



Auditor of Public Accounts
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Auditor Mike Harmon's Office Releases Special Examination of Kentucky State University

*Referrals being made to U.S. Attorney-Eastern District of Kentucky, Kentucky Attorney
General, U.S. Department of Treasury, and U.S. Department of Education*

FRANKFORT, Ky. (March 22, 2023) – At a press conference today in Frankfort, Kentucky Auditor Mike Harmon released the details of a special examination of Kentucky State University (KSU). The special examination began last April following passage of House Bill 1 during the 2022 Regular Session of the Kentucky General Assembly, which directed the Auditor of Public Accounts (APA) to conduct an examination of KSU.

The examination report containing 20 findings identified significant issues, including \$3.34 million in federal grant funds being at risk, \$2.7 million withdrawn from internal endowed funds to supplement cash balances, undocumented credit card transactions, wasteful spending on extravagant bonuses and benefits, and crippling budget and procurement failures, all occurring in a chaotic accounting environment that lacked effective safeguards and responsible management and Board oversight.

“This is not the first time this office has conducted a special examination of Kentucky State University. In 2000, [a report by former Auditor Ed Hatchett](#) detailed 16 findings addressing university financial controls,” said Auditor Harmon. “Many of the issues identified in that report still appear to be problems within the university.”

Auditor Harmon's office is referring the examination to the U.S. Attorney's Office for the Eastern District of Kentucky, the Kentucky Office of the Attorney General, and specifically Finding 6 of the report to the U.S. Department of Treasury, and the U.S. Department of Education.

Among the findings detailed in the special examination include:

- A poor internal communication system, which created a fear of retribution among employees, allowing known financial problems to go unaddressed.
- Failure to complete internal audit work associated with the Fiscal Year 2021 Board approved audit internal audit plan due, in part, to directives from the university's former Executive Vice President for Finance to not assist the university's internal auditor, as well as incomplete records.
- Missing or unsupported documentation on the expenditure of federal grant funds by KSU, putting the university at risk of having more than \$3.34 million in questioned costs.
- More than \$1.3 million in credit card transactions made each of the three-fiscal years reviewed, with little to no documentation on most of the purchases selected for review.
- Use of a fund designated for recognition of faculty, staff, and students by the former university president to pay for rental of the Kentucky Castle for a daylong retreat for the university's board of trustees.
- Former university administrators receiving unallowable benefits, including bonuses, and supplemental health insurance. In addition, KSU's former president received a retroactive housing allowance over \$84,000 and the university spent nearly \$4,000 towards the former President's utilities at his personal residence.
- Inaccurate accounts payable amounts submitted by the former EVP for Finance to KSU's former president and former board chair amid rumors of unpaid bills by KSU.
- KSU's former EVP for Finance holding dual employment with Tennessee State University without notifying KSU.

"The big question now is, what's next for KSU? Our examination makes numerous recommendations for the university to address areas of concern identified in the report," Auditor Harmon said. "Ultimately, changes within the university will need to be made and carried out by KSU's next president, KSU Board, university administrators, and to a certain extent the General Assembly."

"The many problems found in our examination did not happen overnight, and frankly they will not be solved overnight. What is clear is that past practices at KSU detailed in our exam report must come to an end," said Auditor Harmon.

You can review the complete report, Examination of Certain Financial Operations and Internal Policies and Controls of Kentucky State University, which includes responses from KSU, at this [link](#).

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