



Auditor of Public Accounts
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**Auditor Edelen Releases Kentucky Emergency Management Special Examination,
Finds Administration Threatened Whistleblowers and Spent More Than \$100,000
of Public Funds for Parties and Other Questioned Expenses**

FRANKFORT, Ky. (Aug. 6, 2013) – Auditor Adam Edelen today released a special examination of the Kentucky Emergency Management (KYEM), which found that employees were intimidated and threatened, documents were altered to hide disallowed expenditures, taxpayer dollars were used to pay for alcohol, entertainment and door prizes at conferences and procurement processes were ignored.

The audit report describes a hostile work environment that led to questionable expenditures and activities at the agency charged with coordinating the Commonwealth's emergency and disaster response.

“The report paints a picture of agency leadership that does not believe the rules apply to it,” Auditor Edelen said. “The findings raise concerns about waste and abuse that may have gone undetected and jeopardize federal funding meant to prepare the Commonwealth for emergencies.”

The examination, which includes nine findings and several recommendations, will be referred to the U.S. Office of Homeland Security, Kentucky Attorney General and the Kentucky Executive Branch Ethics Commission.

Auditor Edelen launched the examination in March to address areas of concern and allegations identified during the agency's recent annual financial statement audit. Between fiscal years 2007 and 2012, the Auditor's office financial statement audits identified nearly \$5.6 million in questionable expenditures by KYEM.

“Although KYEM has distinguished itself in response to a number of natural disasters, that does not excuse the lack of commitment to effective stewardship of taxpayer dollars,” Auditor Edelen said.

Current and former employees reported threats of retaliation and intimidation that not only created a hostile work environment but also discouraged staff from identifying waste, fraud and abuse. In addition, KYEM has experienced significant employee turnover, which has affected the stability of the day-to-day operations of the division.

Several employees reported being afraid to communicate with auditors on their office phones, through email, or in person at their desks because they believed their phones and offices were bugged and their emails were being read. As auditors were wrapping up the exam, KYEM employees informed them that the director had openly threatened retaliation upon learning who talked to the Auditor's staff. The state's whistleblower law prohibits employers from threatening retaliation against employees who cooperate with the Auditor of Public Accounts.

"Threatening whistleblowers is a serious matter that shouldn't be tolerated," Auditor Edelen said, noting the finding has been referred to the Attorney General.

Altering documents to conceal disallowed expenditures – as the report alleges – is also a serious matter, Auditor Edelen said. Auditors found that invoices associated with expenditures at a conference were intentionally altered by KYEM employees and/or by the conference hotel at the request of KYEM to hide meal charges for employees that exceeded the state per diem limitation and alcohol charges.

The exam found certain expenditures associated with conferences hosted by KYEM in 2010, 2011 and 2012 that did not appear reasonable or necessary. At least \$103,000 in taxpayer money was spent on entertainment such as a riverboat cruise, after-hour receptions, meals, alcohol, door prizes and gifts. These expenses were not paid for by sponsors, as is typically the case with these types of conferences. The amount spent also exceeded the fees paid by attendees and vendors, which should be used to defray the cost of the conferences in general.

In 2010, KYEM spent more than \$6,000 for pre-conference planning, plus another \$12,000 for meals for dozens of attendees who arrived early. Auditors also found \$630 in valet parking charges and additional costs for rooms for employees who were not scheduled to work or speak at the event.

"In a state that has its share of horrible natural disasters in recent years, wasting tax dollars intended for emergency response is inexcusable," Auditor Edelen said.

Auditors found KYEM lacked sufficient documentation to support the accuracy and reasonableness of conference expenditures. For example, KYEM did not keep a complete attendee list, making it impossible for auditors to determine whether the cost of meals was reasonable.

In addition, the director received perks from the conference hotel that potentially influenced the selection of the conference location.

Auditors found accounting standards for federal programs administered by KYEM were not followed, increasing the risk that unallowable charges could be incurred and not detected.

The exam found KYEM spent \$113,000 from 2009 to 2013 to host working lunches at a Frankfort hotel. State agencies are not permitted to use public money for such meals.

Auditors found the KYEM director did not seek bids when procuring programming services from a software company with which he had a long-time relationship, did not follow state guidelines for using no-bid contracts and did not consult with the Commonwealth Office of Technology as required.

The KYEM director helped the company develop the software when he previously served as the CIO for the Kentucky National Guard. In addition, the KYEM director has held various positions with the National Emergency Management Association (NEMA) and arranged for NEMA to contract with the software vendor. There is an appearance that the KYEM director's relationship with the software vendor is not objective, and decisions to circumvent procurement requirements raise red flags. However, a direct conflict of interest stemming from financial gain by the director was not identified.

“The atmosphere of intimidation perpetuated by the KYEM administration is alarming,” Auditor Edelen said. “It has led to waste and abuse at one of the most vital agencies in state government, one that citizens are wholly dependent upon to manage the emergency response to disasters like ice storms and tornadoes.”

The full report is available on the [Auditor's website](#).

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