Auditor of Public Accounts
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Auditor Harmon Releases Results of Special Examination for the City of Whitesburg
Exam documents nine findings, will be referred to Office of Attorney General

FRANKFORT, Ky. (December 20, 2017) – Mike Harmon, Kentucky’s 47th Auditor of Public Accounts, today announced the findings of a special examination conducted by his office into the city of Whitesburg in Letcher County. The examination resulted in nine findings, with two being referred to the Kentucky Office of Attorney General for further investigation.

“Essentially our auditors found very poor oversight and controls by the city over its finances, in particular over billing for its water and sewer department,” said Auditor Harmon. “We also found the city’s mayor operated his private business on public property, and received benefits that were not available to other city employees.”

Among the nine findings by Auditor Harmon’s office was more than $356,000 in delinquent money for billing of water and sewer service through February of this year. Twenty percent of the city’s 1,546 accounts were 90 days or more past due, and 29 of those accounts owed the city $2,500 or more in past due bills.

Among the delinquent accounts found by auditors were those of one council member and three city employees. In addition, auditors found the city itself owed $11,000 in delinquent accounts, the Letcher County Jail had an outstanding balance of $16,000 in past due bills, and a business owned and still associated with a member of city council had a delinquent balance of $8,000. Additionally, a business owned by the City Attorney had a delinquent balance of $22,785 and is the subject of a long-running billing dispute.

Also found during the examination was that the mayor of Whitesburg was receiving health insurance benefits not available to the city’s other employees, and that he was using his public
office in city hall for operation of his private law practice. Auditors also identified additional issues, including:

- More than $92,000 in municipal road aid was withheld because the city failed to meet auditing and financial reporting statutory requirements. Auditor Harmon is recommending that the state legislature strengthen enforcement of financial reporting.

- The city failed to collect licensing fees from several local businesses, including the mayor’s law office being operated out of Whitesburg City Hall.

- Money collected from licensing fees for the city’s Alcohol Beverage Control fund was spent in other areas, which is in violation of state law. The city spent $35,000 for holiday celebrations for the city, including $19,000 for a fireworks display and entertainment for Whitesburg’s 2015 Independence Day celebration.

- Failure to report the city attorney’s compensation to the Internal Revenue Service, and an unclear contract agreement between Whitesburg and their city attorney.

“Taxpayers rightfully expect those they elect to be responsible stewards of the funds that are provided through taxes and other areas,” Auditor Harmon said. “Clearly our report shows that much improvement is needed, and I urge the leadership of the city of Whitesburg to begin correcting the multiple issues uncovered in our report.”

Auditor Harmon’s special examination of the city of Whitesburg covers between January 2014 and April 2017. The examination findings and recommendations are available for review at our website.

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