



Auditor of Public Accounts
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Auditor Edelen Releases Examination into City of Prestonsburg, Finding Questionable Spending by Former Mayor, Former Comptroller

Lack of Controls, Conflicts of Interest and other Issues Identified by Auditors; Exam to be Referred to KSP, others

FRANKFORT, Ky. (December 16, 2015) – Auditor Adam Edelen on Wednesday released an examination into the City of Prestonsburg, finding wasteful spending and questionable activity by the former mayor and comptroller.

The examination is being referred to the Kentucky State Police, Attorney General, and the local ethics board.

“The former administration was cutting sweetheart deals for itself, wasting taxpayer dollars and generally running the city for the benefit of a few,” Auditor Edelen said.

Auditors found the former mayor had a conflict of interest related to a real estate deal in which he was involved both personally and in his official capacity in the transaction.

In 2001, the City made a deal to transfer property to the Prestonsburg Industrial Corporation (PIC). The agreement stated that PIC would design and develop a portion of the property, and the remaining property would be sold. The agreement stated the City would receive \$5,000 for each acre of land sold. Between 2005 and 2009, the former mayor personally purchased two acres of land from the PIC for \$3,000, which is \$7,000 less than the amount required per the agreement. This raises questions as to whether the former mayor received financial benefit as a result of his relationship with the PIC.

In 2012, the former mayor sold the two acres to the Floyd County Emergency and Rescue Squad for \$100,000, which is \$97,000 more than the former mayor paid for the land.

The former mayor appears to have personally benefited from his official position, both in having the opportunity to purchase property at a lower cost than it was intended to be sold to the public and by having knowledge of and influence over the Rescue Squad’s purchase of his personal

property, including providing City assistance in acquiring grant funding that he personally received, in part.

“The former mayor appears to have walked away from that real estate deal with \$97,000 in grant money in his pocket,” Auditor Edelen said.

Auditors found the former mayor also may have benefited in another deal in which he directed the fire department to perform a controlled burn without submitting appropriate applications. There is a risk the former mayor may have accepted a Chevrolet Tahoe as a gift. Auditors also found another instance in which the former mayor inappropriately accepted a gift worth more than \$100 when he accepted scrap metal from a vacant elementary school.

Auditors uncovered questionable spending by the former mayor and comptroller. The former mayor contributed at least \$7,800 in city resources to a private professional arena football team of which he was a member. Questions over this and other spending led to a loss of grant funds for the Prestonsburg Senior Citizen Center.

Auditors found the former comptroller received \$15,250 in payroll advances, but they identified \$1,925 was still outstanding and due to the city. The former comptroller also has not reimbursed the city for \$1,134 in expenses related to cell phone service for the comptroller’s spouse and child. Cell phone expenses for two other city employees’ family members also have not been reimbursed.

Auditors found the former comptroller was running a tax preparation business out of city hall, on city time, with tax software purchased with city funds. The former City comptroller purchased income tax software six times between 2008 and 2014 totaling \$7,504. The examination of one of the computers identified numerous tax return files, including at least eight city employees, a business owned by a city employee, a business owned by the former comptroller’s family member and several other individuals.

Based on interviews with two city employees, the former comptroller charged fees for the tax preparation services, with one of them paying the former comptroller \$100 for the tax preparation service. Additionally, the two employees admitted their tax returns were completed on city time. Although auditors could not determine the amount of time spent on these activities, records indicate it could be significant.

Auditors also found there was inadequate supporting documentation for \$8,300 paid to the former comptroller’s spouse or his media consulting company.

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

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