

**EXAMINATION OF CERTAIN  
POLICIES, PROCEDURES, AND TRANSACTIONS  
OF THE CITY OF WEST BUECHEL**



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

April 4, 2007

The Honorable Sharon Fowler, Mayor  
City of West Buechel  
3705 Bashford Avenue  
Louisville, Kentucky 40218

RE: City of West Buechel Examination

Dear Mayor Fowler and City Council Members:

We have completed our examination of certain policies, procedures, and transactions of the City of West Buechel (City). This examination was initiated due to concerns received by this office regarding the financial condition of the City and certain City practices and financial activity.

Examination procedures included numerous interviews with former and current City employees, officials, and the certified public accountant (CPA) engaged by the City. We also requested documentation or other information from the City, the City's CPA, the Kentucky League of Cities, the Kentucky Department of Forestry, the Governor's Office for Local Development, and other state agencies. Various documents examined and analyzed include contracts, invoices, City checks, bank and credit card statements, City Council written and tape recorded meeting minutes, and other documentation.

Findings in this report include:

- the City lacks formal policies, procedures, and transaction documentation to control financial activity;
- the City did not pay vendor invoices in a timely manner as required by KRS 65.140;
- the City misused Municipal Road Aid funds in violation of KRS 177.365;
- the City's discount of occupational tax to selected taxpayers is in violation of City Ordinances 111 and 191;
- the City used public funds to purchase food, flowers, and alcohol for its employees and family members; and,
- the City paid for work performed on City residents' private property and other questionable uses of public funds.

Detailed findings discussing these and other issues are presented in this report.



Mayor Fowler and City Council Members  
April 4, 2007  
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Due to certain findings resulting from this examination, we have referred this report to the Transportation Cabinet and the City Attorney.

We wish to thank former and current City employees, officials, and others for their cooperation during this examination. We also thank you, in advance, for your consideration of the issues and recommendations presented in this report.

Very truly yours,

A handwritten signature in black ink, appearing to read "Crit Luallen". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Crit Luallen  
Auditor of Public Accounts

## **Findings and Recommendations**

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### **The City of West Buechel failed to adopt written policies and procedures to adequately control certain financial transactions.**

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*Documentation was not  
required prior to the City  
paying credit card  
statements.*

*City employees were not  
required to use an  
existing City purchase  
request form.*

The City of West Buechel (City) did not develop or adopt formal written policies and procedures that document the process City employees should follow when conducting certain financial transactions on behalf of the City. We identified several purchase transactions that lacked adequate supporting documentation, including the authorization and purpose for the purchase.

The City Clerk stated that she requests certain documentation to be provided to her office as support for credit card payments, and for travel and expense reimbursements. The City, however, has no formal written policies and procedures requiring that documentation be provided for these types of transactions. According to the City Clerk, supporting documentation she receives for financial transactions varies by City administration. The City Clerk stated that former City administrations prior to the administration that ended December 2006 more closely adhered to the City's informal practice of supplying the requested supporting transaction documentation, and that City employees were expected to submit expenditure requests for prior approval and invoices before making future expenditures or to receive expense reimbursements. The City Clerk stated that under the administration that ended December 2006, the enforcement of the informal practice was not as stringent, and employees did not regularly submit transaction documentation. The City Clerk acknowledged that during the administration ending December 2006, she did not receive many receipts to support fuel and credit card charges.

In addition to a lack of supporting documentation for credit card payments, travel, and expense reimbursements, the authorization approvals and purpose for many expenditures were not documented. A review of City documentation for the period July 1, 2003 through December 31, 2006, identified a form entitled, "Check Request Form." This form documents the employee's formal request to initiate a purchase, the vendor, the transaction amount requested, the purpose of the expenditure, and provides for a formal written approval. Though this form was used on occasion during the period of examination prior to making a purchase, the form, if used at all, was used for employee expense reimbursements and did not include the signature of a direct line supervisor authorizing approval for payment.

Because the vast number of transactions made during the period from July 1, 2003 through December 31, 2006, did not include a "Check Request Form," the City Clerk had to rely on her memory and hand-written notations made on invoices to provide a purpose for expenditures, if the expenditures appeared to be questionable. These questionable expenditures include, but are not limited to, grocery items, floral arrangements, car rentals, and miscellaneous supplies.

*Recommendations*

We recommend the City formally document in writing, and distribute to its employees, policies and procedures developed and adopted by the City regarding the procurement and reimbursement processes.

We further recommend the policies instituted by the City include the use of a formal written expenditure request form for required use by City employees to document the purpose, description, cost, and pre-approval for a purposed purchase. Specifically, the form should include the name of the individual submitting the request, date of the request, purpose of the request, estimated cost of the item to be purchased, and the approval of a direct line supervisor. Furthermore, the City should ensure that purchase approvals are obtained prior to issuing payment, and document that goods purchased are actually received.

We also recommend that City policies address the process followed to request an expense reimbursement. A form should be developed that will identify the employee; the purpose of the reimbursement request; a description, quantity, and dollar amount of the items for which reimbursement is being requested; the date of the expenditure; and appropriate approvals.

The City should consistently adhere to policies it implements and require the policies to be followed prior to expending funds.

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**The City did not pay bills timely as required by state statute.**

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KRS 65.140 states, "unless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor."

An examination of expenditures from July 1, 2003 through December 31, 2006, identified eight instances where the City received notification from vendors that its account balances were overdue. Several examples are provided below.

*A vendor twice notified the City of a \$10,600 outstanding balance due.*

The City received a vendor invoice dated December 31, 2003, for services provided in November and December 2003. The invoice notes that the payment is due upon receipt of the invoice. The services rendered by the vendor were for work performed related to a grant received through the Kentucky Department of Forestry (Forestry). On May 26, 2004, and again on June 2, 2004, the vendor submitted letters to the City for notification of an outstanding balance of \$10,600.

*The City did not attempt to make payment on a \$10,600 outstanding balance for over six months.*

City documentation illustrates that the former City Administrator did not process this invoice for \$10,600 until June 29, 2004, over six months after receiving the vendor's initial invoice. According to Forestry officials, the City received this Forestry grant during the 2003 grant cycle. The City was to receive grant funds as a reimbursement for payments the City made related to the grant project. The City was expected to provide documentation of grant-related expenditures to Forestry to be reimbursed.

*A check written on June 30, 2004 to pay an outstanding balance was held by the City until after July 15, 2004.*

According to City documentation, a check was written to the vendor for \$10,600 on June 30, 2004, and the City's documentation includes a note directing that payment not be mailed "before July 15th." The City documentation also includes a note that states, "[b]ill out June 30 to State." The documentation reviewed indicates that the City was attempting to present a check along with other documentation to Forestry as proof of payment made to the vendor, when, in fact, the City had not yet made the payment to the vendor. As previously stated, this action was taken after the City received the vendor's invoice and did not attempt to make payment for six months. Forestry did not reimburse the City for these expenses until October 2004.

In a letter dated April 4, 2006, another vendor notified the City that charges incurred in February 2006 totaling \$355.80 were past due as of March 22, 2006. The City made full payment of this outstanding balance to the vendor on May 5, 2006. The City did not pay the amount due to the vendor for well over 60 days.

*A City fuel credit card account was suspended for failure to pay a \$6,041 balance.*

Another vendor notified the City on April 13, 2006, that the City's fuel credit card account was suspended and that no additional purchases were authorized until the City paid the \$6,041.26 account balance in full. The City initiated payments after receiving the April 13<sup>th</sup> notification reducing the outstanding balance to \$2,510.51. The same vendor then sent the City another notice on October 22, 2006, stating that the City's account was "being prepared for transfer to an outside collector with instructions to take any legal actions to collect this balance." The City paid the full amount of the outstanding balance on October 17, 2006 just days before the vendor's notice sent to the City on October 22, 2006.

*Another vendor notified the City of a past due amount of over \$800.*

The City was notified in a letter dated May 16, 2006, from another vendor, that its outstanding account balance totaling \$200.50 was past due. The original charges associated with this balance were made by the City between November 21, 2005 and January 13, 2006. The City paid this account balance on May 5, 2006, just days before receiving the vendor's notification. On July 24, 2006, the City received a second notice from the same vendor this time notifying the City that it was "currently indebted to us in the amount of \$821.26 for past due charges as listed on the enclosed statement." The charges listed on the vendor's enclosed statement were for items purchased in April and May 2006. The City paid the balance due on August 8, 2006, three to four months after making purchases from the vendor.

Finally, on November 3, 2006, the City received a letter from yet another vendor notifying the City that it was 30 days past due as of October 27, 2006, in paying the \$625.00 account balance. The City wrote a check dated on October 27, 2006 to settle this account.

The City on several occasions failed to remit timely payments to vendors as required by KRS 65.140. The City's failure to make timely payments on its account balances caused the City to pay interest on certain accounts and created the unnecessary risk that the City be assessed account late fees or other penalties. We will refer this issue to the City Attorney for further review.

*Recommendations*

We recommend the City comply with KRS 65.140 by paying all bills within thirty (30) working days of receipt of vendor's invoice, unless written disapproval of improper performance or invoicing by contractor or subcontractor has occurred.

We further recommend that if the City's financial condition does not allow for the timely payment of its obligations, the City should scrutinize each City department to eliminate all discretionary expenditures and to take other cost saving measures.

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**The City misused \$66,471 of Municipal Road Aid funds by failing to comply with the required statutory use of these funds.**

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KRS 177.365(1) and (2), state, in pertinent part, that Municipal Road Aid moneys

shall be set aside by the Finance and Administration Cabinet for the construction, reconstruction and maintenance of urban roads and streets and for no other purpose.

(2) As used in this section unless the context requires otherwise "construction," "reconstruction," and "maintenance" mean the supervising, inspecting, actual building, and all expenses incidental to the construction, reconstruction, or maintenance of a road or street, including planning, locating, surveying, and mapping or preparing roadway plans, acquisition of rights-of-way, relocation of utilities, lighting and the elimination of other hazards such as roadway grade crossings, and all other items defined in the Department of Highways, design, operations, and construction manuals.

*The City used \$122,921 of Municipal Road Aid to meet general payroll obligations.*

A review of the City's Municipal Road Aid bank account activity for the period January 2003 through December 2006, identified approximately \$122,921 of Municipal Road Aid was used by the City to meet general payroll obligations. Additional Municipal Road Aid funds were used to pay to remove trees from private property.

City bank account records show that from September 2003 through April 2004, the City transferred \$48,000 from the Municipal Road Aid account to the General Fund account. According to the City Clerk, each of these transfers was made in order for the City to meet payroll obligations.

The City Clerk explained that until January 2006, the bank automatically transferred the amount necessary to meet the City's payroll obligations from the City's General Fund account to the City's Payroll account on the day each payroll check cleared the bank. By transferring the Municipal Road Aid money into the General Fund account, the City sustained its General Fund balance to accommodate the payroll obligations.

*In 2004, the City failed to reimburse \$40,000 to the Municipal Road Aid account.*

By the end of fiscal year 2004, the City had transferred \$8,000 from the General Fund account back to the Municipal Road Aid account, leaving \$40,000 of Municipal Road Aid funds used to meet City payroll that have not been reimbursed from the City's General Fund account to the City's Municipal Road Aid account.

During fiscal year 2005, City records document transfers out of the Municipal Road Aid account to the General Fund account for the period totaling \$41,467. During the same period, the City transferred \$40,350 from the General Fund account back into the Municipal Road Aid account, leaving a net amount of \$1,117 in Municipal Road Aid funds used for obligations paid from the General Fund account.

In fiscal year 2006, we found a total of \$31,754 of Municipal Road Aid funds transferred out to other City accounts. As the City Clerk stated, until January 2006, funds for payroll were automatically transferred out of the General Fund account to the Payroll account to meet payroll obligations. After January 2006, the City no longer transferred the Municipal Road Aid into the General account to meet payroll obligations.

*In 2006, the City did not reimburse \$23,754 to the Municipal Road Aid account.*

The City began to transfer funds from the Municipal Road Aid account directly into the Payroll account. Therefore, of the \$31,754 transferred out of the Municipal Road Aid account in fiscal year 2006, \$23,000 was transferred into the General Fund account and \$8,754 was transferred directly into the Payroll account.

During fiscal year 2006, the City reimbursed only \$8,000 to the Municipal Road Aid account through two transactions, both of which transferred funds from the General Fund account. For the year ended June 30, 2006, we identified \$23,754 of Municipal Road Aid funds that were not reimbursed.

*A total of \$66,471 of Municipal Road Aid funds transferred to other City accounts was not reimbursed.*

Finally, our examination period extended into the first half of the 2007 fiscal year, July 1, 2006 through December 31, 2006. During this period, bank records document the City transferred out \$1,700 from the Municipal Road Aid account directly into the Payroll account and then transferred \$100 from the General Fund account into the Municipal Road Aid account. The total of all funds transferred out of, and not reimbursed to, the Municipal Road Aid Fund account for the period of July 1, 2003 through December 31, 2006, totals \$66,471.

In addition to the transfers of Municipal Road Aid monies, we also found that certain payments to vendors to remove trees were made directly from the Municipal Road Aid account, some of which, based on City documentation and interviews, were removed from private properties.

*The City violated KRS 177.365 by using Municipal Road Aid funds to pay for work on private residential property.*

As described in another comment in this report, according to vendor's invoices and interviews with various current and former City personnel, we found the City incurred at least \$700 of expenses for tree removal or trimming on behalf of two City residents, one of which was the former Mayor. City bank records show that the check issued to the contractor to pay for these services was written and charged to the Municipal Road Aid fund. The City, therefore, used Municipal Road Aid funds to pay for work performed on private residential property, in apparent violation of KRS 177.365.

Information provided by some individuals interviewed during this examination indicate that there may have been additional expenses incurred by the City on behalf of select residents, but City documentation and other information provided to this office was not sufficient to substantiate other specific instances.

We will refer this issue to the Transportation Cabinet and the City Attorney for review.

*Recommendations*

We recommend the City comply with KRS 177.365 and use Municipal Road Aid funds only for those purposes authorized by law. We recommend the City consult with the State Transportation Cabinet to seek guidance concerning the use of these funds, and any options as to how to address the \$66,471 that was not reimbursed to the Municipal Road Aid Fund. Though the City must comply with the statute, it should seek information to address this issue in a manner that will allow the City to plan for the financial impact this issue may have on the City.

We further recommend that the City develop and consistently implement policies and procedures to ensure Municipal Road Aid funds are used for appropriate purposes that are documented and pre-approved by authorized City officials prior to making an expenditure.

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**The former City Mayor authorized a five percent occupational tax discount in violation of City Ordinance.**

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In a letter to the City dated July 25, 2006, a representative for a business that paid the City occupational tax states that the Mayor contacted the office of the business on June 29, 2006, and asked if the business could remit the 2<sup>nd</sup> quarter withholding for the occupational tax early and, if so, in consideration of early payment, the City would agree to discount the 2<sup>nd</sup> quarter payment by five percent. As a result of this action, the City forfeited receipt of \$488.89 in occupational tax from this taxpayer. The offer was again extended to this taxpayer during the 3<sup>rd</sup> quarter of 2006 and resulted in an additional loss of \$116.58 in occupational taxes to the City.

*The City discounts for occupational tax given to selected taxpayers totaled \$987.16.*

Through discussion with the City Clerk, we were informed that the offer for a five percent occupational tax discount was given to a second taxpayer for the 2<sup>nd</sup> quarter of 2006. City records document that the offer to the second taxpayer resulted in an occupational tax discount of \$381.69. In total, the City failed to obtain \$987.16 in occupational tax from two taxpayers in the 2006 tax year.

During an interview held on November 15, 2006, the Mayor stated that the occupational tax discount was offered because the City was low on funds and he determined that it was an opportunity to assist the City by bringing the funds in early. However, the City received the occupational tax payments, at most, 30 days early. According to three City Council Members interviewed on January 17, 2007, the Council had not discussed offering an occupational tax discount and the decision to offer the discount was made unilaterally by the Mayor. Through a review of City council minutes, we found no evidence of a discussion related to an occupational tax discount. One Council Member interviewed stated that the discount was discussed only after the fact and that the discount reduced the City's budgeted revenues from occupational taxes.

*No City Ordinance was identified authorizing a Mayor to offer discounts for occupational tax.*

In order to address the issue further, we obtained and reviewed City Ordinances 111 and 191, which relate to the City's creation and administration of occupational taxes. After review of these City Ordinances, we found no authority allowing the Mayor to unilaterally offer or accept a discount of occupational tax to all or select taxpayers in exchange for early payment. Because discounts are not afforded through the City's current ordinances, the action of offering and accepting a five percent discount by the Mayor is in violation of the City's existing ordinances. Furthermore, City Ordinance 111,

*According to City Ordinance, occupational tax from employers could be requested more frequently.*

Section 11(b) contains language to allow for the City to “require employers to make returns and to remit the license fees withheld more frequently.” Therefore, if the City needed funding to be more readily available to meet financial obligations, the City could have requested, as is allowed by current City ordinance, more frequent payment from all occupational taxpayers.

We will refer this issue to the City Attorney for review.

*Recommendations*

We recommend the City comply with its own ordinances regarding the invoicing and collection of occupational taxes. We further recommend the City evaluate the financial position of the City to determine whether the collection of occupational taxes should be requested more frequently as allowed by City ordinance.

**The City accepted a \$5,000 loan from a City police officer to have sufficient funds to meet payroll.**

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On June 16, 2006, the City received a check from a City police officer (Officer) in the amount of \$5,000. This transaction is described in City documentation as a loan to the City.

According to the former Mayor, the former Officer, and the City Clerk, the loan was provided to assist the City in meeting its payroll obligations. The former Officer stated that the City had difficulty providing sufficient funds to meet payroll and that several of the City’s officers, who were young, depended solely on the City’s payroll check for their income. He believed that the financial situation of the City lowered morale among the officers. The former Officer recalled that he had made an offer to the former Mayor to extend funds for the purpose of meeting payroll following a City Council meeting approximately two months before the loan was made.

*The City’s failure to enter into written contracts places the City at unnecessary risk.*

The former Officer stated that he was later contacted by the Mayor and told that payroll would be tight, so the Officer provided funds to the City at that time with the understanding that the City would repay the loan, at no interest, when the City’s finances were sufficient to repay the \$5,000 loan and not jeopardize the City’s ability to meet payroll. After discussing the issue with the former Mayor, the former Officer, and the City Clerk, it was determined that a formal written loan agreement, detailing the terms and conditions of this loan, did not exist. Accepting loans from employees may create conflicts of interests or other risks detrimental to the City.

The City Clerk stated the loan had been repaid to the Officer in full without interest. The practice of not entering into a formal written agreement places the City at risk for liability and that there may be other non-documented claims.

City expenditure documentation shows that the City reimbursed the loan to the Officer in three installments. The first payment was made on August 2, 2006, in the amount of \$2,500, or 50 percent of original loan amount. The second payment was made a week later on August 10, 2006, for \$500, while the third and final installment was made to the Officer on October 13, 2006, in the amount of \$2,000.

*The City Council was not informed of the loan until after loan payments were made.*

In addition to there being no formal documentation of the loan, one Council Member stated that the City Council was not made aware of the loan until they were provided with the monthly check registers detailing the payments to the Officer. The former Mayor stated that the loan was probably not discussed with the City Council because, as he recalled, the Officer was at City Hall when he and the Clerk were discussing the status of the City's finances, indicating that the timing of the conversation was responsible for not informing the City Council. However, based on the Officer's account that the original loan offer was made two months prior to the actual loan received by the City, the offer could have been presented to the City Council for discussion. The City and its administration should be aware at all times of its full financial obligations.

*Recommendations*

We recommend the City prohibit the practice of accepting loans from its employees. In addition, we recommend the City follow a specific, detailed process that documents all loans or other debt instruments entered into by the City.

We further recommend that contracts or other instruments should be appropriately discussed with and voted on by the City Council, properly reviewed and approved by the City Attorney and City officials, and properly reported and disclosed prior to incurring the debt.

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**The City expended over \$1,461 of public funds to purchase food, flowers, and alcohol for City employees and their families.**

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A review of City records from July 1, 2004 through December 31, 2006, identified that the City expended approximately \$1,461 to purchase flowers, food, and alcohol on behalf of its personnel, their families, and others. These expenditures of public funds for essentially personal reasons are improper, and do not meet the criteria established in Kentucky law for the expenditure of public funds.

According to the City Clerk, the City purchased food and flowers for individuals to express sympathy, or in some cases, get well wishes to its employees and their families. The City Clerk noted that employees were actually given a choice of receiving food or flowers. City documentation and discussions with the City Clerk revealed that in addition to employees and their families receiving flowers and food the City made two purchases totaling \$86.30 for food on behalf of private residents, one of which was a former City Council Member.

While some purchases were made with the intent of expressing sympathy or well wishes, others were made to express appreciation to employees. Six purchases were identified described as cookouts, retirement, new employee, or holiday parties.

*Vendor invoices document City payments for the Police Department totaled \$536 to purchase food, alcohol, and other items.*

On May 21, 2004, and again on October 15, 2004, vendor invoices document that the City paid a total of \$536 for the purchase of food and other items, including \$26 for alcohol. Although not documented in the City's records, the City Clerk noted that the purchases were made on behalf of the City's Police Department for a cookout to benefit the officers. Documentation to support the October 15, 2004, expense includes a hand-written note stating that the purchases were charged to the Department's discretionary fund.

On November 23, 2004 and November 23, 2005, City records document food purchases, which, according to the City Clerk, were made on behalf of City employees to celebrate the Thanksgiving holiday. Again, on October 26, 2004 and November 21, 2005, the City purchased items to celebrate a retirement and the hiring of a new employee.

According to the criteria as set out by Kentucky's highest court in the case of *Funk v. Milliken*, 317 S.W. 2d 499 (Ky. 1958), city expenditures should be necessary, reasonable in amount, beneficial to the public, and not predominately personal in nature. The purchases described above are clearly personal in nature and not to the benefit of the public. If the City chooses to purchase items to express sympathy, well wishes, or to show appreciation to its staff, the administration or City departments should make these purchases using personal funds rather than public funds.

*Recommendations*

We recommend that the City follow *Funk v. Milliken*, that purchases made with public funds must be necessary, reasonable in amount, beneficial to the public, and not predominately personal in nature.

We further recommend that the City develop or adopt a policy that private funds are to be used for celebrations, parties, special events or to express personal sentiments to City employees.

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**The City made expenditures for various types of purchases without adequate supporting documentation.**

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For the period examined, from July 1, 2003 through December 31, 2006, the vast majority of expenditures had either no or insufficient documentation failing to specify the purpose and need for the expenditure. These expenditures included, but were not limited to, purchases made on City credit cards, reimbursements to employees, and payments for reported contract labor.

*Any City employee was allowed to use a City credit card.*

The City has credit cards with three local vendors and one commercial credit card account. One of each of the City's credit cards is located in the City Clerk's office, while a second credit card for the local vendors is kept in the Mayor's office, and a third credit card for two of the local vendors was available in the City's Police Department. The City Clerk, on January 17, 2007, stated that any City employee may use the credit cards, and the City Clerk is not always aware of who actually initiated credit card charges because employees may obtain a credit card through the Mayor's office or the Police Department.

According to the City Clerk, the City has no formal written policies related to either the use of City credit cards or cardholder agreements with employees that use the City credit cards. The City Clerk stated that employees are supposed to submit receipts to the City Clerk's office for purchases made using the City credit cards. The City Clerk stated that although receipts are to be submitted to her to reconcile to credit card statements, employees frequently do not submit the receipts for her records.

*Employees making credit card charges could not be determined due to the lack of supporting documentation.*

Through review of the City's monthly payment files, we found that few purchases made using City credit cards were supported by actual receipts. In some cases, the credit card statements would provide details related to items purchased, the date of the purchase, and the cardholder number, but these statements were not actual receipts submitted by employees to the City Clerk as evidence of the purchase. In addition, because any City employee could use the credit cards, the cardholder number does not assist in identifying the credit card user. The City Clerk noted that the credit cards maintained in the Mayor's office and by the Police Department could be used without her knowledge and without receipts being submitted by individuals, and that she could not be certain of either who made the purchase or whether it was appropriate.

*City credit cards are now secured by the City Clerk.*

In addition to these credit cards, the City also has service station credit cards with two vendors for the purchase of gasoline. The fuel credit cards have primarily been used by the City Police Department, but credit cards were also available for maintenance and administrative vehicles. The fuel credit cards are assigned to individuals, not to vehicles. Given that the Police Department has been dissolved at the present time, all Police Department fuel credit cards and those used for maintenance and administrative vehicles, have now been collected and secured by the City Clerk.

*Certain fuel purchases appear questionable due to lack or inconsistency of documentation.*

During a review of monthly fuel credit card statements, we identified questionable purchases based on the quantity of fuel purchased and odometer readings, or the failure to record odometer readings, on the monthly fuel credit card statements for each vehicle.

The April 2006 fuel credit card statement from one vendor identifies that on March 17, 2006, a credit card assigned to the City's Police Department had two charges for fuel, one for 10.25 gallons of gas and the other for 25.01 gallons. These two transactions were made on the same credit card at the same service station within three minutes of each other indicating that more than one vehicle was fueled. Odometer or license numbers were not recorded to assist in identifying the vehicle(s) receiving the fuel.

*One City Police Department fuel credit card was used to purchase \$177.17 worth of fuel in a nine minute time period.*

On a fuel credit card statement for the month of October 2005, three transactions were made within minutes of one another on a credit card assigned to the City's Police Department. These transactions were made on September 12, 2005, on the same credit card, at the same location, and according to the monthly fuel credit card statement, were made for the same vehicle. The total of these three transactions was \$177.17 for 63.8 gallons of gas. In addition, the odometer readings related to each transaction varied greatly. For instance, the first of these purchases recorded on that date at 8:50 a.m. indicates the vehicle's odometer reading as 8,994. One minute later at 8:51 a.m., the odometer reading for the same vehicle is recorded as 45,521 and then eight minutes after the second transaction at 8:59 a.m., the odometer reading is reported to be 14,798. Because of the amount of fuel purchased within a nine minute time period and the differing odometer readings recorded for, supposedly, the same police vehicle, it is apparent that multiple vehicles were fueled at the same time. Because of the lack of controls and oversight established by the City and the lack of records provided to the City Clerk, it cannot be determined whether the vehicles fueled were City or personal vehicles.

A similar transaction occurred on October 28, 2005, when two fuel purchases were recorded, for the same City Police vehicle, totaling \$68.01 for 33.3 gallons of gasoline. The transactions were within 25 minutes of one another at the same fueling location. Although the transactions were 25 minutes apart, the odometer reading for this vehicle remained at 57,440 for both transactions.

*Inconsistent vehicle odometer readings cause fuel purchases to be questionable.*

A fuel credit card statement for the month of August 2004 shows a transaction of \$20.51 recorded for a City Police vehicle on July 27, 2004. The odometer reading recorded for this purchase is 110,204; however, for the same vehicle number, odometer readings on July 26, 2004 and July 29, 2004 are recorded as 68,185 and 68,280, respectfully. When we examined the other odometer readings recorded for this vehicle on the same fuel credit card statement, the recordings corresponded with the readings in the 68,000-mile range. As with the other similar transactions, these inconsistencies call into question whether these were legitimate fuel purchases.

Though City Police Department vehicles' odometer readings associated with gasoline purchases, and the large number of gallons of gasoline purchased within minutes, were questionable, the City apparently did not question this activity or take action to address this potential abuse.

*The City lacked documentation regarding contract labor.*

In addition to credit card and fuel card charges, the City lacked documentation associated with contract labor payments. According to the City Clerk, the former Mayor would inform her that individuals had performed work and would direct her to write checks to these individuals for the hours he reported to her. No supporting documentation, identification of work performed, or verification of hours worked by the laborer was submitted to support the payments.

On July 30, 2004, the City paid a contractor for reportedly cutting down and hauling away a tree located in the City playground that had been damaged by a storm. The check issued to the contractor for this work totaled \$275 and was co-endorsed by the Mayor. The work associated with this payment was documented only within the check's memo area.

*Documentation was insufficient to identify the number of hours worked by contract laborers.*

Between July 1, 2005 and June 21, 2006, we identified six additional contract labor payments totaling \$1,325. Four of the six payments totaling \$910 found during this time period were not supported by documentation and were made to a single contractor. In an interview with the former Mayor, held on March 6, 2007, he stated that he believed contract labor hours would have been documented because he knew of no other way to get the City Clerk to write a check other than to give her a receipt or other supporting documentation. He stated that he believed that the former City Administrator would sometimes report contractor hours to the City Clerk and thought that the contractors may have been required to punch in using the City's time clock. The former City Administrator believed timecards would be used to document hours worked by the contract laborers.

We will refer this issue to the City Attorney for review.

*Recommendations*

We recommend City credit cards be carefully controlled to ensure that employees are held accountable for credit card transaction activity. Credit card purchases should be pre-approved in writing when possible.

We recommend that City employees be required to submit purchase invoices or other additional documentation for purchases made. Employees should be required to sign the invoice and any other documentation submitted to support the transaction.

We further recommend a summary schedule of credit card transactions be created each month that includes the name of the employee that made the transaction, a brief description of the items purchased, the dollar amount of the item purchased, and the purpose for the purchase. This summary schedule should be required to be reviewed and approved by the employee's supervisor. The supervisor should be required to sign the summary schedule as evidence of this review and approval of the transaction. If transactions are not approved, or are found to be personal in nature, the employee should be required to reimburse the City for any disallowed transactions. We also recommend this review and approval activity occur prior to the City paying a credit card invoice.

We recommend that a formal process be implemented to document the hours worked by contract laborers and that the documentation be retained as support for payments made for contract labor.

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**The City paid for work to be performed on City residents' private property.**

City expenditures were identified that referenced the City paying for work performed on certain City residents' private property. This work included, but was not limited to, the construction of a wheelchair ramp, the construction of a sidewalk for a resident with a disability, and clean-up work completed on residents' property in response to citations received by the residents.

On July 9, 2003, the City paid an invoice totaling \$650 for a wheelchair deck and ramp built onto the private City residence of a disabled person. According to the Mayor, the resident living in the home approached the City Council to request assistance. The Mayor noted that the City Council did not formally vote on the issue, but he did not recall any objections being raised during the discussion. The Mayor noted that residents approach the City Council with requests during open session of City Council meetings, but citizens have also approached the City Council before formal Council meetings began.

*No record of a City Council discussion or vote was found to build a ramp at a private residence.*

On January 17, 2007, we discussed the cost of the wheelchair ramp with two current City Council Members who were on the Council at the time of the expenditure. Neither of the two City Council Members recalled either the resident approaching the Council to make this request or the Council approving this expenditure. Discussion of this matter was not found during a review of written minutes for City Council meetings held from January 2003 through July 2003, nor in the audiotape of the June 2003 City Council meeting. We attempted to further examine this matter by listening to the audiotape of the City Council meeting held in May 2003, but the audiotape for the May 2003 City Council meeting was not included in the tapes provided by the City Clerk.

On May 5, 2005, the City paid \$75 for the same resident for the construction of a sidewalk leading to the resident's wheelchair ramp. Unlike the expenditure reported in the preceding paragraph, we found that the property owner later reimbursed the City \$75 for the sidewalk. According to the former Mayor, he had not thought to have the property owner pay the expense until someone suggested the idea. The former Mayor again believed the initial expense was made after the resident, who was renting the property, approached the City Council requesting further assistance. After reviewing written minutes of City Council meetings for the period January 2005 through May 2005, and audiotapes for March and April 2005 City Council meetings, no evidence of this resident's request was identified.

*A City check for contract labor was made payable to the City's former Mayor.*

In June 2005, we found the City paid a \$150 expense for contract labor hired to assist two City property owners in complying with Louisville Metro government ordinances. According to City documentation, one of the two checks used to pay the contract laborers was written to the former Mayor. According to the former Mayor, City Hall had closed when the contract laborers completed the work, so he paid the laborers cash and then submitted a time card to the City Clerk's office documenting the hours worked, the signature of one contract laborer, and a notation that he paid the laborers. We attempted to identify any discussion of these services and expenses by the City Council through review of written and audio taped City Council minutes, but found no discussion of this issue.

In an interview with the former Mayor held on March 6, 2007, he acknowledged that work was done to assist the City's residents, some of which he stated could not afford to pay for the services to be performed. While specific expenditures were not voted upon by the City Council, the former Mayor noted that money was placed into the budget with the approval of the Council to improve the neighborhood. The former Mayor specifically mentioned that the Council approved a \$100,000 expenditure line-item in the 03-04 Budget for "capital outlay."

*The City Council approved budgeting \$100,000 for the City's "Clean-up Project" in the 2003-2004 fiscal year.*

On March 8, 2007, auditors from this office reviewed multiple audiotapes of City Council meetings, held between January 2003 and December 2006, to examine the matter further. During a called special business meeting to discuss the proposed City budget for the 2003-2004 fiscal year, the former Mayor initially proposed \$78,800 for capital outlay and stated that funds could be used to bring neighborhood homes up to code and that he was trying to bring the neighborhood up to a higher standard. The former Mayor described the capital outlay as a sort of "slush" fund from which the City could spend the funds as desired. During the taped meeting, the former Mayor also asked the City Council to bring residents' needs to his attention as they had before, indicating that the City had been able to assist others in the past with the knowledge of the City Council. No objections were recorded, and, ultimately, the Council approved \$100,000 for capital outlay, \$21,200 more than originally proposed by the Mayor, for what was titled "Clean-up Project" in the final budget. Although \$100,000 was budgeted for this project, at the end of the fiscal year the City audit for that period shows the City spent only \$21,013.

*City Council did not budget money in 2004-2005 for the City's "Clean-up Project" due to the City's financial concerns.*

According to one City Council Member interviewed on March 13, 2007, the City Council had approved an amount of \$100,000 for the 2003-2004 Budget for the Clean-up Project, but stated that money was not budgeted in the 2004-2005 Budget due to the City's financial situation. Although the City Council did not include funds specifically for these expenses in the 2004-2005 Budget period, as documented in preceding paragraphs, we identified three expenses for clean-up projects made during the 2004-2005 period by the City on behalf of certain residents.

These expenditures for City services performed on private property are clearly personal in nature and yet the City has continued to pay expenses on behalf of its residents despite its continued financial struggles. In addition, there was no clear process established by the City for residents to request work to be performed and for the City to determine whether the citizens' requests were within the intended purpose of the "Clean-up Project" budgeted for by the City. Given the lack of process to request City services and the lack of formal action taken by the City Council to approve work performed on private property, it appears this work is predominately personal in nature and not beneficial to the public.

We will refer this issue to the City Attorney for review.

*Recommendation*

We recommend the City refrain from expending public funds for any reason other than for public purposes. Furthermore, according to the criteria as set out by Kentucky's highest court in the case of *Funk v. Milliken*, the expenditures should be necessary, reasonable in amount, beneficial to the public, and not predominately personal in nature.

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**The City incurred debt on behalf of City residents without written agreements.**

According to City records, and through interviews with various City officials, we discovered that the City entered into a written agreement with the Louisville/Jefferson County Metropolitan Sewer District (MSD) in 2003, to improve the City's current drainage system and to replace pre-existing City sidewalks and driveway aprons. According to the former City Mayor, the City sought to replace the existing sidewalks due to their deterioration caused, in part, by trees along the City's right-of-ways. For this reason, the former Mayor stated that the City hired a contractor to remove certain trees that were identified by the City as being obstacles in replacing City sidewalks.

As the contractor began to remove City trees, the former Mayor stated that some residents started asking the City for tree removal and trimming services for trees located on their private properties. An audiotape of the April 2003 City Council meeting includes those Council Members present discussing residents expressing interest in obtaining tree removal services. Later in the audiotape of the same Council meeting, the former Mayor is heard announcing that he spoke with the contractor and worked out a reduced price for tree services, but there was no discussion at that time of the City incurring the cost of removing or trimming trees from the private properties of City residents.

*The City Clerk was not aware of written agreements with City residents for work performed on residents' private property.*

While examining contractor invoices paid by the City, invoices were identified, dated July 10, 2003 and April 4, 2005, that included work performed on private property. The invoices' summaries of the work performed included removing trees from the front and back yards of certain private residences. The City Clerk stated that the City paid for removing trees from the private property of City residents. The City Clerk was only able to identify, through her hand-written note attached to the vendor's invoice, two individuals who received this benefit. One of these individuals was the former Mayor, and the other a City resident. The City Clerk stated that she was not aware of any formal written agreements between the City and property owners requiring City residents to reimburse the City for the expense of tree removal and trimming services the residents received, but which were paid for by the City.

*The City paid \$700 for private residential tree services.*

According to the City Clerk, the cost of tree services undertaken at the former Mayor's property was \$400, and the service performed at another resident's property totaled \$300. The City paid a total of \$700 for the work performed at these two private properties. The Clerk stated on January 17, 2007, that neither person had reimbursed the City, and acknowledged that the City had not submitted invoices to these individuals to request reimbursement for the amounts due to the City.

In discussing the issue with the former Mayor on March 6, 2007, he acknowledged the \$400 payment the City made for tree service provided on his property, but stated that he could document that he had reimbursed the City \$400 in October 2005. The former Mayor stated that he made the reimbursement payment when he was reminded of the outstanding debt by the City Clerk and the City's certified public accountant following the fiscal year 2005 audit. After the interview, the former Mayor emailed an electronic copy to our office of a carbon copy of a check in the amount of \$400 made payable to the City in October 2005, and a copy of a bank statement documenting that the check had cleared his account on October 14, 2005. After sharing this information with the City Clerk, she further researched the issue and was able to provide a copy of the former Mayor's check and confirmed the check was deposited into the City's General Fund account in October 2005.

The former Mayor also stated that the City contacted the Kentucky League of Cities (KLC) to determine the legality of allowing residents to receive contractor services that would initially be paid by the City with the expectation that the resident would reimburse the City for the cost of work performed. According to the former Mayor, the KLC informed him that this arrangement was acceptable as long as the City entered into formal agreements with individual residents stipulating that residents reimburse the City for the cost of these services. The former Mayor said that after receiving this opinion from KLC, the City decided to offer this opportunity to citizens only for removing or trimming trees.

*The former Mayor and former City Administrator believe some agreements with City residents did exist.*

The former Mayor believes that the City did enter into a few agreements with residents and believed that the former City Administrator had written the formal agreements on behalf of the City. However, the former Mayor did not state that he entered into a formal agreement. On March 13, 2007, we contacted the former City Administrator who stated that he had not created any formal written agreements noting that he was “left out of the loop” on a number of issues by the City Administration. The former City Administrator believed one or two formal written agreements were entered into and were created by the City Clerk. The former City Administrator could not provide any information regarding the residents who reportedly entered into formal agreements with the City. No contracts between the City and its residents were provided to this office.

On March 6, 2007, while reviewing contractor invoices related to trimming and removing trees, the former Mayor stated that he believed some of the tree removal and tree trimming work detailed in the invoices was, in part, for a City Council Member who requested the work be performed. In a discussion held with the City Council Member on March 16, 2007, he stated that branches from a tree bordering his property were removed after being damaged by a storm in 2003.

The City Council Member believed the work was part of a City wide clean-up effort, which the City budgeted for in the fiscal year 2004 budget. Details of the City Council Member’s statement agree with the date of the contractor invoice, the description of the services provided by the contractor on the July 10, 2003 invoice, and the budget for the 2004 fiscal year. The City Council Member added that there was discussion of

tree work performed on a relative's property in one Council meeting. The City Council Member stated that his relative had trimmed back a tree, but a neighboring resident continued to request the tree be removed. Upon discussion, the City Council Member recalls that the former Mayor agreed to have the City remove the tree. The City Council Member stated that the neighbor raised the issue, and that the Council Member personally did not request the City to trim or remove any trees. The City Council Member was not certain of the date of the Council Meeting when this discussion was held but believed it was around 2004.

*The total amount paid by the City for tree services on private property is uncertain due to insufficient documentation.*

Based on review of the documentation maintained by the City and interviews with various individuals, we are unable to determine the full extent of the City's cost for tree removal and trimming on behalf of its residents. The only instances documented by the City are related to services provided on behalf of the former Mayor and one other City resident in the total amount of \$700. Documentation related to those transactions was incomplete, and when the issue was first addressed, the City could not accurately report the outstanding balances regarding these two transactions. The only documentation available was the City Clerk's hand-written note attached to a vendor's invoice. It was only after the former Mayor provided additional information that the City was able to determine that it was reimbursed \$400. The City continues to report that it did not receive the remaining \$300 for tree removal services at a private residence's property.

Expenditure of public funds must be for public purposes as stipulated in Section 171 of the Kentucky Constitution, and according to the criteria as set out by Kentucky's highest court in the case of *Funk v. Milliken*, must be necessary, reasonable in amount, beneficial to the public, not predominately personal in nature, and supported by adequate documentation. The expenditure of City funds for tree removal or trimming on private residential property does not meet one or more of these criteria. Furthermore, the City appears not to have consistently followed any particular orderly process to require its citizens to enter into contracts with the City for services performed, to document services performed, service payments, or reimbursements made by citizens.

We will refer this issue to the City Attorney for review.

*Recommendations*

We recommend the City refrain from expending public funds for services which are personal in nature.

We recommend the City maintain adequate supporting documentation for all its financial transactions, including expenditures and accounts receivables. The City should be able to accurately report any amounts owed to the City upon request. Furthermore, the City should make reasonable efforts to collect amounts due to the City in a prompt and expedient manner, including the \$300 paid for tree service for a City resident.

Finally, we recommend the City formalize and retain any agreements in writing. Any contract entered into by the City should clearly state and define the terms and conditions of the agreement, including any penalties for the failure to make complete timely payments to the City. The contracts should be reviewed by the City Attorney to ensure the contract contains sufficient detail. All contracts should be approved by the appropriate City officials prior to initiating work identified in the contract.

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**A former City Council Member benefited from a tax-exempt purchase made using a City account.**

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On June 16, 2005, City transaction documentation details that a charge of \$53.85 was placed on a City account with a local vendor for a purchase of sand. The vendor invoice includes the signature of a City maintenance employee, which indicates the City employee received the sand on behalf of the City. Additional documentation maintained by the City Clerk describes that a former City Council Member wrote a check to the City in the amount of \$53.85 with a notation in the check memo line that read "Sand." The former City Council Member's check was written on the same date as the date of the vendor's invoice. By placing the purchase on a City account, the former City Council Member was able to make a tax-exempt purchase of sand, which was used for other than public purposes.

*A City employee signed a vendor's invoice for a private purchase made on a City charge account.*

While examining this issue, concerns were raised that City resources were also used in conjunction with this purchase, including a City-owned truck and a City employee. During an interview held on January 17, 2007, the current Mayor identified the employee that signed the invoice as one of the only City employees authorized to place charges on this particular City vendor account. On January 17, 2007, while

interviewing the City employee who signed the invoice, the employee acknowledged that he signed the invoice; however, he did not recall making a purchase on behalf of the former City Council Member. The City employee stated that the only time the City purchased sand was in preparation for a City fireworks display.

On January 19, 2007, the former City Council Member stated that he believed the purchase was put on the City's account in error and that when he discovered the error he went to City Hall and wrote a personal check to reimburse the City for the purchase. Although he recalled making the purchase, the former City Council Member did not recall the use of a City-owned vehicle for transporting the sand. He stated that he recalled he and another individual removed the sand from the back of a personal vehicle, not City equipment. However, as to why the vendor's invoice was signed by a City employee, the former City Council Member stated that he did not know why the signature was present on the invoice because he believed someone else had picked up the sand.

*The City did not document the use of City equipment.*

According to the current Mayor and City Clerk, the City does not maintain work orders or job tickets documenting the use of City equipment. The current Mayor noted that similar documentation was maintained in the past but the practice was discontinued. The current Mayor and City Clerk also noted that the City does not maintain logs documenting the beginning and ending odometer balances for City equipment. In addition, the City does not have a policy prohibiting the use of City property and equipment for personal benefit, nor were there formal procedures for documenting the use of City equipment.

Due to the lack of information available to review, it could not be determined whether City resources were used regarding the purchase and disposition of sand. However, the existence of the employee's signature on the invoice continues to create questions regarding the use of City resources.

We will refer this issue to the City Attorney for review.

*Recommendations*

We recommend the City maintain work orders to account for the use of the City's equipment. The work orders should include the date of use, the user/driver's name, and purpose in using the equipment. We recommend the responsible party sign the work orders indicating that activity occurred as reported. In addition, the City should maintain and periodically review mileage records on City-owned equipment to better account for the use of City equipment. Any significant variances found during periodic reviews should be further investigated.

Finally, we recommend the City develop and adopt written policies and procedures related to the use of City-owned property and equipment. These City policies should disallow the use of City resources for personal benefit.

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**The arrest of a City resident caused the resident's vehicle to be towed, yet the City paid the \$100 towing fee.**

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The City paid \$100 to tow a City resident's vehicle from a local grocery store on May 4, 2005. According to the City's former Police Chief, the vehicle was impounded because it contained certain items related to the resident's arrest. A police report, identified as a Louisville Metro Department of Corrections report, was provided to this office by the City's former Police Chief and confirms his statement that certain items were found in the resident's vehicle at the time of the arrest.

During an interview with the former Mayor held on March 6, 2007, the former Mayor stated initially that he did not recall the circumstances surrounding the towing expense and that for the City to have paid the towing bill, the vehicle must have been towed in error. The former Mayor noted that he was surprised that the company would bill someone for towing a vehicle in error. The former Mayor noted that the company does most of the City's towing and, as such, will usually adjust charges that were made in error. After further discussing the matter, the Mayor stated that he recalled a situation where the resident had been arrested for an offense but did not recall the specifics related to the arrest. The former Mayor provided no further explanation for the City incurring the expense on behalf of this resident.

Without additional documentation or information, it appears the City paid \$100 to have a private vehicle towed. Based solely on the City documentation and the Louisville Metro report, this expenditure appears to be personal in nature, and, as such, has been made contrary to section 171 of the Kentucky Constitution, which prohibits the expenditure of public funds for other than public purposes. Further, it is not in the interest of the City to pay fees for select private citizens without documenting the explanation as to why the action was appropriate.

We will refer this issue to the City Attorney for review.

*Recommendation*

We recommend the City ensure the expenditure of public funds are adequately documented including a statement describing the purpose for the expenditure and an authorized written approval to identify the individual accountable for payment.

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**The City paid to rent a vehicle for a police officer on administrative leave.**

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During the week of November 23, 2005 through November 30, 2005, the City paid \$314.86 for a rental car, which was provided to a police officer on administrative leave. City payroll records show that the police officer receiving this benefit was on administrative leave from November 23, 2005 through December 2, 2005, and not actively working as an officer during that period.

*The City allowed a police officer on administrative leave to rent a vehicle at the City's expense costing \$314.86.*

According to the former Mayor, the officer who received the rental car had been involved in several automobile accidents within a week and, as such, the City Police Department did not want to provide another police car to the officer. The former Mayor stated that one of the benefits of being a City police officer is being able to drive a City police vehicle from home to work, and back; however due to the multiple recent accidents involving this officer, a vehicle was not available for this officer to take home. Though the officer was recently involved in multiple accidents and was on administrative leave, the former Mayor authorized the officer to rent a car at the City's expense. However, according to the City Clerk, the privilege of taking a vehicle home is not a formal component of a police officer's salary and benefit package. On March 14, 2007, the City Clerk stated that the City Council had, at sometime in the past, agreed to allow City police officers to take their City-owned police cars home after work, similar to what she says other Cities have authorized their officers to do.

After the City Clerk further discussed this issue with the current City Mayor, the Clerk then stated that she was advised by the current City Mayor that the decision to allow City officers to take their City vehicle home with them was made over 13 years ago under a different administration, and evidence of this decision was not found in City Council minutes or formal City Ordinance. The City Clerk also stated that the City Council had not been made aware of this decision until after the City incurred this expense. We found no evidence that the City Council discussed this issue while listening to the audiotape of the November 2005 City Council meeting. The former Mayor stated that he would have been the person responsible for approving this expenditure but noted that he did not really remember the situation surrounding the expenditure.

*Spending public funds for personal benefit is contrary to Kentucky law.*

The City's payment of \$314.86 for a rental car, for an officer on administrative leave who at that time was not actively working as an officer, for personal use, is clearly personal in nature and is not a proper use of City funds. As we have documented throughout this report, the practice of spending the City's public funds for personal expenses is contrary to Kentucky law and should be prohibited.

The City's continued use of public funds for expenditures that are personal in nature, especially in light of its diminishing financial situation, demonstrated a lack of fiscal responsibility on the part of the City. Deciding to make discretionary expenditures to benefit a single person while the City was experiencing difficult financial conditions is a detriment to the taxpayers of the City.

We will refer this issue to the City Attorney for review.

*Recommendations*

We recommend the City prohibit the use of public funds for personal expenses. We further recommend the City consistently document and retain the authorization of a financial transaction, including the approver's signature.

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**A signed check with a blank dollar amount made payable to a local vendor was given to the former Mayor.**

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On May 4, 2006, the City Clerk issued and signed a check made payable to a local vendor, left the dollar amount blank and gave the check to the former Mayor. According to the City Clerk, the former Mayor directed her to issue the check without specifying the dollar amount. The City Clerk stated that she was unaware of the amount of the check until reviewing the City's general fund bank account statement. The City did not receive any supporting documentation related to this purchase. The \$332.43 check was reportedly used to purchase paint and supplies for the City's Community Center.

On January 17, 2007, we interviewed a City Council Member who stated that the City Council discussed making improvements to the City Community Center, but there was some confusion as to who was going to purchase the supplies. The City Council Member noted that another Council Member was supposed to make the purchase on the City credit card, but the purchase was never made. The City Council Member then found out that the Mayor had made the purchase, instead, through a City check. The City Council Member assisted the Mayor and two other individuals in painting the inside of the City Community Center, but stated that he does not know if \$332.43 worth of paint and supplies was purchased.

During an interview with the former Mayor, held on March 6, 2007, he stated that he purchased paint and painting supplies from a local vendor on behalf of the City to paint the City Community Center. He also stated that, along with other individuals, including a current City Council Member, he assisted in cleaning and painting the inside of the City Community Center. After applying at least two coats of paint to the interior of the City Community Center, the former Mayor noted that there was a partial gallon of trim paint, along with some cleaning supplies, remaining. He stated that he gave the remaining trim paint and cleaning supplies to a now former City Council Member.

On March 14, 2007, the former City Council Member acknowledged receipt of these items, but stated that the trim paint appeared to have been purchased at another vendor. A request was made to the former Mayor for a copy of the vendor invoice for the purchase of the paint and supplies; however, documentation to support the expenditure was not provided to this office. Without additional documentation, it could not be determined whether items purchased from the local vendor were all used for the Community Center.

*Issuing a signed City check with a blank dollar amount fails to comply with fundamental financial control.*

Providing a signed City check with the dollar amount left blank to an individual is an unacceptable financial practice and unnecessarily increases the risk of abuse. Further, by providing this check and not requiring a receipt for goods purchased, the City again failed to employ reasonable and fundamental financial control.

We will refer this issue to the City Attorney for review.

*Recommendations*

We recommend the City refrain from the practice of issuing and signing checks with no dollar amount specified.

Further, we recommend the City develop and consistently adhere to specific purchasing policies, including the requirement that before purchases are made, a formal, written request and authorized approval must be obtained, and invoices or other supporting documentation must be provided prior to the City issuing payment. We also recommend these policies ensure a process is in place to account for the receipt of goods purchased.



**CITY OF WEST BUECHEL RESPONSE**



# City of West Buechel

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Mayor Sharon Fowler

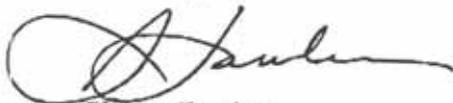
April 2, 2007

Crit Luallen  
Auditor of Public Accounts  
Brian Lykins, Director  
105 Sea Hero Road Suite 2  
Frankfort, Kentucky 40601-5404

Dear Mr. Lykins:

This is in response to the Auditor's investigation performed concerning acts of the previous administration. The current administration will take heed to recommendations which were made, and set policies and procedures in those areas which were listed as concerns.

Sincerely,



Sharon Fowler  
Mayor