department. As a result of these allegations, we performed an investigation for the period January 2015 through March 2018.

Findings, as a result of our investigation, are presented below. These findings have been reviewed with management. Also, these results have been reviewed with the district attorney general for the 12th Judicial District.

BACKGROUND



The Keith Springs Community Club established the Keith Springs Volunteer Fire Department (KSVFD) on August 11, 1987. Located in southern Franklin County, KSVFD's mission is to provide a well-trained force to respond to any situation in the Keith Springs Community while also providing back-up service and assistance to any other fire department in Franklin County.

The KSVFD is governed by a three-member board of commissioners from the community and the Franklin County Fire Board made up of members of county fire department boards within the county. KSVFD operates with volunteer labor from the Keith Springs

Community. The board of commissioners elects a fire chief to operate the KSVFD.

Franklin County funds the KSVFD through a county fire tax and a percentage of the hotel/motel tax. In addition, the KSVFD holds fundraising events and applies for grant funding for large purchases. From January 1, 2015 through March 31, 2018, we were able to document and review \$129,490 that KSVFD received from various sources.

INVESTIGATIVE RESULTS

FINDING 1 FORMER FIRE CHIEF STEPHENS USED DEPARTMENT FUNDS FOR UNAUTHORIZED PERSONAL PURCHASES TOTALING AT LEAST \$20,293

Our investigation determined the KSVFD maintained a checking account, general savings account, fundraiser savings account, and a fuel account. Former fire chief Stephens, the former assistant

fire chief, and the treasurer had access to the checking and savings accounts while former fire chief Stephens, the former assistant fire chief, and the captain had access to the fuel account. Our investigation revealed unauthorized personal purchases totaling at least \$20,293 from the department's accounts as noted below.

- A. Former fire chief Stephens made unauthorized personal disbursements from the checking account totaling \$10,805.

The KSVFD utilized a debit card to purchase needed equipment and supplies. For every debit card purchase, the purchaser was to provide a receipt to document the purchase. Until early 2017, the KSVFD had only one debit card, and former fire chief Stephens was in possession of this debit card. In early 2017, the KSVFD received personalized debit cards, one for each authorized user: the treasurer, former assistant fire chief, and former fire chief Stephens. We noted the treasurer never activated her debit card, and there were no questionable charges noted on the former assistant fire chief's card. During the period under examination, former fire chief Stephens used the KSVFD debit card for purchases including televisions, a vacation rental in Panama City Beach, food, gasoline, and groceries. Also, we identified former fire chief Stephens purchased tires for a van; however, the KSVFD van did not have new tires on it, but the personal van of former fire chief Stephens did have new tires. We also identified personal purchases at Walmart, Geek Order.Wish.Com, Duck River Electric, Electronic Express, The Resort Collection, Chattanooga Goodwill, SWXHELP, Microsoft Xbox Live, and Netflix. We found no documentation to support any of these other purchases. **[Refer to examples in Exhibits 1, 2, and 3.]**

Exhibit 1

09/15/2017 ATM/Debit Card Debit	38.80
GEEK ORDER.WISH.COM 002660172 C A #3481	
09/15/2017 ATM/Debit Card Debit	53.00
GEEK ORDER.WISH.COM 002660172 C A #3481	
09/15/2017 ATM/Debit Card Debit	64.00
GEEK ORDER.WISH.COM 002660172 C A #3481	
08/29/2017 ATM/Debit Card Debit	480.39
THE RESORT COLLECTION C BEACH F L #3481	
08/30/2017 ATM/Debit Card Debit	166.67
THE RESORT COLLECTION C BEACH F L #3481	

Debit card purchases from the checking account for personal gadgets and a vacation rental

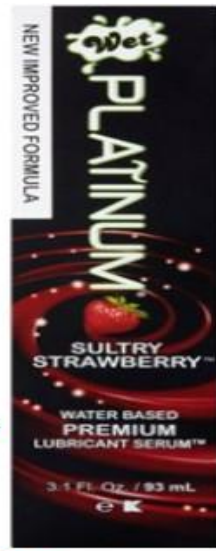
Exhibit 2

16 02-70066 P49 11/12/17 6:56 PM		TLE ITEMS FOLLOW	
Code:	16R0076698	ORDER NUMBER	0048570088820
Name:	[REDACTED]	LT265/75R16	069766213114S 169.00 AD
Address:	[REDACTED]	STATE FEE	060538850389S 1.35 A
		LT265/75R16	069766213114S 169.00 AD
		STATE FEE	060538850389S 1.35 A
		LT265/75R16	069766213114S 169.00 AD
		STATE FEE	060538850389S 1.35 A
		ROADHAZARD	060538898913S 10.00 AD
43S305 TCL 43"1080P ROKU LED HDTV USB	549.99	ROADHAZARD	060538898913S 10.00 AD
49.1% SALE	270.02-	ROADHAZARD	060538898913S 10.00 AD
43S305 TCL 43"1080P ROKU LED HDTV USB	549.99	LIFE WHL BAL	007874224343S 9.00 AD
49.1% SALE	270.02-	LIFE WHL BAL	007874224343S 9.00 AD
ZZQMPASZP MLOU(Q)DGH PEPPMINT ML PI	79.99	LIFE WHL BAL	007874224343S 9.00 AD
		TLE ITEMS COMPLETE	
		SUBTOTAL	757.40

Debit card purchases for televisions from Electronic Express and tires from Walmart

Exhibit 3

ST# 0735 OP# 00009050 TE# 50 TR# 06332	
ICE CREAM 007756755280SF	3.98 BD
ICE CREAM 007756755280SF	3.98 BD
BREYERS GEL 007756732735SF	3.98 BD
CORN DOGS 007527895185SF	8.47 BD
GV TC PEPPE 007874223760SF	2.78 BD
GV TC PEPPE 007874223760SF	2.78 BD
GV MEAT PZA 007874223758SF	2.78 BD
PILLSBURY 20 001800085558SF	3.98 BD
GV DONUT STX 007874214757SF	1.48 BD
VELVET CAKES 002430004474SF	2.16 BD
LD ZEBRA CA 002430004484SF	1.98 BD
CAKE 002430004220SF	2.16 BD
BEG 48OZ 003810014231S	14.83 AD
VFUS ENG PCH 005100024542SF	7.48 BD
ROHTO ICE 031074201086S	4.98 AD
NYQUIL 12OZ 032390001426S	7.97 AD
SALONP LIDO 034658183006S	9.98 ADH
ETERN M .5 00316555226S	7.00 A
GORILLA TAPE 005242761001S	2.97 AD
12CT R/W JNG 088771831157S	2.98 AD
LUBRICANTS 071622226404S	9.97 AD
GV ONION PWD 007874225459SF	0.98 BD
GARLIC PWDR 007874225465SF	0.98 BD
SE DOUCHE 004160887546S	2.48 AD
4OL SURGE 068113115490S	9.88 AD
STICKERS 081820001253S	0.88 AD
STICKERS 081820001253S	0.88 AD
AXE APOLL 001111126285S	3.97 AD
GAIN FW MOON 003700088741S	8.94 AD
LYS ADRNDAK 001920096215S	2.97 AD
GAIN LFE 003700098448S	6.97 AD
GAIN LIQUID 003700098330S	8.94 AD
CLX LIQ BLCH 004460030770S	3.97 AD
BATH TISSUE 004200096933S	6.47 AD
SPRAY BOTTLE 068333351133S	0.98 AD
OXICLN ODOR 075703795068S	7.56 AD
GV 75CT FAC 007874223353S	1.32 AD
GV 75CT FAC 007874223353S	1.32 AD
SPRAY PAINT 002006624428S	3.74 AD
SPRAY PAINT 002006624424S	3.74 AD
AXE BODYWASH 001111157598S	3.97 AD
SPRAY PAINT 002006624426S	3.74 AD
SLM BROWN PL 071628150720S	2.73 AD
SLED SNM ORN 063297176587S	1.94 AD
STAG HEAD 072722395263S	5.00 AD
SUBTOTAL	203.02

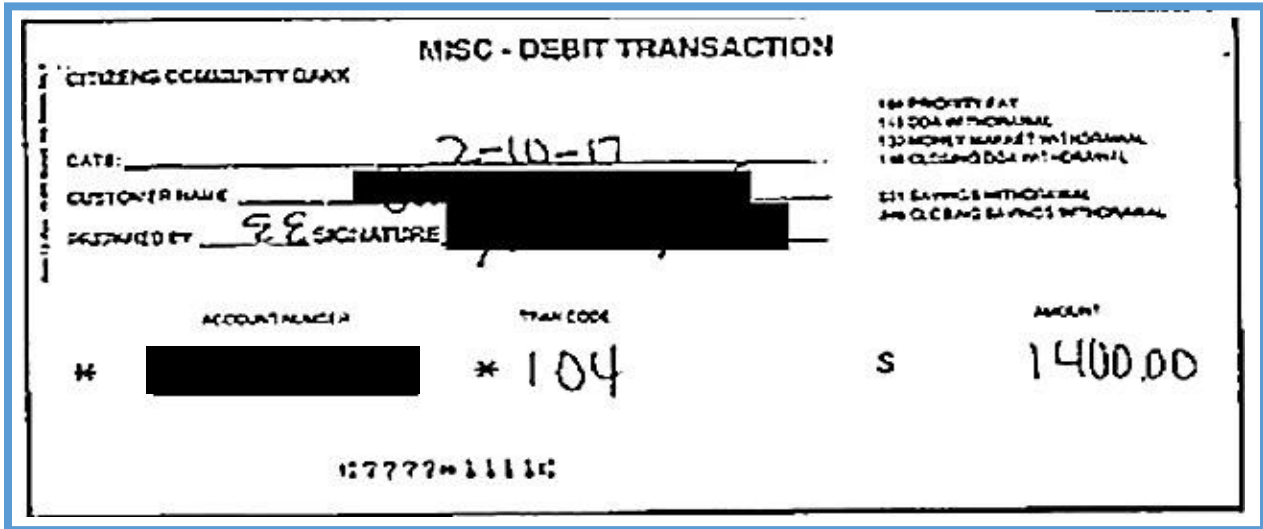


Debit card purchases for personal hygiene and household goods from Walmart

B. KSVFD bank statements reflected 19 withdrawals totaling \$17,174. However, there was no business reason for 17 of these withdrawals totaling \$8,635. The 17 withdrawals are described as follows:

1. The KSVFD checking account had 15 withdrawals totaling \$8,135. The withdrawal slips reflected former fire chief Stephens signed the withdrawal slips and withdrew the cash for no discernable business purpose. [Refer to Exhibit 4.]

Exhibit 4



MISC - DEBIT TRANSACTION

CITIZENS COMMUNITY BANK

DATE: 2-10-17

CUSTOMER NAME: [REDACTED]

SIGNATURE: [REDACTED]

ACCOUNT NUMBER: [REDACTED]

TRAN CODE: * 104

AMOUNT: \$ 1400.00

157777-111111

100 PROPERTY TAX
 110 DOA WITHDRAWAL
 130 MONEY MARKET WITHDRAWAL
 140 CLOSING DOA WITHDRAWAL
 211 SAVINGS WITHDRAWAL
 240 CHECKING SAVINGS WITHDRAWAL

Withdrawal slip the former fire chief Stephens used to obtain cash

2. The KSVFD savings account had two withdrawals totaling \$500. The former assistant fire chief and treasurer stated they did not withdraw the funds, and the \$500 from the savings account was not deposited into the checking account. [Refer to Exhibit 5.]

Exhibit 5

07/24/2017 Withdrawal	350.00
08/17/2017 Withdrawal	150.00

Withdrawals from the Savings Account

We discussed these cash withdrawals with the current fire chief and the board of commissioners, and they advised the cash withdrawals were not for business uses of the KSVFD. Therefore, we conclude former fire chief Stephens withdrew \$8,635 (\$8,135 plus \$500) for personal use.

The following table summarizes the 17 cash withdrawals made for the personal benefit of former fire chief Stephens.

Account	Transaction Date	Personal Amount
Checking	1/24/2017	\$1,000
Checking	2/10/2017	1,400
Checking	6/8/2017	1,000
Checking	6/29/2017	1,000
Checking	7/31/2017	200
Checking	8/25/2017	800
Checking	10/23/2017	500
Checking	10/31/2017	300
Checking	11/3/2017	50
Checking	11/3/2017	200
Checking	11/14/2017	200
Checking	11/24/2017	535
Checking	11/30/2017	150
Checking	12/6/2017	400
Checking	12/11/2017	400
Savings	7/24/2017	350
Savings	8/17/2017	150
	Total	<u>\$8,635</u>

- C. KSVFD former fire chief Stephens had questionable disbursements from the fuel account totaling \$853.

KSVFD opened a fuel account on September 11, 2017. Included with this account were three individual fuel cards: one for former fire Chief Stephens, current fire chief, and captain. The fuel cards were used to fuel fire department vehicles and to provide gasoline to volunteers of the department when going on errands for the department. The fire department paid the monthly bill from the checking account. Our investigation determined former fire chief Stephens used the fuel card 24 times from October 27, 2017 through February 22, 2018.

The fire department maintains four vehicles: a F-250 brush truck, fire engine, 2,000-gallon water truck, and a fire/rescue van. All vehicles except the 2,000-gallon water truck use diesel fuel. We reviewed the purchase dates for each transaction and determined former fire chief Stephens was not performing fire department duties, and former fire chief Stephens did not provide a receipt for support. The 24 purchases of fuel by former fire chief Stephens are summarized below.

Month	Gallons-Fuel	Amount	Product
October	7	\$15	Unleaded
November	118	266	Unleaded
December	100	219	Unleaded
January	62	145	Unleaded
February	<u>89</u>	<u>208</u>	Unleaded
Total	<u>376</u>	<u>\$853</u>	

The board of commissioners met with former fire chief Stephens in a commissioners meeting on December 11, 2017, to discuss his use of the bank funds and fuel card, and former fire chief Stephens acknowledged the monies were used for personal reasons. At that same commissioners meeting, the board of commissioners instructed former fire chief Stephens to either provide receipts for the purchases or pay back the amount spent for personal use. The board of commissioners then placed former fire Chief Stephens on probation. However, while on probation, former fire chief Stephens continued to use the bank accounts and fuel account for personal use. [Refer to Exhibit 6.]

Exhibit 6

12/13/2017 ATM/Debit Card Debit K MART 9629 TULLAHOMA TN #3481	182.60
12/18/2017 ATM/Debit Card Debit VZWRLSS PREPAID PYMNT LAKE MARY FL #3481	44.86
12/18/2017 Recurring Payment MICROSOFT *XBOXLIVE 08006427676 WA #3481	16.36

December 2018 former fire chief Stephens checking account purchases

DATE MM-DD	TIME	SITE ADDRESS	PROMPT INFO	TRAN CODE	ODOM.	PROD	UNITS	COST/ UNIT	FUEL \$
		PREVIOUS ODOMETER			900				
02-02	10:05	604 Da Winc TN		OP	900	UNL	17.923	2.399	43.00
02-06	06:52	604 Da Winc TN		OP	900	UNL	17.925	2.398	43.00
02-13	18:09	604 Da Winc TN		OP	900	UNL	17.101	2.339	40.00
02-18	08:33	604 Da Winc TN		OP	900	UNL	17.956	2.339	42.00
02-22	15:21	604 Da Winc TN		OP	900	UNL	17.804	2.248	40.04
PERIOD TOTALS					*****		88.709		208.04

February 2018 former fire chief Stephens fuel card charges

At the March 3, 2018 commissioners meeting, the board of commissioners elected a new fire chief (former fire chief Stephens was absent from the meeting). After this meeting closed, the board of commissioners reopened the meeting because former fire chief Stephens made an appearance. The minutes noted former fire chief Stephens deposited \$100 of his personal funds in the department's bank account. As a result of not providing receipts to document the purchases or paying back the

money spent for personal use, the board of commissioners told former fire chief Stephens they would inform Franklin County officials of former fire chief Stephens' personal use of department funds. Then the board of commissioners instructed former fire Chief Stephens to return all fire department property. After this meeting, a board commissioner and the current fire chief informed Franklin County officials of former fire chief Stephens' personal use of funds. Investigators were unable to reach former fire chief Stephens to discuss these questionable transactions.

The following table summarizes the questionable disbursement amounts noted in Finding 1, Sections A. through C.

	Description	Amount
A	Checking account disbursements	\$10,805
B	Cash Withdrawals	8,635
C	Fuel card disbursements	<u>853</u>
	Total	\$20,293
	Less Amount Paid Back	<u>100</u>
	Remaining Amount	<u>\$20,193</u>

FINDING 2 FORMER FIRE CHIEF STEPHENS USED THE DEPARTMENT LAPTOP COMPUTER FOR PERSONAL USE

During the period under examination, former fire chief Stephens used the fire department's laptop computer for personal use. The board of commissioners instructed former fire chief Stephens in the March 3, 2018, commissioners' meeting to return all fire department property. Former fire chief Stephens agreed he would return the fire department's laptop the next day; however, he did not return the laptop to the fire department. The laptop was obtained only after the current fire chief went to former fire Chief Stephens' residence on July 5, 2018, to retrieve the laptop.

We examined the contents of this laptop and determined former fire chief Stephens used the device for personal use. We found evidence former fire chief Stephens used chat services such as Omegle and Plenty of Fish, while downloading the movie Frozen, and searching the internet for Xbox hacks.

These matters were referred to the local district attorney general. On January 7, 2019, the Franklin County Grand Jury indicted former fire chief Jamie Lee Stephens was indicted on one count of Theft over \$10,000.

[Keith Springs Volunteer Fire Department Investigation Exhibit](#)

INTERNAL CONTROL AND COMPLIANCE DEFICIENCY

FINDING 3 THE TREASURER DID NOT RECONCILE THE BANK STATEMENTS ON A REGULAR BASIS

Our investigation revealed the KSVFD treasurer did not reconcile department bank statements on a regular basis. The treasurer stated “I get the bank statements and sometimes I just file them. I just put them in the file.” When we inquired if the treasurer reviews the bank statements monthly, the treasurer stated “Well I used to do it. I’ve been trying to get someone else to take it over. I don’t have time.” The treasurer then stated she would review the bank statements to prepare the expenditure report the department is required to file with the Comptroller’s Office by the end of every calendar year. The Comptroller of the Treasury’s *Internal Control And Compliance Manual For Governmental Entities And Other Audited Entities In Tennessee* provides that bank statements should be reconciled monthly and reviewed for appropriateness. Had this monthly reconciliation occurred, the misuse by former fire chief Stephens could have been discovered much earlier.
