



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

November 20, 2013

The Honorable Michael Martin, Mayor
City of Villa Hills
720 Rogers Road
Villa Hills, Kentucky 41017

RE: Findings and Recommendations

Dear Mayor Martin:

As you are aware, this office received concerns regarding various financial activities of the City of Villa Hills (City). We have now completed our examination of these matters and are presenting to you, as Mayor, our findings and recommendations.

To address the citizens' concerns expressed to this office, we requested and examined certain City records for the examination period of July 1, 2011 through April 11, 2013. These records include, but are not limited to, timesheets, payroll, overtime payments made to a specific City employee, and contracts and contract payments made to a business owned by the same City employee. In addition to examining documentation, auditors conducted interviews with the City Clerk, City Administrative Assistant, and the City Police Chief.

After examining the requested documentation to address the concerns expressed to this office, auditors identified the following findings and opportunities to strengthen controls and processes. Our findings and recommendations resulting from this examination are presented below:

Finding 1: City personnel records were inadequate to support employee job position and pay.

At the end of November 2010, through Executive Order 2010-01, the City terminated a long standing contract for building, zoning, code enforcement, and floodplain administration services with a private business owned and operated by a City Police Department employee and transferred the performance and oversight of these services to the City Police Department. According to City records, while a contractual relationship was terminated with a City employee, the services provided specified within the former contract continued to be performed by the same individual, in his capacity as a City Detective rather than a contractor.

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While the Police Chief stated building, zoning, code enforcement, and floodplain administration services were informally delegated specifically to the City Detective's job, City records provided to the Auditor of Public Accounts (APA) indicate that the City did not revise the employee's written formal position description and did not include these services as part of the employee's job evaluation criteria. In addition, City records indicate that the Detective was compensated above the approved pay schedule for the position of City Detective as a result of action taken by the former Mayor the day after Executive Order 2010-01 was issued.

On November 30, 2010, the former Mayor directed an Administrative Assistant to increase the hourly rate of pay for the Police Chief and the City Detective effective December 15, 2010. The hourly rate of pay to the Police Chief and the Detective increased their pay by \$1.53 and \$10.00 an hour, respectively. Per the Administrative Assistant and other City personnel, these hourly rate increases were to compensate both employees for added job responsibilities each were assuming as a result of Executive Order 2010-01.

Ordinance 2010-8, enacted December 15, 2010, established the position number, classification, and salary range of City employees authorized under the City's Civil Service System. According to the approved salary ranges, an employee in the position of "Detective and or Sergeant" would receive a salary in the range of \$50,000 to \$70,000. However, the \$10 hourly pay increase the Detective, reportedly awarded for assuming additional job responsibilities, raised his rate of pay to \$38.35 an hour, which amounts to \$79,768 a year, which is over \$9,000 beyond the approved salary range for his job position.

During the examination, auditors found that the Detective was referenced by some City employees as the City's Assistant Police Chief. While the employee's salary would be within the approved salary range for the "Asst Chief & or Lieutenant" position, the City provided no evidence of any formal personnel action taken to officially promote the employee to the position of Assistant Chief. The Police Chief stated that the only reference he had of the employee's promotion to the position of Assistant Chief was the Civil Service Ordinance, 2010-8, where it lists the number of officers in their respective ranks. This Ordinance identified one position as Assistant Chief. While the Civil Service Ordinance established various positions within the Police Department, no personnel action was initiated to promote the Detective to Assistant Chief. Furthermore, though the Detective's salary increased on December 15, 2010, to the amount paid to an Assistant Chief the employee's 2011 evaluation stated that he was a Detective.

Recommendations

We recommend the City Council routinely update its formal job position descriptions to ensure the descriptions are an accurate representation of the duties to be performed by its employees.

We also recommend the City Council revise the Performance Evaluation criteria by which employees are evaluated to ensure that the criteria is a current and accurate reflection of the City's expectations for its employees. If additional job duties are added to an employee's primary job tasks, the employee should expect to be evaluated on performance of those additional job responsibilities and the City should hold the employee responsible for the performance of the additional work. We recommend the City comply with its personnel policies and ensure personnel actions are formerly addressed prior to adjusting an employee's salary or job description.

We further recommend the City Council consult with the City Attorney to determine the best course of action to take to resolve the discrepancy between the employee's official job position and salary amount paid to the employee.

Finding 2: Discrepancies and duplication of hours worked recorded on the employee's timesheets, overtime requests, and payroll records identify that the actual amount of time worked by this employee cannot be clearly determined.

To address the specific concerns expressed to this office by citizens, we examined payroll records, timesheets, and overtime requests submitted to the City by an employee of the City Police Department between January 2011 and April 2013. Through examining these records, auditors identified multiple discrepancies which may have resulted in under-and-over reporting of time by the employee, as well as duplicating the number of hours worked reported by the employee. While many of the issues identified through this examination occurred in earlier years of the examination period, the internal controls over the process followed by the City Police Department for time reporting and payroll preparation should be strengthened to ensure work hours are properly reported and leave balances are accurately reflected.

Auditors found several instances when timesheets recorded conflicting information, resulting in the inability to determine whether the employee had over-or-under stated his work hours or incorrectly recorded the hours in which he worked. For example, in one instance the employee claimed 10 hours of work between the hours of 5:30 a.m. and 2:30 p.m. Based on the recorded times, the employee should not have claimed more than nine hours of work time. However, the payroll records indicate that the employee received credit for 10 hours worked that day. In another instance, the employee claimed working four hours of overtime on his timesheet; however, based on the reported hours of the day he reported to have worked the employee would have actually worked six hours of overtime and as such underreported his work hours.

In some instances, the employee received credit twice for the same hours reported on his timesheet, resulting in additional overtime pay. For example, on May 5, 2012, the employee's timesheet indicates that the employee worked between 6:00 a.m. to 10:00 a.m. for four hours performing police duties and then claimed four additional work hours for performing zoning and code enforcement duties between 7:00 a.m. and 11:00 a.m. on the same day, which overlaps that time period by three hours. Payroll records show that the employee was credited for working four regular hours that day and receiving overtime for the remaining hours. In total, a review of all payroll records for the examination period found 11 duplicated hours were reported, most were during calendar year 2011, but a few additional duplicated hours were reported in 2012.

In addition to recording duplicate hours, auditors found the City paid the employee twice for the same nine hours of overtime the employee claimed between December 25, 2011 and December 29, 2011, leading to an overpayment of \$517.73 to the employee. The overtime hours twice paid to the employee were first claimed as part of a larger request for payment by the employee in a letter dated December 29, 2011 to the Police Chief for services performed for building, zoning, and code enforcement. This request was for worked reportedly performed from November 29, 2010 through December 29, 2011. The employee's full request was questioned by the City and payment was withheld until February 17, 2012, when the City paid the request in full through the City's payroll. At that time, the City did not have a policy requiring hours worked for building, zoning, and code enforcement to be reported in the pay periods when the work was actually performed.

The employee's second request for payment of these nine overtime hours was made when he submitted his time sheet for the pay period December 25, 2011 through January 7, 2012. The employee received payment for these nine overtime hours on January 11, 2012.

Auditors also found two instances in December 2011 in which timesheets indicate the employee claimed sick leave; however, the payroll records indicate the employee was credited with regular working hours for those days and the employee's sick leave balance was not reduced.

According to the Police Chief and the Administrative Assistant to the Police Department, hours worked and leave taken are recorded by each officer in the Police Department on a timesheet. At the end of the payroll period, each officer enters their time into a computerized system from which the Police Chief generates reports. The Police Chief prints the reports and provides the reports and original timesheets to the Administrative Assistant to enter the time reported into the official payroll system.

The Administrative Assistant enters payroll for all City employees into the official payroll system; however, she noted that the Police Department is the only City department where employees enter their own time into a database and she subsequently receives computerized reports of their time. Because the computerized reports generated from the database are often easier to read than the timesheets, the Administrative Assistant enters the payroll data using the computerized reports.

According to the Administrative Assistant, because the Police Chief approves the timesheets, as evidenced by his signature, she assumes a comparison of the original timesheets to the data entered into the computer database by the officers was performed to ensure the time and leave taken was consistently entered properly. As such, the Administrative Assistant did not typically compare the original timesheets to the reports printed from the database. The Chief stated that he reviewed the documentation; however, he noted there were times when the timesheets were submitted directly to the Administrative Assistant or on occasion he does not receive the timesheets until a few days after the end of the pay period and therefore the process was not standardized or consistently followed to reconcile the original timesheets to the work hours entered into the database.

While the examination of payroll records, timesheets, and overtime requests was limited to the concerns expressed to the APA by concerned citizens, it appears the potential exists for discrepancies to also have occurred in the payroll records of other City Police Department personnel. The possibility of other exceptions exists because the payroll process followed for all City Police Department personnel was handled in the same manner.

Recommendations

We recommend the City strengthen its review process of employee timesheets to ensure a review is performed of all time reports and overtime requests before entering the information into the official payroll system for processing. Reports generated from the database should then be reconciled to the timesheet to ensure the information was properly recorded in the system. If discrepancies are identified through the review process, we recommend the reviewer discuss the discrepancy with the employee who submitted the records to resolve the issue. Upon resolution of the discrepancy, time reports and overtime requests, if applicable, should be revised and revisions should be documented by the employee and supervisor or reviewer to reflect the correct hours worked by the employee. Subsequent to review, the supervisor should approve the timesheet.

Further, we recommend the City receive reimbursement for all duplicated hours claimed by the employee, in addition to the 9 hours of overtime paid twice to the employee in February 2012.

Finding 3: Work hours reported by employee lacked sufficient detailed documentation and appeared excessive at times.

One of the concerns expressed to this office related to the number of hours worked by the employee who had a wide range of job duties within the City associated with the police, building, zoning, and code enforcement, as well as floodplain administration services. The concern, as expressed to this office by citizens, related to the ability of one individual to perform all these duties for the City, while also performing building and zoning inspections as a private contractor for other city municipalities at the same time.

Auditors found, based on the examination of records from the City and other municipalities, a significant number of hours were charged by the employee for work performed at the City and other municipal locations. In several instances, the employee would record the total number of daily hours worked; however, the employee did not record the actual time of day the employee performed the work. While City timesheets appear to require the actual time of day work was performed to be documented, the City did not always require this information to process the employee's payroll.

Given the employees schedule and the significant number of work and overtime hours consistently claimed by the employee at the City, there is an increased need to document the employee's beginning and ending work times. Without this detail, a reviewer would be unable to sufficiently evaluate the work hours claimed by the employee and monitor the number of hours reported for reasonableness or possible duplication.

While the Detective specified on City timesheets the number of hours worked each day at the City, hours worked for inspection services provided to other municipalities were either billed by the Detective weekly or were billed as a single monthly fee. Due to a lack of detail in City records as to beginning and ending work times, as well as the individuals' lack of detail associated with billings to other municipalities for his contract services, auditors were also unable to sufficiently evaluate the hours claimed by the individual and identify potential duplication of hours. For example, in a billing statement for the period of March 2012 to one municipality, the Detective stated that he worked 11 hours between March 13, 2012 and March 15, 2012. According to City records, for the same three day period, the Detective claimed a total of 37 work hours. Because the billing statement to the other municipality provided no detail as to specifically when those 11 hours were worked, auditors were only able to determine an average number of hours the Detective may have worked each day. Between the two city governments, the Detective charged 48 hours worked over a three day period, for an average of 16 hours worked each day.

Recommendations

We recommend the City require employees to provide sufficient details relating to their work hours. If an employee's work schedule varies or the employee is claiming overtime, the City should require the employee to clearly document the time of day they are working so that the review may perform an adequate analysis of the claim and to ensure the employee is performing specific duties at the time acceptable to the City.

We further recommend, the City require employees to provide routine written reporting of any outside employment to the individual designated by the City.

Finding 4: City paid overtime when the employee did not work over 40 hours in a work week.

While examining a City employee's payroll, timesheets, and overtime requests submitted for the examination period, auditors found the City allowed the employee to receive overtime pay during weeks in which the employee took vacation and did not actually work over 40 hours in the work week. Vacation hours are not hours actually worked by an employee and, as such, should not be included in the number of hours worked when determining whether overtime should be paid to an employee.

According to the City Clerk and City Administrative Assistant, it was the City's long-standing practice for many years to pay employees overtime when they have taken vacation days in lieu of working. However, this practice did not allow employees to receive overtime for weeks that employees take sick leave, unless the employee actually works over 40 hours during those weeks.

According to KRS 337.285 (1),

No employer shall employ any of his employees for a work week longer than forty (40) hours, unless such employee receives compensation for his employment in excess of forty (40) hours in a work week at a rate of not less than one and one-half (1-1/2) times the hourly wage rate at which he is employed.

While the statute requires employers to pay overtime for any hours over 40 worked in a workweek, it does not require vacation, sick, or holiday pay to be included as hours worked. This practice resulted in wasteful spending given the employee already is compensated for days of vacation.

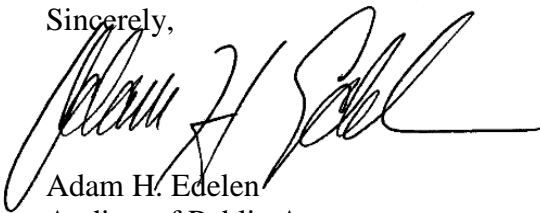
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Recommendations

We recommend the City Council develop a formal written policy to address employee overtime in compliance with applicable labor laws. This policy should require employees to actually work 40 hours in a single work week before being paid overtime and should clearly state that vacation, sick, and holiday leave are disallowed in the overtime calculation.

If you have any questions regarding this letter, please contact me at (502) 564-5841. Thank you, in advance for your attention to these matters.

Sincerely,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a long horizontal flourish extending to the right.

Adam H. Edelen
Auditor of Public Accounts