


INVESTIGATIVE AUDIT

TOWN OF BILLINGS

July 1, 2015 through June 30, 2017



*Independently serving the citizens of
Oklahoma by promoting the
accountability and fiscal integrity of
governmental funds.*



Oklahoma State
Auditor & Inspector
Gary A. Jones, CPA, CFE

TOWN OF BILLINGS
NOBLE COUNTY, OKLAHOMA
INVESTIGATIVE AUDIT
JULY 1, 2015 THROUGH JUNE 30, 2017



Oklahoma State Auditor & Inspector

2300 N. Lincoln Blvd. • State Capitol, Room 100 • Oklahoma City, OK 73105 • Phone: 405.521.3495 • Fax: 405.521.3426

October 25, 2018

TO THE HONORABLE BRIAN HERMANSON, DISTRICT ATTORNEY DISTRICT 8

Pursuant to your request and in accordance with the requirements of **74 O.S. § 212(H)**, we performed an investigative audit of the Town of Billings for the period July 1, 2015 through June 30, 2017.

The objectives of our investigation primarily included, but were not limited to, the areas noted in your request. Our findings related to those objectives are presented in the accompanying report.

Because investigative procedures do not constitute an audit conducted in accordance with generally accepted auditing standards, we do not express an opinion on the account balances or financial statements of the Town of Billings for the period of July 1, 2015 through June 30, 2017.

The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

This report is addressed to and is for the information and use of the District Attorney as provided by statute. This report is also a public document pursuant to the Oklahoma Open Records Act in accordance with **51 O.S. §§ 24A.1, et seq.**

Sincerely,

A handwritten signature in blue ink that reads "Gary A. Jones".

GARY A. JONES, CPA, CFE
OKLAHOMA STATE AUDITOR & INSPECTOR

Table of Contents

	Page
Executive Summary	ii
Introduction.....	1
Objectives and Findings	
Revenue.....	2
Other Issues.....	9
Exhibits	16



**Executive
Summary**

WHY WE CONDUCTED THE AUDIT

The Honorable Brian Hermanson, District Attorney, District 8, under the authority of **74 O.S. § 212(H)**, requested the assistance of the Oklahoma State Auditor and Inspector in conducting an investigative audit of the Town of Billings.

WHAT WE FOUND

- Because utility billing collections were not properly or consistently received, full accountability of revenues received could not be determined. In addition, some utility payment transactions were improperly posted to customer utility accounts and deposits were not made daily as required by statute. (Pg.3-4)
- Police citations and most court dockets were not available for review, resulting in the inability to account for all police fine revenue. (Pg. 5)
- Insufficient records were maintained to properly account for swimming pool and concession activity. (Pg. 6)
- It appears that \$1,633.26 of trailer sales revenue was not deposited. (Pg. 6)
- Funds were not properly secured in all instances, and there were few, if any, safeguards or internal controls over receipting and depositing of revenue. (Pg.7-8)
- The Mayor did not designate exempt/nonexempt employee classifications as required by policy. (Pg. 10)
- Former Police Chief Robert Johnson donated 120 hours of comp time to the former Clerk-Treasurer Zelda Silvey without Board approval, resulting in Silvey receiving improper compensation of \$1,710.25 for comp time she did not earn. (Pg. 11)
- Former Clerk-Treasurer Zelda Silvey received \$741 in questionable vacation leave pay. (Pg. 14)
- The Town paid former Police Chief Robert Johnson a wage claim totaling \$16,141.12 for leave and comp time allegedly accumulated during his employment. (Pg. 14)

Town of Billings – Investigative Audit

Introduction

The municipal government of the Town of Billings (hereinafter the “Town”) is organized under the statutory town board of trustees form of government, as outlined in **11 O.S. §§ 12-101, *et seq.*** Section 12-101 states:

The form of government provided by Sections 11-12-101 through 11-12-114 of this title shall be known as the statutory town board of trustees form of government. Towns governed under the statutory town board of trustees form shall have all the powers, functions, rights, privileges, franchises and immunities granted, or which may be granted, to towns. Such powers shall be exercised as provided by law applicable to towns under the town board of trustees form, or if the manner is not thus prescribed, then in such manner as the board of trustees may prescribe.

The Billings Public Works Authority (hereinafter the “Authority” or “PWA”) is a public trust established under **60 O.S. §§ 176 *et seq.*** The Authority provides utility services to the residents of the Town. The Town Trustees also serve as the Board for the Authority.

The Town operates on a fiscal year that runs from July 1 through June 30.

The Town Officials as of June 30, 2017 were:

Mark Howry	Mayor
Randy Bailey	Board Member
Pat Brand	Board Member
Robert Hartz	Board Member
Frances Moss	Board Member
Sherry Ruebell	Town Clerk

The State Auditor and Inspector’s Office (hereinafter “SA&I”) received a written request from District Attorney Brian Hermanson to conduct an audit to determine if funds within the Town of Billings had been misappropriated.

Upon further discussion with District Attorney Hermanson, it was determined that the audit should be directed to the collection of Town revenue under the management of Town Clerk-Treasurer Zelda Silvey.

Silvey was hired on December 10, 2007, to fulfill the term of the then clerk-treasurer who had resigned her position. Although Silvey was initially hired in an administrative role, she was officially appointed on January 24, 2008, and was subsequently elected to the office, serving until her resignation, effective May 9, 2017.

Town of Billings – Investigative Audit

REVENUE

Summary of Findings:

- **Because utility billing collections were not properly or consistently received, full accountability of revenues received could not be determined.**
- **Two utility payments totaling \$440.69 were posted to customer utility accounts with no evidence of deposit.**
- **Meter deposits totaling \$676.25 were not properly transferred to the utility revenue bank account.**
- **Deposits were not made daily as required by statute.**
- **Police citations and most court dockets were not available for review, resulting in the inability to account for all police fine revenue.**
- **Insufficient records were maintained to properly account for swimming pool and concession activity.**
- **It appears that \$1,633.26 of trailer revenue was reported received but was not deposited.**
- **Funds were not properly secured in all instances.**
- **There were few, if any, safeguards or internal controls over receipting and depositing of revenue.**

Background

The collection, recording, and depositing of funds is the responsibility of the town clerk-treasurer.

The position is defined in **11 O.S. § 12-110** and states, the town treasurer shall:

1. maintain accounts and books to show where and from what source all monies paid to him have been derived and to whom and when any monies have been paid; and
2. deposit daily funds received for the town in depositories as the board of trustees may designate...

Article 3, Section 2-301 of the Town's Code of Ordinances further defines the clerk-treasurer duties and states in relevant part:

Town of Billings – Investigative Audit

The Town Clerk-Treasurer shall be an officer of the Town. The Town Clerk-Treasurer shall:

5. Collect and record the receipt of all monies as the town code and ordinances may provided.[sic] Such recording shall be available to the public in the Town Clerk-Treasurer's office.

Zelda Silvey, as the town-clerk treasurer, was responsible for the collection and deposit of Town revenues, including but not limited to, utility receipts, police fines, swimming pool revenue, trailer home rental revenue, and trailer lot rentals.

The Town accepted cash, checks, money orders, and credit cards for the payments made.

Utility Revenue

Finding

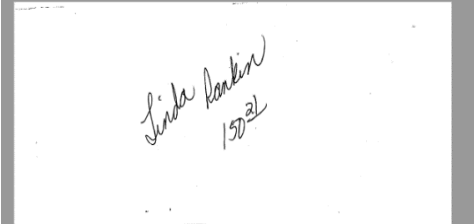
Because utility billing collections were not properly or consistently receipted, full accountability of revenues received could not be determined.

The purpose of maintaining a billing stub, or issuing and maintaining a utility payment receipt, is to allow the clerk to document the payment transaction, to show accountability of funds collected, and to support the recording of a payment to the proper customer utility account.

Silvey represented that copies of pre-numbered receipts were retained and used to balance the daily deposits. However, it was determined that customers were given receipts only upon request and billing stubs were not retained for all customer payments.

In addition to not utilizing pre-numbered receipts for all transactions, evidence also reflected that receipts were not issued in the order that payments were made, were not issued in numerical sequence, and were issued from separate pre-numbered receipt books on the same day.

At times, instead of utilizing prenumbered receipts, the former clerk used scratch paper to record customer payments.



A photograph of a small, rectangular piece of white paper with handwritten text. The text is written in dark ink and consists of a signature that reads "Zelda Rankin" and a date "1/30/21" written below it.

As a result of not receipting collections properly, *full accountability of revenues received could not be determined.*

Town of Billings – Investigative Audit

Pre-numbered receipts should be issued for all money at the time it is received. The original receipt should be given the customer, and a duplicate or carbon copy should be maintained and used to reconcile receipted collections to deposits and to properly post customer accounts.

Finding **Two utility payments totaling \$440.69 were posted to customer utility accounts with no evidence of deposit.**

In January 2016, payments totaling \$440.69 were applied to two customer's utility accounts. No corresponding check, credit card, or cash payment could be traced to the bank deposits for these payments.

The payments were also not included on the *Station Summary Report*, which was reportedly used to reconcile payment activity to daily bank deposit totals. No additional documentation was provided to support the posted credits.

There was insufficient evidence to determine if these entries were erroneously posted, improperly administered or otherwise mismanaged.

Finding **Meter deposits totaling \$676.25 were not properly transferred to the utility revenue bank account.**

On April 24, 2017, a total of \$676.25 in meter deposit funds were represented as applied to six customer utility accounts. These transactions could not be traced to a corresponding payment in the April bank deposit. The entries were recorded on the Transaction Journal Report as applied deposits¹, but it appears the funds were not transferred to the utility revenue bank account.

Finding **Deposits were not made daily as required by statute.**

Title 11 O.S. § 12-110 states:

The town treasurer shall be an officer of the town. The town treasurer shall...*deposit daily* funds received for the town in depositories as the board of trustees may designate; [Emphasis added]

We reviewed all utility deposits for the month of January 2016 in the PWA account. A total of eight deposits were made for the entire month.

¹ See Exhibit 1 - Transaction Journal Detail Report

Town of Billings – Investigative Audit

Date	Amount
1/4/2016	\$ 175.00
1/5/2016	\$ 1,419.04
1/8/2016	\$ 115.00
1/8/2016	\$ 3,299.59
1/20/2016	\$ 3,927.59
1/20/2016	\$ 5,604.37
1/22/2016	\$10,255.66
1/25/2016	\$ 1,370.74

No deposits were made for 12 consecutive days during the month, although *Deposit Slip Reports* reflected payments were received between January 8, 2016 and January 20, 2016.

In June 2016, a review of pool collections reflected that revenue was held for 11 days before being deposited at the Billings First Bank & Trust branch located adjacent to Town Hall.

No deposit was made between June 9, 2016 and June 20, 2016. Instead of revenue being deposited daily as required, one deposit was made on June 21, 2016.

Police Fine Revenue

Police fine revenue was reviewed for the months of January 2015 and February 2017. During this period records reflected that just over \$6,300 was receipted in police fine revenue.

Finding

Police citations and most court dockets were not available for review, resulting in the inability to account for all police fine revenue.

As a result of the missing records, we were not able to confirm that all citations issued were placed on the docket for disposition or ultimately received, receipted and deposited.

The approximately \$6,300 in police fines that were collected and receipted were traced to deposits with no exceptions noted.

Swimming Pool Revenue

The Town operates a community swimming pool seasonally from May to September each year. In April 2015, the Town opened a checking account designated for the depositing of Billings Parks and Recreation Department revenue. Prior to this time, deposits collected from the pool concession

Town of Billings – Investigative Audit

stand, seasonal admission passes, daily pool gate fees, private party rental or swimming lessons were reportedly deposited into the Town's general fund.

During the audit period Cat Evans served as the Billings Parks and Recreation Director. Evans resigned her position on June 2, 2017. At that time board member Pat Brand began overseeing the pools day-to-day operations.

Finding **Insufficient records were maintained to properly account for swimming pool and concession activity.**

The Parks and Recreation department records were disorganized, with customer receipts and sign-in sheets missing. The available swimming pool records were reviewed for the months of June 2016 and July 2016.

It appeared that \$3,017.45 of *documented* collections for these two months was deposited in the Billings Parks and Recreation bank account. However, records were not available to adequately determine if all swimming pool and concession revenue was sufficiently accounted for.

Without adequate recording of pool attendance and related concession purchases, it was not possible to determine if all revenues had been received, recorded, and deposited.

Trailer Sales and Lot Rental Revenue

According to a letter dated July 15, 2008, and follow-up correspondence dated April 19, 2011, the Town, in cooperation with the Billings Industrial Development Authority (IDA), made a request to the Oklahoma Department of Central Purchasing for the purchase of trailers (or mobile homes) to use as living quarters for local teachers, law enforcement, EMS, firefighters, and city personnel.

The Town Board approved the purchase of, and guidelines for, the trailer sales in three different meetings between June 2009 and April 2011. Our review indicated the Town purchased 10 trailers.

Finding **It appear \$1,633.26 of trailer revenue was reported received but was not deposited.**

The mobile homes were sold to area residents for prices ranging from \$4,200 to \$11,054. The values of the homes appeared to be based on several factors, including but not limited to, size, condition, repairs made, etc. Four

Town of Billings – Investigative Audit

of 10 the homes were set-up on Town property and established as “rent-to-own” purchases and six were sold outright.

The Board set a \$250 monthly rent-to-own fee, which would be applied to the purchase price of the home. The owners of rent-to-own homes were also to be charged a monthly lot rental fee of \$50.

A Trailer Escrow bank account was established for the management of trailer revenue. The first deposit was made into the account in February 2012. A total of \$37,551.59 was deposited into this account between February 2012 and February 2017, when the account closed.

Per Silvey, the payments and lot rental fees received were documented on a spreadsheet through the Town’s utility billing software and were to be deposited into the Trailer Escrow bank account.

A review of Silvey’s reported trailer revenue reflected a total of \$39,184.85 collected. Deposits into the Trailer Escrow account were \$37,551.59, resulting in a discrepancy between reported revenue and deposited revenue of \$1,633.26.

Trailer Revenue	
Trailer Payments	\$33,584.85
Lot Rental Payments	\$5,600.00
Total Reported Revenue	\$39,184.85
Less Bank Account Deposits	(\$37,551.59)
Reported Revenue Not Deposited	\$1,633.26

Overall Cash Controls

Finding

Funds were not properly secured in all instances.

The Town reportedly used an unlocked filing cabinet to store cash and check payments received, but not yet deposited. Clerk-Treasurer Silvey acknowledged that cash was frequently “hidden” in the office or taken to her home on the weekend for “safe-keeping”.

Per an assistant town clerk, she was sometimes instructed to bring the bank deposit bag to Silvey’s house on Friday afternoons instead of taking the deposit to the bank. According to the assistant clerk the bag was not locked and sometimes contained as much as \$1,000 in cash.

Town of Billings – Investigative Audit

Finding

There were few, if any, safeguards or internal controls over receipting and depositing of revenue.

As discussed in the findings above, except for swimming pool revenue, the responsibility for the collection and deposit of funds was solely with Clerk-Treasurer Zelda Silvey. There was not a proper segregation of duties in the receipting, posting, and depositing of funds collected.

The Town needs to implement more segregation of duties where possible and consider requiring more stringent and effective documentation be maintained for all transactions. If adequate staff is not available, the Town should consider utilizing board members in their control processes.

OTHER ISSUES

Summary of Findings:

- **The Mayor did not designate exempt/nonexempt employee classifications as required by policy.**
- **Former Police Chief Robert Johnson donated 120 hours of comp time to the former Clerk-Treasurer Zelda Silvey without Board approval and in violation of policy.**
- **It appears the former Clerk-Treasurer Zelda Silvey was improperly compensated \$1,710.25 for comp time she did not earn.**
- **It appears the former Clerk-Treasurer Zelda Silvey received \$741 in questionable vacation leave pay in excess of the authorized amount set by policy and without appropriate supporting documentation.**
- **The Town paid former Police Chief Robert Johnson a wage claim totaling \$16,141.12 for leave and comp time allegedly accumulated during his employment.**

Background

Although not part of the initial audit objective, the Board requested a review of the former Clerk-Treasurer Zelda Silvey's and the former Police Chief Robert Johnson's payroll after allegations emerged that Johnson donated comp time² to Silvey without the Board's approval.

Board minutes, town policy, payroll records, and available timesheets were reviewed for the period of July 1, 2015 to June 30, 2017, to determine if comp time was handled in accordance with policy and if Johnson and Silvey were compensated in accordance with policy.

In December 2007, Silvey was hired as an hourly employee. On January 24, 2008 Silvey was officially appointed to fill the vacated position of Town Clerk-Treasurer.

² Comp Time - the time off received by an employee who worked extra hours instead of receiving overtime pay. For example, if an employee who is required to render 40 hours had worked for 60 hours, instead of the company paying him 20 hours of overtime pay, the company allows him 20 hours off at some time in the future.

Town of Billings – Investigative Audit

According to **Article 3, Section 2-301** of the Town’s Ordinances:

The Town Clerk-Treasurer shall be paid each pay period the amount of \$200.00 contingent upon the performance of the Town Clerk-Treasurer’s legal duties of the office.

Clerk-Treasurer Silvey was also compensated for administrative duties she performed for the Town.

On June 14, 2011, the Board voted to change Silvey’s employment status from hourly to salaried and determined she would receive comp time instead of overtime compensation. Silvey’s payroll records reflected that she began earning comp time July 5, 2011.

Former Police Chief Robert Johnson was hired on November 9, 2010, to serve as the Town’s Police Chief. The Board approved “time off”, or comp time, to be given in lieu of overtime hours for the position.

- | |
|--|
| <p>5. Motion Lounsbury second Manley to approve the police officer contract with Robert Johnson with the following change: time off will be given in lieu of overtime hours.
Vote: Yes –Parrish, Manley, Lounsbury No – None</p> |
|--|

Finding

The Mayor did not designate exempt/nonexempt employee classifications as required by policy.

On October 16, 2014, the Board adopted a revised Policy and Procedures Manual. The policy required employees to be classified to determine their eligibility for overtime or comp time pay.

According to the **Section 800** of the policy, the Mayor was to determine and specify positions as exempt or nonexempt from overtime in compliance with the Fair Labor Standards Act.

- | |
|--|
| <p>1. The Mayor or his/her designee shall approve all overtime prior to the time it is worked or as otherwise allowed by Administrative Policy. The Mayor shall determine and specify those positions which shall be exempt and non-exempt from overtime in compliance with the Fair Labor Standards Act. In determining the positions which are to be exempt, the Mayor shall include those which have important supervisory, administrative, or professional duties. Supervisory (exempt) positions often require attendance at departmental, Town Council or special board meetings or other assignments that require some overtime. The list of nonexempt positions will be on file in the Town Clerks office.</p> |
|--|

Town of Billings – Investigative Audit

The policy further stated in part:

2. Exempt positions shall not be entitled to earn overtime. Classifications not specifically determined to be exempt classifications by the FLSA shall be considered non-exempt. Nonexempt positions are those which shall be eligible for the earning of, accrual of, or credit for overtime or compensatory time at the rate of one and one half (1 1/4) times the regular hourly rate if not taken in the same work week/pay cycle, time off at the same rate if exchanged during the same work week/pay cycle, or as required under the Fair Labor Standards Act. The Mayor shall determine whether overtime pay or compensatory time off is provided to any employee subject to an overtime assignment.

As noted in policy, a list of nonexempt positions is required to be on file in the Town Clerk’s office. No list was provided and there was no evidence the Mayor or Town Board designated employment classifications for their employees.

By failing to record and implement the employment classifications in accordance with policy, the Town may have improperly compensated employees.

The Board should work to insure employees are classified appropriately, and review timesheets and payroll records to determine that appropriate compensation and leave is received.

Finding

Former Police Chief Robert Johnson donated 120 hours of comp time to the former Clerk-Treasurer Zelda Silvey without Board approval and in violation of policy.

According to Johnson’s *2015 Vacation and Sick Leave Report* Johnson used a total of 136 hours of comp time during February and March 2015, with 120 hours of that donated to Silvey.

COMP TIME			
CARRIED OVER FROM 2014 10/4.50			
ALLOWED	TAKEN	AVAILABLE	
29.5	16	1027	JANUARY
29.25	80	976.25	FEBRUARY
36.75	56	957	MARCH
18.75	-	969.75	APRIL
19.5	24	965.25	MAY

72 hours donated by R Johnson

48 hours donated by R Johnson

Town of Billings – Investigative Audit

Johnson's *Employee Time History Report*³ did not reflect the 120 hours of donated time and there was no evidence the alleged comp time donation was ever deducted from Johnson's accumulated comp time balance.

The *Employee Time History Report* is a cumulative record of compensation paid to employees including leave time earned, hourly pay, salary, overtime, comp time, vacation leave or holiday pay. This report did not agree to the Vacation and Sick Leave Report.

The Town's policy states employees may donate up to 50 percent of annual leave or sick leave. The policy does not include the donation of comp time.

513. Leave Donation: Employees may donate up to fifty (50) percent of their annual and sick leave entitlement to another employee, provided that employees retain at least ten (10) annual leave days after such donation is made. Leave donations will operate on a fiscal year basis, from July 1 through June 30 of each year and are subject to Town board approval prior to usage.

Silvey utilized the comp time during sick leave in 2015. Silvey stated the hours were *sick leave* donated by Johnson. Per payroll records, Johnson did not donate *sick leave* to Silvey, the donation of hours as noted above was *comp time*. There was no evidence the comp time donation was presented to, or approved by, the Board and was a violation of policy.

Finding

It appears the former Clerk-Treasurer Zelda Silvey was improperly compensated \$1,710.25 for comp time she did not earn.

Zelda Silvey's available payroll records were reviewed for the period of January 1, 2014 to May 31, 2017, to determine if she was compensated according to policy. It appears Silvey received compensation totaling \$1,710.25 for comp time she did not earn.

A review of Silvey's timesheets reflected an insufficient amount of comp time, vacation or sick leave had been earned prior to taking leave in February and March of 2015. As previously discussed, Silvey received 120 hours of donated comp time from the former police chief without apparent Board approval and in violation of Town policy.

³ See Exhibit 2 - Johnson's *Employee Time History Report*

Town of Billings – Investigative Audit

Silvey recorded 120 hours of comp time on her timesheets, as shown below. Silvey was compensated for the improperly donated leave, resulting in an apparent overpayment in the amount of \$1,710.25.

EMPLOYEE TIME SHEET										
NAME	ZELDA SILVEY						TITLE	CLERK/TREASURER		
FROM	2/16/2015					TO	2/28/2015			
DATE	IN	OUT	REG HRS	COMP TIME	VAC HRS	SICK LEAVE	COMP USED	COMMENTS	TOTAL	
16-Feb	HOL								8	
17-Feb				8					8	
18-Feb				8					8	
19-Feb				8					8	
20-Feb				8					8	
23-Feb				8					8	
24-Feb				8					8	
25-Feb				8					8	
26-Feb				8					8	
27-Feb				8					8	
TOTALS				72					80	

TOWN OF BILLINGS										
EMPLOYEE TIME SHEET										
NAME	ZELDA SILVEY						TITLE	CLERK/TREASURER		
FROM	3/1/2015					TO	3/15/2016			
Date	In	Out	Reg Hrs	Comp Time	Vac Hrs	Sick Leave	Comments	Total		
2-Mar	1	5		8				8		
3-Mar	1	5	4	4				8		
4-Mar	1	5	4	4				8		
5-Mar	1	5	4	4				8		
6-Mar	1	5	4	4				8		
9-Mar	1	5	4	4				8		
10-Mar	SICK			8				8		
11-Mar	1	5	4	4				8		
12-Mar	1	5	4	4				8		
13-Mar	1	5	4	4				8		
TOTAL			32	48				80		

Town of Billings – Investigative Audit

Finding

It appears the former Clerk-Treasurer Zelda Silvey received \$741 in questionable vacation leave pay in excess of the authorized amount set by policy and without appropriate supporting documentation.

Section 500 of Town policy defines vacation accrual amounts based on years of service. Silvey was an employee for 9 years and 6 months. According to policy she earned one vacation day per month until 2017, when the rate was increased to 1.5 days per month.

1. Vacation Accrual	
Years of Employment	Rate of Accrual
1 Year	½ day per month
2-9 Years	1 day per month
10-over	1 ½ days per month

Town policy **Section 512** requires the payroll clerk to maintain a leave record for each employee.

512. Leave Records: The Payroll Clerk shall maintain a leave record showing for each employee: (1) annual leave earned, used and unused; (2) sick leave earned, used and unused; and (3) any other leave with or without pay.

In 2016, Silvey earned 96 hours of vacation leave and carried 12 hours over from 2015, leaving 108 hours available for use. Silvey used 160 hours of leave, an excess of 52 hours, resulting in a potential overpayment of \$741.

Silvey stated she prepared the timesheets and payroll checks, and her signature was printed on each payment before it was signed by the mayor or vice mayor. Silvey signed her own timesheets and no supervisory signature could be located on the available records.

TOTAL			84			4			88
Date <u>12-15-16</u>									
Employee Signature <u>Z Silvey</u>					Supervisor Signature _____				

Finding

The Town paid former Police Chief Robert Johnson a wage claim totaling \$16,141.12 for leave and comp time allegedly accumulated during his employment.

In a letter dated May 15, 2018, the Town was notified by the Oklahoma Department of Labor that former police chief Robert Johnson had filed a wage claim for \$16,141.12 for “earned and due wages” while employed.

Town of Billings – Investigative Audit

According to the claim, Johnson claimed he was due \$722.40 for vacation leave and a total of \$15,418.72 for comp time the Board refused to pay upon his termination. The Town issued check number 5084 to Johnson in the amount of \$16,141.12 on May 29, 2018, in response to the claim.

The Fair Labor Standards Act (FLSA) dictates that police officers may accrue up to 480 hours of comp time.

Under certain prescribed conditions, a State or local government agency may give compensatory time, at a rate of not less than one and one-half hours for each overtime hour worked, in lieu of cash overtime compensation. Employees engaged in police and fire protection work may accrue up to 480 hours of compensatory time.

Because the Town did not follow the 480-hour limit established by the FLSA, Johnson was allowed to rollover all unused comp time each year. The accumulation of comp time in excess of the 480-hour limit was questionable.

The lack of oversight by the Board resulted in an unnecessary expense to the Town of \$16,141.12. On February 9, 2017, the Board voted to change town policy prohibiting comp time and limiting overtime to a minimal amount.

Town of Billings – Investigative Audit

Exhibit 1

Transaction Journal Detail					BILLINGS PWA
Date	Account	Consumer Name	Service Address	Detail Descr	Trans Amt
DepApply					
4/24/2017	1271	10940	██████████	DEPOSIT APPLY-04/24/17 (1828)	(\$43.61)
4/24/2017	1242	10190	██████████	DEPOSIT APPLY-04/24/17 (1829)	(\$12.38)
4/24/2017	1274	10190	██████████	DEPOSIT APPLY-04/24/17 (1829)	(\$1.63)
4/24/2017	1274	10190	██████████	DEPOSIT APPLY-04/24/17 (1829)	(\$4.08)
4/24/2017	1274	10190	██████████	DEPOSIT APPLY-04/24/17 (1829)	(\$33.83)
4/24/2017	1274	10190	██████████	DEPOSIT APPLY-04/24/17 (1829)	(\$4.42)
4/24/2017	1274	10190	██████████	DEPOSIT APPLY-04/24/17 (1829)	(\$2.17)
4/24/2017	1274	10190	██████████	DEPOSIT APPLY-04/24/17 (1829)	(\$2.54)
4/24/2017	1242	10190	██████████	DEPOSIT APPLY-04/24/17 (1829)	(\$87.56)
4/24/2017	1242	10190	██████████	DEPOSIT APPLY-04/24/17 (1829)	(\$47.52)
4/24/2017	1209	10190	██████████	DEPOSIT APPLY-04/24/17 (1829)	(\$10.46)
4/24/2017	1274	10190	██████████	DEPOSIT APPLY-04/24/17 (1829)	(\$43.41)
4/24/2017	1257	10812	██████████	DEPOSIT APPLY-04/24/17 (1828)	(\$50.00)
4/24/2017	1271	10766	██████████	DEPOSIT APPLY-04/24/17 (1828)	(\$43.25)
4/24/2017	1231	10957	██████████	DEPOSIT APPLY-04/24/17 (1828)	(\$33.33)
4/24/2017	1231	10957	██████████	DEPOSIT APPLY-04/24/17 (1828)	(\$56.69)
4/24/2017	1231	10957	██████████	DEPOSIT APPLY-04/24/17 (1828)	\$0.63
4/24/2017	1051	10776	██████████	DEPOSIT APPLY-04/24/17 (1828)	(\$46.42)
4/24/2017	1051	10776	██████████	DEPOSIT APPLY-04/24/17 (1828)	(\$3.58)
4/24/2017	1051	10776	██████████	DEPOSIT APPLY-04/24/17 (1828)	(\$150.84)
4/24/2017	1051	10776	██████████	DEPOSIT APPLY-04/24/17 (1828)	\$0.84
Total for Date					(\$676.25)
Total For Transaction					(\$676.25)

Town of Billings – Investigative Audit

Exhibit 2

Employee Time History Report								Town of Billings	
<i>From Date</i>		11/1/2010	<i>Employee</i>		20	Johnson, Robert			
<i>To Date</i>		8/31/2015	<i>Income</i>						
<i>Department</i>			<i>Status</i>						
<i>Sub-Dept</i>			<i>Full/Part</i>						
<i>Employee Name</i>	<i>I.D.</i>	<i>Status</i>	<i>Full/Part</i>	<i>Date</i>	<i>Income</i>	<i>Hours</i>	<i>Rate</i>	<i>Amount</i>	<i>One-Time</i>
<i>Department: 01</i>									
<i>Sub-Dept: 000</i>									
Johnson, Robert									
	20	A	F						
2/1/2015	SAL	SALARY				1.000	1336.667	\$1,336.67	0.000
2/4/2015	ECOMP	COMP TIME EARNED				4.500	0.000	\$0.00	0.000
2/5/2015	ECOMP	COMP TIME EARNED				0.750	0.000	\$0.00	0.000
2/6/2015	ECOMP	COMP TIME EARNED				0.750	0.000	\$0.00	0.000
2/9/2015	COMP	COMP TIME TAKEN				8.000	15.423	\$123.38	0.000
2/16/2015	HOL	HOLIDAY PAY				8.000	15.423	\$123.38	0.000
2/16/2015	SAL	SALARY				1.000	1336.667	\$1,336.67	0.000
2/24/2015	ECOMP	COMP TIME EARNED				7.500	0.000	\$0.00	0.000
2/25/2015	ECOMP	COMP TIME EARNED				9.750	0.000	\$0.00	0.000
2/27/2015	ECOMP	COMP TIME EARNED				5.250	0.000	\$0.00	0.000
2/28/2015	ECOMP	COMP TIME EARNED				0.750	0.000	\$0.00	0.000
3/1/2015	SAL	SALARY				1.000	1336.667	\$1,336.67	0.000
3/2/2015	COMP	COMP TIME TAKEN				8.000	15.423	\$123.38	0.000
3/5/2015	ECOMP	COMP TIME EARNED				0.000	0.000	\$0.00	0.000
3/10/2015	ECOMP	COMP TIME EARNED				4.500	0.000	\$0.00	0.000
3/11/2015	ECOMP	COMP TIME EARNED				1.500	0.000	\$0.00	0.000
3/12/2015	ECOMP	COMP TIME EARNED				2.250	0.000	\$0.00	0.000
3/13/2015	ECOMP	COMP TIME EARNED				3.000	0.000	\$0.00	0.000
3/16/2015	HRS	HOURLY PAY				1.500	0.000	\$0.00	0.000
3/16/2015	SAL	SALARY				1.000	1336.667	\$1,336.67	0.000
3/17/2015	HRS	HOURLY PAY				1.500	0.000	\$0.00	0.000
3/18/2015	HRS	HOURLY PAY				3.000	0.000	\$0.00	0.000
3/19/2015	HRS	HOURLY PAY				4.500	0.000	\$0.00	0.000
3/25/2015	HRS	HOURLY PAY				3.000	0.000	\$0.00	0.000
3/26/2015	HRS	HOURLY PAY				3.000	0.000	\$0.00	0.000

Town of Billings – Investigative Audit

DISCLAIMER

In this report, there may be references to state statutes and legal authorities which appear to be potentially relevant to the issues reviewed by the State Auditor & Inspector's Office. This Office has no jurisdiction, authority, purpose, or intent by the issuance of this report to determine the guilt, innocence, culpability, or liability, if any, of any person or entity for any act, omission, or transaction reviewed. Such determinations are within the exclusive jurisdiction of regulatory, law enforcement, prosecutorial, and/or judicial authorities designated by law.



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