



COMPTROLLER'S INVESTIGATIVE REPORT

South Marshall Volunteer Fire Department

January 13, 2023

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

January 13, 2023

Kevin Calahan, Chairman of the Board of Directors
and Matt Fox, Fire Chief
South Marshall Volunteer Fire Department
C/O Hardison Office Annex
230 College Street, Suite 125
Lewisburg, TN 37091

South Marshall Volunteer Fire Department Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the South Marshall 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 17th 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", is written over a faint, larger version of the signature.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

South Marshall Volunteer Fire Department

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the South Marshall Volunteer Fire Department (fire department). This investigation was initiated after the Comptroller's Office received allegations of irregularities in the fire department's financial records. The investigation was limited to selected records for the period from November 27, 2006, through June 6, 2022, and we expanded our scope through July 18, 2022, for certain PayPal payments. The results of the investigation were communicated with the Office of the District Attorney General of the 17th Judicial District.

BACKGROUND



The fire department is a nonprofit corporation that provides fire protection services in Marshall County. It is located in Cornersville and is funded by a combination of fundraisers, donations, and contributions from the Marshall County government. Fred Haley (Haley) was the fire department's treasurer from October 31, 1991, until the board removed him on July 20, 2022. In addition to his duties as the fire department's treasurer, Haley was also a volunteer firefighter.

RESULTS OF INVESTIGATION

1. FORMER TREASURER FRED HALEY MISAPPROPRIATED FIRE DEPARTMENT FUNDS TOTALING \$48,310.83

From November 27, 2006, through June 6, 2022, Haley misappropriated \$48,310.83 of fire department funds by failing to deposit some fundraiser collections, retaining some of the cash proceeds from department fundraisers for his personal benefit, and by writing department checks to himself and his personal business, Marshall County Internet Service (MCIS). Haley effectively deprived the fire department of the funds pursuant to a common scheme:

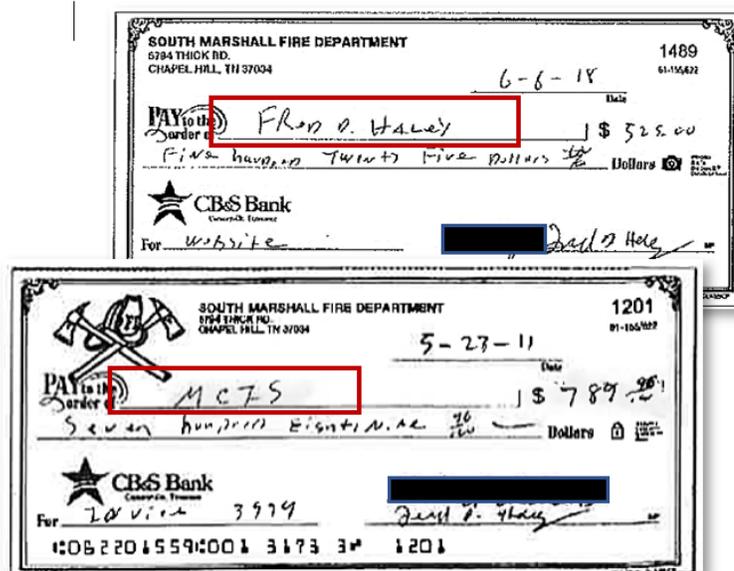
- A. Haley misappropriated \$2,789 in cash proceeds from January 1, 2010, through June 6, 2022, by failing to deposit some of the cash from fundraiser collections. Instead, he retained the cash for his personal benefit. During that time, the fire department partnered with private vendors, who solicited door-to-door donations on its behalf. Those vendors documented their collections and remitted the proceeds on a weekly or biweekly basis.

Haley was responsible for depositing the funds into the fire department's bank account. However, prior to taking the collections to the bank for deposit, Haley removed a portion of the cash from some of the collections and retained it for his personal benefit.

Investigators were unable to verify the accuracy and completeness of collections and deposits of the additional fundraisers due to the inadequacy and/or lack of records.

- B. From November 27, 2006, through June 6, 2022, Haley wrote 90 checks to himself or his business, MCIS, totaling \$45,521.83 in unauthorized payments. Haley noted that these checks were for reimbursements and/or refunds for purchases or services he made associated with the fire department (**Refer to Exhibit 1**). According to fire department officials, there was nothing that Haley should have been reimbursed for since he had access to the fire department's checkbook. Investigators found no other documentation that supported or justified these checks.

Exhibit 1



Examples of checks Fred Haley wrote to himself and his business, MCIS.

- C. Investigators determined that Haley paid back some of the money that he misappropriated by writing the fire department a \$60 check on June 15, 2022, and by making 20 PayPal payments to the fire department totaling \$377.35. These payments totaling \$437.35 (\$60 check plus \$377.35 PayPal) were made between June 15 and July 18, 2022.

**Summary of Misappropriation by Former Fire Department
Treasurer Fred Haley**

Misappropriation		Amount
A. Fundraiser Collections not Deposited	\$	2,789.00
B. Unauthorized Checks		45,521.83
Total Misappropriation	\$	48,310.83
C. Repayment by Haley		(437.35)
Remaining Shortage	\$	47,873.48

2. HALEY FORGED SIGNATURES ON FOUR DIFFERENT CHECKS TO HELP PERPETRATE HIS MISAPPROPRIATION

During a review of the fire department’s bank records that contained check images, investigators noticed that one of the fire department cosigner’s signatures appeared to change on four checks that were written to Haley and MCIS between 2019 and 2022. Investigators confirmed with a former fire department official and cosigner that he did not sign any of the four checks in question and never gave anyone authorization to sign his name. These four checks are included in Finding 1.B. above.

On January 11, 2023, the Marshall County Grand Jury indicted Fred Haley for 90 counts of Theft of Property Under \$1,000, four counts of Forgery, and one count of Theft of Property Over \$10,000.

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.

[South Marshall Volunteer Fire Department Investigation Exhibit](#)

INTERNAL CONTROL DEFICIENCIES

Our investigation revealed the following deficiencies in internal controls, some of which contributed to the former treasurer’s ability to misappropriate fire department funds without prompt detection:

Deficiency 1: Fire department officials failed to separate financial responsibilities adequately

Fire department officials failed to separate financial responsibilities adequately or to provide increased oversight when appropriate. Haley received collections, and prepared and delivered deposits to the bank. He also made disbursements, without anyone else reviewing or reconciling the bank statements. Separating financial duties and providing increased oversight when appropriate reduces the risk that errors or misappropriations will remain undetected.

Deficiency 2: Fire department officials failed to provide proper oversight over financial transactions and failed to ensure purchases were adequately documented

Fire department officials failed to provide proper oversight over financial transactions. Officials failed to ensure that bank statements were reconciled monthly, failed to review bank statements, did not ensure all collections were deposited, and failed to ensure deposits were made timely. Fire department officials did not require and retain adequate supporting documentation for some disbursements and other withdrawals, nor did they have a written policy regarding the use and accountability of fire department funds. Requiring and reviewing documentation, such as invoices or receipts, allows officials to verify that the payment is proper and reasonable.

Deficiency 3: Fire department officials circumvented internal controls by signing blank checks

Fire department officials failed to ensure that fire department checks were completed and reviewed prior to being signed by two authorized check signers. The former treasurer retained control of the fire department's checkbook. Even though checks contained two signatures, investigators discovered that the former treasurer often requested the second signatory to sign blank checks. Requiring two signatures on completed checks verifies that both check signers agree that the payment is proper and reasonable.

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