



Auditor of Public Accounts
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Auditor Mike Harmon Releases Special Examination of City of London, London Tourism Commission

Report contains two referrals to local ethics board

FRANKFORT, Ky. (April 5, 2022) – Today, Auditor Mike Harmon released the special examination report conducted by his office of the City of London, and the City of London Tourism and Convention Commission related to financial management activity from July 1, 2019 to June 30, 2021. The exam report contains 12 findings and three observations, with two findings being referred to the city’s Board of Ethics for further review and possible action.

“Our auditors identified multiple issues within the city and the tourism commission, from a family member of the mayor being hired at a higher pay grade than originally established without approval of the city council, to payments being made to vendors without any written contracts. In layman’s terms, the tourism commission did not have proper oversight on how their public dollars were being utilized, but instead decisions were being made by the city,” Auditor Harmon said. “Our exam refers issues identified in two findings to the city’s ethics board, but given that the board hasn’t met in nearly a decade and there is no record of ethics board appointments being made since 2016, it makes the current operating atmosphere all the more troubling.”

The examination report by Auditor Harmon’s office includes the following findings:

- The tourism commission approved a \$45,000 payment for a concert without a written contract in place, and the event did not happen. The commission approved annual payments in their budget for an item titled, “Bowling Family Music,” and paid the group for the 2019 and 2020 concerts in advance. The 2020 event did not take place due to the COVID-19 pandemic, and as of February 23, 2022, the funds paid by the commission to the group have not been refunded.

- There is no written expenditure reimbursement agreement between the city and the commission. Between July 1, 2019, and July 30, 2021, the commission reimbursed the city more than \$2.7 million for the cost of shared resources and expenditures made by the city on the commission's behalf. Of that amount, there were four instances totaling over \$465,000 in reimbursements where the commission chair had not signified approval in writing, and the checks for payments were not signed by any commission members. In these four instances, the checks were signed by the city clerk and deputy city clerk. Also, the city did not submit reimbursement requests to the commission on a consistent basis and did not regularly include adequate detail to determine what was being reimbursed.
- London's mayor allowed a city employee to provide cleaning services to both the city and the tourism commission without approval by the city council or proper disclosure. From January 2013 to December 2021, the city employee's company was paid more than \$131,000. Between February and October 2021, more than \$9,700 in commission funds appear to have been paid to the city employee's company. Prior to February 2021, the amount paid with Commission funds could not be determined. The mayor told auditors the city council had been told verbally about it but had not approved the hiring of the city employee's company.
- Despite spending more than \$1.5 million to operate Levi Jackson Wilderness Park, the tourism commission had little to no oversight or control, include hiring of staff, setting salaries, or planning of the park's operations. The funds came from the city's restaurant tax, proceeds of which are required to be turned over to the commission according to KRS 91A.400. But commissioners indicated that they have not been in full control of the funds used to operate Levi Jackson. In interviews with auditors, most current and former commission members indicated that the mayor was the person directing what equated to the \$1.5 million spent during Fiscal Years 2020 and 2021.
- A city maintenance employee was given special privileges by the mayor, who allowed a city owned vehicle to be used by the employee for a private HVAC business. In 2019, when the tourism commission approved the purchase of vehicles, tourism commission funds were used for the purchase of a van that was assigned to the city maintenance employee. The cost of the van was \$23,500. The commission chair was told at the time the purchase of the van was for the benefit of Levi Jackson Wilderness Park. The mayor told auditors he allowed the employee to use a city vehicle for his personal business in exchange for the city's use of the employee's tools. There was no written agreement, but the maintenance employee confirmed the arrangement with auditors. This issue will be referred to the city's Board of Ethics.
- London doesn't have an updated, consistent personnel and pay classification plan and salary scale for employees, and the mayor's stepdaughter was hired at a higher pay grade than established by ordinance. In January 2016, the mayor's stepdaughter was hired as the London Downtown Assistant Director at a pay grade higher than what the city council

set when it established the job position. While the mayor indicated the position's pay grade was mistakenly labeled at a lower grade, no correction was made to the city's pay classification plan, and the city council did not approve the pay grade change. This issue will be referred to the city's Board of Ethics.

- Auditors found of the 202 current and former London employees, elected officials and commission members active during their examination period, 50 had some form of familial relationship with at least one other person within the city. The city adopted a new Code of Ethics effective June 9, 2021, which included a more restrictive nepotism policy, but it grandfathered in any existing familial relationships and failed to establish restrictions on supervision or management of family members.
- Between December 2019 and December 2021, the Mayor spent more than \$114,000 to award bonuses to city and commission employees. These amounts were not part of the city's pay and classification plan or a benefit approved by the City Council. The award of bonuses from public funds generally violates Section 3 of the Kentucky Constitution, and the practice of paying bonuses should be discontinued.

"It is imperative, if only for the people they serve, that London city and tourism officials review the issues we have identified and implement the recommendations made by our audit staff," said Auditor Harmon. "It should be the city's goal to achieve good government through better accountability and transparency, and our examination provides the road map toward that path."

You can review the complete report, Examination of Certain Financial Operations and Internal Policies and Controls of the City of London and the City of London Tourism and Convention Commission, which includes responses from city and tourism commission officials, at this [link](#).

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