



COMPTROLLER'S INVESTIGATIVE REPORT

Roosevelt PTA

November 15, 2019

Justin P. Wilson
Comptroller of the Treasury



DIVISION OF INVESTIGATIONS



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

November 15, 2019

Kingsport City Schools Officials
400 Clinchfield Street
Suite 200
Kingsport, TN 37660

Ladies and Gentlemen:

The Office of the Comptroller of the Treasury conducted an investigation of selected records of the Roosevelt PTA, 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 2nd Judicial District, certain state legislators, and various other interested parties. A copy is available for public inspection in our office and may be viewed at <http://www.comptroller.tn.gov/ia/>.

Sincerely,

A handwritten signature in black ink, appearing to read "Justin P. Wilson", written over a light gray rectangular background.

Justin P. Wilson
Comptroller of the Treasury

JPW/MLC

INVESTIGATIVE REPORT

Roosevelt PTA

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the Roosevelt PTA (PTA). The Comptroller's Office initiated the investigation after PTA board members reviewed PTA checking account records and discovered suspicious transactions. The results of the investigation were communicated with the Office of the District Attorney General of the 2nd Judicial District.

BACKGROUND

Roosevelt PTA was a recognized school support organization of Kingsport City Schools, affiliated specifically with Theodore Roosevelt Elementary School. The PTA served the school by providing financial and volunteer support services. The PTA was operated by parent volunteers and led by a core of officers.



RESULTS OF INVESTIGATION

1. FORMER PTA OFFICIAL DONNA GALLOWAY MISAPPROPRIATED PTA FUNDS TOTALING AT LEAST \$5,534

During the period November 2014 through November 2017, PTA official Donna Galloway employed multiple schemes to misappropriate at least \$5,534 of PTA funds for her personal use and to conceal her actions. Galloway, who served several terms as president and treasurer, assumed control over all PTA financial responsibilities with no oversight from other PTA board members during that time. The misappropriation comprised over 96% of funds collected from community members such as parents, students, teachers, and administrators.¹

¹ This does not include checks received from corporations and foundations for fundraising activities such as the collection of box tops, soda caps, and a \$3,000 donation from a local grocery chain in 2017.

Misappropriation of at least \$2,087 of proceeds from fundraising activities

Galloway collected, but did not deposit in the PTA account, at least \$2,087 in proceeds from fundraising activities. Galloway took control and possession of all cash that was collected from PTA fundraising activities from at least July 2014 through her resignation from the board in December 2017.

Analysis of available records, including checking account records, meeting minutes, communications to board members, as well as discussions with PTA officials and school personnel showed discrepancies between the amounts collected from fundraising activities and the amounts Galloway deposited into the PTA’s credit union account. For example, although Galloway told other PTA board members via Facebook Messenger that the PTA had a profit of \$474 from the 2017 fall festival fundraiser, she only deposited \$234, and she withheld those funds for a week before depositing them (**Refer to Exhibit 1 and Exhibit 2**).

Exhibit 1



Facebook message from Donna Galloway to other board members stating the PTA made \$474 at its fundraiser.

Exhibit 2

10	20	7	SHARE CHECKING FROM CASH RECEIVED				234.14	31319
10	31	7	* * * *	DRAFT NUMBER	SEQUENCE	SUMMARY	NEW SHARE BALANCE	31319

Actual deposit from the fundraiser of \$234.14.

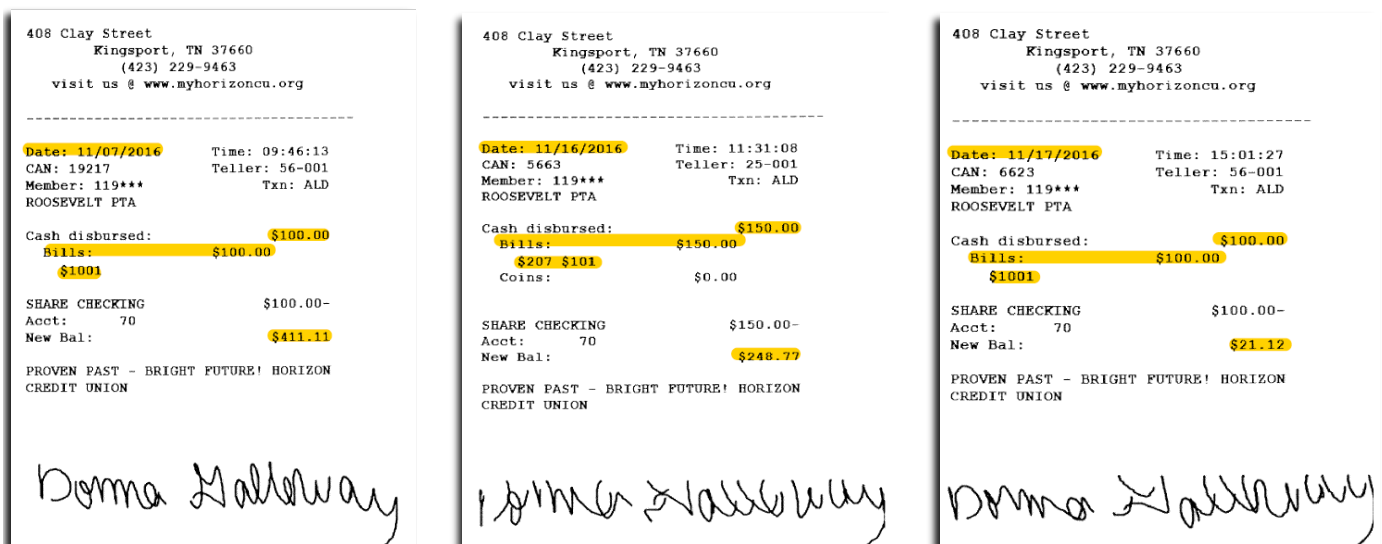
During her tenure, Galloway did not maintain adequate records of the PTA’s cash collections and disbursements. The PTA conducted several fundraisers from which investigators were unable to determine whether additional amounts were misappropriated. A schedule of PTA fundraiser collections misappropriated by Galloway is shown below.

Fundraiser Misappropriation Schedule				
Fundraiser	Year	Collection	Deposit	Misappropriation
Pancake breakfast	2014	\$545.00	\$445.00	\$100.00
	2015	\$459.00	\$124.24	\$334.76
	2016	\$634.17	\$429.14	\$205.03
Pancake breakfast subtotal				\$639.79
Fall Festival	2014	\$735.00	\$635.00	\$100.00
	2015	Insufficient documentation		
	2016	\$549.52	\$433.87	\$115.65
	2017	\$474.00	\$234.14	\$239.86
Fall festival subtotal				\$455.51
Christmas store	2014	Insufficient documentation		
	2015	\$1,995.42	\$1,590.08	\$365.34
	2016	\$509.72	\$154.00	\$355.72
	2017	Insufficient documentation		
Christmas store subtotal				\$721.06
Yard sale	2016	\$286.25	\$15.00	\$271.25
Yard sale subtotal				\$271.25
Misappropriation Total – Fundraisers				\$2,087.61

Misappropriation of at least \$1,617 via over the counter cash withdrawals

Galloway misappropriated cash totaling \$1,617 from the PTA account by making at least 12 over the counter cash withdrawals for her personal benefit. For example, in November 2016, Galloway made three cash withdrawals totaling \$350. During that time, the PTA held no known activities or events which would have required the use of those funds. Other PTA and school officials were unaware of the cash withdrawals because Galloway assumed total responsibility for all financial transactions with no oversight. [Refer to Exhibit 3].

Exhibit 3



408 Clay Street
Kingsport, TN 37660
(423) 229-9463
visit us @ www.myhorizoncu.org

Date: 11/07/2016 Time: 09:46:13
CAN: 19217 Teller: 56-001
Member: 119*** Txn: ALD
ROOSEVELT PTA

Cash disbursed: \$100.00
Bills: \$100.00
\$1001

SHARE CHECKING \$100.00-
Acct: 70
New Bal: \$411.11

PROVEN PAST - BRIGHT FUTURE! HORIZON CREDIT UNION

Donna Galloway

408 Clay Street
Kingsport, TN 37660
(423) 229-9463
visit us @ www.myhorizoncu.org

Date: 11/16/2016 Time: 11:31:08
CAN: 5663 Teller: 25-001
Member: 119*** Txn: ALD
ROOSEVELT PTA

Cash disbursed: \$150.00
Bills: \$150.00
\$207 \$101
Coins: \$0.00

SHARE CHECKING \$150.00-
Acct: 70
New Bal: \$248.77

PROVEN PAST - BRIGHT FUTURE! HORIZON CREDIT UNION

Donna Galloway

408 Clay Street
Kingsport, TN 37660
(423) 229-9463
visit us @ www.myhorizoncu.org

Date: 11/17/2016 Time: 15:01:27
CAN: 6623 Teller: 56-001
Member: 119*** Txn: ALD
ROOSEVELT PTA

Cash disbursed: \$100.00
Bills: \$100.00
\$1001

SHARE CHECKING \$100.00-
Acct: 70
New Bal: \$21.12

PROVEN PAST - BRIGHT FUTURE! HORIZON CREDIT UNION

Donna Galloway

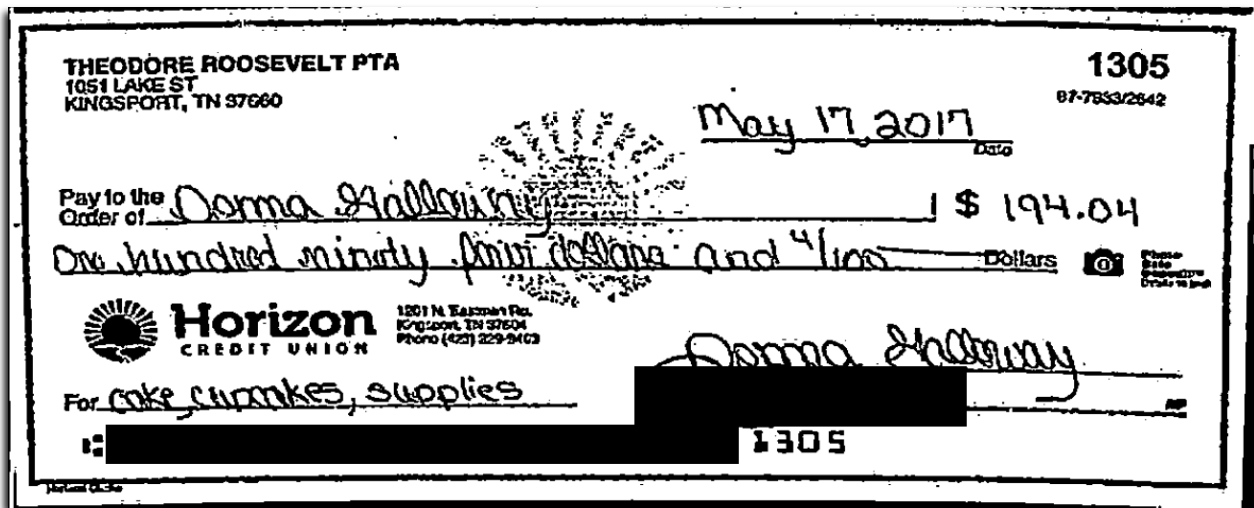
Fraudulent over the counter cash withdrawals of PTA funds made by Galloway in November 2016 for personal benefit.

Additionally, Galloway improperly utilized the PTA’s tax-exempt status when she made some personal purchases with PTA funds and thus avoided sales tax on items she purchased for her personal use. [Refer to Exhibit 4.]

Misappropriation of at least \$810 by issuing fraudulent checks

Galloway misappropriated at least \$810 of PTA funds by writing six PTA checks to herself and family members for personal benefit. [Refer to Exhibit 5.] The second signer on the checks and other PTA board members stated that they were not aware of and did not approve any of these transactions.

Exhibit 5



PTA check that Donna Galloway wrote to herself for personal benefit.

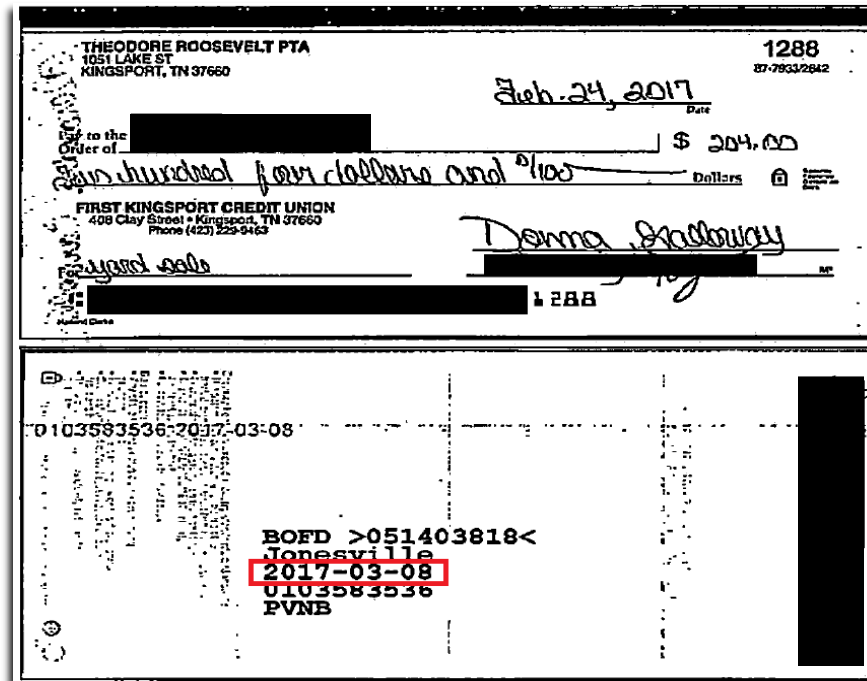
Summary of Misappropriation by Official Donna Galloway

Method of Misappropriation	Amount
Misappropriated fundraising collections	\$ 2,087
Over the counter cash withdrawals for personal benefit	1,617
Personal purchases with PTA funds	1,020
Fraudulent checks to self and family members	810
Total	<u>\$5,534</u>

2. GALLOWAY SIGNED THE NAME OF ANOTHER BOARD MEMBER ON AT LEAST TWO CHECKS PAID TO HER FAMILY MEMBERS TOTALING OVER \$313 WITHOUT THAT BOARD MEMBER’S KNOWLEDGE OR CONSENT

At least two of the aforementioned checks that Galloway wrote to her family members contained a signature purported to be that of another PTA board member. That board member stated she did not sign the checks, did not give permission to anyone to sign her name on the checks and was not aware of the existence of the checks. She further stated that there was no valid reason for those individuals to have received those payments. [Refer to Exhibit 6.]

Exhibit 6



A PTA check made to Galloway’s relative was transacted on March 8, 2017.

3. GALLOWAY MADE FALSE ENTRIES IN AT LEAST FOUR PTA FINANCIAL REPORTS, MISSTATING PTA FINANCIAL ACTIVITIES BY AT LEAST \$11,960

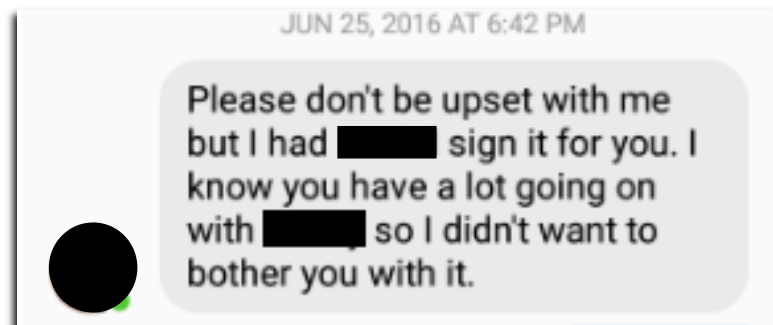
Galloway made false entries in four PTA financial reports resulting in a gross misstatement of the PTA’s financial activity of at least \$11,960 as shown in the schedule below. Kingsport City Schools requires school support organizations to submit annually a detailed statement of receipts and disbursements. Kingsport City Schools provides the *Support Organization Annual (or Monthly) Financial Report* form to assist these organizations with this requirement. Galloway assumed sole responsibility for completion and submission of this document each school year from 2014 through 2017.

Annual Financial Report (AFR) False Entry Summary				
Category	Year	Per AFR	Actual	Misstatement
Revenues	2014	\$1,742.06	\$1,975.72	\$233.66
Expenses	2014	\$2,904.87	\$3,327.66	\$422.79
Revenues	2015	\$2,123.07	\$3,098.70	\$975.63
Expenses	2015	\$2,606.79	\$3,332.33	\$725.54
Revenues	2016	\$1,416.21	\$3,262.29	\$1,846.08
Expenses	2016	\$1,435.64	\$3,269.72	\$1,834.08
Revenues	2017	\$1,683.85	\$4,632.18	\$2,948.33
Expenses	2017	\$1,324.65	\$4,298.62	\$2,973.97
Sum Dollar Total of Misstatements from Four AFRs				<u>\$11,960.08</u>

4. GALLOWAY INSTRUCTED HER HUSBAND TO SIGN ANOTHER BOARD MEMBER'S NAME ON A FALSELY STATED PTA FINANCIAL REPORT WITHOUT THAT BOARD MEMBER'S PRIOR KNOWLEDGE OR CONSENT

On at least one occasion, Galloway instructed her husband to sign another board member's name on a PTA financial report that Galloway misstated by \$3,680.16. Neither Galloway nor Galloway's husband had prior permission or consent to sign the other board member's name on the report. Galloway informed the board member of her actions via Facebook Messenger. [Refer to Exhibit 7].

Exhibit 7



Galloway had her husband sign another board member's name on a report.

Galloway resigned from the PTA board in December 2017 after new members asked about unexplained financial transactions.

On October 16, 2019, the Sullivan County Grand Jury indicted Donna Galloway on one count of Forgery over \$10,000, one count of Forgery over \$2,500, and one count of Theft over \$2,500.

[Roosevelt PTA Investigation Exhibit](#)

INTERNAL CONTROL AND COMPLIANCE DEFICIENCIES

Officers of the PTA, like officers of all other school support organizations, are required to ensure the funds and property of their organization are safeguarded and used only for purposes related to the goals and objectives of the organization. The Comptroller, pursuant to *Tennessee Code Annotated*, Section 49-2-610, published the “Model Financial Policy for School Support Organizations - Procedures Manual” in 2008 to assist PTA officers in discharging their obligation to safeguard the funds and property of their respective organizations. To that end, the Model Financial Policy prescribes the minimum financial accountability controls that PTA officers must follow.

Our investigation found that the PTA failed to adopt or comply with financial controls prescribed by the Model Financial Policy. This contributed to the former official’s ability to perpetrate her misappropriation without prompt detection. These resulting deficiencies included:

Deficiency 1: PTA officials failed to separate financial responsibilities adequately

PTA officials failed to separate incompatible financial duties and to provide increased oversight when appropriate. The former official received and counted collections, made disbursements, and prepared and delivered deposits to the credit union. She also transacted cash withdrawals from the checking account without the approval or knowledge of others. For several years, the former official assumed total responsibility for the custody, use, and recordkeeping of the PTA’s funds without oversight by any other officials. The failure to divide such duties between or among others enabled her to avoid detection for approximately three years.

Deficiency 2: PTA officials circumvented the internal control of requiring two signatures on checks by signing blank checks

The Model Financial Policy and the credit union that held the PTA account required dual signatures on the PTA’s checks, to help ensure all disbursements benefitted the PTA. Investigators discovered that the former official requested one PTA board member to sign numerous blank checks, thereby enabling her to withdraw funds and make purchases without any checks or balances. PTA officials did not review account records and check images to verify payees and ensure permissible purchases were made with PTA funds. The lack of oversight enabled the

former official to write checks to herself and family members for personal benefit without prompt detection.

Deficiency 3: PTA officials failed to retain adequate supporting documentation for some disbursements

PTA officials did not obtain or retain invoices, vendor receipts, or other adequate supporting documentation for many disbursements. In addition, officials failed to review account statements timely to ensure all disbursements were for the benefit of the PTA. *Tennessee Code Annotated*, Section 49-2-604(c), requires that a school support organization maintain, at a minimum, detailed statements of receipts and disbursements. The Model Financial Policy requires school support organizations to obtain and file invoices for all disbursements to show that funds were appropriately used.

Deficiency 4: PTA officials did not adequately account for collections

PTA officials did not comply with the requirements to oversee, document, or account adequately for the proceeds of any of the PTA fundraising activities. The former official did not deposit all funds she stated she collected. Due to the inadequacy of records, investigators could not verify the accuracy and completeness of either the amounts collected or the amounts deposited by the former official. The Model Financial Policy sets forth required collection procedures to account for proceeds from fundraisers and other collections. Officials failed to:

- Issue receipts for applicable collections or prepare count sheets signed by two responsible individuals.
- Review account statements timely to ensure all expected deposits were made promptly and intact.
- Require, prepare, or review profit analyses for applicable activities to ensure expected collections were generated.

The PTA ceased operations at the end of the 2019 school year.
