



**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

August 29, 2023

Karen Sellers, Executive Director  
State Board of Elections  
140 Walnut Street  
Frankfort, KY 40601  
Via Email: [Karen.Sellers@ky.gov](mailto:Karen.Sellers@ky.gov)

RE: Summary of Examination Results

Dear Executive Director Sellers:

The Auditor of Public Accounts (APA) has completed a limited-scope special examination of the Kentucky State Board of Elections (SBE). This special examination was initiated after our office received concerns of improper purchases by SBE. The purpose of this special examination was not to provide an opinion on SBE's financial statements, but to review specific matters brought to our attention and to make recommendations to ensure SBE's operating activities are consistent, transparent, and follow applicable policies.

To address the concerns expressed, the APA reviewed certain information related to SBE, including master agreements and task order agreements related to information technology (IT) contract personnel, purchase orders and delivery orders related to specific expenditures, and video recordings of board meetings. Additionally, the APA met with SBE personnel to discuss issues observed. Unless otherwise indicated, the examination period of this engagement was July 1, 2021 to May 31, 2023.

**Finding**

One finding emerged from this special examination and is presented in this letter, along with corresponding recommendations. Pursuant to KRS 43.090(1), "[w]ithin sixty (60) days of the completion of the final audit or examination report, the agency to which an Auditor's report pertains shall notify the Legislative Research Commission and the Auditor of the audit recommendations it has implemented and of the audit recommendations it has not implemented. The agency shall state the reasons for its failure to implement any recommendation made in the final audit or examination report. All audit reports and agency responses shall be, subject to KRS 61.870 to 61.884, posted online in a publicly searchable format."



***Finding: The Kentucky State Board of Elections arranged to have office furniture purchased by the Commonwealth shipped directly to IT contract employee private residences.***

In February 2023, as the majority of its staff continued to telecommute, SBE had nearly \$6,000 in office furniture shipped by the sellers directly to the residences of IT contract employees. The deliveries included five desks and eight chairs costing \$5,837, which were shipped to eight IT contract employees working for three different contractors, despite no contractual or statutory requirement to provide office furniture to them. Additionally, during the period examined, SBE failed to document and share their expectations regarding how the furniture provided to IT contract employees was to be returned upon conclusion or termination of an individual's employment or contract. Furthermore, by having the furniture shipped directly to the residences of IT contract employees, SBE relied on those individuals to report their inventory to SBE without direct oversight by the agency. Accordingly, SBE has not taken appropriate action to ensure safeguarding of state resources and is at a disadvantage when properly managing and accounting for their inventory.

Through interviews, SBE officials asserted that, although the three relevant master agreements and related task order agreements did not authorize them to provide furnishings to their IT contract employees, they chose to do so to provide an additional benefit in a competitive job market. However, this rationale does not negate the need to follow the terms and conditions of the master agreements or establish safeguards regarding the custody and safekeeping of the furniture.

SBE acknowledged that their inventory recording process during the examination period was inconsistent. At fiscal year-end, SBE reconciles its Master Inventory List. To determine the effectiveness of SBE's inventory process, auditors reviewed the Master Inventory List for SBE as of 06/22/2023 and found it included numerous phrases to describe the location of state-owned property assigned to employees and IT contract employees. Such phrases included "AT HOME OFFICE", "HOME OFFICE", "AT HOME", "CONTRACTOR", and "HOME USE BY CUSTODIAN", as well as blank entries for the field labeled Room Number. For the \$5,837 in furniture provided to the IT contract employees, the inventory listing provided by SBE for that period showed that none of the items had tag numbers or serial numbers associated with them and one item did not appear on the Master Inventory List despite SBE officials stating that it was standard practice to include items located at residences in the inventory listing.

SBE officials informed the APA that, in June 2023, they took action to strengthen the process by which items shipped directly to IT contract employee residences would be added to the record through a new inventory procedure.

We recommend SBE:

- Establish a procedure that formally documents the equipment, including furniture, the agency intends to offer an IT contract employee engaged through the larger master agreements. Such a document should also outline, at a minimum, the SBE's expectations regarding use of the equipment to be provided, all inventory-related requirements, and acknowledgement of state-owned property received along with details of each item provided (inventory tag numbers, serial numbers, etc.).

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- Continue to improve its inventory records by frequently updating and tracking all state-owned equipment to ensure that it is appropriately recorded, physically accounted for, and has inventory tags affixed. In addition, we recommend SBE use consistent terminology for attributes, such as Room Number (location), and ensure all relevant fields are completed in order to fully monitor all state-owned property.

Thank you for your attention to these matters and SBE'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.

Sincerely,



Farrah Petter, CPA

Assistant Auditor of Public Accounts

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