



COMPTROLLER'S INVESTIGATIVE REPORT

Clinch Valley Volunteer Fire Department

September 15, 2020

Justin P. Wilson
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JUSTIN P. WILSON
Comptroller

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September 15, 2020

Clinch Valley Volunteer Fire Department
Chief and Officers
1165 Clinch Valley Road
Eidson, TN 37731

Chief and Officers:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Clinch Valley 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 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 black ink, appearing to read "Justin P. Wilson".

Justin P. Wilson
Comptroller of the Treasury

JPW/MLC

INVESTIGATIVE REPORT

Clinch Valley Volunteer Fire Department

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Clinch Valley Volunteer Fire Department (VFD). This investigation was limited to selected records from December 6, 2016 through August 19, 2019. The results of the investigation were communicated with the Office of the District Attorney General of the 3rd Judicial District.

BACKGROUND



The Clinch Valley VFD was founded in 1979 and provides fire and emergency services to the community of Eidson and surrounding areas of Hawkins County. The VFD is a nonprofit corporation funded by a combination of donations and contributions, primarily from Hawkins County government and individual residents. The VFD is governed by a five-member board with its chief as acting president. The board and active members of the VFD appoint the chief.

The former chief became interim chief on December 6, 2016, active chief on January 11, 2017 and resigned on August 19, 2019. According to board minutes, the chief planned to retire from the VFD several months before the start of the investigation.

The VFD board and members authorized the following measures related to fuel use during the period examined:

- June 13, 2017 - discussed and authorized the use of fuel reimbursement sheets.
- August 1, 2017 - authorized members to receive \$10 per trip to cover fuel costs for VFD business while using their personal vehicle.
- July 11, 2019 - authorized to pay the chief's fuel costs for six trips to repair the inoperable VFD brush truck.

During the period reviewed, the VFD used three diesel trucks as its primary fire and emergency vehicles. The VFD also had a brush truck and tools and equipment that used gasoline, although the brush truck was inoperable during most of the period reviewed.

RESULTS OF INVESTIGATION

- **THE VFD MADE UNDOCUMENTED GASOLINE PURCHASES TOTALING AT LEAST \$2,501.14**

Investigators reviewed selected VFD records for the period and found undocumented gasoline purchases charged to VFD accounts totaling at least \$2,501.14. The VFD likely paid for additional gasoline purchases during the period, but investigators could not verify such purchases due to inadequate supporting documentation.

VFD personnel did not complete fuel reimbursement sheets or fuel logs; therefore, investigators could not determine that all fuel purchases were for the benefit of the VFD. The VFD purchased fuel at least 145 times totaling \$4,509.33, of which 109 were gasoline purchases and 36 were diesel purchases. The VFD's undocumented gasoline purchases consisted of at least 55% of their total fuel purchases. Of the 109 gasoline purchases, 29 were \$10 transactions, as authorized in board minutes, and 80 ranged from \$9.82 to \$91.89 per transaction. The following table summarizes undocumented gasoline purchases during the period:

Summary of Undocumented VFD Gasoline Purchases					
Month	2016	2017	2018	2019	Total
January	\$ -	\$ 115.34	\$ 25.00	\$ 60.00	\$ 200.34
February	-	50.90	30.00	134.01	214.91
March	-	94.26	91.32	90.59	276.17
April	-	32.90	43.01	43.00	118.91
May	-	88.59	76.99	143.94	309.52
June	-	60.17	12.17	105.00	177.34
July	-	27.28	33.57	266.54*	327.39
August	-	36.31	68.48	101.83	206.62
September	-	75.60	84.70	-	160.30
October	-	35.00	-	-	35.00
November	-	76.91	64.37	-	141.28
December	<u>91.89</u>	<u>124.35</u>	<u>117.12</u>	<u>-</u>	<u>241.47</u>
Total	<u>\$ 91.89</u>	<u>\$ 817.61</u>	<u>\$ 646.73</u>	<u>\$ 944.91</u>	<u>\$2,501.14</u>

*The large amount of July 2019 purchases was likely due to six trips authorized by the board on July 11, 2019, to repair the brush truck; however, investigators could not determine which fuel purchases were attributable to that purpose.

The former chief told investigators that he purchased some of the gasoline for his personal vehicle; however, he did not purchase all the gasoline used by the VFD. He stated multiple VFD members

had access to fuel cards, which allowed them to purchase fuel from a local business; however, there was no documentation to identify who possessed the cards at any given time or who made fuel purchases. The former chief stated he made gasoline purchases from various businesses for trips to conduct VFD business, use in the VFD brush truck and equipment and to have his personal vehicle fueled for emergency calls. He stated that, because of his personal and financial issues, he began to use VFD funds to fuel his personal vehicle approximately once a month near the end of his tenure. According to the former chief and certain officers, the board informally approved the chief's use of VFD funds to purchase gasoline for his personal vehicle in lieu of driving a VFD owned vehicle for travel on emergency calls. They also stated such purchases were allowed before the former chief's tenure, and approval was likely not documented in board minutes. Due to a lack of internal controls over fuel and supporting documentation for fuel purchases, investigators could not determine the use and appropriateness of fuel purchased during and prior to the former chief's tenure.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed the following deficiencies in internal control and compliance, some of which contributed to the VFD's undocumented fuel purchases:

Deficiency 1: The VFD board did not establish adequate controls over fuel purchases and use

The VFD board did not establish adequate controls over fuel purchases and use, including developing and adopting a fuel use policy, using fuel logs in vehicles, and using board approved expense reimbursement sheets. The lack of adequate controls over fuel increases the risk of fuel theft. A fuel use policy establishes controls over fuel purchases and its appropriate use. VFD officials should maintain fuel logs for all VFD vehicles, and should document the time, amount, and purpose of each purchase. Fuel cards or fuel accounts should not be used to buy fuel for personal vehicles. VFD officials should reimburse members who use their personal vehicles for VFD business by check and should use fuel reimbursement sheets to document the purpose of all fuel reimbursement payments to VFD members. Finally, the VFD should control and document who has possession of its fuel cards.

Deficiency 2: The VFD board did not segregate duties adequately

The VFD board failed to adequately segregate duties among its members. The board members responsible for maintaining records were also involved in collecting, depositing, and/or disbursing funds. Sound business practices dictate that the board is responsible for designing internal controls to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. Allowing one board member complete control over a financial transaction increases the risk of fraud.

Deficiency 3: The VFD board did not maintain accounting records properly

The VFD's board did not account for all transactions properly in an official accounting system. As a result, their accounting system did not provide a credible and complete record of VFD transactions and balances. An official accounting system should be the VFD's control record and should reflect all financial activity, which allows for accurate budgeting and financial reporting.

Deficiency 4: The VFD board did not reconcile bank accounts

The VFD board did not reconcile bank accounts with accounting records. The reconciliation of bank statements and the monthly preparation of accurate lists of outstanding checks are necessary procedures to ensure that all collections and disbursements are recorded accurately in the accounting records. The board failed to ensure that accounting records were properly maintained and reconciled. Performing bank reconciliations likely would have prevented \$148 in overdraft charges in January 2018.

Deficiency 5: The VFD board did not require dual signatures on checks

The VFD board did not require dual signatures on checks. Requiring dual signatures on checks provides evidence that more than one individual verified the check payment was both appropriate and reasonable.

Deficiency 6: The VFD board did not maintain supporting documentation for many disbursements

The VFD board did not require or retain adequate supporting documentation for many disbursements and other bank withdrawals. Requiring documentation, such as invoices or receipts, allows board members to verify that the payment is proper and reasonable. Investigators found no supporting documentation (e.g. receipts or invoices) for 93 of 138 check disbursements examined during the period. In addition, VFD officials could not provide supporting documentation for the use of \$990.21 from cash withdrawals or checks written to cash. VFD officers stated most of the cash was used for change at fundraisers and holiday dinner expenses; however, due to a lack of supporting documentation, investigators could not determine if these funds were properly used or redeposited into the VFD bank account.

Deficiency 7: The VFD board did not ensure that prenumbered receipts were issued or fundraiser collections were documented properly

The VFD officials did not issue prenumbered receipts for collections. Therefore, investigators could not determine if all funds donated or collected from fundraisers were remitted to the VFD. In addition, investigators found no cash counts or other documentation confirming amounts collected for fundraisers. Therefore, investigators could not verify that all fundraiser collections and related cash used for change were properly deposited into a VFD bank account. Adequate documentation of collections increases accountability and reduces the risk of funds being misused or misappropriated.

VFD officers indicated they have corrected or will correct these deficiencies.