

INVESTIGATIVE REPORT

SELECTED RECORDS OF THE RICKMAN VOLUNTEER FIRE DEPARTMENT



November 13, 2014



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
FINANCIAL AND COMPLIANCE INVESTIGATIONS**

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November 13, 2014

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Board of County Commissioners
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Ladies and Gentlemen:

We performed an investigation of selected records of the Rickman Volunteer Fire Department (RVFD) for the period January 1, 2011, through February 28, 2014. The investigation revealed the following deficiencies:

- Volunteer firemen received personal loans totaling \$1,250.
- Cash collections were missing from the fire chief's personal vehicle.
- Deficiencies were noted in the operations of the fire department.
- Non-profit statuses could not be verified.

The findings and recommendations as a result of our investigation are presented below. These findings and recommendations have been reviewed with management to provide an opportunity for their response. Management's responses have been paraphrased in this report. Also, these findings and recommendations have been reviewed with the district attorney general for the Thirteenth Judicial District.

BACKGROUND

Since 2009, Overton County government has made an annual contribution of \$96,000 to the local Fire Chiefs Association of Overton County (FCAOC), which in turn distributes the contribution equally to the twelve volunteer fire departments within the county as provided by the FCAOC bylaws. The RVFD received contributions from the FCAOC, federal grants, donations from citizens, collections from various fund-raising events, and insurance payments for certain emergency calls. The current fire chief of the RVFD is also the FCAOC's chairman.

During the period examined, our office was unable to obtain documentation supporting the amounts paid from the FCAOC to the RVFD for fiscal year 2014, or verify RVFD's deposits of these funds. We were also unable to obtain documentation supporting the amount of collections from donations and fundraising events for the RVFD. We did verify that RVFD received \$24,000 from Overton County for 2011-2013, \$354,616 in grants from the Federal Emergency Management Agency, and \$5,315.94 in insurance payments for emergency calls for the period examined. We examined supporting documentation for disbursements totaling \$457,620 made by the RVFD for the period examined.

Rickman Volunteer Fire Department



INVESTIGATIVE FINDINGS AND RECOMMENDATIONS

FINDING 1 **CHECKS TOTALING \$1,250 WERE ISSUED TO MEMBERS OF THE RICKMAN VOLUNTEER FIRE DEPARTMENT FOR PERSONAL LOANS**

Our investigation revealed that beginning at least in January 2011, and continuing through April 2013, seven checks totaling \$1,250 were issued by the Rickman Volunteer Fire Department (RVFD) to various department members for personal loans. These personal loans ranged from \$50 to \$400.

Comptroller investigators were presented with no documentation to support the repayment of these personal loans since the repayments were purportedly made in cash. Therefore, we could not determine if the loans had been repaid to the RVFD. ¹

Volunteer fire department funds should not be used for the personal benefit of volunteer members. The following table summarizes the RVFD funds used for loans to department members:

	Check			
Date	Number	Payee	Amount	
1-24-11	2201	Tim Porter - Fireman	\$ 200	
12-16-11	2314	Tim Porter - Fireman	400	
12-31-11	2315	Josh Nave - Fireman	100	
1-10-12	2325	Gary Ballard - Fireman	200	
1-10-12	2326	Tim Hewitt - Fireman	100	
1-25-12	2328	Josh Nave - Fireman	200	
4-1-13	2486	Tim Hewitt - Fireman	50	
Total			\$ 1,250	

RECOMMENDATION

Management should take immediate steps to determine if all loans made to volunteer members have been repaid to the department. Volunteer fire department funds should not be loaned to its members.

¹ Deposit slips with handwritten notes by the treasurer noting a cash deposit as a loan repayment were found; however, these were not considered adequate support.

MANAGEMENT'S RESPONSE – CHARLES R. NEAL, CHIEF

These loans were made in emergencies with needs ranging from groceries, sickness, and death out of state. Although I did not give receipts to the person, I can only give my word that every penny was paid back to the department.

FINDING 2 **COLLECTIONS WERE MISSING FROM THE FIRE CHIEF'S PERSONAL VEHICLE**

On October 30, 2012, the fire chief discovered that a money bag and cash totaling approximately \$570 was missing from his unlocked personal vehicle parked at the fire department. As a result, the fire chief filed an incident report with the Overton County Sheriff's Department. Based on discussions with the fire chief, the missing cash was collections from a concession stand for a fundraiser for the fire department. The fire chief advised that he placed the funds in his unlocked personal vehicle until he could make a bank deposit. The investigation conducted by the Sheriff's Department did not recover the money bag and cash, or identify any suspects. No receipts or other documentation supporting the amount of missing collections were found.

RECOMMENDATION

Collections should be locked in a secure location pending deposit. Concessions collections should be verified by two individuals at the close of business.

MANAGEMENT'S RESPONSE – CHARLES R. NEAL, CHIEF

There was a money pouch stolen from my personal truck that I had not had time to deposit in the bank. The money was taken in on Saturday and stolen on Sunday when I forgot to lock my truck, as the police report said.

FINDING 3 **THE RICKMAN VOLUNTEER FIRE DEPARTMENT HAD DEFICIENCIES IN OPERATIONS**

Our investigation revealed the following internal control and compliance deficiencies in the Rickman Volunteer Fire Department (RVFD). These deficiencies can be attributed to a lack of management oversight and inadequate maintenance of accounting records.

- A. Duties related to the RVFD were not segregated adequately among its members. The member responsible for maintaining records was also involved in collecting, depositing, and/or disbursing funds. Allowing one member complete control over a financial transaction increases the risk of fraud.

- B. Transactions were not included in an official cash journal or other type of accounting system. An official cash journal or other type of accounting system should be the department's control record and should reflect all financial activity.
- C. Receipts were not issued for collections. Therefore, we could not determine if all funds donated by Overton County, outside parties, and fundraisers were remitted to the RVFD.
- D. Checks require a signature from both the fire chief and department treasurer. However, some checks were signed in advance of purchase by the department treasurer.
- E. Supporting documentation could not be found for numerous disbursements for purchases, services, and employee reimbursements.
- F. The RVFD maintains a petty cash fund for the purchase of soft drinks. Department members purchase soft drinks, and proceeds are to be used to replenish the soft drink inventory. We noted several disbursements were made with petty cash funds other than purchasing soft drinks. Supporting documentation could not be found for some of these disbursements.
- G. Some purchases were made with cash withheld from fundraiser collections instead of being purchased with checks.

RECOMMENDATION

Duties should be segregated to the extent possible using available resources. All transactions should be posted to an official cash journal or other type of accounting system. Official prenumbered receipts should be issued for all collections. Checks should contain two authorizing signatures and should not be signed in advance. Supporting documentation should be maintained for all disbursements. The RVFD should adopt written guidelines governing the use, distribution, and safeguard of petty cash funds. Cash should not be withheld from fundraiser collections. All fundraiser collections should be deposited in the bank, and purchases made with an official check.

MANAGEMENT'S RESPONSE – CHARLES R. NEAL, CHIEF

I am trying to address the practices of accounting. No one person can handle money, two signatures will be used, and a ledger will be kept from this point.

FINDING 4

NONPROFIT STATUSES COULD NOT BE VERIFIED

Each year, Overton County contributes funds to the Fire Chiefs Association of Overton County (FCAOC) of Overton County to help fund the 12 volunteer fire departments within the county including the RVFD. Section 5-9-101(23), *Tennessee Code Annotated*, states that county legislative bodies may appropriate funds to nonprofit volunteer fire departments or nonprofit county-wide fire departments. We were unable to verify the nonprofit status of both the FCAOC and the RVFD with the Tennessee Secretary of State or the Internal Revenue Service (IRS). Therefore, we could not determine if county appropriations for fire prevention were in compliance with state statutes or if individuals' contributions were tax deductible.

RECOMMENDATION

Overton County should verify the nonprofit status of the FCAOC and the RVFD with the State of Tennessee, Secretary of State, and the IRS to ensure compliance with state statutes and IRS rules.

MANAGEMENT'S RESPONSE – CHARLES R. NEAL, CHIEF

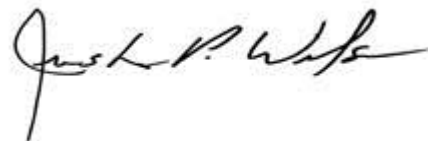
I am working to get the department reinstated to non-profit status.

MANAGEMENT'S RESPONSE – BEN DANNER, OVERTON COUNTY EXECUTIVE

We will have our attorney review and determine whether Section 5-9-101(23), *Tennessee Code Annotated*, applies to the Overton County Fire Chief's Association alone, or in conjunction with each volunteer fire department. We will require proof of non-profit status from the Secretary of State's office and the Internal Revenue Service before dispersing funds.

If you have any questions concerning the above, please contact this office.

Sincerely,



Justin P. Wilson
Comptroller of the Treasury

JPW/kbh