



COMPTROLLER'S INVESTIGATIVE REPORT

Hawkins County Volunteer Fireman's Association

October 19, 2021

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

October 19, 2021

Officers of the Hawkins County Volunteer Fireman's Association
P.O. Box 444
Surgoinsville, TN 37873

Dear Officers:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Hawkins County Volunteer Fireman's Association, 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 3rd Judicial District, certain state legislators, and various other interested parties. A copy of the report is available for public inspection in our Office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jason E. Mumpower", with a long horizontal line extending to the right.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

Hawkins County Volunteer Fireman's Association

The Office of the Comptroller of the Treasury, in conjunction with the Hawkins County Sheriff's Department and the Tennessee Bureau of Investigation, investigated allegations of malfeasance related to the Hawkins County Volunteer Fireman's Association (association). The Comptroller's Office initiated the investigation after association officials identified and reported questionable disbursements. The investigation was limited to selected records for the period January 2016 through August 2020. The results of the investigation were communicated with the Office of the District Attorney General of the 3rd Judicial District.

BACKGROUND



The Hawkins County Volunteer Fireman's Association, a nonprofit organization incorporated in 1986, pools together eight volunteer fire departments, four municipal fire departments, and member first responder organizations in Hawkins County to obtain a reduced rate on insurance. The association pays for workers' compensation and the accident and sickness insurance premiums for its members. It also assists in organizing training for the fire departments and first responder organizations. The association, which is primarily funded by Hawkins County Government, is governed by officers who are elected annually by members.

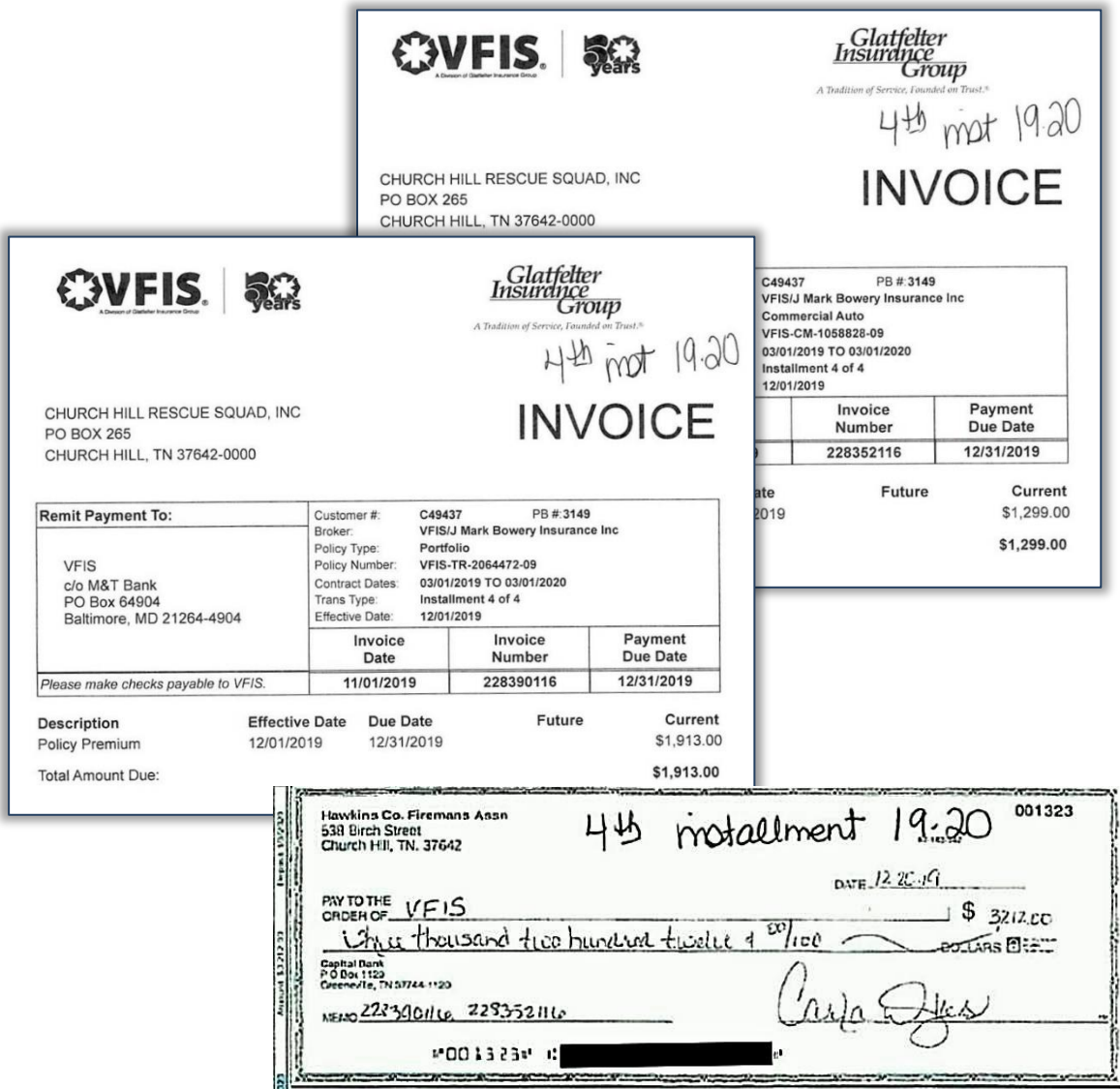
Carla Dykes served as treasurer for the association during the period reviewed. During her tenure with the association, she also served as the treasurer of the Church Hill Rescue Squad (rescue squad) where she engaged in an ongoing fraudulent purchasing scheme. Dykes' activities at the rescue squad are more fully addressed in a Comptroller Investigative Report – Church Hill Rescue Squad dated October 19, 2021, which may be accessed and viewed [here](#).

RESULTS OF INVESTIGATION

- 1. FORMER HAWKINS COUNTY VOLUNTEER FIREMAN'S ASSOCIATION TREASURER CARLA DYKES IMPROPERLY USED ASSOCIATION FUNDS TO PAY CHURCH HILL RESCUE SQUAD EXPENSES TOTALING AT LEAST \$22,808**

Former association treasurer Carla Dykes, without the authority or knowledge of the association officers, improperly used association funds to pay expenses of the Church Hill Rescue Squad totaling at least \$22,808. Beginning in 2016, Dykes began serving as treasurer for the association. At that time, she was also the treasurer for the rescue squad. Due to her fraudulent personal transactions using the rescue squad's bank account, the rescue squad was unable to meet its financial obligations. In an apparent effort to facilitate and effectively conceal her fraudulent scheme at the rescue squad, Dykes used association funds to pay rescue squad utility and insurance bills [Refer to Exhibit 1].

Exhibit 1



Top Invoice: Glatfelter Insurance Group, Church Hill Rescue Squad, INC, PO BOX 265, CHURCH HILL, TN 37642-0000. Invoice amount: 4th mt 19.20.

Middle Invoice: Glatfelter Insurance Group, Church Hill Rescue Squad, INC, PO BOX 265, CHURCH HILL, TN 37642-0000. Invoice amount: 4th mt 19.20.

Check: Hawkins Co. Firemans Assn, 538 Birch Street, Church Hill, TN. 37642. Amount: \$3,212.00. Date: 12.20.19. Memo: 228390116 228352116. Signature: Carla Dykes.

Invoice	Amount
Commercial Auto	\$ 1,299
Portfolio	1,913
Total	\$ 3,212

Dykes paid for rescue squad insurance with association funds

2. DYKES IMPROPERLY TRANSFERRED \$10,000 TO THE CHURCH HILL RESCUE SQUAD

Dykes, without the authority or knowledge of association officers, improperly wrote two checks to the rescue squad totaling \$10,000. At the time that Dykes made each unauthorized payment, the rescue squad had a deficit balance in its bank account. In an apparent effort to facilitate and effectively conceal her fraudulent purchasing scheme at the rescue squad, Dykes used association funds to supplement the rescue squad bank balance.

Dykes was removed from her position as treasurer by the association officers in August 2020.

Summary of Misappropriation by Dykes	
Misappropriation	Amount
Unauthorized payments of rescue squad expenses	\$ 22,808
Unauthorized payments to the rescue squad	10,000
Total	<u>\$ 32,808</u>

On October 15, 2021, Carla Marie Dykes pled guilty in the Criminal Court of Hawkins County to a criminal information charging her with two (2) counts of Class C Felony Theft of Property valued between \$10,000 - \$60,000, and was given a total concurrent suspended sentence of 6 years on supervised probation. As a condition of her sentence, Dykes was also ordered by the Court to pay restitution to the Hawkins County Volunteer Fireman's Association and to the Church Hill Rescue Squad.

[Hawkins County Volunteer Fireman's Association Investigative Exhibit](#)

INTERNAL CONTROL DEFICIENCIES

The Comptroller's investigation revealed the following deficiencies in internal controls, some of which contributed to the former treasurer's ability to perpetrate her misappropriation without prompt detection:

Deficiency 1: Association officers did not provide adequate oversight and duties were not segregated adequately

The association officers did not provide adequate oversight and did not separate incompatible financial duties. The treasurer had sole custody of the association bank statements, allowing her to make transactions without oversight. The officers are responsible for designing internal controls to give reasonable assurance of the reliability of financial reporting and the effectiveness and efficiency of operations. Separating financial duties and providing increased oversight reduces the risks that errors or intentional misappropriations will remain undetected.

Deficiency 2: Association officers did not require dual signatures on checks

The treasurer was the sole signature on association checks allowing her to complete transactions without oversight. Requiring two responsible officials to review and sign all checks reduces the risks that errors or intentional misappropriations will occur.

Deficiency 3: Association officers did not require adequate supporting documentation

The association officers did not require or retain adequate supporting documentation for some disbursements and other withdrawals. Requiring documentation, such as invoices or receipts, allows the officers to verify that all payments are proper.

Association officials indicated that they have corrected or will correct these deficiencies.
