



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

August 13, 2019

Robin Antenucci, Executive Director
Frankfort/Franklin County Tourist and Convention Commission
300 St. Clair St., Suite 102
Frankfort, KY 40601

RE: APA Review

Dear Mrs. Antenucci:

The Auditor of Public Accounts has completed a review of retirement payments made by the Frankfort/Franklin County Tourist and Convention Commission (Commission) to its former Executive Director. This review was initiated after our office received concerns regarding these payments. To address the concerns expressed to this office, employment information and documentation, including time sheets covering a portion of the time period effecting the payments were requested. Additionally, interviews were conducted with yourself, as the Executive Director, the former Executive Director, the current Chairman, and the CPA performing the Commission's annual financial statement audit. From this review, areas of concern have been identified and are presented in this letter to be addressed by the Commission's governing board. The purpose of this letter is to communicate these areas with corresponding recommendation(s) to allow for corrective actions to be taken.

The Commission failed to abide by its written contract

Commission records provided to this office identified an offer letter dated July 29, 2003, to the former Commission Executive Director establishing her salary and benefits. This letter serves as the only written employment agreement between the former Executive Director and the Commission. The letter was signed by the former Executive Director and former Commission Chairman, who currently serves as the Commission's Executive Director. The offer letter states the former Executive Director will receive an annual salary of \$42,300 and be "entitled to all the benefits offered to Franklin County employees." However, the rate at which the former Executive Director earned and accumulated leave time was not consistent with benefits offered to Franklin County (County) employees.

Records maintained by the Commission identify the former Executive Director received one sick day, equal to 8 hours of leave, and 20 hours of annual leave each month upon her initial employment until she retired nearly 13 years later. Franklin County Administrative Code, Section 3.43, identifies the amount of annual leave a full-time county employee receives is based on months of service. For example, a new employee receives one annual day per month and an employee who has worked 20 years receives 2 annual days per month. Annual leave accrued is



capped at a maximum, and leave in excess of the maximum is converted to sick leave at the end of the calendar year. The maximum amount of annual leave that can accrue varies, as it depends on the employee's months of service. Because the former Executive Director was awarded 20 hours of annual leave each month upon employment, the maximum cap on annual leave was met quickly, and annual leave hours were converted to sick leave beginning in 2004.

A CPA engaged by the Commission to perform its annual financial statement audit calculated that the former Executive Director's sick leave balance accumulated to 3,383 hours by her retirement date. The CPA believes the 20 hours of annual leave awarded to the former Executive Director upon her initial employment must be based off of her employment contract. However, the CPA noted such an agreement was not in the CPA firm's permanent file, and he was not working as the auditor on the engagement from 2003 to 2009. The CPA did not recall any conversations on how that benefit originated. The CPA performed his calculation of accrued leave balances based on timesheets dating back to 2003.

The current Chairman, who also served as a Board member in 2003, and the former Executive Director both stated that a verbal agreement existed between the two parties granting additional annual leave to supplement the salary offered to the former Executive Director. The Chairman noted that the Commission could not match pay the former Executive Director was receiving in her previous position and as such used this as a way to entice her into accepting the Commission position. The Commission Chairman stated that he could not remember all the concessions made to encourage the former Executive Director to accept the position, but concessions included more paid time off than what other Commission personnel receive. Still, no written documentation was provided to support this alternative agreement; as such, it appears the written employment agreement supersedes the verbal agreement.

The Commission did not follow policy

On January 5, 2017, the Commission entered into a compensation agreement with the former Executive Director. The agreement identifies the 3,383 hours of accumulated sick leave as a liability of the Commission, and the Commission agrees to compensate the former Executive Director for those hours at a rate of \$33.68 per hour, totaling almost \$114,000. The Chairman noted that the Commission could not afford to pay this amount in total, so the two parties agreed to quarterly payments of \$5,697 beginning March 1, 2017 and ending December 1, 2021.

The Chairman stated that the Commission in essence "kicked the can down the road" and acknowledged that the Commission did not keep track of the cost of the accumulated leave until closer to the time the former Director began discussing retirement. The Chairman stated that the Commission attempted to encourage the former Executive Director to use some leave time when they realized how much had accumulated and that they believed it would be owed to her.

Though the January 5, 2017 agreement identifies the sick leave accrued as a liability due and payable, no evidence was found in policy in effect at the time of the former Executive Director's retirement to indicate that the accumulated sick leave balance was a liability of the

Commission. Furthermore, both the Commission Employee Handbook and the County Administrative Code in effect at the time of her retirement do not allow for the payout of accumulated sick leave upon retirement.

The Commission did not provide proper oversight of time reporting

A review of the former Executive Director's timesheets for the period January 1, 2014 through December 2016 was attempted. However, the Commission could not locate and provide timesheets for all pay periods during the three-year period. Pay periods for which the former Executive Director's timesheets were missing include:

- October 15, 2014 through October 28, 2014
- December 24, 2014 through January 5, 2015
- June 24, 2015 through December 2016

In addition to limited records from the initial three-year period requested, the Commission provided timesheets to the APA dating back to January 2010. Review of the timesheets provided to this office for the former Executive Director noted numerous errors, including but not limited to: miscalculations, incorrect carry-forward of accrued time, incorrect coding of leave, duplicate time sheets, missing signatures, and incorrect hours recorded. According to the Commission, no record of accrued leave balances or time was maintained outside of that recorded on individual timesheets. Due to missing and erroneous timesheets, a calculation of accrued leave time for the former Executive Director, taking into account hours worked, used, and/or earned, could not be performed.

Timesheets provided also indicate limited and inconsistent supervisory review or approval was applied. No supervisory signature was applied to the former Executive Director's timesheets in 2010. Timesheets submitted for the pay period ending January 25, 2011 through November 29, 2011 were approved, but the signature was not accompanied by a date to indicate when the review occurred. Beginning in December 2011, a date identifying when the timesheets were reviewed or approved often accompanied the supervisor signature. Documented approval dates evidence the approver did not consistently review and approve timesheets for weeks to months after a payroll period ended. For example, timesheets for pay periods ending February 17, 2015 through June 9, 2015 were signed by a Board member on August 18, 2015. Additionally, no corrections or edits appear to have been made by the supervisor when obvious errors or miscalculations occurred. Such lax oversight provides little to no assurance regarding the accuracy of the timesheets and the compensation awarded to the former Executive Director upon retirement.

Recommendations

We recommend the Commission:


- Memorialize any future negotiated benefits in writing to ensure an accurate record exists to support benefits received by Commission personnel. When negotiating benefits, the Commission should conduct sufficient review of potential benefits to

ensure a thorough understanding of the future potential impact those benefits will have on the organization. Any negotiated benefits should be allowable by Commission policy and should be properly monitored to ensure benefits received are consistent with those benefits documented in writing.

- Ensure timely review of Commission personnel timesheets. Timesheets should be reviewed for accuracy and errors should be corrected prior to processing. Additionally, a formal record of employee accumulated leave balances should be maintained by someone other than the employee.
- Consult with its attorney to determine if the compensation agreement between the Commission and former Executive Director can be revisited.
- We recommend the Commission implement a system to ensure records are properly maintained.

Thank you for your attention to these matters. We would also like to thank the Commission for its cooperation with this review. If you have any questions regarding this letter, please contact me or Andrew English, Executive Director at 502-564-5841.

Thanks and God Bless,

A handwritten signature in black ink, appearing to read "Mike Harmon". The signature is written in a cursive style with a long horizontal stroke at the end.

Mike Harmon
Auditor of Public Accounts