

INVESTIGATIVE AUDIT REPORT

**TOWN OF OAKLAND
JULY 1, 2004, THROUGH MAY 31, 2005**



State of Tennessee



**Comptroller of the Treasury
Department of Audit
Division of Municipal Audit**



STATE OF TENNESSEE

John G. Morgan
Comptroller

C O M P T R O L L E R O F T H E T R E A S U R Y

STATE CAPITOL

NASHVILLE, TENNESSEE 37243-0260

PHONE (615) 741-2501

May 16, 2006

Honorable Mayor and Members of the
Board of Aldermen
Town of Oakland
P. O. Box 56
Oakland, TN 38060

Mayor and Board of Aldermen:

Presented herewith is the report on our investigative audit of selected records of the Town of Oakland. This audit focused on the period July 1, 2004, through May 31, 2005. However, when warranted, this scope was expanded.

Section 9-2-102, *Tennessee Code Annotated*, requires that the Comptroller of the Treasury prescribe a uniform system of bookkeeping designating the character of books, reports, receipts and records, and the method of keeping same, in all state, county and municipal offices, including utility districts, which handle public funds. This code section also requires that all officials adopt and use the prescribed system. The Comptroller has prescribed a minimum system of recordkeeping for municipalities, which is detailed in the *Internal Control and Compliance Manual for Tennessee Municipalities* combined with Chapters 1-7 of *Governmental Accounting, Auditing, and Financial Reporting*. The purpose of our audit was to determine the extent of the entity's compliance with certain laws and regulations, including those in the above-mentioned manuals.

The findings and recommendations in this report relate to those conditions that we believe warrant your attention. All responses to each of the findings and recommendations are included in the report.

Honorable Mayor and Members of the
Board of Aldermen
Town of Oakland
May 16, 2006

Copies of this report are being forwarded to Governor Phil Bredesen, the State Attorney General, the District Attorney General, certain state legislators, and various other interested parties. A copy is available for public inspection in our office.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal flourish at the end.

John G. Morgan
Comptroller of the Treasury



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF MUNICIPAL AUDIT**

John G. Morgan
Comptroller of the Treasury

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Dennis F. Dycus, CPA, CFE, Director
Division of Municipal Audit

May 16, 2006

Mr. John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, TN 37243-0260

Dear Mr. Morgan:

As part of our on-going process of examining the records of municipalities, we have completed our investigative audit of selected records of the Town of Oakland. This investigative audit focused on the period July 1, 2004, through May 31, 2005. However, when warranted, this scope was expanded.

Section 9-2-102, *Tennessee Code Annotated*, requires that the Comptroller of the Treasury prescribe a uniform system of bookkeeping designating the character of books, reports, receipts and records, and the method of keeping same, in all state, county and municipal offices, including utility districts, which handle public funds. This code section also requires that all officials adopt and use the prescribed system. The Comptroller has prescribed a minimum system of recordkeeping for municipalities, which is detailed in the *Internal Control and Compliance Manual for Tennessee Municipalities* combined with Chapters 1-7 of *Governmental Accounting, Auditing, and Financial Reporting*. The purpose of our audit was to determine the extent of the entity's compliance with certain laws and regulations, including those in the above-mentioned manuals.

Mr. John G. Morgan
Comptroller of the Treasury
May 16, 2006

Our examination resulted in findings and recommendations related to the following:

1. Mayor William Mullins received unreported excess compensation totaling at least \$26,846.69
2. Mayor's personal legal bill paid by Town of Oakland and legal invoices not reviewed by authorized check signers
3. Purchases made for other than municipal purposes
4. Unauthorized sale of vacation leave and inadequate leave records
5. Inadequate documentation of hours worked by town employees and officials
6. Clothing allotment for police chief not properly authorized or reported on W-2 as taxable income
7. Employees reimbursed for both mileage and gasoline purchases

In addition to our findings and recommendations, we are also providing management's response. For purposes of brevity, we have elected not to include copies of various policies and underlying resolutions proposed by the board of mayor and aldermen to be taken up at an April 2006 board meeting. Included in the Appendix are copies of exhibits provided by the board as support for their responses to our report. To view all exhibits provided by the board of mayor and aldermen, please click on the following link to access this report on the Division of Municipal Audit's website: <http://www.comptroller.state.tn.us/cpdivma.htm>.

If after your review, you have any questions, I will be happy to supply any additional information which you may request.

Sincerely,



Dennis F. Dycus, CPA, CFE, Director
Division of Municipal Audit

**INVESTIGATIVE AUDIT OF SELECTED RECORDS
OF THE TOWN OF OAKLAND
FOR THE PERIOD JULY 1, 2004, THROUGH MAY 31, 2005**

As noted below, in October 2004, the board of mayor and aldermen authorized an increase in the mayor's annual salary from \$25,000 to \$54,000. We noted no documented expansion of the mayor's responsibilities. The town's charter, which has not been amended since 1994, describes the position as "the ceremonial head of the Town" and provides for the mayor to perform certain perfunctory duties. To provide justification for the mayor's compensation, avoid possible future misunderstandings, prevent abuse, and ensure that all public money is used as effectively and efficiently as possible, town officials should consider documenting an understanding of the duties and responsibilities of the mayor encompassed by the \$54,000 salary, including expected working hours, etc.

FINDINGS AND RECOMMENDATIONS

For purposes of brevity, we have elected not to include copies of various policies and underlying resolutions proposed by the board of mayor and aldermen to be taken up at an April 2006 board meeting. Included in the Appendix are copies of exhibits provided by the board as support for their responses to our report. To view all exhibits provided by the board of mayor and aldermen, please click on the following link to access this report on the Division of Municipal Audit's website: <http://www.comptroller.state.tn.us/cpdivma.htm>.

1. **FINDING: Mayor William Mullins received unreported excess compensation totaling at least \$26,846.69**

For the period September 14, 2002, through June 30, 2005, Mayor William Mullins received unreported fringe benefits and excess compensation totaling at least \$26,846.69 relating to the use of city-owned vehicles and receipt of a Christmas bonus from the town.

The board of mayor and aldermen passed Ordinance 04-09-01 on October 21, 2004, which set the mayor's salary at \$54,000 per year. Previously, the mayor was authorized to receive \$25,000 per year. The mayor received these authorized amounts through payment by city check. However, we also noted that Mayor Mullins was provided use of town-owned vehicles, ostensibly for performance of his job duties.

In September 2002, the Town of Oakland purchased a 2003 Chevy Tahoe costing \$36,327 for Mayor Mullins' use. Subsequently, in July 2004, the Town of Oakland purchased a 2004 Chevy Suburban for \$31,988 for the mayor's use. At that time, the

Findings and Recommendations

2003 Tahoe was turned over to the police chief. There was no town policy in place prohibiting personal use of the vehicles and use of the vehicles was not reported as income on the mayor's W-2. The Internal Revenue Service (IRS) considers use of an employer-provided vehicle to be taxable as personal use of the vehicle unless there is a policy specifically prohibiting such use. IRS Publication 15-B states that the value of this fringe benefit is the annual lease value of the vehicle. Applying the requirements of IRS Publication 15-B, the unreported fringe benefit and excess compensation realized by the mayor during the period September 14, 2002, through June 30, 2005, totaled \$25,808.22. Mayor Mullins also received a Christmas bonus of \$1,038.47 paid by a city check dated November 24, 2004. Christmas bonuses were approved for town employees in the town's budget. However, there was no provision in the budget for the mayor to receive a Christmas bonus. Further, Section 7, Paragraph 2, of the charter for the Town of Oakland states, "The compensation of the Mayor and Aldermen shall be set by ordinance, but the salary of the Mayor or any Alderman shall not be changed during their term of office...." Therefore, it appears that passage of the budget would be insufficient to provide for extra compensation for the mayor, even if the budget provided for the mayor to receive such a bonus.

Excess unreported compensation received by Mayor Mullins was as follows:

| | |
|---|--------------------|
| Unreported, excess compensation for personal use of town vehicles | \$25,808.22 |
| Christmas bonus | <u>1,038.47</u> |
| Total excess compensation | <u>\$26,846.69</u> |

RECOMMENDATION:

To fulfill their fiduciary obligation to the residents of the Town of Oakland and comply with provisions of the town charter, the mayor and members of the board of aldermen should ensure that town officials are not compensated in excess of properly authorized amounts. All excess compensation should be reimbursed to the town.

MANAGEMENT'S RESPONSE:

Mayor and Members of the Board of Aldermen:

Christmas Bonus—We concur. The mayor's Christmas bonus was an approved item in the town's budget and he received same along with the town's other employees. However, the tax code does consider it compensation. The town will therefore deduct \$1,038.47 from the mayor's compensation due for tax year 2006.

Vehicle—We do not concur. Attached as Exhibit 1A is the mayor's statement to the board of aldermen that the 2003 Chevy Tahoe and the 2004 Chevy Suburban, owned by the town, were made available to the mayor, and used exclusively, for municipal purposes. Attached as collective Exhibit 1B is the policy, related resolution and an April 2006 agenda confirming the town's vehicles shall only be used for municipal purposes.

Finally, attached as Exhibit 1C is a legal memorandum concluding the town's vehicles are a "working condition fringe" and thus not compensation.

AUDITOR'S REBUTTAL:

Examination of the 2005 fiscal year budget provided to auditors by the town recorder revealed that, although Christmas bonuses were approved as line items in the budget for various municipal departments, the budget did not include a Christmas bonus line item for the mayor or other members of the administration.

A four-page memorandum supporting the response of the board of mayor and aldermen argues that the mayor's use of two town-owned vehicles, a 2003 Chevy Tahoe and a 2004 Chevy Suburban, is not taxable excess compensation. However, during conversations with the auditors, the mayor acknowledged that he regularly commuted to and from town hall in the vehicles. Notwithstanding the board's assertion that the mayor's use of the vehicles was solely for business purposes, the Internal Revenue Service considers any personal use of an employer-provided vehicle, other than de minimis use, to be taxable compensation. When the requirements of IRS Publications 15-B, 463, and 535 are applied comprehensively to this specific situation, the only valuation method that appears to apply is the lease value rule. Further, if, as the response states, the mayor intends to use town-owned vehicles solely for municipal purposes in the future, we recommend that the vehicles be prominently marked, via use of decals or other means, to indicate that they are town-owned vehicles. Finally, the memorandum attached to the response also states that "... as the mayor's use of this vehicle is exclusively in connection with his employment by the City of Oakland, creation and maintenance of a log would be futile." As a practical matter and regardless of any IRS requirements, a usage log provides documentary evidence that this town asset was, in fact, used solely for business purposes.

We reiterate our finding and recommendation.

2. **FINDING:** Mayor's personal legal bill paid by Town of Oakland and legal invoices not reviewed by authorized check signers

In October 2004, the city paid \$570 to Apperson, Crump, and Maxwell for personal legal services provided to Mayor William Mullins. The town attorney (who is employed by Apperson, Crump, and Maxwell) and the mayor both stated that this was an error in billing. The town attorney also stated that his firm would reimburse the town for the billing error. The town recorder told auditors that she deducted the amount of the mayor's personal legal fees from the town's payment of an invoice in December 2005.

Although the check was signed by both Mayor William Mullins and the recorder, the town recorder stated that she never reviewed legal invoices because they were the only invoices that the mayor received directly and he scrutinized them carefully. Mayor Mullins stated that he was unaware the town was invoiced for his personal legal billings. Therefore, it appears that authorized check signers did not review legal invoices. The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 2, Chapter 2, Section 2, states, “Both the checks and attached documentation should be submitted to the designated officials for examination and signature.”

RECOMMENDATION:

To prevent unauthorized disbursements and possible misappropriation, officials authorized to sign checks should carefully review supporting documentation to determine that disbursements are for a valid municipal purpose prior to signature.

MANAGEMENT’S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. The town’s payment of the \$570 was a mistake and the town attorney reimbursed the town. Attached as collective Exhibit 2 is a policy, related resolution and an April 2006 agenda regarding review of third-party invoices.

Recorder:

Response is the same as that of the mayor and board of aldermen.

3. **FINDING:** **Purchases made for other than municipal purposes**

Our examination revealed that the Town of Oakland made purchases and provided services that did not appear to be for a lawful municipal purpose. Town money was used to provide XM satellite radio, an entertainment medium, for a town vehicle used exclusively by the mayor. When asked what municipal purpose was served by subscribing to an XM satellite radio service, the mayor stated that his use of the radio was “classified and highly confidential.” The town also purchased watch batteries and meals for town employees and officials. Town officials failed to document the municipal purpose served by purchasing watch batteries and providing numerous meals to town personnel.

Finally, town employees were used to remove trees and brush from private property owned by a town alderman. Utilizing town assets to provide services for the benefit of private citizens appears to be in violation of state statutes as well as Title 4, Chapter 3, Section 5, of the Town of Oakland Municipal Code, which states:

Use of municipal time, facilities, etc. No town officer or employee shall use or authorize the use of municipal time, facilities, equipment, or supplies for private gain or advantage to himself or any other private person or group. Provided, however, that this prohibition shall not apply where the governing body has authorized the use of such time, facilities, equipment, or supplies, and the municipality is paid at such rates as are normally charged by private sources for comparable services.

Section 6-56-112, *Tennessee Code Annotated*, states, “All expenditures of money made by a municipality must be made for a lawful municipal purpose.”

RECOMMENDATION:

To decrease the risk of misappropriation or abuse, fulfill their fiduciary duty to town residents and comply with state law, town officials should prohibit any expenditure of town money that is not for a lawful municipal purpose. The recorder should ensure that adequate documentation, including the municipal purpose served, if applicable, is obtained prior to authorizing any purchase. Under no circumstances should town employees be directed to perform work for the private gain of any private person or group, including town officials.

MANAGEMENT’S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur with the recommendation; but, we do not concur with the finding. Attached as collective Exhibit 3A is a policy, related resolution, and an April 2006 agenda confirming all purchases shall be made for municipal purposes only.

XM Satellite Radio—The town deems inclusion of this radio to not be essentially different from inclusion of air conditioning. The vehicle will operate, and enable performance of municipal duties, without either amenity. For comparison purposes, the expense of air conditioning is likely greater than the radio due to installation, and yearly maintenance costs. The town thus views the radio, along with air conditioning, power windows, power locks and the like to be insignificant considerations.

Meals and Watch Batteries—The town does not know what purchases are referenced and thus cannot cite the municipal purpose same served.

Trees and Brush—Attached as Exhibit 3B is a copy of Municipal Code 17-1096 showing the town’s statute on disposal of “trees and brush from private property.” Attached as Exhibit 3C is a town utility bill showing an \$8 charge for sanitation collection as well as a statement of disposal dates. Alderman Thomas Adams is an Oakland resident, pays his town utility bills and therefore is entitled to the same municipal services as every other Oakland resident. The town would prefer to not exclude

any bill-paying town officials from receipt of town services due to their status as town officials.

Recorder:

Response is the same as that of the mayor and board of aldermen.

AUDITOR'S REBUTTAL:

Subscription to a satellite radio service appears to be an ongoing expenditure for an entertainment medium. (Refer to Comptroller's Exhibit for the XM Channel line-up.) In an interview with auditors, the recorder stated that the vehicle came equipped with the radio and free service for a limited time. When free service was discontinued, town officials elected to pay for continuation of the service. There appears to be no valid municipal purpose for this expenditure.

Regarding the removal of trees and brush from private property, the town included a copy of Title 17 of the town's municipal code in an addendum to their response, which states, "Tree trimming, hedge clippings, and similar materials shall be cut to a length not to exceed four (4) feet and shall be securely tied in individual bundles weighing not more than seventy-five (75) pounds each and being not more than two (2) feet thick before being deposited for collection...."

Also attached to the board's response was a copy of a town utility bill, which disclosed the following:

**ATTENTION SANITATION CUSTOMER
HOUSEHOLD TRASH PICK-UP DAYS
ARE TUES. & FRI. GRASS, BRUSH,
AND ETC. ON WED. & THURS.**

Both the sanitation director and the alderman involved acknowledged that small trees were cut and removed from the yard. We agree with management's assertion that city officials should have the same rights and privileges as other citizens. However, we noted no provision in the town's municipal code for town employees to cut and remove trees at the request of private individuals. Absent such authorization and a related valid municipal purpose, such action is prohibited. If town officials determine a valid municipal purpose for cutting and removing trees at the request of private individuals, town officials should ensure that this service is available to all citizens and that the town's insurance carrier is made aware of and agrees to cover any related liability.

4. **FINDING: Unauthorized sale of vacation leave and inadequate leave records**

Town officials failed to ensure adequate employee leave records were maintained, and routinely allowed town personnel to sell vacation leave to the town without authority. We reviewed payroll and leave records of eight employees. During the period July 1, 2004, through May 31, 2005, those employees sold 459.76 hours of vacation leave to the town at a cost of \$9,869.44. Regarding vacation leave, the town's personnel policy states:

Employees shall accrue vacation leave from their employment date, but shall not be entitled to take vacation until they have completed one (1) year of service. Vacation leave may be taken as earned subject to the approval of the department head who shall schedule vacations so as to meet the operational requirements of the department. Employees may accrue vacation leave to a maximum of three hundred and sixty (360) hours as of December 31 of each year, but must take a minimum of forty (40) hours of vacation during every twelve (12) month period.

The town's personnel policy did not provide for the sale of vacation leave. Further, although requests were on file for the sale of some leave, such requests could not be located for all sales. Town employees were not required to submit written requests for vacation leave when taking vacation. Apparently as a result of management's failure to require adequate documentation of vacation leave taken or sold, the recorder was not charged for 12 hours of vacation leave sold to the town on June 10, 2004. Likewise, town clerk Carolyn Jordan took one week of vacation in early May 2005 for which she was not charged. Our audit revealed that the town's payroll software routinely accrued additional vacation leave for employees that sold leave, treating sold leave as though it represented actual hours worked.

The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 2, Chapter 3, Section 5, states:

Municipal officials should ensure that . . . a cumulative employee leave record is maintained for each employee. The record should clearly show all leave of any type earned and taken for each pay period, all paid and unpaid absences, and the current leave balance.

RECOMMENDATION:

To prevent abuse, avoid misunderstandings, and comply with the town's leave policy and the *Internal Control and Compliance Manual for Tennessee Municipalities*, town officials should prohibit the sale of vacation leave absent an amendment to the leave policy authorizing such sales of leave. Town officials should also require that thorough, complete documentation is maintained for all vacation leave taken. In addition, employees should be required to take at least 40 hours of vacation leave every twelve months, as mandated by the town's personnel policy. Employee leave balances should be

checked periodically to ensure they are correct and any software anomalies should be corrected.

MANAGEMENT’S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. Attached as collective Exhibit 4A is a policy, related resolution and an April 2006 agenda regarding documentation of vacation time. Regarding “selling” vacation time, attached as collective Exhibit 4B is a copy of Resolution 08-05-01 and the Policy thereby adopted regarding how vacation leave should be documented and, if desired, compensated. Further: 1) the “early May, 2005” time for Carolyn Jordan was credited as sick leave, not vacation leave, since Mrs. Jordan took the time off due to the death of her mother; 2) the recorder’s undocumented “12 hours of vacation leave” has been documented; 3) the software has been updated; and, 4) prior to adoption of the above-referenced Policy allowing the “sale” of vacation time, the town allowed same because the policy then governing vacation leave was silent regarding, and thus did not preclude, same.

Recorder:

Response is the same as that of the mayor and board of aldermen.

AUDITOR’S CLARIFICATION:

Ms. Jordan told auditors that in addition to taking sick leave related to her mother, she took a vacation in early May 2005 to visit a friend on the west coast.

Prior to passage of a resolution on August 18, 2005 (subsequent to the period reviewed, and after this issue had been discussed with the town recorder) the town’s employee handbook and other town policies did not address the issue of sale of vacation leave. Absent proper authorization, such sales of vacation leave are prohibited. We also noted that all sales of vacation leave under the amended employee handbook require approval of the board of mayor and aldermen. None of the documented sales of leave we noted during the period reviewed were approved by the board of mayor and aldermen.

We reiterate our finding and recommendation.

5. **FINDING:** **Inadequate documentation of hours worked by town employees and officials**

The town recorder received compensatory time for working more than 40 hours per week, but failed to document hours worked. Our audit also revealed that numerous time sheets were unavailable for review for one of the town clerks, Carolyn Jordan. We were unable to substantiate, based on our examination of available time sheets for Ms. Jordan, as well as additional documentation and information we obtained, that Ms. Jordan worked all hours for which she was paid. Finally, we noted that at least two employees' time cards or sheets appeared to have been prepared considerably after the fact.

The *Internal Control and Compliance Manual for Tennessee Municipalities*, Title 2, Chapter 3, Section 7, states, "NOTE: Time cards or honor system time sheets (approved by department heads) should be maintained for all employees in order to eliminate unauthorized pay and repeated tardiness...."

RECOMMENDATION:

To prevent abuse and comply with the *Internal Control and Compliance Manual for Tennessee Municipalities*, town officials should require that all town employees, including salaried employees that receive compensatory time, prepare time cards or sheets contemporaneously.

MANAGEMENT'S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. Attached as collective Exhibit 5 is a policy, related resolution and an April 2006 agenda regarding documenting hours worked. Further, in light of the small number of employees, town recorder, Lisa Doyle, can, from personal knowledge, confirm Mrs. Jordan worked the hours for which she was paid.

Recorder:

Response is the same as that of the mayor and board of aldermen.

AUDITOR'S CLARIFICATION:

The town had no time sheets on file for Ms. Jordan for 39 weeks of the 17-month period for which selected payroll records were reviewed, including the following periods:

Weeks ending January 8, 2004, through February 19, 2004
Weeks ending May 27, 2004, through June 24, 2004
Weeks ending July 15, 2004, through August 5, 2004
Week ending August 26, 2004
Weeks ending September 9, 2004, through December 30, 2004
Week ending May 5, 2005

Ms. Jordan admitted to auditors that she prepared at least some of her time sheets subsequent to being paid. She further stated that she may have not prepared any time sheets from October 2004 through December 2004. In addition, Ms. Jordan claimed and was paid overtime for most weeks she worked, including weeks for which she did not provide time sheets or other documentation.

MINIMAL internal control standards for payroll expenditures require that documentation of hours worked be generated timely. Proper preparation and maintenance of employee time cards or sheets is not a perfunctory duty or obligation on the part of municipal officials, it is vital and necessary in determining that employees are paid only for hours worked. Such documentation provides factual or substantial support for statements made and provides a historical record for later review. The recorder's memory is not subject to audit or other authentication.

Information and documentation obtained during the audit indicates that Ms. Jordan did not work all hours for which she was paid. We reiterate our finding and recommendation.

6. **FINDING:** Clothing allotment for police chief not properly authorized or reported on W-2 as taxable income

Although our audit revealed that the police chief received a clothing allotment of \$750, the town had no ordinance indicating approval of the clothing allotment by the board of mayor and aldermen, and the allotment was not properly reported as taxable income.

Apparently there was an unwritten agreement between the administration and the police chief that he would receive an annual clothing allotment. Section 28 of the town charter

states, “Be it further enacted, that the Board shall be responsible for controlling expenditures of the various agencies of the Town government to accomplish maximum efficiency and economy....”

Section 29 of the town charter states:

Be it further enacted, that any contract or agreement made in violation of the provisions of this Charter or ordinances of the Town shall be void and no expenditure shall be made thereunder. Every officer and employee who shall knowingly make or participate in any such contract or agreement, or authorize or make any expenditure thereunder, and their sureties on their official bonds, and every person who shall knowingly receive such a payment, shall be jointly and severally liable to the Town for the full amount so paid or received. A violation of this section by any officer or employee shall be cause for his removal.

IRS regulations require that clothing allotments be treated as taxable income unless an actual expenditure for clothing is documented and the clothing is unique to job performance.

RECOMMENDATION:

To decrease the risk of misappropriation or abuse and to comply with IRS regulations, town officials should require that all expenditures are properly authorized as provided for in the town charter and that any expenditures that are considered income under IRS regulations are reported to the IRS on the applicable tax forms. Unauthorized payments should be reimbursed to the town.

MANAGEMENT’S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. Please see collective Exhibit 3A regarding expenditure of municipal funds for municipal purposes which may be considered income. Further, the police chief’s clothing allotment is authorized and documented in the town’s annual budget.

Recorder:

Response is the same as that of the mayor and board of aldermen.

Police Chief:

Response is the same as that of the mayor and board of aldermen.

7. **FINDING:** Employees reimbursed for both mileage and gasoline purchases

Our audit revealed that some town employees that traveled on town business were reimbursed for both mileage and the purchase of gasoline when using personal vehicles. The town's travel reimbursement policy states, "Authorized travelers shall be reimbursed according to the Federal travel regulations..." IRS Publication 463, Chapter 4, Standard Mileage Rate, states:

CAUTION! If you use the standard mileage rate for a year, you cannot deduct your actual car expenses for that year. You cannot deduct depreciation, lease payments, maintenance and repairs, gasoline (including gasoline taxes), oil, insurance, or vehicle registration fees.

RECOMMENDATION:

To comply with the town's travel policy and IRS regulations, town officials should ensure that employees and officials are not reimbursed for both mileage and gasoline purchases when using personal vehicles for town business.

MANAGEMENT'S RESPONSE:

Mayor and Members of the Board of Aldermen:

We concur. Attached as collective Exhibit 7 is a policy, related resolution and an April 2006 agenda regarding travel reimbursement. The town has never had a policy authorizing reimbursement for both gasoline and mileage. If such reimbursement occurred, it was a mistake.

Recorder:

Response is the same as that of the mayor and board of aldermen.

APPENDIX

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Comptroller's Exhibit

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COMPTROLLER'S EXHIBIT - XM RADIO CHANNEL LINE-UP

| <u>Channel #</u> | <u>Channel Name</u> | <u>Description</u> | <u>Channel #</u> | <u>Channel Name</u> | <u>Description</u> |
|------------------|---------------------|---------------------------------------|------------------|-----------------------------|--|
| 4 | The 40s | Big Band/Swing/40s Hits | 74 | Bluesville | Blues |
| 5 | The 50s | 50s Hits | 75 | Hear Music | The Voice of Music at Starbucks |
| 6 | The 60s | 60s Hits | 76 | Fine Tuning | Eclectic |
| 7 | The 70s | 70s Hits | 77 | Audio Visions | New Age |
| 8 | The 80s | 80s Hits | 80 | The Move | Underground Dance |
| 9 | The 90s | 90s Hits | 81 | BPM | Dance Hits |
| 10 | America | Classic Country | 82 | The System | Electronica |
| 11 | Nashville! | 90s/Today's Country | 83 | Chrome | Disco |
| 12 | X Country | Progressive Country | 84 | XM-Chill | Chill Music |
| 13 | Hank's Place | Traditional Country | 90 | Alegria | Reggaeton/Latin Hits |
| 14 | Bluegrass Junction | Bluegrass | 92 | Aguila | Regional Mexican |
| 15 | The Village | Folk | 94 | Caliente | Tropical |
| 16 | Highway 16 | New Country Hits | 95 | Luna | Latin Jazz |
| 20 | Top 20 on 20 | Top 20 Hits | 100 | Air Musique | New & Emerging Music - Broadcast in French |
| 21 | KISS | Contemporary Hits | 101 | The Joint | Reggae |
| 22 | MIX | Modern Pop Hits | 102 | Sur La Route | Pop Hits Broadcast in French |
| 23 | The Heart | All Love Songs 24/7 | 110 | XM Classics | Traditional Classical |
| 24 | Sunny | Beautiful Music | 112 | Vox | Opera/Classical Vocals |
| 25 | The Blend | Lite Pop Hits | 113 | XM Pops | Popular Classical |
| 27 | Cinemagic | Movie Soundtracks | 115 | Radio Disney | Radio Disney |
| 28 | On Broadway | Show Tunes | 116 | XM Kids | Children |
| 29 | U-Pop | Global Chart Hits | 121 | FOX News | FOX News |
| 31 | The Torch | Christian Rock | 122 | CNN | CNN News |
| 32 | The Fish | Christian Pop | 123 | CNN Headline News | CNN Headline News |
| 33 | Spirit | Gospel | 124 | ABC News & Talk | ABC News & Talk |
| 40 | Deep Tracks | Deep Album Rock | 125 | The Weather Channel | The Weather Channel |
| 41 | Boneyard | Hard Rock/Hairbands - XL | 127 | CNBC | CNBC |
| 43 | XMU | Indie/College Rock | 129 | Bloomberg Radio/Business | Bloomberg Radio/Business |
| 44 | Fred | Classic Alternative | 130 | MSNBC | News |
| 45 | XM Cafe | Soft Alternative | 131 | BBC World Service | BBC World Service |
| 46 | Top Tracks | Classic Rock | 132 | C-SPAN Radio | C-SPAN Radio |
| 47 | Ethel | Modern Rock | 133 | XM Public Radio | XM Public Radio |
| 48 | Squizz | Hard Alternative - XL | 134 | CNN en Español | CNN in Spanish |
| 49 | Big Tracks | Later Classic Rock | 140 | ESPN Radio | Sports |
| 50 | The Loft | Acoustic Rock | 141 | ESPNEWS | The Definitive 24-hour Sports News Network |
| 51 | XM Music Lab | Progressive/Jam Bands | 142 | FOX Sports Radio | Sports Talk |
| 52 | (un)Signed | New/Emerging Rock from Canada | 143 | Sporting News Radio | Sports |
| 53 | Fungus | Punk/Hardcore/Ska - XL | 144 | NASCAR Radio | NASCAR |
| 54 | Lucy | Modern Rock Hits | 145 | IndyCar Series Racing | IndyCar Series Racing |
| 60 | Soul Street | Classic Soul | 146 | PGA TOUR Network | Golf Talk |
| 61 | The Flow | Neo Soul | 147 | XM Deportivo | Spanish Sports Talk |
| 62 | Suite 62 | Adult R&B Hits | 148 | 2006 FIFA World Cup | 2006 FIFA World Cup |
| 64 | The Groove | Old Skool R&B | 150 | XM Comedy | Uncensored Comedy - XL |
| 65 | The Rhyme | Snoop Dogg's Classic Hip/Hop/Rap - XL | 151 | Laugh USA | Comedy |
| 66 | RAW | New Uncut Hip-Hop - XL | 152 | Extreme XM | Extreme Talk |
| 67 | The City | Urban Contemporary | 153 | Laugh Attack | Uncensored Comedy - XL |
| 70 | Real Jazz | Traditional Jazz | 155 | Take Five | Women's Talk & Lifestyle |
| 71 | Watercolors | Smooth Jazz | 162 | E! Entertainment Radio | Entertainment |
| 72 | Beyond Jazz | Modern Jazz | 163 | Sonic Theater | Books & Drama |
| 73 | Frank's Place | American Standards | 164 | Radio Classics | Old Time Radio |

Appendix

| <u>Channel #</u> | <u>Channel Name</u> | <u>Description</u> | <u>Channel #</u> | <u>Channel Name</u> | <u>Description</u> |
|------------------|-----------------------------|-------------------------------------|------------------|----------------------------|--|
| 165 | Ask! | Experts Talk | 199 | College Sports - Big Ten | Big Ten Sports |
| 166 | America Right | Conservative Talk | 200 | XM Live | Concerts / Festivals / Special Features |
| 167 | Air America Radio | Progressive Talk | 202 | High Voltage | Opie & Anthony! - XL |
| 168 | FOX News Talk | FOX News Talk | 204 | Home Ice | NHL Talk and Play-by-Play |
| 169 | The Power | African-American Talk | 205 | Home Ice | NHL Talk and Play-by-Play |
| 170 | FamilyTalk | Christian Talk | 206 | Home Ice | NHL Talk and Play-by-Play |
| 171 | Open Road | Truckers' Channel | 207 | Home Ice | NHL Talk and Play-by-Play |
| 172 | Franc Parler | Sports & More - Broadcast in French | 208 | Home Ice | NHL Talk and Play-by-Play |
| 173 | WLW | News Talk | 209 | Home Ice | NHL Talk and Play-by-Play |
| 175 | MLB Home Plate | 24/7 Major League Baseball Channel | 210 | Boston, MA | Local Traffic/Weather |
| 176 | MLB Play-by-Play Channels | Play-by-Play MLB Action | 211 | New York, NY | Local Traffic/Weather |
| 177 | MLB Play-by-Play Channels | Play-by-Play MLB Action | 212 | Philadelphia, PA | Local Traffic/Weather |
| 178 | MLB Play-by-Play Channels | Play-by-Play MLB Action | 213 | Baltimore, MD | Local Traffic/Weather |
| 179 | MLB Play-by-Play Channels | Play-by-Play MLB Action | 214 | Washington, DC | Local Traffic/Weather |
| 180 | MLB Play-by-Play Channels | Play-by-Play MLB Action | 215 | Pittsburgh, PA | Local Traffic/Weather |
| 181 | MLB Play-by-Play Channels | Play-by-Play MLB Action | 216 | Detroit, MI | Local Traffic/Weather |
| 182 | MLB Play-by-Play Channels | Play-by-Play MLB Action | 217 | Chicago, IL | Local Traffic/Weather |
| 183 | MLB Play-by-Play Channels | Play-by-Play MLB Action | 218 | St. Louis, MO | Local Traffic/Weather |
| 184 | MLB Play-by-Play Channels | Play-by-Play MLB Action | 219 | Minneapolis/St. Paul, MN | Local Traffic/Weather |
| 185 | MLB Play-by-Play Channels | Play-by-Play MLB Action | 220 | Seattle, WA | Local Traffic/Weather |
| 186 | MLB Play-by-Play Channels | Play-by-Play MLB Action | 221 | San Francisco Bay Area, CA | Local Traffic/Weather |
| 187 | MLB Play-by-Play Channels | Play-by-Play MLB Action | 222 | Los Angeles, CA | Local Traffic/Weather |
| 188 | MLB Play-by-Play Channels | Play-by-Play MLB Action | 223 | San Diego, CA | Local Traffic/Weather |
| 189 | MLB Play-by-Play Channels | Play-by-Play MLB Action | 224 | Phoenix, AZ | Local Traffic/Weather |
| 190 | MLB Play-by-Play en Español | Play-by-Play MLB Action en Español | 225 | Dallas/Ft. Worth, TX | Local Traffic/Weather |
| 191 | College Sports - ACC | ACC Sports | 226 | Houston, TX | Local Traffic/Weather |
| 192 | College Sports - ACC | ACC Sports | 227 | Atlanta, GA | Local Traffic/Weather |
| 193 | College Sports - ACC | ACC Sports | 228 | Tampa, FL | Local Traffic/Weather |
| 195 | College Sports - PAC-10 | PAC-10 Sports | 229 | Oriando, FL | Local Traffic/Weather |
| 194 | College Sports - PAC-10 | PAC-10 Sports | 230 | Miami/Ft. Lauderdale, | Local Traffic/Weather |
| 196 | College Sports - PAC-10 | PAC-10 Sports | 244 | Canada 360 | News & Information |
| 197 | College Sports - Big Ten | Big Ten Sports | 245 | Quoi de Neuf | News & Information - Broadcast in French |
| 198 | College Sports - Big Ten | Big Ten Sports | 247 | XM Emergency Alert 24/7 | 24/7 Emergency Information |

Auditee's Exhibits

For purposes of brevity, we have elected not to include copies of various policies and underlying resolutions proposed by the board of mayor and aldermen to be taken up at an April 2006 board meeting. Included here are copies of exhibits provided by the board as support for their responses to our report. To view all exhibits provided by the board of mayor and aldermen, please click on the following link to access this report on the Division of Municipal Audit's website: <http://www.comptroller.state.tn.us/cpdivma.htm>

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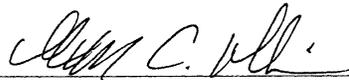
March 24, 2006

The Honorable Gregory Duncan
The Honorable Thomas Adams
The Honorable John Evans
The Honorable Maurice Wombough
170 Doss Circle
P. O. Box 56
Oakland, TN 38060

Re: Town Vehicles

Dear Aldermen:

The Town purchased a 2003 Chevy Tahoe and, later, a 2004 Chevy Suburban. Both vehicles were made available for my use, as Oakland's Mayor, for municipal purposes only. My use of these vehicles has always been for municipal purposes. Further, all future use of said vehicles will only be for municipal purposes.



William C. Mullins, Mayor, Town of Oakland

Exhibit 1A

MEMORANDUM

To: Richard J. Myers
From: Forest Dorkowski
Re: Compensation / Employer-Provided Vehicle
Date: March 8, 2006

ISSUE: In the situation where a municipality provides a vehicle to its mayor, where use of the vehicle is exclusively for business purposes, is the provision of the vehicle “compensation” to the mayor?

Position of the Comptroller:

The Comptroller’s position is that use of a city vehicle by the Mayor constitutes “compensation” to the Mayor pursuant to guidelines published by the Internal Revenue Service (“IRS”) regarding fringe benefits/compensation. The comptroller’s position is that the use of the vehicle is a fringe benefit which must be included in the Mayor’s compensation at a fair market lease value, as the employer, the City of Oakland, does not have a policy or procedure in place which states that employees may not use the vehicle for personal use and additionally because there is no log kept by the Mayor substantiating his use of the vehicle. The comptroller states that it follows IRS guidelines to determine whether fringe benefits constitute compensation and cites IRS Publication 15-B, 535 and 462 in support of its position. The comptroller concludes that because the Mayor’s compensation is limited by ordinance, it may not be increased by the fair market lease value, and that such additional “compensation” should be reimbursed to the city at the fair market lease value of \$27,000.

Compensation / Fringe Benefits:

The general rule found in IRC § 61(a)(1) is that compensation for services, including fringe benefits, are to be included in the gross income of the recipient unless specifically excluded under the law. Fringe benefits would include provision of a vehicle for personal use, however, IRC § 132(a) provides that compensation excludes any fringe benefit to the extent it qualifies as a “working condition fringe”. “Working condition fringe” is defined in IRC § 132(d) as “any property or services provided to an employee of the employer to the extent that, if the employee paid for such property or services, such payment would be allowable as a deduction under sections 162 or 167.”

- Provision of a vehicle exclusively for business purposes is not compensation.

An employee would be allowed a deduction for any payments made for use of an employer provided vehicle, to the extent that such vehicle was used in connection with his employment. Section 162(a)(3) of the IRC provides that there shall be allowed as a deduction all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including “rentals or other payments required to be made as a condition to the continued use or possession, for purposes for the trade or business, of property to which the taxpayer has not taken or is not taking title or in which he has no equity”. Treasury Regulation § 1.162-25(b) provides the ratio by which non-cash fringe benefits may be deducted pursuant to § 162, where the employer has chosen not to exclude such benefit from gross income as a “working condition fringe”. Specifically, an employee may deduct the value of any non-cash benefit multiplied by the percentage of the total use of the vehicle that is in connection with the employer’s trade or business. If a vehicle is exclusively for business purposes, the full value of such benefit would be deductible by the employee. Accordingly, a vehicle which is owned or leased by an employer and provided to an employee and which is used by the employee exclusively in connection with the employer’s trade or business meets the definition provided in IRC § 132(d) of a “working condition benefit” as the value of such benefit, if paid by the employee for use of the vehicle, would be deductible pursuant to IRC § 162.

- Employer’s providing vehicles to employees are not required to maintain any policy or procedures which restrict use of the vehicle.

If a benefit is to be included in an employee’s compensation the Treasury Regulations provide an employer with a variety of methods which may be used to determine the amount to be included. Treasury Reg. § 1-61-2T(b)(4) provides that “the value of the availability of an employer-provided vehicle is determined under the general valuation principals” which provide that “such valuation must be determined by reference to the cost to a hypothetical person of leasing from a hypothetical third party the same or comparable vehicle on the same or comparable terms in the geographic area in which the vehicle is available for use”. This general valuation rule shall be used by an employer unless the employer decides to use vehicle special valuation rules provided in the same section. Treasury Reg. § 1.61-2T(c)(2) provides that the special valuation rules may be used to determine compensation and that use of any of the special valuation rules is optional. Accordingly, where an employer does not specifically choose to use a vehicle special valuation rule, the general valuation principals apply.

If an employer chooses not to use the general valuation rules, there are three special valuation rules it may use instead. See Treas. Reg. § 1.61-2T(b)(4). Each of these special rules place requirements on the employer which are not present under the general valuation rules. An example is the commuting valuation rule, provided in Treasury Reg. § 1.61-2T(f)(1), which allows the employer to include in the employee’s compensation only the value of the commuting use of an employer provided vehicle. The commuting use is used by the employee in commuting

from home to work and from work to home. Because this is the only amount included as compensation under this valuation rule, the employer may only use this valuation rule where it has established a written policy under which the employee may not use the vehicle for personal purposes, other than for commuting or de minimus personal use, such as a stop for a personal errand on the way between a business delivery and the employee's home. See Treasury Reg. § 1.61-2T(f)(1)(iii). Beyond the commuter valuation rule, there are no requirements placed on an employer to establish a policy or procedure requiring that the employee not use the vehicle for personal use. Treasury Reg. § 1.61-2T(f)(1)(v) provides the following additional requirement to an employer using the commuting valuation rule: "the employee required to use the vehicle for commuting is not a control employee of the employer". A control employee is defined in subsection (6) of this section as an elected official. Accordingly, the commuter valuation rules cannot be used by a government employer to value a municipally provided vehicle to an elected official. As such, the valuation choices available to a municipality to value an employer-provided vehicle to an elected official are: the general valuation rule, the automobile lease valuation rule or the vehicle cents per mile valuation rule. As stated previously, the use of any special valuation rules are optional and an employer has every right to use the general valuation rule, which impose no requirements on the employer to establish any policy or procedures restricting use of a vehicle.

Application to the City of Oakland:

In this situation, the City of Oakland provides the Mayor with a vehicle owned/leased by the municipality for use in connection with his duties as Mayor. The Mayor will provide a statement to the City of Oakland and to the Comptroller, if necessary, that his use of this vehicle is exclusively in connection with his employment by the City of Oakland. The City of Oakland has every right to exclude the value of this vehicle from the Mayor's compensation, as such is a "working condition fringe" as defined in IRC § 132(d). The provision of this vehicle is a "working condition fringe", because if the Mayor was obligated to pay the lease value of the vehicle to the City of Oakland, he would be entitled to a corresponding deduction for such payment on his income tax return pursuant to IRC §162 and Treasury Regulation § 1.162-25(b).

Any requirement on an employer to establish a policy and/or procedure stating that an employee cannot use an employer-provided vehicle for personal use relates to special valuation provisions in the Treasury Regulations which are inapplicable to the present case. Such provisions are inapplicable primarily because the City of Oakland has not chosen to use the special valuation to which such requirements apply, the commuter valuation rules, and additionally because any such special valuation provision could not be used in this instance where a municipality is providing a leased vehicle to its mayor, an elected official, who is a "control employee" as defined in the Treasury Regulations.

Any assertion that the absence of a log kept to substantiate the Mayor's use of this vehicle for municipal purposes does not support inclusion of the lease value of this vehicle in the Mayor's compensation. No such requirement exists in the IRC, Treasury Regulations, or

publications. Any mention of a log in internal publications by the IRS relates only to an employee's ability to substantiate his business use of a vehicle in order to take a deduction against his gross income. Substantiation of such a deduction is not a prerequisite to classification of a employer-provided vehicle as a "working condition fringe". Additionally, even if an employee does not keep a log, his written or oral statement may be provided in order to substantiate his business use of a vehicle. *See* Publication 535. In this case, however, as the Mayor's use of this vehicle is exclusively in connection with his employment by the City of Oakland, creation and maintenance of a log would be futile.

In conclusion, the City of Oakland has legitimately excluded from compensation the fair market lease value of the vehicle it provides to the Mayor for use in connection with his employment by the city. As such, the value of the vehicle is not included in the Mayor's compensation pursuant to guidelines established by the IRC and the IRS, and therefore, does not constitute additional "compensation" to the Mayor.

K:\dorkowski\Business\City of Oakland\Compensation memo.wpd

TITLE 17

REFUSE AND TRASH DISPOSAL¹

CHAPTER
1. REFUSE.

CHAPTER 1

REFUSE

SECTION

- 17-101. Refuse defined.
- 17-102. Premises to be kept clean.
- 17-103. Storage.
- 17-104. Location of containers.
- 17-105. Disturbing containers.
- 17-106. Collection.
- 17-107. Collection vehicles.
- 17-108. Disposal.

17-101. Refuse defined. Refuse shall mean and include garbage, and rubbish, leaves, brush, and refuse as those terms are generally defined except that dead animals and fowls, body wastes, hot ashes, rocks, concrete, bricks, and similar materials are expressly excluded therefrom and shall not be stored therewith.

17-102. Premises to be kept clean. All persons within the town are required to keep their premises in a clean and sanitary condition, free from accumulations of refuse except when stored as provided in this chapter.

17-103. Storage. Each owner, occupant, or other responsible person using or occupying any building or other premises within this town where refuse accumulates or is likely to accumulate, shall provide and keep covered an adequate number of refuse containers. The refuse containers shall be strong, durable, and rodent and insect proof. They shall each have a capacity of not less than twenty (20) nor more than thirty-two (32) gallons, except that this maximum capacity shall not apply to larger containers which the town handles mechanically. Furthermore, except for containers which the town handles mechanically, the combined weight of any refuse container and its contents shall not exceed seventy-five (75) pounds. No refuse shall be placed in a refuse

¹Municipal code reference
Property maintenance regulations: title 13.

17-2

container until such refuse has been drained of all free liquids. Tree trimmings, hedge clippings, and similar materials shall be cut to a length not to exceed four (4) feet and shall be securely tied in individual bundles weighing not more than seventy-five (75) pounds each and being not more than two (2) feet thick before being deposited for collection.

17-104. Location of containers. Where alleys are used by the town refuse collectors, containers shall be placed on or within six (6) feet of the alley line in such a position as not to intrude upon the traveled portion of the alley. Where streets are used by the municipal refuse collectors, containers shall be placed at a convenient and accessible point within the side or rear yard. Containers shall be placed where collectors may pick up and empty same without attack from animals. Refuse shall not be stored in close proximity to other personal effects which are not desired to be collected, but shall be reasonably separated in order that the collectors can clearly distinguish between what is and is not to be collected.

17-105. Disturbing containers. No unauthorized person shall uncover, rifle, pilfer, dig into, turn over, or in any other manner disturb or use any refuse container belonging to another. This section shall not be construed to prohibit the use of public refuse containers for their intended purpose.

17-106. Collection. All refuse accumulated within the corporate limits shall be collected, conveyed, and disposed of under the supervision of such officer as the governing body shall designate. Collections shall be made regularly in accordance with an announced schedule.

17-107. Collection vehicles. The collection of refuse shall be by means of vehicles with beds constructed of impervious materials which are easily cleanable and so constructed that there will be no leakage of liquids draining from the refuse onto the streets and alleys. Furthermore, all refuse collection vehicles shall utilize closed beds or such coverings as will effectively prevent the scattering of refuse over the streets or alleys.

17-108. Disposal. The disposal of refuse in any quantity by any person in any place, public or private, other than at the site or sites designated for refuse disposal by the board of mayor and aldermen is expressly prohibited.

OAKLAND WATER DEPT.
 P.O. BOX 56 - CITY HALL
 OAKLAND, TN 38060
 NO FINAL NOTICE WILL BE SENT

Ph: (901) 465-8523
 Fax: (901) 465-1883

| ACCOUNT | | 01/05/06 TO 02/02/05 | | |
|--|------------------------------|----------------------|-------|-------------------------------------|
| SERVICE AT | | | | |
| TYPE | PRESENT | PREVIOUS | USAGE | CHARGES |
| BF | Balance Forward | | | -1.28 |
| WT | 1526 | 1512 | 14 | 8.75 |
| TX | | | | 0.81 |
| SW | | | | 8.75 |
| SN | | | | 8.00 |
| ATTENTION SANITATION CUSTOMER HOUSEHOLD TRASH PICK-UP DAYS ARE TUES. & FRI. GRASS, BRUSH, AND ETC. ON WED. & THURS. | | | | |
| CLASS | AMOUNT DUE AFTER DUE DATE | DUE DATE | | AMOUNT DUE ON OR BEFORE DUE DATE |
| R01 | 26.3 | 03/10/06 | | 25.03 |

RESOLUTION # 08-05-01

A RESOLUTION OF THE MAYOR AND ALDERMEN OF THE TOWN OF
OAKLAND TO AMEND EMPLOYEE PERSONNEL RULES AND
REGULATIONS EMPLOYEE HANDBOOK:

BE IT RESOLVED by the Board of Mayor and Aldermen of the Town of Oakland,
Tennessee that the Oakland Employee Handbook be amended as of 8-18-05.

ADOPTED THIS THE 18 DAY OF Aug 2005.



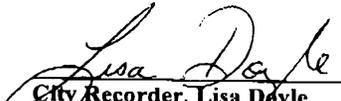
Mayor, William C. Mullins



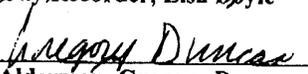
Alderman, John Evans



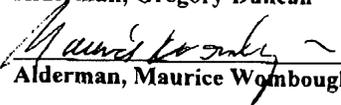
Alderman, Thomas Adams



City Recorder, Lisa Doyle



Alderman, Gregory Duncan



Alderman, Maurice Wombough

PERSONNEL RULES AND REGULATIONS
EMPLOYEE HANDBOOK
Town of Oakland

DEVELOPED WITH THE ASSISTANCE OF

MTAS

MUNICIPAL TECHNICAL
ADVISORY SERVICE

INSTITUTE OF PUBLIC SERVICE
THE UNIVERSITY OF TENNESSEE

Except for those employees already scheduled to work on a designated holiday, no employee shall work during a holiday without prior approval of the department head, except in the case of an emergency.

C. VACATION LEAVE

Vacation leave will be granted to regular full-time employees after completion of one (1) year of continuous service as a regular full-time employee.

Vacation time will be earned according to the following schedule:

| Completed Years of Service | Number of Vacation Days per Year |
|----------------------------|----------------------------------|
| 1 | 5 working days |
| 2-5 | 10 working days |
| After 5 | 15 working days |

For vacation leave purposes, the service an individual has to his/her credit includes all time spent as a full-time employee of the City during the employee's current period of continuous service. Re-instated employees and temporary or part-time employees reclassified as permanent full time shall earn vacation time from the date of their new appointment to regular full-time status.

For purposes of crediting vacation time, employees will be credited their first five working days of vacation time on the first anniversary of their employment date. After the first anniversary date, all future vacation time will be credited on January 1 following the employee's employment anniversary date.

Example: An employee hired on May 15, 2005 will earn 5 days of vacation on May 15, 2006. The employee would not earn the 10 days of vacation due to him for 2 years of completed services until January 1, 2008 and would be credited with additional vacation time on January 1 of each subsequent year.

Vacation leave may not be taken before it is earned and credited. Vacation leave may be taken in whole, in part, or on a piecemeal basis throughout the year, however, all vacations will be scheduled in advance for the mutual convenience of the employee and the Town so proper adjustments can be made in the work schedules. Any vacation leave of four (4) consecutive work days or less may be scheduled on a first-come, first-served basis. However, departmental seniority shall be given consideration when scheduling any vacation leave of five (5) consecutive working days or more.

Employees may accrue vacation leave to a maximum of three hundred and sixty (360) hours as of December 31 of each year, but must take a minimum of forty (40) hours of vacation during every twelve (12) month period. Employees may, upon approval of the Board of Aldermen, be compensated for their accrued vacation time.