



COMPTROLLER'S INVESTIGATIVE REPORT

The Blount County Fire Protection District

April 10, 2025

Jason E. Mumpower
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JASON E. MUMPOWER
Comptroller

April 10, 2025

Board of Directors
808 W Lamar Alexander Parkway
Maryville, TN 37801

Blount County Fire Protection District Management:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Blount County Fire Protection District, 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 5th 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 line extending to the right.

Jason E. Mumpower
Comptroller of the Treasury

JEM/MLC

INVESTIGATIVE REPORT

The Blount County Fire Protection District

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to The Blount County Fire Protection District. The investigation was limited to selected records for the period January 2023 through November 2023. The results of the investigation were communicated with the Office of the District Attorney General of the 5th Judicial District.

BACKGROUND



The Blount County Fire Protection District (district) is a fire department public utility district that provides fire and emergency services in Blount County, Tennessee. The district operates with financial support from annual subscription charges paid by county residents. Originally established as a private fire department in 1948, it was chartered as a utility district in 1982 as authorized by Tenn. Code Ann. § 7-82-313. It remains the first and only fire department public utility district in Tennessee.

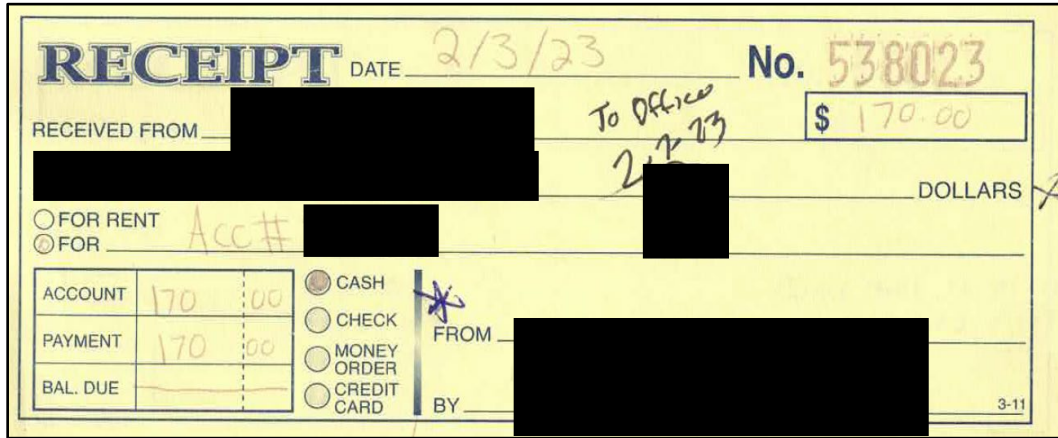
RESULTS OF INVESTIGATION

1. BLOUNT COUNTY FIRE PROTECTION DISTRICT EMPLOYEES DID NOT DEPOSIT OR RECORD CUSTOMER CASH COLLECTIONS TOTALING AT LEAST \$5,785

From January 2023 through November 2023, district employees did not deposit or record customer cash collections totaling at least \$5,785. Investigators and district management determined that employees collected cash payments from customers and issued prenumbered receipts (**Refer to Exhibit 1**); however, these transactions were not recorded in the district's accounting system (**Refer to Exhibit 2**) or deposited with other daily receipts. In addition, annual account charges for some customers were often deleted from the district's accounting system (**Refer to Exhibit 3**), leaving those customers without notification of delinquent payments and potentially without district fire coverage. The district maintained one cash drawer accessible to all employees, and multiple employees shared usernames and passwords for the accounting system. Therefore, investigators could not determine which employees were responsible for the missing cash or the deletion of customer account balances. District officials reported that they found money in the district office after a former employee left district employment in November 2023. However,

investigators could not determine the amount, composition, or if district officials properly deposited the money.

Exhibit 1



RECEIPT DATE 2/13/23 No. 538023
 RECEIVED FROM [REDACTED] To Office \$ 170.00
2-7-23 [REDACTED] DOLLARS
 FOR RENT Acc# [REDACTED]
 FOR [REDACTED]
 ACCOUNT 170 00 CASH FROM [REDACTED]
 PAYMENT 170 00 CHECK BY [REDACTED]
 BAL. DUE [REDACTED] MONEY ORDER
 CREDIT CARD 3-11

February 2023 prenumbered cash receipt that was not recorded in the district's accounting system or deposited

Exhibit 2

Date	Number	Customer	Memo/Description	Qty	Rate	Charge	Paid	Balance
01/31/2019	104	[REDACTED]					125.00	-125.00
02/01/2019	8432	[REDACTED]				125.00		0.00
02/01/2021	34772	[REDACTED]				150.00		150.00
02/04/2021		[REDACTED]					150.00	0.00
02/01/2022	48777	[REDACTED]				150.00		150.00
02/07/2022	1399	[REDACTED]					150.00	0.00
02/01/2024		[REDACTED]					190.00	-190.00
02/01/2024	77385	[REDACTED]				190.00		0.00

2023 charges were deleted, and the \$170 cash payment was not posted

Customer's billing account history showing their 2023 charges were deleted, and the receipted \$170 cash payment was not posted to the accounting system

Exhibit 3

Invoice	Number	Date	Time	Action	Account	Description	Amount
62903	03/06/2023	0:01:37	Subscriptions (Admin)	Deleted			0.00
62903	12/15/2022	13:51:10	Subscriptions (Admin)	Prior	02/01/2023	1200 - Accounts Receivable Annual Subscription	170.00
						1200 - Accounts Receivable	170.00

District accounting system audit log showing the customer's \$170 charge for 2023 was deleted

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Our investigation revealed deficiencies in internal control and compliance, some of which led to missing cash collections. These deficiencies included:

Deficiency 1: The Blount County Fire Protection District employees shared one cash drawer

District employees operated from the same cash drawer for receipting customer payments. Sound business practices dictate that each employee has their own cash drawer, start the day with a standard fixed amount of cash for making change, and deposit all but the beginning amount of cash at the end of the day. Management should verify daily deposits to employees' receipts at the end of each day. Failure to maintain separate cash drawers greatly increases the risk of misappropriation without prompt detection.

Deficiency 2: The Blount County Fire Protection District officials failed to provide adequate oversight of employees' computer and accounting system login information

District officials failed to provide adequate oversight of employees' computer and accounting system usernames and passwords. Investigators determined that district employees shared computer and accounting system login information, violating the district's internal controls, which require: 1) each employee has password controls; 2) passwords to be changed as needed or at least quarterly; 3) only authorized employees have passwords to programs and files that are necessary for them to carry out their duties. Safeguarding each employee's login information reduces the risk of unauthorized system access, and that fraud, waste, or abuse will occur without prompt detection. Sound business practices dictate that each transaction be identified to the individual creating the transaction.

Deficiency 3: The Blount County Fire Protection District officials did not adequately segregate financial duties among members

District officials did not adequately segregate financial duties. A former employee receipted collections, made deposits, and performed accounts receivable bookkeeping. Sound business practices dictate that officials should be responsible for designing and implementing internal controls to give reasonable assurance of the reliability of financial reporting and the effectiveness and efficiency of operations. Allowing one member to maintain control over all financial duties of a transaction increases the risk that fraud, waste, or abuse will occur without prompt detection.

Deficiency 4: The Blount County Fire Protection District officials did not adequately review audit logs for unusual or questionable transactions

District officials did not adequately review audit logs for unusual or questionable transactions. The district's accounting system generated audit logs showing user activity, which, if reviewed regularly, would have revealed deleted customer charges. These deletions coincided with \$5,785 in receipted but undeposited cash. Regular, detailed audit log reviews reduce the risk that inappropriate transactions will remain undetected.

Deficiency 5: The Blount County Fire Protection District officials failed to ensure funds were deposited within three days of collection

District officials failed to ensure that funds were deposited timely. District policy requires funds to be deposited within at least three days of collection. The delay in depositing funds weakens internal controls over collections and increases the risk of fraud and misappropriation.

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