Auditor Harmon Releases Special Examination of Kentucky Horse Park

Exam on certain policies, procedures, and financial activity of the park to be referred to the Executive Branch Ethics Commission

FRANKFORT, Ky. (February 22, 2017) – Mike Harmon, Kentucky’s 47th Auditor of Public Accounts, today released the results of his office’s special examination of the Kentucky Horse Park. The special examination of certain policies, procedures, and financial activity of the park between June 2013 and July 2016 produced eight findings. The full examination will be referred to the Executive Branch Ethics Commission to determine whether further investigation is needed.

“Our eight-month examination found the Horse Park was poorly run with little or no oversight, questionable management practices, and potential conflicts of interest on operations and sponsorships at the park,” said Auditor Harmon. “Because of poor management and oversight, taxpayers have had to prop up the park’s finances to the tune of more than $24 million over the last 10 years.”

Auditor Harmon announced last May his office would conduct a special examination of the Horse Park following requests from Senate Majority Floor Leader Damon Thayer of Georgetown; Tourism, Arts and Heritage Cabinet Secretary Don Parkinson; and Finance and Administration Cabinet Secretary William M. Landrum, III. Among the issues identified in the special examination are:

- 80 percent of food service contracts were not billed in accordance with contract agreements, with some billed lower or higher. Documents supporting price modifications were shredded by staff following the events.
• Contracts included perks to the Kentucky Horse Park Foundation and to one of the park’s major corporate sponsors. Several contracts called for these outside entities to receive free tickets and access to hospitality rooms for events at Alltech Arena.

• Failure to properly bid contracts for services with several vendors, including the company that provides fuel to the Horse Park. That company has been paid more than $473,000 over the last three fiscal years with no contract in place.

• A contractor hired to consult the park’s gift shop also supplied merchandise for sale in the shop. The merchandise contract violated competitive procurement rules. Park employees were aware of the potential conflict because merchandise was initially sold under the same business name as the contractor.

• Flat rates were given to one horse show production company going back to 2006, with the discount in 2016 alone totaling more than $766,000. The company, which is owned by the in-laws of the park’s food services director, also had equipment and trailers housed rent free on park grounds.

• An agreement in 2016 that allowed the park’s former Deputy Executive Director to live in a home on the park grounds and pay only $250 per month in rent.

• Conflicts with state regulations regarding sponsorships. Documentation at the Horse Park was so poor, employees could not provide a complete list of sponsor agreements between 2013 and 2016.

• Use of Horse Park staff on state time to do work for the Southern Lights event sponsored by the Kentucky Horse Park Foundation, which is a private non-profit entity. The Kentucky Horse Park surrendered a significant revenue stream from this event to the Kentucky Horse Park Foundation.

• The Kentucky Horse Park and the Kentucky Horse Park Foundation failed to maintain separation. For example, the two entities agreed to finance new barns in circumvention of state procedures for incurring debt. This arrangement potentially avoided compliance with state procurement and construction laws.

• The Horse Park had a 300 percent increase in the amount of money spent to hire employees through temporary employment agencies, from $544,000 in 2014 to $2.17 million in 2016.

“Not all state agencies are capable of being run like a business and being profitable. However, all state agencies are capable of being ethical and well managed,” Auditor Harmon said. “I urge the new Executive Director of the Horse Park, the Kentucky Horse Park Commission, and the current administration to study our findings carefully and implement our recommendations to put the Horse Park on the path to financial sustainability.”
“We are grateful to Auditor Harmon and his team for performing the audit of the Kentucky Horse Park,” said Secretary Parkinson. “I called for this audit to restore integrity at the Kentucky Horse Park. Improving financial stewardship and oversight are top goals of this administration and the Tourism, Arts and Heritage Cabinet. I am pleased to announce that the new leadership at the park has already begun implementing policies to ensure that the park complies with all statutory and regulatory requirements, including procurement, personnel, and ethics laws.”

“We were happy to cooperate with the State Auditor to ensure that a thorough audit of the park was conducted. When I assumed the role of executive director last year, my new leadership team and I uncovered many of the same issues that the Auditor’s report revealed. This report reinforces the decisions we have made since then to ensure ethical practices at the park,” said Laura Prewitt. “Moving forward, we will continue to enact policies at the Kentucky Horse Park that are both lawful and beneficial to our visitors and the Commonwealth.”

“I appreciate the work of the Auditor’s Office in uncovering problems within the Kentucky Horse Park that I brought to light during last year’s legislative session,” Senator Thayer said. “The audit shows that there have been poor management practices in the past, and I appreciate the efforts of the new leadership at the Horse Park - both the members of the Kentucky Horse Park Commission and the management team - in their efforts to already address many of the issues discovered in the audit.”

The complete special examination of the Kentucky Horse Park can be reviewed by the public at www.auditor.ky.gov.

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