



COMPTROLLER'S INVESTIGATIVE REPORT

East Polk Fire and Rescue Department

June 30, 2023

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

June 30, 2023

Polk County Executive
and Members of the County Commission
6239 US-411
Benton, TN 37307

Polk County Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the East Polk Fire and Rescue 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 10th 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 flourish extending to the right.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

East Polk Fire & Rescue Department

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to East Polk Fire & Rescue Department. The investigation was initiated after Polk County officials reported several concerns related to unauthorized use of department and county-owned assets. The investigation was limited to selected records for the period from January 1, 2020, through December 31, 2021. The results of the investigation were communicated with the Office of the District Attorney General of the 10th Judicial District.

BACKGROUND



The East Polk Fire & Rescue Department (department) was a volunteer fire department located in Copperhill, Tennessee. First incorporated as a 501(c)(3) non-profit entity on May 27, 1988, the department provided fire protection and emergency response services to the eastern portion of Polk County, including response to medical emergencies, motor vehicle accidents, rescue calls, and incidents involving hazardous materials. The department received most of its funding through Polk County and the neighboring City of Ducktown. Additionally, Polk County provided fuel to the

department by allowing vehicles to use the Polk County fuel station. A Board of Directors (board) governed the department, and department members elected officers to oversee the day-to-day operations.

The former department director began serving in his role on May 7, 2020, and he selected his girlfriend to serve as the department secretary/treasurer. The former director and the former secretary/treasurer maintained control of the department bank accounts from May 2020 to September 2020. A new treasurer was appointed by the board in July 2020 and subsequently received the department's financial records, checkbook, and debit cards in September 2020. The new board-appointed treasurer was added to the department accounts in January 2021. The former director continued to serve in his role without access to the department's bank accounts until May 19, 2022, at which point the board dissolved the East Polk Fire & Rescue department.

Investigators noted that a new volunteer fire department was established using the assets and former building of the East Polk Fire & Rescue department under the name of Copper Basin Fire & Rescue, and the new department is staffed by most of the remaining department volunteers and board members. The newly established Copper Basin Fire & Rescue Department serves the same region as the dissolved department.

RESULTS OF INVESTIGATION

1. THE FORMER DIRECTOR AND FORMER SECRETARY/TREASURER MISAPPROPRIATED DEPARTMENT FUNDS TOTALING AT LEAST \$553.85

Investigators determined that during the period from June 17, 2020, through September 18, 2020, the former director and former secretary/treasurer misappropriated the following amounts from the department's bank accounts:

- A. ATM Withdrawals and Fees:** The former director told investigators that the former secretary/treasurer made withdrawals from ATMs totaling \$271.00 to make unauthorized personal purchases for gas and cigarettes. **(Refer to Exhibit 1).**

							Exhibit 1
6/17/20	ATM WITHDRAWAL	105	FIVE POINTS DR	DUCKTOWN	TN	50.00	
6/29/20	ATM WITHDRAWAL	105	FIVE POINTS DR	DUCKTOWN	TN	20.00	
7/08/20	ATM WITHDRAWAL	105	FIVE POINTS DR	DUCKTOWN	TN	60.00	
7/08/20	ATM SERVICE CHARGE		ATM FEE			1.00	
7/13/20	ATM WITHDRAWAL	105	FIVE POINTS DR	DUCKTOWN	TN	20.00	
7/13/20	ATM WITHDRAWAL	105	FIVE POINTS DR	DUCKTOWN	TN	40.00	
7/15/20	ATM WITHDRAWAL	105	FIVE POINTS DR	DUCKTOWN	TN	50.00	
9/18/20	ATM WITHDRAWAL	105	FIVE POINTS DR	DUCKTOWN	TN	30.00	

ATM Withdrawals from the department's general fund.

- B. Personal Cell Phone Payment:** The former secretary/treasurer told investigators that the department made an unauthorized payment totaling \$171.09 for her personal cell phone.
- C. Personal Gas Station Purchases:** The former director told investigators that any purchases totaling \$84.49 from gas stations were made by the former secretary/treasurer for personal items such as gasoline and cigarettes.
- D. Personal Restaurant Purchase:** The former director told investigators that he used the department's debit card to purchase a personal meal at a restaurant totaling \$27.27.

Summary of Misappropriated Amounts		Amount
A.	ATM Withdrawals and Fees	\$ 271.00
B.	Secretary/Treasurer's Personal Cell Phone Payment	171.09
C.	Personal Gas Station Purchases	84.49
D.	Personal Restaurant Purchase	27.27
Total Misappropriated		\$ 553.85

The former director told investigators that he and the former secretary/treasurer reimbursed the department for the cost of the personal cell phone bill and personal restaurant purchase. However, investigators found that on the same day the former director and former secretary/treasurer paid the personal cell phone bill with department funds, \$192.00 was deposited into one of the department's bank accounts. However, the amount deposited (\$192.00) was less than the total spent on the personal cell phone bill and personal restaurant purchase and did not repay the misappropriated amounts in ATM withdrawals and fees, or the personal gas station purchases. Additionally, investigators were unable to determine whether the reimbursement deposit was made from the former director's and former secretary/treasurer's personal funds or donations received by the department.

2. THE FORMER DIRECTOR AND FORMER SECRETARY/TREASURER MADE QUESTIONABLE DEPARTMENT PURCHASES TOTALING AT LEAST \$689.05

Investigators determined that during the period from May 28, 2020, through July 23, 2020, the former director and former secretary/treasurer made questionable purchases from the department's bank accounts:

- A. Checks to the Former Director and Former Secretary/Treasurer:** The former director and former secretary/treasurer told investigators that on three occasions, they wrote checks for cash to themselves totaling \$323.43 to purchase items such as cleaning products and office supplies, because the department did not have a debit card at the time of these purchases. However, for two of the three checks, the former director and former secretary/treasurer did not retain sufficient documentation to support that related purchases were for department supplies. The former director provided a receipt for one check that appeared to be a department-related purchase, but the bank statements reflect that the former director never returned the change from the purchase to the department's bank account.
- B. Purchases from Retail and Grocery Stores:** The former secretary/treasurer told investigators that purchases totaling \$365.62 from retail and grocery stores were for supplies and "rehab," or drinks and snacks for firefighters dispatched to service calls. However, the former director admitted that on one occasion, the former secretary/treasurer comingled the purchase of department supplies and personal items. Additionally, the former director and former secretary/treasurer did not retain sufficient documentation to support that related purchases were for department supplies.

Summary of Questionable Disbursements		Amount
A.	Checks Written to Former Director and Former Secretary/Treasurer	\$ 323.43
B.	Retail and Grocery Store Purchases	365.62
Total Questionable		\$ 689.05

3. THE FORMER DIRECTOR PERMITTED THE FORMER SECRETARY/TREASURER TO USE THE DEPARTMENT VEHICLE FOR PERSONAL USE

The department owned a Toyota Sequoia that was assigned to the former director as a take-home vehicle. The former director and former secretary/treasurer told investigators that although the Toyota Sequoia was assigned to the director, the former secretary/treasurer drove the former director's work-assigned vehicle for personal use. The department assigned the former director a Toyota Sequoia when he assumed his role in May 2020. Both the former director and the former secretary/treasurer told investigators that the former secretary/treasurer would sometimes drive the department vehicle between her residence and her full-time occupation which was separate and apart from the department.

The former director told investigators that the former secretary/treasurer was designated on the county approved driver list for the purpose of insurance. However, investigators obtained and reviewed the approved driver list the department provided to Polk County for calendar years 2020 and 2021 and determined that the former secretary/treasurer was not added to the approved driver list until March 2021. Permitting unauthorized drivers to use official department vehicles increases legal liabilities to both the department and Polk County.

Additionally, department officials did not mark the vehicle assigned to the director with department insignia. (**Refer to Exhibit 2**). Marking the department's vehicles with department insignia would assist in official identification and detection of possible misuse.

Exhibit 2



The Toyota Sequoia assigned to the former fire department director.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed deficiencies in internal controls and compliance, some of which contributed to the former director's and former secretary/treasurer's ability to misappropriate funds. These deficiencies included:

Deficiency 1: Department officials failed to retain supporting documentation for the disbursement of department funds

Department officials failed to require and retain adequate supporting documentation for the disbursement of department funds. Due to the lack of supporting documentation, department officials did not reconcile the purchasing card transactions with corresponding invoices. Requiring documentation, such as invoices or receipts, allows department officials to verify that purchases and/or payments are proper and reasonable. Failure to retain and review supporting documentation for purchases increases the risk that errors or misappropriations could occur without prompt detection.

Deficiency 2: The board failed to provide financial oversight of department operations

The board failed to provide financial oversight of department operations. The board did not review or approve key financial information for the department, such as bank statements or bank reconciliations. Investigators also determined that the department did not have written policies or procedures documenting:

- nepotism or conflicts of interest;
- purchasing/disbursement from department accounts;
- cash handling;
- board approvals for large purchases;
- vehicle assignments;
- appropriate use of department vehicles; and
- inventory of vehicles and other equipment

The lack of official policies increases the risk of improper use or misappropriation of department funds.

Deficiency 3: The board failed to establish adequate controls over the use of the county fuel filling station and fuel keys

The board failed to establish adequate controls over the use of the county fuel filling station, including developing and adopting a fuel use policy, and updating the assignment of the county fuel filling station fuel keys. The lack of adequate controls over fuel access and use increases the risk of fuel theft. A fuel use policy establishes controls over the appropriate fuel usages. Additionally, department officials should maintain fuel logs for all department vehicles, and should document who made the purchase, the time, amount, and purpose of each purchase. Finally,

the department should establish control over and document who has possession of its assigned county fuel keys and inform the appropriate county official when changes occur.

Deficiency 4: Department officials failed to submit annual financial reports with the Comptroller of the Treasury

Based upon a review of the Comptroller of the Treasury’s database of annual financial reports for volunteer fire departments, investigators determined that department officials did not submit required annual financial reports. Since 2015, volunteer fire departments receiving government appropriations are required to submit annual financial reports to the Comptroller of the Treasury. However, between 2015 through the department’s dissolution in 2022, department officials did not submit required annual financial reports to the Comptroller of the Treasury. According to Tenn. Code Ann. § 68-102-309,

“The governing board of each recognized volunteer fire department receiving appropriations from the federal government, the state, a county, or a municipality, either directly or indirectly, shall file an annual financial report with the comptroller of the treasury and with each local government body from which the department received appropriations...”

The board should ensure that annual financial reports are filed appropriately with the Comptroller of the Treasury.
