



COMPTROLLER'S INVESTIGATIVE REPORT

Cocke County Library Board and Stokely Memorial Library

February 27, 2026

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

February 27, 2026

Cocke County Library Board of Trustees
383 East Broadway Street
Newport, TN 37821

Cocke County Library Board Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Cocke County Library Board and Stokely Memorial Library, 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 4th 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

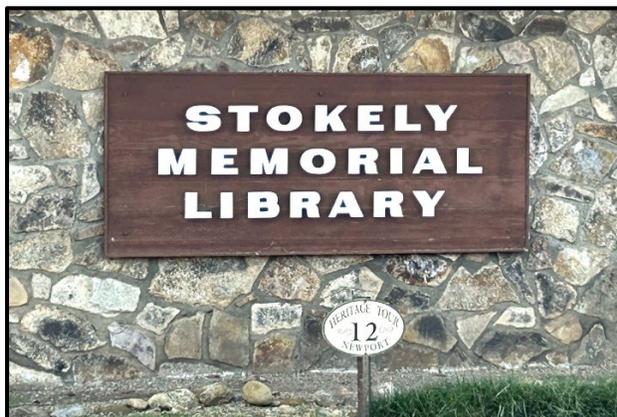
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INVESTIGATIVE REPORT

Coke County Library Board and Stokely Memorial Library

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Coke County Library Board and Stokely Memorial Library. The investigation was limited to selected records for the period October 1, 2023, through September 30, 2025. The results of the investigation were communicated with the Office of the District Attorney General of the 4th Judicial District.

BACKGROUND



The Coke County Library Board (board) is a member of the Holston River Regional Library System and provides services to four libraries in Coke County (county): Cosby Community Library, Marie Ellison Memorial Library, Parrottsville Community Library, and Stokely Memorial Library (SML). The board consists of seven members: three from the City of Newport, one each from the City of Parrottsville, Cosby, and Del Rio, and one at-large member. Board officers include a chairman, vice-chairman, secretary, and treasurer. The county and local municipalities

make annual contributions to the board to support library operations. During the investigative period, the county and board operated under a memorandum of understanding (MOU) that the county would provide bookkeeping and payroll services for the board, revenue would be subject to a trustee's commission, and the board would follow all county purchasing policies and procedures. The board's accounting records were not included as part of the county's annual financial audit or audited separately during the investigative period. Effective September 30, 2025, the county and board terminated the MOU.

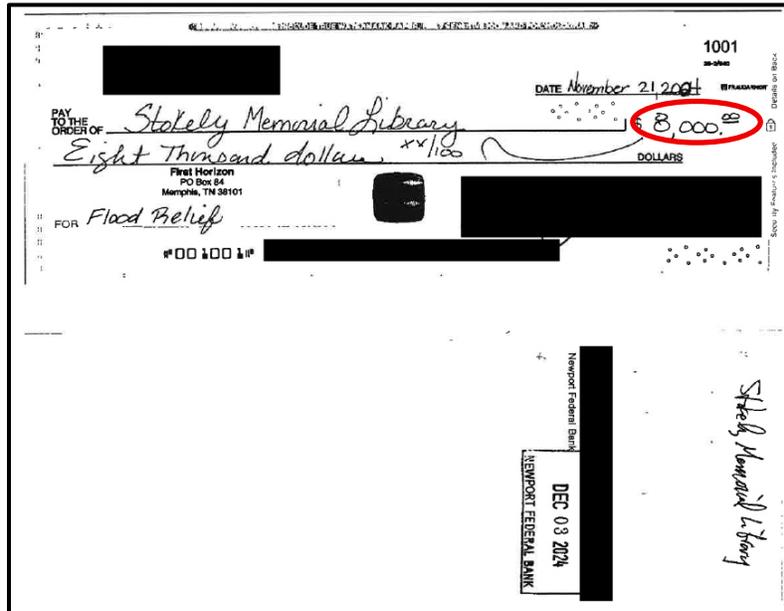
In late September 2024, Hurricane Helene severely damaged numerous properties in the county including the SML. On December 8, 2025, the SML partially reopened following flood-related renovations funded by state grants and private donations.

RESULTS OF INVESTIGATION

- 1. THE COCKE COUNTY LIBRARY BOARD CHAIRMAN DIVERTED \$77,207.29 IN PRIVATE DONATIONS FOR STOKELY MEMORIAL LIBRARY FLOOD RELIEF TO AN UNAFFILIATED NONPROFIT FOUNDATION WITHOUT BOARD AUTHORIZATION**

On October 25, 2024, the Kiwanis Club of Newport Foundation (foundation) president, who also serves as the city administrator for the City of Newport, opened a foundation bank account for the benefit of the SML, listing himself and the board chairman, also a member of the foundation, as authorized signers. From October 25, 2024, through September 30, 2025, the board chairman, without board authorization, deposited 20 flood relief donations totaling \$77,207.29 into the foundation bank account instead of with the county trustee. Most of the donations were made by checks payable to the SML or the board (**Refer to Exhibit 1**). During this period, the board chairman also issued 20 checks and one electronic payment from the foundation bank account totaling \$25,091.08, which were not authorized by the board and circumvented the county purchasing policy and approval process. Although four payments lacked supporting documentation, it appears that all payments from the foundation bank account supported the SML flood relief renovation efforts. The board did not receive any financial reports, disclosures, or other communications regarding the foundation bank account activity, nor did the board approve its existence. As of September 30, 2025, after accounting for \$18.82 in interest earned, the foundation bank account had \$52,135.03 available for SML's use.

Exhibit 1



1001
DATE November 21, 2024 PAY TO THE ORDER OF Stokely Memorial Library \$ 8,000.00
Eight Thousand dollar DOLLARS
FOR Flood Relief
First Horizon
PO Box 84
Memphis, TN 38101
Newport Federal Bank
DEC 03 2024
Stokely Memorial Library

TENDER	Currency	
	Coin	
	EL	
CHECKS		<u>1500</u>
		<u>8000</u>
TOTAL HANDED TO TELLER		
CASH RETURNED TO CUSTOMER		
NET DEPOSIT		<u>9500</u>

NEWPORT FEDERAL BANK
SAVING/CHECKING ACCOUNT
 Deposit/Credit Withdraw/Debit
Account # [REDACTED]
Customer Name Kiwanis
DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL
Ph. 901.444.1111 TOLL FREE 800.444.1111
11000 N. Main St. Memphis, TN 38104
A MEMBER OF THE FIRST HORIZON BANK GROUP
Member FDIC

Customer Signature X
I HEREBY REQUEST TO WITHDRAW FROM SAVING/CHECKING ACCOUNT

5555551111

An \$8,000 donation check written to SML for "Flood Relief" but deposited into the foundation bank account on December 3, 2024

According to the *Cocke County Library Board Code of Ethics*: “As a Library Board member, I agree that my responsibilities are limited to making policy, planning and goal setting, adopting budgets, authorizing payments, serving on Board work committees, evaluating the Directors, and encouraging effective service programs. More specifically, I realize that my responsibilities are to...Recognize that **authority rests with the whole Board assembled in public meetings** (emphasis added); therefore, I shall make no personal statements or promises **nor take any private action** (emphasis added) that may compromise the Board.”

The board chairman acted outside these responsibilities by taking private actions and preventing proper segregation of financial duties. He maintained exclusive control over receipting, depositing, and expending funds without oversight, which allowed him to divert donations, make unauthorized payments, and circumvent the county purchasing and approval process. Such practices significantly increase the risk that fraud, waste, or abuse could occur without prompt detection. Any remaining donations to the SML or the board in the foundation bank account should be returned to the board and spent as authorized by the full board.

Summary of Foundation Bank Account Activity 10/25/2024 through 9/30/2025			
Payee	Transactions	Amount	Total
Donations			
Stokely Memorial Library	16	\$ 42,207.29	
Cocke County Library Board	1	\$ 5,000.00	
Kiwanis Club of Newport Foundation *	3	\$ 30,000.00	
Total Donations	20		\$ 77,207.29
Payments			
Various	21	\$ (25,091.08)	
Total Payments			\$ (25,091.08)
Total Interest Earned			\$ 18.82
Available Balance 9/30/25			\$ 52,135.03

**These SML flood relief donations were required to be made to an organization recognized as tax-exempt under Section 501(c)(3) of the Internal Revenue Service Code*

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed deficiencies in internal control and compliance, some of which contributed to the investigative finding above. These deficiencies included:

Deficiency 1: The Kiwanis Club of Newport Foundation and Cocke County Library Board did not execute a fiscal sponsorship agreement for the Stokely Memorial Library flood relief donations

The foundation and board did not execute a fiscal sponsorship agreement for the SML flood relief donations. A fiscal sponsor is a tax-exempt nonprofit and generally has a similar mission to a planned charitable project. The best practice is for the fiscal sponsor to execute a written agreement with a group of donors or other entity performing the project and to define key terms, roles, responsibilities, financial management procedures, reporting requirements, and termination clauses for all parties. Under the agreement, the fiscal sponsor agrees to accept the administrative and fiduciary responsibilities of receiving charitable gifts on behalf of the sponsored project, as well as sending donor acknowledgements and reporting income and expenditures in its own financial records. The absence of a fiscal sponsorship agreement increases the foundation's risk of noncompliance with Internal Revenue Service 26 U.S.C.A. 501(c)(3) regulations.

Deficiency 2: The Cocke County Library Board did not operate with the appropriate number of members

As required by Tenn. Code Ann. § 10-3-103(b)(1) and the *Cocke County Library Board Handbook*, the board consists of seven members: three from the City of Newport, one each from the City of Parrottsville, Cosby, and Del Rio, and one at-large member. However, for over a year, the board operated with only six members and lacked representation from Cosby. In addition, one member from the City of Newport missed three consecutive meetings and five of seven board meetings for fiscal year ended 2025.

According to the *Cocke County Library Board Code of Ethics*, "...I realize that my responsibilities are to... Understand that, if I miss three consecutive regular Board meetings unless providentially hindered, I become disqualified as a Board member and shall submit my resignation." Furthermore, the *Bylaws of the Cocke County Library Board* state, "A member failing to attend at least fifty (50) percent of the meetings in a fiscal year shall thereby vacate his membership, and the appointing body shall appoint a new member to fill the unexpired term." The board should consist of seven members, including one from Cosby, Tennessee, and any board member who misses more than three consecutive meetings or fails to attend at least fifty percent of the meetings should resign.

Deficiency 3: The Cocke County Library Board members did not complete the Tennessee Trustee Certification Program

As of August 27, 2025, four of the six board members had not completed the *Tennessee Trustee Certification Program*, an online certification for public library board trustees provided by the Tennessee Library & Archives, which gives instruction in such areas as finance, policies and bylaws, planning, personnel, and advocacy. According to the Tennessee Secretary of State's *Tennessee Standards for Public Libraries in the Regional Library System* manual, "By the end of their first year, library board members will have completed the Tennessee Certification Program." The lack of training by board members weakens board knowledge of responsibilities, weakens internal controls, and increases the risk of fraud and misappropriation.

Deficiency 4: The Cocke County Library Board did not prepare a written and itemized annual budget

During the investigative period, the board did not prepare a written and itemized annual budget, as required by the Tennessee Secretary of State's *Tennessee Standards for Public Libraries in the Regional Library System* manual. The budget is needed to set annual revenues and spending limits, to monitor revenues and spending limits monthly, and for funding to enable libraries to meet public library standards.

Deficiency 5: The Cocke County Library Board did not deposit funds within three days of collection

In addition to the donations diverted to the foundation mentioned in the investigative finding above, the board did not deposit other funds with the county trustee within three days of collection, including \$58,103.27 of state grant funds and \$1,525 raised on a crowdfunding website, as is standard business practice. Because the board failed to verify its crowdfunding account and transfer the funds in a timely manner, \$1,525 was automatically refunded to the donors. The delay in depositing funds weakens internal controls over collections and increases the risk of fraud and misappropriation.

Deficiency 6: Cocke County and the Cocke County Library Board had inadequate internal controls over disbursements

Investigators identified the following deficiencies in internal controls over disbursements:

A. The county and board did not follow purchasing policies for all disbursements:

1. Required quotes and board approval were not always obtained.
2. Invoices were not available for four foundation disbursements totaling \$1,514.22.
3. Several purchase orders were requested after work was completed.
4. Multiple disbursements were greater than the approved purchase order amount.
5. Purchase orders were not requested for disbursements from the foundation account; therefore, investigators could not determine if the board encumbered any outstanding commitments.

B. The county and foundation inadvertently issued payments for the same invoices totaling \$260.

The county addressed the board regarding the importance of following established county purchasing policies and provided specific examples of noncompliance. This discussion highlighted the risks of bypassing procedures, including the potential for disallowed grant reimbursements. Internal controls over disbursements are critical for ensuring compliance with purchasing policies, preventing unauthorized or excessive spending, and avoiding duplicate payments.

Deficiency 7: Cocke County and the Cocke County Library Board were unable to provide complete and accurate financial statements

The county and the board were unable to provide investigators with complete and accurate board financial statements for fiscal years 2024 and 2025. Investigators identified accounting

inaccuracies for restricted funds and accounts receivable, as well as misclassifications of certain transactions between general ledger accounts. In addition, the board did not furnish a report to the county or city legislative bodies at the first meeting of each fiscal year, setting forth its capital and operational receipts and expenditures for the preceding fiscal year, as required by Tenn. Code Ann. § 10-3-111. Incomplete and inaccurate financial records and the lack of furnishing financial reports to legislative bodies create risks of poor operational decisions, cash flow problems, grant award refunds, and other issues.

The board indicated that they have corrected or intend to correct these deficiencies.
