



## COMPTROLLER'S INVESTIGATIVE REPORT

### Friends of the Animal Shelter

*December 1, 2022*

**Jason E. Mumpower**  
*Comptroller of the Treasury*



**DIVISION OF INVESTIGATIONS**



JASON E. MUMPOWER  
*Comptroller*

December 1, 2022

Friends of the Animal Shelter  
Board of Directors  
420 Humane Way  
Newport, TN 37821

Friends of the Animal Shelter Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Smoky Mountain Humane Society, 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 4<sup>th</sup> 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

## Friends of the Animal Shelter

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Friends of the Animal Shelter (shelter). The investigation was initiated after Tennessee Bureau of Investigation officials reported financial concerns regarding the shelter. The investigation was limited to selected records for the period January 2019 through April 2020. The results of the investigation were communicated with the Office of the District Attorney General of the 4<sup>th</sup> Judicial District.

### BACKGROUND



Established in 1993 as the Friends of the Animal Shelter of Cocke County, the shelter opened its doors at its current location of 420 Humane Way in Newport, Tennessee on May 6, 2000. The shelter provided comfort, care, and shelter to lost, homeless and unwanted animals. The shelter coordinated spay/neuter and other medical services for companion animals as well as provided programs and education to reduce animal overpopulation in the community.

The shelter was a 501(c)(3) no kill animal shelter managed by a six-member Board of Directors (board), with daily operations managed by an executive director. The board was responsible for the control and management of the shelter as well as hiring and establishing compensation for the executive director. The executive director's duties included day-to-day operations of the shelter and generating revenue through fundraising and grant opportunities.

During the period reviewed, the shelter operated out of a single bank account while utilizing PayPal, Facebook donations, Square, AmazonSmile and Stripe. The executive director oversaw all cash and credit collections from donations, pet adoptions, and animal surrenders, and all purchases of supplies such as animal food, animal bedding, blankets, cleaning supplies, and gasoline. The board terminated the employment of the executive director on April 17, 2020 and notified law enforcement. In August 2022, the board rebranded itself as the Smoky Mountain Humane Society.

### INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed the following deficiencies in internal control and compliance, which contributed to the shelter's failure to adequately manage and monitor daily operations.

**Deficiency 1: The executive director failed to properly account for and remit collections for deposit timely**

For the period reviewed, the executive director failed to properly account for and remit cash collections for deposit timely. To document cash collections, the shelter utilized receipt books that contained carbon copies for all written receipts. The shelter had a safe to provide security for cash collections. Bank records revealed the shelter deposited \$48,354.05 during the review period. However, investigators determined the receipt books did not contain any receipts from October 27, 2019, though November 18, 2019, and the receipts that were contained in the receipt books totaled only \$44,792.07. Therefore, the shelter was unable to provide receipt documentation for \$3,561.98 in cash deposits. Furthermore, the shelter deposited cash into their bank account on average once every eleven days with a maximum delay totaling 34 days. Ensuring cash collections are properly receipted reduces the risk that cash collections may not be accounted for properly while remitting cash collections to the bank account promptly and intact reduces the risk of errors or misappropriation.

**Deficiency 2: The executive director failed to maintain adequate supporting documentation for some disbursements**

The executive director failed to require or retain adequate supporting documentation for some disbursements. While the executive director maintained supporting documentation for reimbursements, she did not maintain supporting documentation for all other disbursements. Accordingly, documentation was either inadequate or unavailable to determine whether all shelter disbursements were for legitimate purposes. Requiring adequate supporting documentation for all disbursements help ensure disbursements meet the shelter’s mission.

**Deficiency 3: The executive director granted herself an unauthorized pay raise**

The executive director granted herself a pay raise the board did not authorize. The shelter payroll documented the executive director’s pay increased on December 20, 2019. On September 21, 2021, the board’s president stated the executive director did receive a pay raise in July 2019 but never informed the board she provided herself with a second pay raise. When investigators questioned the executive director, she stated the board instructed her to give everyone a \$1 per hour raise in November 2019 and did not realize she was not included in that raise.

**Deficiency 4: The board did not provide adequate oversight of operations of the shelter**

The board did not provide adequate oversight of the shelter and did not establish internal controls to ensure accountability of shelter funds. The board failed to ensure employees properly accounted for and deposited cash collections timely while maintaining adequate supporting documentation for all shelter disbursements. Management is responsible for designing internal controls to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations.

The board has corrected these deficiencies.