



Auditor of Public Accounts
Adam H. Edelen

FOR IMMEDIATE RELEASE

Contact: Stephenie Hoelscher
stephenie.hoelscher@ky.gov
502.564.5841
513.289.7667

Auditor Edelen Releases City of Barbourville Special Examination

FRANKFORT, Ky. (January 7, 2014) – Auditor Adam Edelen on Tuesday released a special examination of the City of Barbourville, finding lax controls that allowed the mayor and others to exert undue influence over financial activities and likely benefit personally.

The report, which contains 28 findings and recommendations, will be referred to the Attorney General, Kentucky Department of Revenue and Cabinet for Health and Family Services. The exam was launched last summer upon request by five of the six city council members.

“Small Kentucky communities, which are the lifeblood of our Commonwealth, need to be responsible stewards of extremely limited yet important resources,” Auditor Adam Edelen said.

Auditors found lax controls and oversight that led to financial mismanagement and abuses.

The exam found that a general contractor, plumber and electrician were paid for work that the city street department could perform at little or no additional cost to the city. In 2007 and 2008, a contractor was paid more than \$73,000 for work such as painting, tree pruning and mulching. Bids weren’t obtained, written contracts establishing hourly rates or scopes of work were not in place and invoices didn’t itemize the costs and hours worked.

Auditors found that the mayor and his wife had a practice of cashing checks for employees and vendors, giving the appearance of comingling public and private funds. It indicates the possibility that payments to some individuals were not solely for the benefit of the city.

Auditors identified several issues with the Barbourville Brickyard Waves Water Park, which the city leases from Union College. The mayor appears to have a conflict of interest between fulfilling taxpayers’ interest and his private financial interest in securing the position of water park manager for his wife. The mayor should have removed himself from the hiring process but did not.

Auditors found the mayor routinely authorized free water park passes to certain individuals. The Recreation Board is responsible for oversight of the water park and is a component unit of the city. Because of that, the mayor and others didn't have authorization to give out passes, which appeared excessive and resulted in a loss of revenue to the city.

Water and ball park concession revenues and expenditures were not reported to the Recreation Board as required and the mayor and his wife did not provide that documentation to auditors upon request.

“The public has no idea how much money these park concessions made or how it was spent,” Auditor Edelen said. Parks may seem like small potatoes to some, but they are important community assets.”

Auditors also found that the former water park manager potentially reaped greater profits by reporting inaccurate payroll expenses to the city.

Auditors identified abuses elsewhere in city operations:

- Rent payments for space in a city building were suspended for one vendor unnecessarily, resulting in lost revenue to the city.
- The city didn't receive vending machine revenue for six years despite contracts that stated it would.
- The city didn't receive all expected revenue from the sale of aluminum to a Lexington recycling company.
- The city didn't receive revenue from the sale of metal appliances.
- The city didn't properly advertise for bids for fuel and asphalt expenditures over \$20,000 and bid specifications were unnecessarily restrictive for some items, preventing fair competition from potential vendors.
- Work at a Civil War park went to the highest bidder without justification.

The exam also found repair and remodeling work of a city-owned building lacked oversight, potentially costing taxpayers more money. Oversight of fuel purchases and gravel stockpiles also was insufficient.

“I hope the Barbourville City Council will implement the recommendations in the report and restore taxpayers' trust,” Auditor Edelen said.

The full report can be found on the [Auditor's website](#).

###

The Auditor of Public Accounts ensures that public resources are protected, accurately valued, properly accounted for, and effectively employed to raise the quality of life of Kentuckians.