



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DIVISION OF INVESTIGATIONS**

Justin P. Wilson
Comptroller of the Treasury

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August 31, 2017

Members of the Board of Mayor and Commissioners
City of Gallaway
607 Watson Drive
Gallaway, TN 38036

Gentlemen:

The Office of the Comptroller of the Treasury investigated allegations of malfeasance related to the City of Gallaway (city).

The investigation was limited to an examination and analysis of specific city records and processes, focusing specifically on the use of the city's debit card for the period July 2016 through December 2016. The former city manager told investigators that she had sole custody and use of the debit card during this time. Investigators also verified that during this period, receipts for city purchases were reviewed by a firm contracted by the city to perform certain accounting and review work. A representative of the firm told investigators that she had never questioned the validity of a city purchase.

Our investigation revealed several financial process deficiencies including:

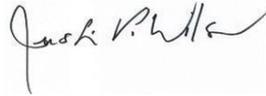
- Officials failed to ensure that adequate supporting documentation was retained for some debit card purchases as required by the city's debit card and purchasing policies. Although invoices, receipts, and other supporting documents for most purchases were in city files, the former city manager failed to identify the specific recipient and/or municipal purpose for some purchases of food, gift cards, and other items.
- Officials failed to enforce the city's debit card policy which specifically restricted the use of the debit card and required a review of all debit card purchases. City documentation showed that the debit card was used for a few nonemergency purchases, such as catering of the city's holiday meal, even though the policy did not provide for such use. In addition, the former mayor did not review the debit card transactions made by the former city manager as required by the policy. The former mayor told investigators that the former city manager kept the board well-informed of her purchases.

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- Officials failed to enforce the city's trip reimbursement policy. The former city manager used the city's debit card to pay meal expenses for city employees in lieu of the employees claiming and receiving reimbursement in accordance with the policy. Additionally, the former city manager used the city's fuel credit card in lieu of claiming mileage through the required reimbursement process. The former mayor indicated that he was aware of and had authorized these uses of the debit card and the fuel card.

Representatives of the board of mayor and commissioners have indicated they have corrected or intend to correct each of these deficiencies.

Sincerely,

A handwritten signature in black ink, appearing to read "Jason P. White", written over a light blue rectangular background.

Comptroller of the Treasury

JPW/RAD