



COMPTROLLER'S INVESTIGATIVE REPORT

Jellico Life Saving and Rescue Squad, Inc.

February 28, 2025

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

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Jellico Life Saving and Rescue Squad, Inc. Board Members
145 John Queener Lane
Jellico, TN 37762

Jellico Life Saving and Rescue Squad, Inc. Officials:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Jellico Life Saving Rescue Squad, Inc., 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 8th 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

Jellico Life Saving and Rescue Squad, Inc.

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Jellico Life Saving and Rescue Squad, Inc. The investigation was limited to selected records for the period August 2023 through August 2024. The results of the investigation were communicated with the Office of the District Attorney General of the 8th Judicial District.

BACKGROUND



The Jellico Life Saving and Rescue Squad, Inc. (squad), located in Campbell County, was chartered as a nonprofit organization in 1955 and provides rescue and firefighting services for the City of Jellico and surrounding communities. The squad is primarily funded by contributions from Campbell County Government, the City of Jellico, donations, grants, and fundraisers. The squad is governed by corporate officers including a president, vice-president, treasurer, and secretary. All regular and life members can make motions and vote at squad meetings.

RESULTS OF INVESTIGATION

1. JELICO LIFE SAVING AND RESCUE SQUAD, INC. CORPORATE OFFICERS MADE QUESTIONABLE DISBURSEMENTS TOTALING AT LEAST \$17,949

Corporate officers made questionable disbursements using squad funds totaling at least \$17,949. These disbursements included purchases of fuel, auto parts, construction services, hardware, and supplies. Corporate officers did not maintain itemized receipts or other supporting documentation. Without supporting documentation, investigators could not determine if these purchases were used exclusively for the benefit of the squad.

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed the following deficiencies in internal control and compliance:

Deficiency 1: Corporate officers failed to establish internal control policies and procedures

Corporate officers established bylaws that defined certain officer responsibilities but failed to establish proper accounting and internal controls such as collections and purchasing procedures. Establishing and documenting sound internal controls ensures that funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation.

Deficiency 2: Corporate officers failed to properly oversee squad operations, resulting in multiple purchasing deficiencies

Investigators noted the following purchasing deficiencies resulting from a lack of corporate officer oversight:

- A. Corporate officers did not require or retain adequate supporting documentation for some disbursements; therefore, investigators could not determine whether these disbursements were for the squad's benefit. Officials should require and maintain adequate supporting documentation for all disbursements, such as invoices or receipts, to verify that the payment is proper and reasonable.
- B. Corporate officers did not adequately account for squad equipment and tool purchases. The squad primarily stored the purchased items on emergency vehicles for their convenience or at the station. A lack of accountability over equipment and tools increases the risk of loss. Corporate officers should maintain a current inventory of equipment and tools purchased for the squad.
- C. Corporate officers failed to establish adequate internal controls over the use of a fuel charge account, including developing and adopting a fuel use policy; therefore, investigators could not determine if all fuel was used exclusively for squad purposes.
- D. In some instances, corporate officers did not maintain invoices or other supporting documentation identifying the squad vehicles for which parts were purchased. Therefore, investigators were unable to determine if all purchases were for squad vehicles.
- E. Corporate officers did not solicit competitive bids for a building expansion totaling approximately \$45,966. Sound business practice includes the use of competitive sealed bids for certain large disbursements and projects to ensure the best use of public funds. The lack of competitive sealed bids for projects increases the risk of fraud, waste, and abuse.
- F. Corporate officers did not require dual signatures on checks. Requiring dual signatures on checks provides evidence that more than one individual verified that the payment was both appropriate and reasonable.

Deficiency 3: Corporate officers failed to properly oversee squad operations, resulting in collection deficiencies

Corporate officers failed to create or maintain documentation for cash counts and receipts confirming amounts collected from donations or fundraisers. Sound business practice includes public entities performing cash counts for mass fundraiser collections and issuing consecutively prenumbered receipts for all collections. In addition, the treasurer did not properly prepare deposit slips for deposits, noting each deposited check and total currency. Without cash counts, consecutive prenumbered receipts, and properly prepared deposit slips, investigators could not determine whether all revenue was properly remitted to the squad's bank account or if it was remitted timely.

Deficiency 4: Corporate officers failed to implement adequate segregation of duties

Corporate officers failed to segregate financial duties adequately. The treasurer had exclusive control over the squad's bank accounts, was solely responsible for the custody and safekeeping of squad funds (writing checks and depositing funds), and was the only person with access to the official bank accounts. Allowing one individual exclusive control over all financial duties increases the risk of fraud without prompt detection.

Corporate officers indicated that they have corrected or intend to correct these deficiencies.
