



Auditor of Public Accounts
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FOR IMMEDIATE RELEASE

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**Auditor Edelen Releases Special Examination into City of Somerset, Finds
Employees Feared Retaliation, Officials Conducted City Business with Little
Accountability**

Report will be Referred to the Attorney General, Other State Agencies

FRANKFORT, Ky. (August 26, 2015) – Auditor Adam Edelen today released a special examination into the City of Somerset, finding that city employees feared retaliation, city officials generally ignored city policies and ordinances – if they existed at all – and made spending and management decisions without proper oversight or accountability.

The report describes a city management that didn't competitively bid at least \$280,000 worth of services, did not consistently contract for or have oversight of negotiated industrial natural gas rates, hires and pays personnel not established or authorized by city council and at times operated outside the confines of city policies, ordinances, and other laws.

The report will be referred to the Attorney General's office, the Department of Revenue, the Department of Labor, the Department of Agriculture and the City Board of Ethics for further consideration.

"This exam paints a picture of a city management that ignores ordinances and policies, skirts oversight and accountability and conducts the business of taxpayers as a few people at the top see fit," Auditor Edelen said. "What's worse, we heard over and over again from city employees that they were afraid to share information with us because they feared being retaliated against. This is not how a city ought to be run."

The report references several instances in which city personnel were hesitant to cooperate with auditors during the examination for fear of retaliation by the city mayor. Several city employees noted numerous times that they were at-will workers, and the mayor had the authority to terminate their employment for no cause.

The Kentucky Whistleblower Act does not extend protections to city employees.

“My office is going to recommend the General Assembly revise the Kentucky Whistleblower Act to clearly include Kentucky city employees under its protections,” Auditor Edelen said.

Somerset is located in southeastern Kentucky along the northeastern edge of Lake Cumberland. The city sells natural gas to individual, commercial and industrial customers from a pipeline it owns. Over half of the city’s operating revenue from proprietary activities -- \$12.6 million in fiscal year 2014 – is generated from the pipeline that extends approximately 175 miles through Leslie, Clay, Laurel, Pulaski and Casey counties.

Auditors found that the mayor negotiates special gas rates with large industrial customers, but does not develop formal, written contracts to clearly define the terms agreed to by both parties, provide accountability and ensure transparency to the public.

“Not establishing a written contract or having any oversight raises questions about the terms of the agreement,” Auditor Edelen said. “How do we know if the negotiation is fair? Developing and negotiating a formal, written contract is a fundamental business practice, and government officials should know better. My office is going to recommend the General Assembly consider legislation to provide oversight and safeguards for the operation of city natural gas systems.”

The report noted several other instances where decisions involving public assets were made with a lack of controls. For example, the city did not competitively bid for at least \$280,000 of services, failed to follow policy for certain vendor payments and made a total of \$2.7 million in adjustments for all utilities from July 2012 through approximately January 2015 with no formal written policies.

Auditors also found lax practices related to personnel. The city failed to take disciplinary action after the budget director spent almost \$3,000 in public funds apparently for personal use in 2009. Of that amount, \$1,500 was paid to a state university athletic ticket office. Documentation to support that credit card charge was a typed note stating that the purpose was for registration fees for a local conference. The former city clerk discovered the charge was actually for season football tickets. The budget director was not disciplined and had not paid back the owed debt.

Auditors found the mayor violated the City Pay and Classification Plan approved by the City Council when employing City workers. In one instance, a gas marketer was undercompensated by \$10,000 compared to the minimum established by the Council. The amount this female employee was paid was significantly less than the two male employees hired into the same position.

“A government that blatantly disregards established policies is ineffective. The people and employees of the City of Somerset deserve better,” Auditor Edelen said.

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

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