



Auditor of Public Accounts  
Mike Harmon

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Contact: Michael Goins  
[Michael.Goins@ky.gov](mailto:Michael.Goins@ky.gov)  
502.564.5841  
502.209.2867

## **Auditor Mike Harmon: Finding from Special Examination of City of Bedford Will Be Referred to Attorney General**

*Examination details poor oversight, questionable spending by Trimble County city*

**FRANKFORT, Ky. (October 29, 2020)** – Today, Auditor Mike Harmon released the results of a special examination by his office for the city of Bedford from January 1, 2017 to September 30, 2019. The examination of the Trimble County city contains seven findings and recommendations by Auditor Harmon’s office. Finding 2 of the examination will be referred by Auditor Harmon to the Office of the Attorney General (OAG).

“In my letter to the mayor of Bedford, I identify where our examination found problem areas, including the failure by the city to maintain financial records, questionable spending, and lax oversight when it comes to employee leave and personnel policies,” Auditor Harmon said. “Proper oversight and attention to detail in areas like record keeping are the cornerstones of accountable, transparent government. Without it, you can have the type of issues found in our exam of Bedford, which we are referring to Attorney General Daniel Cameron’s office.”

Among the findings in Auditor Harmon’s examination of the city of Bedford include:

- The city did not consistently record liens for delinquent property taxes from 2015 to 2018. The review by auditors identified a number of irregularities, including liens placed on property though taxes were paid by property owners, an instance when a related party’s tax bill was forgiven by the city with no documentation to explain why the action was taken, and the city did not retain supporting information for all liens filed. In addition, the city failed to record liens on 51 properties with delinquent taxes between 2015 and 2018. Auditors also found in one instance, a lien recorded by the City for unpaid 2017 property taxes on May 21, 2018 related to a tax bill which was documented in City records as paid on October 5, 2017, seven months before the lien was recorded. Per KRS 434.155, filing a lien when the person “knows or should have known” that the claim was

false is a felony offense. Due to the potential legal matters identified, the information in Finding 2 of the examination will be referred to the Kentucky Office of Attorney General.

- Ordinances and city orders were in disarray, not properly reviewed, or missing. One example is the city losing its own law. An official city order enacted by the council establishing personnel policies is now lost and could not be produced for our auditors, violating state statute as to official records, and leaving the city at risk of legal exposure if called upon to defend future personnel actions. Additionally, property tax ordinances for several years were enacted referencing a repealed state statute, leading to our recommendation that the city query the Attorney General as to whether the taxing ordinances were properly enacted, given potential tax refund exposure.
- Billing adjustments made on sewer bills by the city are done without review or approval by a secondary supervisor. The city clerk is responsible for billing utility customers, and has the ability to adjust customer accounts due to billing errors without authorization by the mayor except in the case of plumbing leaks. The examination details how during 2019, Bedford recorded a total of more than \$24,000 in adjustments to city customers on their utility accounts, where only \$4,084 required authorization by the mayor.
- The city's former clerk received more than \$7,500 via a dozen separate payments for payouts of accrued leave balances. Bedford's personnel policies did not provide for payout of accrued sick time, and contained conflicting statements regarding the payout of accrued vacation time. Payroll records indicated the former city clerk was the only employee paid from their accrued leave balance, and that the former clerk did not take any vacation time or sick time during the time period of the exam review.
- Timesheets for city employees were incomplete, including the lack of a signature or identifying the pay period. Of the 135 timesheets provided for the former clerk, approximately 10% of the timesheets contained sufficient information to identify the related year in which the work was performed and half of those were from 2016, predating the beginning of the time period for which timesheets were being reviewed by the APA. Approximately 84% of the timesheets submitted for the former City Clerk did not contain an employee signature or a name on the timesheet and nearly 96% did not contain evidence of supervisory review or approval. The only approvals documented were on six timesheets from 2016.
- Questionable spending in several areas, including one donation made from the city's cemetery fund that was documented on the check as "Boys football donation," and an expenditure of \$246 from city funds for a high school fundraiser where the student identified on the fundraising sheet was related to the former City Clerk. In addition, the city awarded \$1,175 in bonuses to city employees and contractors, which is a violation of Section 3 of the Kentucky Constitution.

"Like prior examinations and audits issued by our office, we always urge local officials to review the findings and follow the recommendations we provide in order to take corrective action," said

Auditor Harmon. “We are encouraged based on the response I received from the city that they have begun the work needed to increase accountability and transparency to those they serve.”

You can review the complete examination report for the city of Bedford [here](#).

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