



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

December 21, 2023

Mayor Bill M. Runyon
City of Paintsville
P.O. Box 1588
Paintsville, KY 41240
Via Email: mayor.runyon@cityofpaintsville.net

RE: Findings and Recommendations

Dear Mayor Runyon:

The Auditor of Public Accounts (APA) has completed a limited-scope special examination of the City of Paintsville (City) and its golf course, pertaining to the City's practice of awarding free and reduced golf course memberships and greens fees. This special examination was initiated after our office received concerns of questionable free and reduced benefits awarded to select individuals by the City. The purpose of this special examination was not to provide an opinion on the City's financial statements, but to review specific matters brought to our attention and make recommendations to ensure the City's operating activities in this area are consistent, transparent, and follow policies. Unless otherwise indicated, the examination period of this engagement was July 1, 2022 to September 5, 2023.

Finding

One finding emerged from this limited-scope special examination and is presented in this letter, along with corresponding recommendations. Pursuant to KRS 43.090(1), the APA requests a written response from the City on the implementation status of the recommendations within 60 days of the receipt of this letter.

Finding 1: The City awarded free and discounted golf memberships without any cited authority.

Between July 1, 2022 and September 5, 2023, the City of Paintsville provided over \$7,400 in free and discounted golf memberships to City officials and additionally to select contractors through a bartering arrangement for their contractor services, all without established legal authority. City officials receiving free memberships were the Mayor and City Recreation Director. A 50% discounted membership was offered to City councilmembers – three of whom had a golf membership during the period reviewed. In addition to these five public officials, three contractors were given a golf membership in exchange for work performed. Finally, all City employees were granted a 50% discount off greens fees, again with no explicit authority, ordinance or policy established by the City to permit such activity. In the absence of any official act by the City to



permit such awards, the provision of free or discounted memberships and greens fees is clearly unauthorized and potentially illegal. While the City has reported that the Paintsville Golf Board, whose appointments are made by the Mayor and approved by the City Council, discontinued the award of “free memberships” in October 2023, areas of concern still exist which must be addressed by the City.

The City confirmed that no policy, ordinance, or regulation previously existed to authorize free and discounted golf memberships and greens fees. The Mayor advised that the practice of awarding free and discounted memberships and rates to City personnel had been in place since 2007, predating his term in office which began in 2016. However, the Mayor also stated that he and the Paintsville Golf Board authorized the discounts during the examination period, though no minutes or other official records were provided to evidence the approval. Section 3 of the Kentucky Constitution states, in relevant part “[a]ll men, when they form a social compact, are equal; and no grant of exclusive, separate public emoluments or privileges shall be made to any man or set of men, except in consideration of public services...” As such, the award of such privileges to City officers and employees may constitute a bonus to those individuals.

We recommend the City discuss this matter further with the City Attorney and seek an opinion from the Kentucky Attorney General on whether these awards constitute a bonus in violation of the Kentucky Constitution. Furthermore, if the City wishes to offer these perquisites to employees/officials, we recommend the City consider enacting a special ordinance to include them as compensation to its officials/employees. The ordinance should contain a finding that this form of compensation is offered in consideration of public services rendered to the city.

Additionally, the City does not have a policy, ordinance, or regulation permitting the bartering of services. However, bartering construction or repair services for golf membership was something that the Mayor stated he and the golf superintendent decided to do to “save taxpayers dollars to maintain and upgrade the course” which was established in 1929. Per the Mayor, free memberships have been awarded on “a year-to-year basis” to individuals who provide services that meet or exceed the amount of the membership. The city was able to provide documentation to evidence work performed by each of the three contractors who were awarded a “free” membership between July 1, 2022 to September 5, 2023. If the City deems bartering to be appropriate in certain circumstances as a cost savings measure, we recommend the City formally establish guidelines and criteria by ordinance or formal policy to strengthen the City’s system of internal controls.

Through inquiry, it was identified that one of the three contractors receiving a golf membership in exchange for work performed is related to the Mayor. While the City may determine there to be certain circumstances in which it is in its best interest to allow negotiation for goods and services, without establishing a formal process by which bartering may occur, the City is at a greater risk for abuse and giving the appearance of favoritism, which may be a violation of the City’s Ethics Code. The City Ethics Ordinance, 94-007, states in part “[n]o officer or employee shall intentionally use or attempt to use his or her official position with the city to secure unwarranted privileges or advantages for himself or herself or others.” Even the appearance of a potential conflict can put the City at risk of violating the City’s general standards of conduct. As such, this matter will be referred to the City’s Ethics Board.

Mr. Bill Runyon, Mayor

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Thank you for your attention to these matters and the City's cooperation with this limited-scope special examination. If you have any questions regarding this letter, please contact me or Julie Skeeters, Special Examinations Audit Manager, at 502-564-5841.

Thanks and God Bless,

A handwritten signature in black ink, appearing to read "Mike Harmon".

Mike Harmon

Auditor of Public Accounts

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