



## COMPTROLLER'S INVESTIGATIVE REPORT

# Carroll County Volunteer Fire Department District 8 - Mixie

*May 5, 2023*

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



**DIVISION OF INVESTIGATIONS**



JASON E. MUMPOWER  
*Comptroller*

May 4, 2023

Carroll County Mayor  
and Board of Commissioners  
625 High Street #101  
Huntington, TN 38344

Carroll County Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Carroll County Volunteer Fire Department District 8 - Mixie, 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 24<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

## Carroll County Volunteer Fire Department District 8 – Mixie

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Carroll County Volunteer Fire Department District 8 – Mixie. The investigation was limited to selected records for the period from April 1, 2014, through February 28, 2023. The results of the investigation were communicated with the Office of the District Attorney General of the 24<sup>th</sup> Judicial District.

### BACKGROUND



The Carroll County Volunteer Fire Department District 8 – Mixie (department), located in Huntingdon, Tennessee, provides fire protection and emergency response services to the Huntingdon community. The department's mission is to prevent the loss of life and property. In addition to responding to fires, the department also responds to medical emergencies, motor vehicle accidents, rescue calls, and incidents involving hazardous materials.

Carroll County provides firefighting vehicles, equipment and other gear, and the building utilized by the department while the department covers operating expenses, such as utilities, general maintenance, and insurance. The department holds community fundraisers to raise money for their operational needs.

William Smith and Malisa Smith served as the department's fire chief and treasurer, respectively, for approximately six years until they resigned in March 2020.

**RESULTS OF INVESTIGATION**

- **FORMER FIRE CHIEF WILLIAM SMITH AND FORMER TREASURER MALISA SMITH MISAPPROPRIATED AT LEAST \$30,150.86 FROM THE CARROLL COUNTY VOLUNTEER FIRE DEPARTMENT DISTRICT 8**

Between April 2014 and March 2020, former fire chief William Smith and his wife Malisa Smith, former treasurer, misappropriated department funds totaling \$30,150.86 as follows:

- A. **The Smiths made \$15,377.48 in unauthorized disbursements from the department’s bank account maintained with Carroll Bank and Trust.**

As treasurer, Malisa Smith had access to and controlled the bank account maintained at the department’s banking institution. Between April 2014 and February 2018, the Smiths made unauthorized disbursements from the department’s bank account including 65 checks for purchases totaling \$9,226.48 at various retail stores, including Walmart, Lowe’s, Tractor Supply, Sam’s Club, Clarksburg Supermarket, and Gander Mountain. During this same period, Malisa Smith made 17 unauthorized cash withdrawals totaling \$5,888 [Refer to Exhibit 1]. The department’s bank account incurred 19 overdraft fees totaling \$263.

Exhibit 1



*Unauthorized cash withdrawal by Malisa Smith*

In February 2018, after department members became suspicious of the Smiths’ use of department funds, the Smiths closed the bank account with Carroll Bank and Trust and moved the remaining funds to a new account in Malisa Smith’s name at Johnsonville TVA Employees Credit Union. On February 14, 2023, investigators interviewed William and Malisa Smith. Malisa Smith admitted that she was the only person on the Carroll Bank and Trust account and the only authorized signer of checks for the account.

**B. The Smiths made \$14,773.38 in unauthorized disbursements from a bank account opened by and in the name of Malisa Smith at the Johnsonville TVA Employees Credit Union.**

On February 7, 2018, Malisa Smith opened a bank account at the Johnsonville TVA Employees Credit Union in her name for department operations. Our examination of that account revealed the following:

Between February 2018 and March 2020, the Smiths misappropriated at least \$14,773.38 through unauthorized debit card transactions and check disbursements. The Smiths made unauthorized disbursements from the account, including payments for various personal lodging and travel expenses (Super 8 Motel, KOA Campground, and Chickasaw State Park), unauthorized ATM withdrawals and checks written for cash, personal purchases at various retail stores (including Walmart, Ross, TJ Maxx, and Burke’s Outlet), payments for food and alcohol at various restaurants and liquor stores (including Elks Lodge, the Mic Stand Bar and Grill, Margarita’s, Huntingdon Liquor, Ole Smokey Distillery, and Oden’s Liquor), fuel purchases for personal travel, payments for various personal services, and other personal-related transactions (including personal auto related transactions at O’Reilly Auto Parts). The Smiths did not provide any documentation to justify these disbursements, and department members confirmed to investigators that none of these transactions benefitted the department. The table presented below provides a summary of the Smiths’ misappropriations using funds from the bank account opened by and in the name of Malisa Smith for department operations at the Johnsonville TVA Employees Credit Union.

Misappropriations by Type of Spending	# of Transactions	Amount
Walmart	57	\$ 2,080.06
Purchases at Other Retail Stores	66	3,970.61
Unauthorized Cash Withdrawals	21	2,276.77
Purchases at Gas Stations (Fuel and Miscellaneous)	63	1,448.56
Purchases at Liquor Stores	5	194.27
Purchases at Grocery Stores	17	1,703.14
Restaurant Charges for Food and Alcohol	78	2,389.90
Auto Repair-Related Charges	7	283.85
Lodging and Travel	4	426.22
<b>Total</b>	<b>318</b>	<b>\$ 14,773.38</b>

On February 14, 2023, investigators interviewed the Smiths. William Smith acknowledged that several transactions were personal transactions. He admitted that he did use the debit card for personal use, and he does not know how much of the department’s money he spent. Malisa Smith admitted that any meals and retail store transactions were not legitimate fire department purchases. She also stated that she may have made some of the purchases noted from the credit union account but not all of them. Lastly, she stated that her husband had to make many of the other purchases since he was the only person able to obtain the debit card from her.

Summary of the Smiths' Misappropriations	Total
A. Unauthorized Purchases via Carroll Bank and Trust Account	\$ 15,377.48
B. Unauthorized Purchases via Johnsonville TVA Employees Credit Union Account	14,773.38
<b>Total</b>	<b>\$ 30,150.86</b>

On May 1, 2023, the Carroll County Grand Jury indicted William Smith on one count of Theft of Property over \$10,000 and one count of Fraudulent Use of a Debit Card over \$10,000.

On May 1, 2023, the Carroll County Grand Jury indicted Malisa Smith on one count of Theft of Property over \$10,000 and one count of Fraudulent Use of a Debit Card over \$10,000.

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

[Carroll County Volunteer Fire Department District 8 – Mixie Investigative Exhibit](#)

## INTERNAL CONTROL DEFICIENCIES

Our investigation revealed deficiencies in internal controls which contributed to the former fire chief's and former treasurer's abilities to perpetrate their misappropriations without prompt detection:

**Deficiency: Management did not provide adequate oversight of operations and failed to implement effective internal controls**

Investigators noted multiple deficiencies in internal controls, which are a direct result of a lack of management oversight. Management is responsible for designing effective internal controls to give reasonable assurance of the reliability of financial reports and the effectiveness and efficiency of operations. Providing adequate oversight and establishing internal controls reduces the risks that errors or misappropriations will remain undetected. The department had the following internal control deficiencies:

- 1) Management did not segregate financial duties. The former fire chief and former treasurer had exclusive control over the department's bank accounts. They were solely responsible for the custody and safekeeping of department funds (writing checks, depositing fundraiser funds, etc.) and were the only department personnel with access to the official bank account. Separating financial duties reduces the risks that errors or misappropriations will remain undetected. Also, requiring a review of the bank account

- by an independent person provides a level of internal control to ensure funds are properly expended.
- 2) Management did not maintain adequate accounting records. Management failed to ensure that accounting records were properly maintained and reconciled. There was no process in place for reconciling monthly bank statements with accounting records. Failing to maintain adequate accounting records and reconcile bank statements increases the risk that errors or misappropriations will remain undetected.
  - 3) Management did not require prenumbered checks and dual signatures on checks. Requiring prenumbered checks provides accountability and requiring dual signatures on checks provides evidence that more than one individual verified that the check payment was both appropriate and reasonable.
  - 4) Management did not require supporting documentation to be maintained for many disbursements and other bank withdrawals. Disbursements of funds from the bank accounts were made by the former fire chief and former treasurer without adequate supporting documentation. Requiring documentation, such as purchase receipts and invoices, allows management to verify that the payment is proper and reasonable.

Department officials indicated they have corrected or intend to correct these deficiencies.

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