



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

September 1, 2021

Brenda Allen, Mayor
Campbellsville Water & Sewer
110 South Columbia Ave Suite A
Campbellsville, KY 42718

RE: Summary of Review Results

Dear Mayor Allen:

The Auditor of Public Accounts (APA) has completed a limited-scope special examination of Campbellsville Water & Sewer (CWS). This special examination was initiated after our office received concerns of improper operating practices within CWS. The purpose of this special examination was not to provide an opinion on CWS's financial statements, but to review specific matters brought to our attention and make recommendations to ensure CWS's operating activities are consistent, transparent, and follow policies.

To address the concerns expressed, the APA reviewed certain information related to CWS, including: CWS's Rules & Regulations, fee schedule, leak adjustment policy, leak adjustments, water tap/connection fees and requirements, and tamper fees. Additionally, the APA performed examination procedures requesting additional supporting documentation for leak adjustments and water tap/connection fees and interviewed various CWS personnel. Unless otherwise indicated, the examination period of this engagement was January 1, 2019 to December 31, 2020.

Three findings emerged from the examination and are presented in this letter, along with corresponding recommendations. Due to concerns indicating an increased risk for undue influence in these findings, matters addressed in this letter will be referred to the City Board of Ethics for further consideration.

Finding 1: The Mayor awarded a free water tap to a city customer and campaign contributor in exchange for work performed previously at the City pool.

In March 2020, the Mayor awarded a free ¾" water tap to a city customer, a service valued at \$600 per the CWS's approved Water Tap/Connection Fees schedule. The Mayor indicated that the free tap was in lieu of payment for the property owner's guidance and labor to repair the city pool for

the 2019 summer season. However, this arrangement was established months after the work was completed and written documentation to support this agreement does not exist. Additionally, the Mayor indicated that this was not the first time that she has agreed to enter into a trade with this same individual and Kentucky Election Finance records identify that this individual contributed \$1,000 to the Mayor's campaign during the 2018 general election and \$750 to her previous campaign for Mayor in 2002.

In discussing this matter with the Mayor, she initially could not recall the exchange, but later advised that the customer had "spent several weeks of his time both working and instructing our employees on updating, repairing and over-all improving the pool" and that he would not accept payment for the work. The Mayor noted that she had bartered with the customer before but could not recall the specifics of such exchanges. City policy does not indicate any circumstances by which a free tap may be given. However, the City Public Works Director advised that it has been a long standing practice of the City to give free taps to property owners in exchange for easements.

While the City may determine there to be certain circumstances in which it is in its best interest to allow negotiation for goods and services, this practice currently is not addressed by city policy. Additionally, without establishing a formal process by which these agreements may be entered and maintaining writing documentation of such agreements, the City is at a greater risk for abuse and giving the appearance of favoritism, which may be a violation of the City's Ethics Code.

City Code of Ordinances, Chapter 33, section 23 *Conflicts of Interest; General and In Contracts* requires all officers and employees to comply with certain standards of conduct. These standards of conduct prohibit officers and employees from intentional "use or attempt to use his or her official position with the city to secure unwarranted privileges or advantages for himself or herself or others." While the Mayor states that the individual's contribution to her campaign did not influence her decision to provide the customer with the free tap, the appearance of a conflict exists.

We recommend the City Council review its current policies and consider developing and implementing a formal, written policy to address when it is appropriate to waive charges for a new tap. Such a policy would include, but not be limited to, criteria for making the decision, the process used to determine the amount to be waived, personnel who can authorize a charge to be waived, and the process to document and retain this information. Once developed and implemented, the CWS should provide periodic reporting of all free or reduced price taps to the City Council.

We also recommend that all such negotiations between the customer and CWS to lower the price to be charged for a service should be documented in writing, along with the reason for the deviation in standard operating procedure.

Finding 2: CWS made improper leak adjustments in violation of its policy and regulations, while also permitting adjustments to be reversed to cover more costly leaks.

CWS documentation reviewed showed two instances when CWS customer water bills were adjusted in violation of its policy and once when an adjustment was issued without the source of the leak being determined. Additionally, there were six instances found where CWS reversed a

customer adjustment to allow for a more costly adjustment to be made, though the practice is not addressed in policy or regulation.

CWS Rules & Regulations state, “Customers are allowed adjustment for one leak within a twelve month period only”, but do not mention a process for reversing and issuing new credits during the same twelve month period. However, in six instances, a second, more costly leak occurred on a property that had previously received a credit for a leak within the last 12 months. In those instances, the credit for the first leak was reversed and a credit related to the second leak was issued. By reversing adjustments to allow for a more costly adjustment, the City lost an additional \$1,123 in revenue.

CWS also made improper leak adjustments by reducing bills for customers with leaks inside their property. The CWS Leak Adjustment Policy and Rules & Regulations allow for a leak adjustment only if the leak is in the outside service line, from the residence to the meter, and has been fixed. This may include a leak from a water line break, burst, or damage that is beyond a customer’s control. However, two instances were identified in the sample where customers were given leak adjustments for toilet leaks inside the property and one additional adjustment was made for a customer for which it was unclear where the leak was located. By allowing these adjustments to be made, the City waived an additional \$432.85 in revenue.

All three questioned adjustments from the sample were noted in city documentation as being completed per the Mayor’s request. Additionally, one of these three adjustments was requested by the Mayor for the church she attends. The Mayor stated that customers sometimes call her office instead of CWS and she either refers them back to CWS or passes along the customer’s information herself. Regarding the adjustment made for her church, the Mayor stated that the customer called and indicated that a leak could not be found. She stated that if any customer were to call and say they have checked all possible leaks and none were found, she would agree to the adjustment.

While the Mayor stated that she does not believe that her actions imply to CWS employees that an adjustment must be made without further analysis, such action on the part of the Mayor may be perceived by CWS employees as her exerting undue influence on CWS’ operations. The risk of perceived undue influence is higher when the official has a known affiliation with the customer. When discussing this particular adjustment with city personnel, it was stated that the Mayor had made the request in person.

We recommend CWS either cease the practice of reversing leak adjustments or the process for doing so be incorporated into the Leak Adjustment Policy and the Rules & Regulations. We also recommend CWS adhere to its Leak Adjustment Policy and Rules & Regulations and not give customers adjustments for leaks inside the property.

In addition, we recommend that any citizen concerns regarding CWS expressed to the Mayor’s Office should be shared with CWS by a designated City Hall employee (not the Mayor). The information shared should be done so in a consistent manner and without a particular course of action implied to be taken.

Finding 3: CWS assessed fees and pressed charges in response to unlawful taking of water despite such potential actions not being mentioned in written policy.

The Rules & Regulations discuss the unlawful taking of water, but ramifications for doing so, beyond the discontinuance of service, are not disclosed. Historically, at the discretion of CWS management and the County Attorney, CWS has also filed charges in court or fined the property owner a tampering fee as their response to the unlawful taking of water. During calendar years 2019 and 2020, CWS charged a total of \$1,053 in tampering fees to 24 customers. The omission in their written policy of these actions as possible ramifications for illegal activity, however, creates the potential for a lack of transparency and consistent enforcement.

The unlawful taking of water section of the Rules & Regulations state, “No person, firm, corporation or political subdivision shall take water from any connection to the water supply system of the Water Company unless a proper water service connection is installed according to law and water bills are paid.” Additionally, the Rules & Regulations indicate the circumstances of the discontinuance of service include, but are not limited to, tampering with, damaging, or using without proper authorization of any property of CWS, and the event un-metered service or unauthorized meter service is found in use. However, the potential for fees or charges filed in court is not disclosed in the Rules & Regulations. CWS’s practice has included fining the property owner a \$50 tampering fee and pressing charges in some instances, such as when a jumper is located or no register is on the meter. As of July 1, 2021, the \$50 tampering fee increased to \$500.

We recommend the City Council review its current policies and consider developing and implementing a formal, written policy to address when it is appropriate to take the additional steps of assessing fees and filing charges related to a customer’s unlawful taking of water. Once developed and implemented, the CWS should provide to the City Council periodic reporting of charges assessed and recommendations made for prosecution.

Thank you for your attention to these matters and CWS’s cooperation with this limited-scope special examination. If you have any questions regarding this letter, please contact me, or Tiffany Welch, Executive Director, at 502-564-5841.

Thanks and God Bless,



Mike Harmon
Auditor of Public Accounts

CC Josh Pedigo, Public Works Director
Jimmy Ewing, Water & Sewer Committee Member and Council Member
Dave Nunery, Water & Sewer Committee Member and Council Member
Donnie Munford, Water & Sewer Committee Member and Council Member