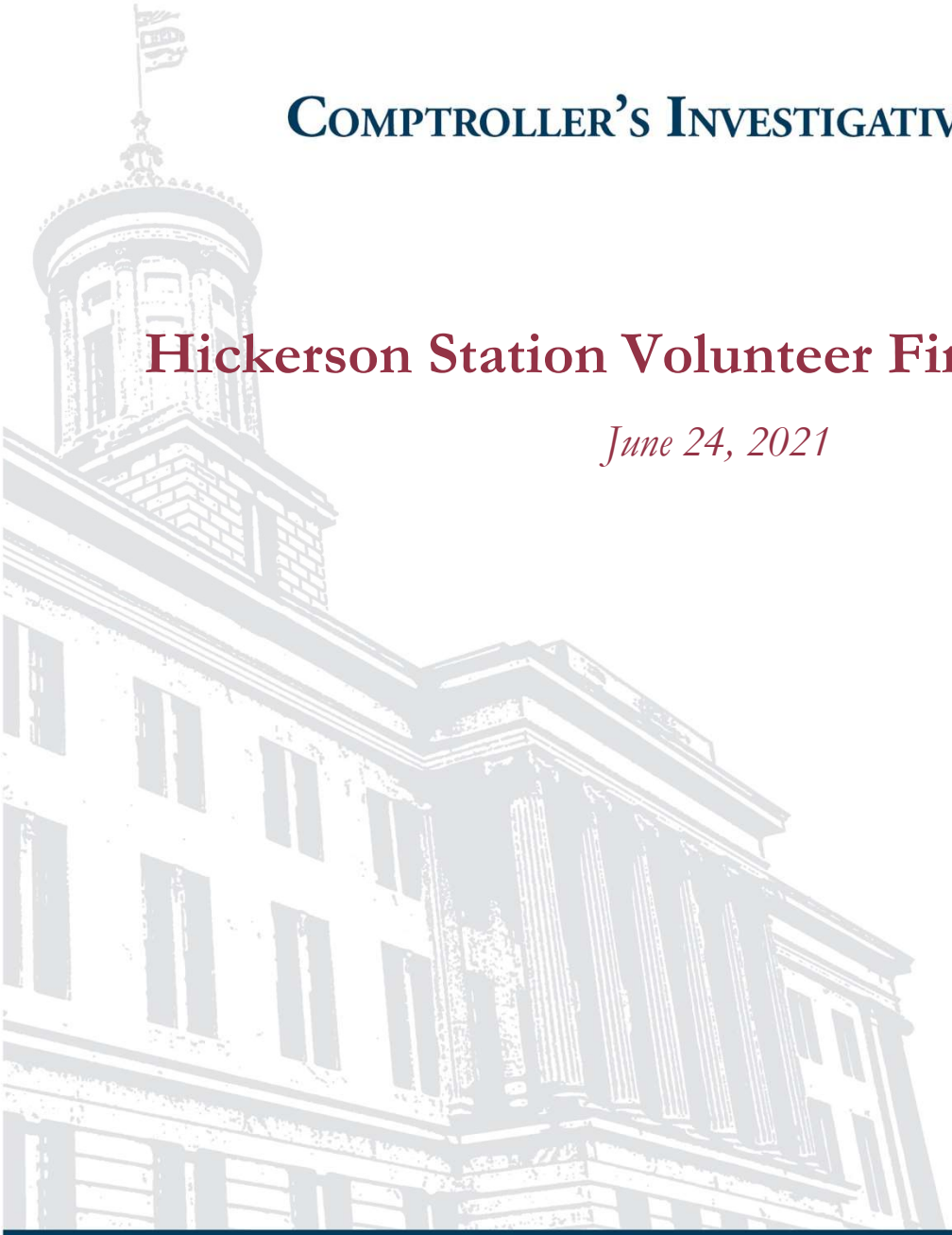


Comptroller's Investigative Report

Hickerson Station Volunteer Fire Department

June 24, 2021

Jason E. Mumpower
Comptroller of the Treasury

Division of Investigations

Jason E. Mumpower
Comptroller

June 24, 2021

Hickerson Station Volunteer Fire Department
Brett Cunningham, Fire Chief
4373 Old Manchester Hwy
Tullahoma, TN 37388

Chief Cunningham:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Hickerson Station 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 14th 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,

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

Hickerson Station Volunteer Fire Department

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Hickerson Station Volunteer Fire Department. The Comptroller's Office initiated the investigation after fire department officials notified the Comptroller's Office of possible irregularities in the department's financial records. The investigation was limited to selected records for the period January 1, 2016, through July 31, 2018. The results of the investigation were communicated with the Office of the District Attorney General of the 14th Judicial District.

BACKGROUND

The Hickerson Station Volunteer Fire Department (department) is a nonprofit corporation that provides fire protection services in Coffee County. The department is funded by a combination of fundraisers, donations, and contributions primarily from the Coffee County government. The fire department's main station is located in Tullahoma.

RESULTS OF INVESTIGATION

1. FORMER FIRE DEPARTMENT TREASURER KENNETH SPRY MISAPPROPRIATED DEPARTMENT FUNDS TOTALING AT LEAST $3,306.78

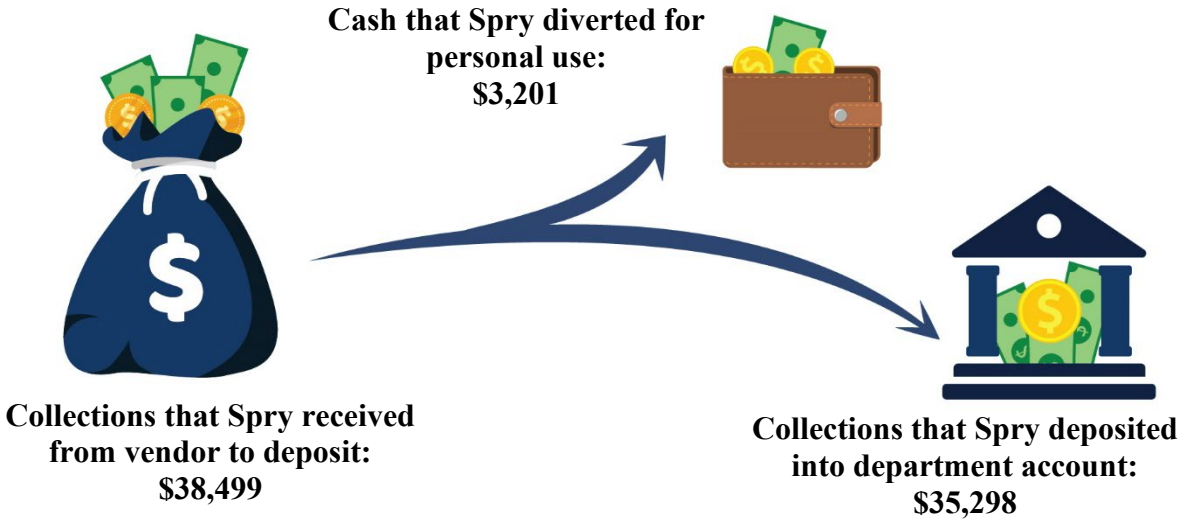
During the period November 7, 2016, through July 5, 2018, former fire department treasurer Kenneth Spry misappropriated department funds totaling at least $3,306.78. Spry perpetrated his misappropriation by failing to deposit some fundraiser collections, retaining the undeposited collections for his personal benefit, and making an unauthorized personal purchase using the department's debit card.

Misappropriated Fundraiser Collections

Spry misappropriated at least $3,201 in fundraiser collections from January 1, 2017, through July 5, 2018, by failing to deposit some of the cash from fundraiser collections. Instead, he retained the cash for his personal benefit. The department partnered with a private vendor, who solicited door-to-door donations on behalf of the department in 2017 and 2018. The vendor

documented its collections and remitted those collections to the department biweekly. Spry signed a "Weekly Sales Report" when he received collections from the vendor verifying the receipt and accuracy of the remittances. Spry was responsible for depositing the collections into the department's bank account. However, prior to taking the collections to the bank for deposit, Spry removed a portion of the cash from each of the collections and retained it for his personal benefit. **(Refer to Exhibit 1.)**

Exhibit 1



Summary of Spry's misappropriation from fundraisers the department held in 2017 and 2018

Unauthorized Personal Purchase

Spry misappropriated at least $105.78 by using the department's debit card on November 7, 2016, at RockAuto.com for his personal benefit. Spry failed to include the supporting documentation for the purchase in the department's files and failed to record the purchase on his monthly treasurer's reconciliation statement, effectively concealing his misappropriation.

Investigators obtained a copy of the invoice from RockAuto.com indicating Spry purchased a fuel pump for a 2004 Ford Ranger. **(Refer to Exhibit 2.)** Coffee County Clerk vehicle registration records indicated that Spry owned a 2004 Ford Ranger registered in his name at the time of the fuel pump purchase.

Exhibit 2

ROCKAUTO.COM

RockAuto Order Confirmation
Order [redacted]
Monday, November 7, 2016 07:57 AM Central Time

Ship To:
Kenneth spry
[redacted]

Bill To:
Hickerson station vfd
4373 old manchester hwy
Tullahoma, TN 37388
United States
[redacted]

	Part Number	Part Type	Price EA	Core EA	Quantity	Total
2004 FORD RANGER 2.3L L4						
PRECISE	402P2357M (402-P2357M)	Fuel Pump	$ 63.79	$ 0.00	1	$ 63.79
Shipping	Next Business Day Express					$ 41.99
Order Total						**$ 105.78**
MasterCard						-$ 105.78
Balance Due						**$ 0.00**

To **CHECK ORDER STATUS**, **MAKE CHANGES**, **ARRANGE A RETURN** (including Cores) or **REPORT A PROBLEM**
visit http://www.rockauto.com/orderstatus

Copy of invoice obtained from RockAuto.com for Spry's purchase of a fuel pump for his personal vehicle

Spry admitted to investigators that he withheld some cash from fundraiser collections without the knowledge of fire department officials, and he used the funds for his personal benefit. Spry also acknowledged using the department's debit card to purchase a fuel pump from RockAuto.com for his personal vehicle.

Summary of Misappropriation by Former Fire Department Treasurer Kenneth Spry

Misappropriation	Amount
Fundraiser Collections	$ 3,201.00
Unauthorized Debit Card Purchase	105.78
Total	**$ 3,306.78**

Kenneth Spry resigned as treasurer effective July 5, 2018.

Additional fundraiser collections could potentially have been misappropriated; however, investigators were unable to verify the accuracy and completeness of collections and deposits of the other fundraisers due to the inadequacy and/or lack of records.

2. THE VOLUNTEER FIRE DEPARTMENT HAD QUESTIONABLE DISBURSEMENTS TOTALING AT LEAST $2,524.07

During the period January 1, 2016, through May 31, 2018, questionable disbursements were made totaling at least $2,524.07. These disbursements included ATM withdrawals and debit card charges at retailers such as Home Depot and local restaurants. Investigators were unable to determine whether the department received the benefit from these disbursements. Investigators were also unable to determine who was responsible for the questionable disbursements due to contradictory statements from department officials surrounding the custody and use of the debit card. Most of those disbursements were not included in the monthly treasurer's reconciliation statement.

Summary of Questionable Disbursements

Questionable Disbursements	Amount
ATM Withdrawals	$ 1,563.95
Debit Card Charges	960.12
Total	**$ 2,524.07**

3. THE VOLUNTEER FIRE DEPARTMENT CHIEF CHARGED AUTO PARTS FOR HIS PERSONAL VEHICLE TO THE DEPARTMENT'S ACCOUNT

On July 1, 2017, and November 1, 2017, the fire department chief charged purchases to the department's O'Reilly Auto Parts account totaling $105.81. The department did not provide the chief with a department-owned vehicle. The chief told investigators that the two purchases were for repairs to a personal vehicle that he used for "department errands" and to respond to fire calls. According to the chief, he believed this was an acceptable practice for small maintenance expenses since the department did not provide him a vehicle.

On May 14, 2021, the Coffee County Grand Jury indicted Kenneth Spry on one count of Theft over $2,500.

The charges and allegations contained in the indictment are merely accusations of criminal conduct, and not evidence. The defendant is presumed innocent unless and until proven guilty beyond a reasonable doubt and convicted through due process of law.

Hickerson Station Volunteer Fire Department Investigation Exhibit

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed deficiencies in internal controls and compliance, some of which contributed to the ability of the former treasurer to misappropriate department funds without prompt detection. These deficiencies included:

Deficiency 1: Department officials did not provide adequate oversight and duties were not segregated adequately.

Department officials did not provide adequate oversight and did not separate incompatible financial duties. The former treasurer received collections, prepared and delivered deposits to the bank, and made disbursements without anyone reviewing or reconciling the bank statements. Department officials 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: Department officials did not adequately account for some collections.

Department officials failed to oversee, document, or account adequately for fundraising and other collection activities. Officials failed to account for cash obtained to provide change for these activities. Officials did not issue receipts for applicable collections or prepare count sheets signed by two responsible individuals. Officials also failed to review bank statements and failed to ensure all collections were deposited timely. Due to the inadequacy of records, investigators could not verify the accuracy and completeness of either the amounts collected, or the amounts deposited by the former treasurer.

Deficiency 3: Department officials did not require adequate supporting documentation.

Department officials did not require or retain adequate supporting documentation for some disbursements and other withdrawals and failed to ensure bank statements were reconciled monthly. Additionally, department officials did not have a written policy regarding the use and accountability of department funds and did not have a written policy regarding the usage of personal vehicles. Requiring and reviewing documentation, such as invoices or receipts, allows officials to verify that the payment is proper and reasonable. Retaining documentation on file also provides evidence for departmental review.

Deficiency 4: Department officials failed to require dual signatures on checks.

Department officials failed to require dual signatures on checks. The former treasurer was the sole signature on department checks allowing him 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.

<u>Deficiency 5</u>: Department officials failed to ensure the department's sales tax exemption was only used for department purchases.

Department officials failed to ensure the department's tax-free benefit at O'Reilly Auto Parts was only used for department purchases. Whether individuals charged their personal purchases to the department's account or personally paid for their purchases, the individuals received a tax-free benefit on their purchases to which they were not entitled.

Fire department officials indicated that they have corrected or intend to correct these deficiencies.