



**EXAMINATION OF CERTAIN POLICIES,  
PROCEDURES, AND FINANCIAL ACTIVITY OF THE  
CARROLLTON-CARROLL COUNTY PARKS AND  
RECREATION COMMISSION**

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June 13, 2001

Honorable Gene McMurry  
Carroll County Judge-Executive

Honorable James M. Crawford  
Commonwealth's Attorney, 15<sup>th</sup> Judicial Circuit

Re: Carrollton-Carroll County Parks and Recreation Department

Gentlemen:

We have examined certain allegations concerning the Carrollton-Carroll County Parks and Recreation Department (Department). The purpose of our examination was to assist law enforcement in assessing whether any fraudulent financial activity occurred within the Department during the fiscal year ended June 30, 2000. The scope of our examination was not sufficient to constitute an audit of the Department, and we therefore offer no opinion on the Department's financial statements.

Our procedures included examining bank statements, check ledgers, cancelled checks, employee time records, invoices, and other financial documents. We interviewed several current and former employees of the Department. We also interviewed several past members of the Carroll County Parks and Recreation Commission (Commission), and examined available minutes of the Commission's meetings and other documents as provided.

The results of our examination are presented below. We wish to thank Judge McMurry and his staff, as well as all of the Department employees and Commissioners, for their cooperation during the course of our examination.



## Background

In April 1997 the Commission was established under the authority of Chapter 97 of the Kentucky Revised Statutes as a joint city-county recreational commission between the City of Carrollton (City) and the Carroll County Fiscal Court (Fiscal Court). The Commission, though funded primarily by contributions from the Fiscal Court and the City, retained significant autonomy regarding operations, including financial activity, personnel actions, and programs.

The Commission consisted of seven volunteer members, representing various communities within Carroll County. The Fiscal Court and the Carroll County School Board were also represented on the Commission.

In March 1998, the Commission hired Tony Martin as Director of the Parks and Recreation Department. Mr. Martin served as Director until his resignation in August 2000.

## Allegation: The Director was inappropriately compensated for officiating and supervising recreational leagues.

The Commission approved Tony Martin's salary of \$32,030 for fiscal year 1999-2000. In addition to his regular salary, Mr. Martin also received \$3,153 in compensation during the fiscal year for officiating recreational leagues and supervising facilities. The propriety of any compensation in addition to his regular salary has been questioned because of Mr. Martin's position as Director.

Commission members contend that Mr. Martin was ineligible to receive additional pay, but could, instead, accrue compensatory leave for time worked beyond 40 hours per week. In defense of receiving this additional compensation, however, Mr. Martin referred to the Commission's order of January 21, 1999, which states, "it is acceptable for staff and families to work outside regular work hours as long as proper documentation and records are kept to verify actual hours worked."

Given that Mr. Martin proposed this motion be adopted and that the entire Department employed only two or three full-time employees, the absence of the Commission's explicit order to restrict his compensable work to 40 hours per week leads us to conclude that Mr. Martin's interpretation that the order allowed him to work additional hours for extra pay was reasonable.

However, we noted many weaknesses in the documentation and control over the additional payments made to Mr. Martin.

- All but one of the 16 extra checks were written and signed only by Tony Martin.
- Time sheets documented only \$1,772 of the extra checks received, leaving \$1,381 undocumented.
- No time sheets were approved by a Commission member.
- Payroll withholdings were deducted from only six checks totaling \$540. The remaining \$2,613 in additional compensation received did not have withholdings made.
- Varying hourly or per game pay rates for his supervision and officiating were claimed; no rates were established by the Commission.
- Two of Mr. Martin's time sheets included a few hours worked by Karen Martin, his wife.
- Three checks totaling \$726 were made prior to performing the work claimed on the corresponding time sheets.
- Tony Martin received two \$163 checks one week apart. Sufficient documentation existed for only one check. It is unknown if the other check was a duplicate payment.

The documentation that did exist for the extra payments indicated that Mr. Martin worked as a scorekeeper, official, or gym supervisor for several basketball leagues the Department sponsored. According to Mr. Martin, had he not performed these duties, the Department would have had to incur the expense of hiring someone else. Mr. Martin paid himself \$12 to \$15 a game, depending on the league, for scoring or officiating duties. He also paid himself \$10 to \$15 an hour for supervising duties.

**Allegation: The Director paid himself for two extra weeks pay in lieu of taking vacation leave.**

An allegation was made that Mr. Martin, as Director, paid himself two extra weeks pay in lieu of taking vacation leave. We substantiated this allegation by noting paychecks dated April 22, 2000, and May 8, 2000, in addition to paychecks for 52 weeks during the fiscal year. Only Tony Martin signed these two checks, which totaled \$970. According to

Mr. Martin, despite being encouraged by the Commission to take a vacation, the demands for his time did not allow him to take time off. In lieu of taking time off, the Director paid himself the equivalent of two weeks salary and subtracted a corresponding amount of time from his leave balances. Mr. Martin's time sheets reflect that though he worked full-time during the week of May 3-9, 2000, he reduced his accumulated vacation leave by 44 hours, his compensatory leave by 33 hours, and his sick leave by three hours for a total of 80 hours.

The Commission, as documented in the minutes of its March 28, 1998 meeting, adopted the county's personnel policies and procedures. These policies include a provision that states, "[n]o employee will receive pay in lieu of vacation." Despite the Commission's adoption of these policies, it is unclear that these specific policies were actually discussed or distributed to employees.

Mr. Martin further contends that while he did not refund the two extra weeks' pay associated with the reduction in his leave balances, neither was he paid for his last week of work prior to his resignation, nor for his accumulated leave time when he resigned. Our examination found that Mr. Martin worked 40 hours during his last week of employment and had vacation leave and compensatory leave balances totaling 59 hours upon his resignation. These 99 hours equate to approximately \$1,525 owed to Mr. Martin. However, we note a provision of the county's personnel policies that states, "[a]n employee failing to give proper notice of termination . . . may forfeit payment for annual leave." Mr. Martin did not comply with the county's policy, which requires 14 calendar days notice to resign in good standing.

We conclude that Mr. Martin's payment to himself for two weeks' of unused vacation leave violated the county's, and therefore the Department's, personnel policy. However, as Mr. Martin would have been entitled to payment for his accumulated leave upon a proper separation from the Department, it can be argued he accrued little ultimate benefit from these payments.

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**Allegation: The Director paid his wife to reimburse for his health insurance premiums.**

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Our examination verified that two Department checks for \$589 each were written to Karen Martin in August 1999. These checks did not have a signature other than Tony Martin's. The checks indicated they were for health insurance.

The former chairperson of the Commission stated that, although Mr. Martin did not have an employment contract, there was no doubt that he was entitled to health insurance. While arrangements were being made for his eventual coverage under a separate plan, Mr. Martin was covered under a family plan through his wife's employer. Mrs. Martin had an amount withheld from her regular paycheck to cover the additional premium.

We attempted to verify the appropriateness of the amount reimbursed to Karen Martin. Department records made available to us did not contain documentation to support the reimbursements. However, the Carroll County School District, Mrs. Martin's employer at the time, provided us information that she had additional health premiums withheld from her checks. According to the school district, her additional health insurance withholding amounted to \$194 every two weeks for seven months during calendar year 1999. This amount exceeds the \$1,178 reimbursed by the Department.

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**Allegation: The Director's wife received inappropriate compensation.**

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In addition to the health insurance reimbursements discussed above, we noted other payments to Karen Martin during the fiscal year. She received checks from the Department for summer work, from which payroll taxes were withheld, totaling a net compensation of \$1,709. However, no taxes were withheld from \$2,304 of additional compensation paid to Mrs. Martin for other work performed during the year.

As to the \$2,304 of additional compensation, we found time sheets to document \$1,806 of this additional compensation, but no documentation to support the remaining \$498. We note that six of the nine supporting time sheets identified hours worked on dates subsequent to the date of the corresponding check. We also note that each of the checks for additional compensation to Karen Martin was signed only by Tony Martin.

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**Allegation: Checks for additional compensation were signed solely by the Director.**

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Regarding the checks for additional compensation to Tony and Karen Martin, we note the violation of the Commission's policy requiring two signatures on all checks. The minutes of the Commission's September 14, 1999, meeting contain this passage: "Tony would like two signatures on all outgoing checks. ...The Board saw no problem with that." In total, we found over \$6,000 in checks to the Martins that contained only the signature of Tony Martin.

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**Conclusion and Recommendation**

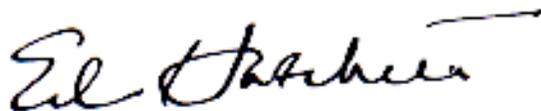
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The Commission did not exercise adequate administrative control over the Department. Examples of insufficient administrative control include the following:

- No comprehensive set of policies and procedures existed;
- The Director was hired without a detailed job description, resulting in misunderstandings over his responsibilities;
- The Commission did not closely monitor the Director's work, evidenced by the Commission's failure to approve any of the Director's weekly time sheets; and
- The Commission did not take the opportunity to question the payments for additional compensation discussed above.

The Fiscal Court has assumed the responsibility of operating the Department. Accordingly, we recommend the Fiscal Court ensure strict controls are established to oversee the Department's operation and financial activities.

Very truly yours,



Edward B. Hatchett, Jr.  
Auditor of Public Accounts

EBHJr:kct

A draft copy of the report was shared with Carroll County Judge-Executive Gene McMurry and Commonwealth Attorney James M. Crawford. Neither party offered a response to include into this report.

