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**LEGISLATIVE JOINT AUDITING COMMITTEE**  
**ARKANSAS LEGISLATIVE AUDIT**

November 23, 2022

The Honorable Nathan Smith  
Prosecuting Attorney  
19<sup>th</sup> West Judicial District  
100 Northeast A Street  
Bentonville, Arkansas 72712

Dear Mr. Smith:

This letter is issued pursuant to your request for Arkansas Legislative Audit (ALA) to assist the Benton County Sheriff's Office (BCSO) in investigating allegations received by your office concerning the Avoca Fire and Rescue Department, Inc. (Department). Of specific concern were allegations of salary overpayments and unauthorized reimbursements paid to and issued by the Department's Treasurer/Secretary, Adam Kinney, who was removed from Department employment in January 2021.

Objective and Scope

The objective of this investigative review was to determine if payments to the former Department Treasurer/Secretary were authorized. ALA staff also reviewed other disbursements made from Department bank accounts for propriety.

This review was conducted primarily for the period January 1, 2016 through January 31, 2021. Relevant records, including bank statements and payroll documents, were examined. In addition, written statements prepared by Department personnel and members of the Board of Directors (Board) were reviewed.

Background

The Department is a nonprofit corporation, formed in 1979, that provides fire suppression services in a rural area of Benton County. Governed by a six-member Board, the Department has four paid employees and approximately 21 firefighters who serve in a volunteer capacity. Funding sources consist primarily of state aid (Act 833), grants, donations, and memberships dues.

According to the Fire Chief, the former Treasurer/Secretary, who was compensated \$1,000 per month beginning May 1, 2017, was responsible for performing all accounting functions and recording Board meeting minutes.

## Results of Review

This review revealed improper transactions by the former Department Treasurer/Secretary, undocumented disbursements, a state tax lien filed against the Department, and internal control deficiencies. These matters are discussed in the following sections.

### *Improper Transactions by the Former Treasurer/Secretary*

ALA staff review of Department bank statements revealed \$24,597 in unauthorized and undocumented disbursements to Adam Kinney, former Department Treasurer/Secretary, as follows:

- \$12,000 in payments without supporting documentation or written justification.
- \$ 6,505 in apparent reimbursement payments without supporting documentation.
- \$ 6,092 in payroll expenditures in excess of established compensation.

It should be noted that Kinney was the sole signor on all of the above checks (66 checks), which were issued to himself.

### *Undocumented Disbursements*

Additionally, ALA staff review of Department bank statements indicated over 1,450 debits totaling \$701,648 during the period January 5, 2016 through May 31, 2021. Of this amount, \$163,239 was classified as "payroll." ALA staff noted other payments to vendors, with some appearing to be for normal Department operations and others appearing questionable. However, because supporting documentation was not available for review, ALA staff were unable to determine the propriety of these disbursements.

### *Tax Lien*

On August 27, 2021, the Department of Finance and Administration - Collection Section filed a certificate of indebtedness against the Department for \$17,422 in unpaid employee withholdings for state income tax, relating to the tax period ending December 31, 2020. According to court records, this lien was released on October 11, 2021.

### *Internal Control Deficiencies*

Numerous deficiencies in internal control were noted during this review, including the following:

- Two signatures were not required on checks issued.
- Bank statements were not reviewed independently of the former Treasurer/Secretary.
- Supporting documentation for disbursements was not maintained for inspection.
- Employee payroll taxes withheld were not reconciled to taxes remitted to applicable taxing authorities.
- Board meeting minutes were not available to document Board actions.

Status

In January 2021, Kinney repaid \$19,700 to the Department. This repayment was comprised of three personal checks in the amounts of \$700, \$13,000, and \$6,000.

Kinney was charged with theft of property, a class B felony, on January 20, 2022. This case is pending as of the date of this letter.

We trust this review addressed your concerns. Please advise us if we can further assist you in this matter.

ARKANSAS LEGISLATIVE AUDIT



Kim Williams, CPA, CFE, CFF  
Assistant Legislative Auditor

KAW:ms

cc: The Honorable Asa Hutchinson, Governor  
Office of the Prosecutor Coordinator  
Department Board of Directors  
Mr. Frankie Elliott, Department Fire Chief  
Mr. Cody W. Dowden, Legal Counsel for Mr. Adam Kinney, Former Department  
Treasurer/Secretary

Audit ID#: IR FD 018 20