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Auditor Edelen releases Department of Agriculture special examination, finds former commissioner misused state resources, employees for personal benefit

Extravagant conference at taxpayers' expense, serious personnel and management issues also identified; report to be referred to law enforcement

FRANKFORT, Ky. (April 30, 2012) – State Auditor Adam Edelen today released a special examination of the administration of the former Commissioner of Agriculture Richie Farmer, which found a toxic culture of entitlement and self-dealing at Kentucky taxpayers' expense.

The report will be referred to the Kentucky Attorney General, Executive Branch Ethics Commission, IRS, Kentucky Department of Revenue, Office of Inspector General of the U.S. Fish and Wildlife Service, and the Personnel Board.

“The law makes no distinction between icons and the rest of us, and neither do I,” Edelen said. “The report paints a clear picture of an administration that had no qualms about treating taxpayer resources as its own. The former commissioner had state employees on state time take him hunting and shopping, mow his yard, build a basketball court in his backyard, and even chauffeur his dog. He showered himself with gifts and office equipment and rewarded friends with jobs. These are just some of the documented abuses that should outrage every Kentuckian.”

The exam details an extravagant conference hosted by the former commissioner that cost Kentucky taxpayers more than \$96,000; multiple instances of misuse of department resources and state employees for personal benefit; questionable spending of state and federal dollars, including tobacco settlement money; timesheet and travel reimbursement abuses by employees who had close relationships with the former commissioner, numerous merit system abuses; and several management issues.

Edelen announced his plans to audit the former KDA administration in January at the request of newly-elected KDA Commissioner James Comer, who wanted to restore morale within the department and ensure the integrity of its operations. KDA employees had come forward with troubling allegations involving the administration of Comer's predecessor.

The department is responsible for regulating and promoting Kentucky's most important industry. It has roughly 300 employees and a total annual budget of \$38 million.

"I appreciate Commissioner Comer's willingness to work in a bipartisan manner to restore public trust in an important public agency," Edelen said. "The 41 findings and 126 recommendations found in the nearly 150-page report provide his administration with a blueprint to improve management and spending operations at the department."

"This audit was a serious and necessary step toward cleaning the slate and restoring the taxpayers' confidence in this department," Comer said. "I appreciate the auditor's commitment to this cause, and I hope we've set the standard for bipartisan cooperation in the interest of better government for all Kentuckians."

Seven professional auditors reviewed thousands of documents, including emails, invoices, reports, policies, timesheets, travel vouchers and personnel files from 2004 through 2011, with an emphasis on the last four calendar years. They conducted interviews with more than 50 individuals, including current and former KDA staff, Kentucky Proud vendors, the former spouse of the former commissioner and others.

Auditors attempted to interview the former commissioner, but he declined the opportunity.

Misuse of state resources, employees for personal benefit

The exam documents seven findings related to the misuse of department resources and staff by the former commissioner.

Over a two-year period, the former personnel director was directed to reserve hotel rooms in the names of two employees who she knew would not be staying overnight during the State Fair. The former commissioner used the rooms for his family members at a cost of \$4,257 to taxpayers.

State employees reportedly performed work at the former commissioner's house on state time, including constructing a basketball court and moving a gun safe from his garage to his basement. Employees also drove the former commissioner on shopping and hunting trips. In one instance, he reportedly called a merit employee who was attending a training course at a local university and directed him to drive him to an outdoor sportsman's store in Indiana. In another, he reportedly directed an employee to drive him to hunt. The former commissioner reportedly shot a deer from his state-issued vehicle and directed the employee to bag it for him.

In 2007 and 2011, the former commissioner reportedly directed a staff member to fill Christmas baskets with items purchased by the department and donated by Kentucky Proud vendors for promotional purposes, then apparently gifted the baskets to family.

The former commissioner directed staff to purchase two small refrigerators with department funds. The former commissioner previously returned one of the \$179 refrigerators to the department. His former spouse told auditors that she used the second refrigerator at her workplace and has since turned it over to the auditor's office.

The former commissioner took four laptops that had been intended to replace the computers of four staff members for his personal use. He returned three laptops and related equipment in January. Auditors discovered the laptop hard drives had been wiped in an uncharacteristically aggressive manner. One laptop and its accessories, plus another laptop that had been assigned to the former commissioner, remain unaccounted for.

The former commissioner didn't report any gifts during his eight-year tenure to the Executive Branch Ethics Commission. Gifts worth more than \$200 are required to be reported. The exam found several gifts worth more than \$200 to the commissioner, including \$900 worth of free concrete from a local vendor to construct a basketball court in his backyard.

Extravagant conference on taxpayers' dime

The exam includes six findings related to the 2008 Southern Association of State Departments of Agriculture (SASDA) conference hosted by the former commissioner.

The total cost of the conference to Kentucky taxpayers was approximately \$96,000, yet it is unclear what overall benefit to Kentucky resulted from these expenses. The department sent \$5,000 to the SASDA treasurer in 2007 to be used for the 2008 conference. It also gave a commodity group a \$15,000 grant with the stipulation that \$10,000 be given to SASDA for the conference. Based on interviews with department staff and documentation, it appears the department attempted to conceal or disguise much of its financial support used to offset the 2008 conference costs.

The department spent \$15,635 to register 53 employees to attend the conference. In addition, many of those same employees were used as staff for the conference, resulting in \$53,310 in costs to the state for more than 2,000 regular hours and overtime.

The former commissioner reportedly directed staff to order excessive numbers of gifts, including rifles, rifle cases, knives, cigar boxes, shopping mall gift cards and watches. The majority of the excess items were taken to his home after the conference. For example, although there are only 16 other states in the organization, the department ordered 25 rifles, each worth \$449. Only 13 commissioners, including the former Kentucky commissioner, attended the event. The former commissioner personally picked up and signed for 13 rifles, seven of which he has since returned to the department. Six rifles remain unaccounted for.

"The extravagance of this conference that had less than 200 attendees shows a stunning disregard for the difficulties faced by Kentuckians who work for a living," Edelen said.

Questionable spending

The exam details four findings related to questionable spending of federal and state money.

The U.S. Fish and Wildlife Service gave the department ginseng it confiscated during an illegal harvest. USFWS directed the department to sell the ginseng and use the proceeds to benefit the ginseng industry in Kentucky. The exam found the department spent \$43,000 of the \$241,000

proceeds toward the purchase of vehicles for its animal enforcement officers, who do not perform duties associated with the ginseng program.

This finding will be referred to the Office of Inspector General of the USFWS.

The department paid a grant recipient the full amount of a \$15,000 grant derived from tobacco settlement funds, despite concerns raised by one employee that the grant recipient was not meeting the requirements for reimbursement.

“Tobacco settlement money is intended to help Kentucky farmers and diversify the state’s agriculture economy,” Edelen said. “Misuse of these funds should not be tolerated,” Edelen said.

The department purchased two 60-inch televisions and the corresponding wall brackets for a total cost of \$4,192. One was mounted in an executive conference room and the other is mounted in the commissioner’s office. The department paid roughly \$60 to expedite the shipping of the brackets. Staff reported that the expedited shipping was to ensure the televisions would be available in time for the former commissioner to watch the NCAA basketball tournament.

Time and travel concerns

The exam identifies three findings related to timesheet and travel abuses by employees who had close relationships with the former commissioner.

A former employee, who was commonly known as a hometown friend of the former commissioner, was paid \$70,457 for work hours and travel miles for which, apparently, no known work was produced.

An amusement safety inspector, who is a cousin of the former commissioner’s former spouse, appears to have received pay and the use of a state vehicle when no department-related work was performed. On one occasion, he drove 269 miles over 10.5 hours for an assignment that should’ve spanned 146 miles and lasted just three hours. In addition, a GPS device that had been installed to monitor his usage of the vehicle may have been tampered with to stop it from functioning.

No significant work can be confirmed for a non-merit employee who had a documented personal relationship with the former commissioner. In addition, he signed her timesheets after the former chief of staff refused due to his inability to personally attest to the work being performed by her.

Personnel abuses

The exam documents seven findings related to personnel, including pre-selecting candidates for merit positions, rewarding bonuses without justification and retaliating against an employee.

Timesheets for four non-merit special assistants were not signed by a supervisor with direct oversight of their work and the employees were given limited or no specific job duties. In one instance, a supervisor refused to sign timesheets due to lack of work product. These four special assistants were paid for 683 hours in compensatory time approved by the former personnel director, who had no knowledge of their work.

Management Issues

Fourteen findings relating to management and operations in the department are identified in the exam.

A former executive director and former director told staff to delay action against a grain dealer because it was during an election year and could cause a negative political outcome for the former commissioner.

A \$1.65 million fuel-testing lab that was projected to test 20,000 samples a year has not met its goal and lost the state more than \$744,000 in fiscal year 2011.

Roughly half the department's employees had permanently assigned take-home vehicles. Many of the employees were not justified in having state vehicles.

The exam also identified issues with the reporting of taxable benefits to the IRS and Kentucky Department of Revenue, ProCard administration, home internet costs, and more.

The full [report](#) can be viewed on the auditor's website

The [actualities](#) can be viewed on the auditor's website

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