

**EXAMINATION OF CERTAIN FINANCIAL OPERATIONS AND
INTERNAL POLICIES AND CONTROLS OF
CAMP DICK FIRE AND RESCUE**



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November 14, 2024

Tevis Graham, Chief
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Dear Chief Graham,

The Auditor of Public Accounts (APA) has completed its special examination of Camp Dick Fire and Rescue (CDFR). This report summarizes the procedures performed and communicates the results of those procedures. The purpose of this special examination was not to provide an opinion on CDFR's financial statements but to review specific matters brought to our attention, and to make recommendations to strengthen and improve internal controls to ensure financial management activities are accurate, transparent, and statutorily compliant.

Detailed findings and recommendations based on our special examination are presented in this report to assist management in implementing corrective action. Overall, these findings indicate the following:

- CDFR Has Improper Board Seating
- CDFR Fails to Comply with Kentucky's Open Meetings Law
- CDFR Lacks a Code of Ethics
- CDFR Lacks Accurate and Complete Board Minutes
- CDFR Lacks Written Procurement Policies and Procedures
- CDFR Lacks Segregation of Duties
- CDFR Lacks Adequate Control Over Expenditures
- CDFR Has Concerning Payroll Practices
- CDFR's Vehicle Registrations Are Deficient

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 recommendations 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."



Tevis Graham, Chief
November 14, 2024
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We appreciate your assistance and the assistance of your staff throughout the examination. If you have any questions, please contact Savannah Baker, Executive Director of the Office of Special Examinations, at savannah.baker@ky.gov.

Respectfully submitted,



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CHAPTER 1: Introduction and Background

Examination Scope

The APA initiated a limited-scope special examination of CDFR on January 29, 2024, after receiving concerns regarding CDFR's financial activity. The purpose of this special examination was not to provide an opinion on CDFR's financial statements or to duplicate work of routine financial statement audits but to review certain financial activities, policies, and procedures of CDFR. During this special examination, the APA reviewed and analyzed numerous documents, including but not limited to meeting minutes, bank statements, check images, invoices and receipts, vehicle titles, and registrations. Interviews, and other procedures deemed necessary, were also conducted. Unless otherwise specified, the examination procedures focused primarily on activity between December 1, 2021, and December 31, 2023.

Camp Dick Fire and Rescue

CDFR was created as a fire protection district via Kentucky Revised Statute (KRS) Chapter 75. CDFR is a taxing district that provides fire protection services in northern Garrard County. As discussed in greater detail in Chapter 2, and as required by KRS 75.031, CDFR is governed by the Camp Dick Fire and Rescue Board (Board).

Figure 1 outlines revenues, expenditures, and other key financial information from CDFR's last two completed audits, covering fiscal years (FY) 2019 and 2020.

Figure 1: Audited Financial Information for CDFR

Category	FY 2019	FY 2020
Total Revenues	\$ 311,878	\$ 346,709
Total Expenditures	210,531	207,030
Excess (Deficiency) of Revenues Over Expenditures	101,347	139,679
Other Financing Sources (Uses):	8,204	0
Net Change in Fund Balances	109,551	139,679
Fund Balances - Beginning	219,716	329,267
Fund Balances - Ending	\$ 329,267	\$ 468,946

Source: APA, based on CDFR's FY 2019 and FY 2020 audited financial statements.

Due to CDFR's status as a taxing district, CDFR is considered a Special Purpose Governmental Entity (SPGE). As such, CDFR's Board must comply with the requirements of KRS 65A.010 to 65A.090. These requirements include registration with the Department for Local Government (DLG), annual reporting of administrative and financial/budget information, and the submission of required audits.

Further, given CDFR's annual receipts for FY 2022 and FY 2023 exceeded \$500,000, CDFR must, in accordance with KRS 65A.030(1)(c), obtain an annual financial statement audit. The financial statement audits are to be completed no later than 12 months following the close of the fiscal year, and a copy of the final audit is to be submitted to the DLG. As shown in Figure 1, CDFR's last

audited financial statement was for FY 2020. As a result, CDFR should take all necessary steps to ensure its financial statements are audited in accordance with KRS 65A.030(1)(c).

Camp Dick Fire and Rescue Structure

CDFR leadership is comprised of three groups: the Board, business officers, and department officers. The Board's membership includes two members elected by property owners in the district, two elected by the firefighters from its membership, and three appointed by the Garrard County Judge/Executive.

In addition to the full Board, both the business officers and the department officers provide leadership. The business officers include the Chairperson, Vice Chairperson, Secretary, and Treasurer of the Board, and the department officers include the CDFR Chief, Assistant Chief, Captain, three Lieutenants, and Training Officer. CDFR's Rules & Policies Manual (CDFR Manual) describes the duties of each officer, as summarized in Figure 2.

Figure 2: CDFR Positions and Duties

Position	Duties
Chairperson	Presides over all meetings and has direct charge of the meeting; acts as coordinator of all Camp Dick Fire & Rescue business; be responsible for the performance and duties entrusted to the Vice Chairman, Secretary, and Treasurer. Still, he shall act in a business relationship with the field Officers: Chief, Assistant Chief, Captain, Lieutenant, and Training Officer; shall answer to the Board of Directors and the Camp Dick Fire & Rescue on matters of misunderstanding; shall have the power to call for written reports from all Officers and Committees as he sees necessary; shall be the only individual with authority to call a special meeting of the Board of Directors; and shall act as Chairman of the Executive Committee.
Vice Chairperson	Shall preside over all meetings in the absence of the Chairperson and assume the duties of the Chairperson.
Secretary	Act as recording officer at all meetings, handles all correspondences as directed by the Board of Directors, and shall bring to each meeting the minutes from the last meeting.
Treasurer	Be responsible for funds of the Camp Dick Fire & Rescue, provide a Treasurer's report to the Board at each meeting, deposit money, and pay all bills as directed by the Board of Directors.
Chief	Be the leader of all field activities, and all members will adhere to his directions. Also, be in charge of all equipment usage and inventory, direct department members in performing their duties safely and effectively, prepare reports to the Board of Directors, and attend all Board of Directors meetings.
Assistant Chief	Second in command to the Chief, assumes the complete duties and responsibilities of the Chief in his absence or on the direction of the Chief or Board of Directors, and attends Board of Directors meetings in the absence of the Chief.
Captain	Third in command and assumes the duties of the Chief and Assistant Chief in their absence or as they direct.
Lieutenant	Fourth in command and assumes the duties of the Chief, Assistant Chief, and Captain in their absence or as they direct.
Training Officer	Directs training classes as directed by the Chief to fulfill all state and Emergency Management requirements and regulations, prepares classes each week for training at meetings, and weekly prepares records to be sent into the Kentucky Fire Commission.

Source: APA, based on the CDFR Manual.

During the examination period, CDFR had 22 personnel members. Two of these members are related to the Chief and were paid for services not considered firefighter duties. Specifically, the Chief's daughter held three paid positions at CDFR. She served as both the Secretary and Treasurer for the Board as well as the Administrative Assistant for the fire department, a position which is not listed in the CDFR Manual. The Secretary/Treasurer position involves preparing CDFR's budget and materials for Board Meetings. The Administrative Assistant position is based on 600 hours a year and entails tracking the hours/runs, preparing items for external groups, creating trainings, and preparing for meetings. This individual will be identified throughout the remainder of this report as the Secretary/Treasurer/Administrative Assistant. Additionally, the Chief's spouse performed paid work for CDFR that included cleaning the firehouse and maintaining training records.

CHAPTER 2: Findings and Recommendations

While criteria existed to guide CDFR and the Board, repeated noncompliance with state statutes and Board policies was identified. Certain violations may have affected CDFR's perceived level of transparency, leaving some members of the public with questions and concerns.

Finding 1: CDFR Has Improper Board Seating

KRS 75.031(1)(a) requires a seven-member Board to conduct the affairs of a fire department as provided in KRS 75.010. Three of the seven members are to be appointed by the County Judge Executive. The remaining four members are to be elected by the members of the district as follows:

- Two members are to be elected by the members of the firefighters of the district, who must be members of the district and are active firefighters.
- Two members are to be elected by the district's property owners. The members must own real or personal property subject to the fire protection tax under KRS 75.040, personally reside in the district, and not be active firefighters.

KRS 75.031(2) requires board member elections to be held annually on the fourth Saturday of June from 11 a.m. to 2 p.m. at the fire station. KRS 424.120 outlines additional requirements for these elections, including advertisement and notification methods.

Upon request, CDFR could not provide evidence to support that elections to be held during the examination period for the two firefighter positions on the Board were held in accordance with KRS 75.031. Instead, the Secretary/Treasurer/Administrative Assistant indicated elections for firefighter positions are simply held during regular board meetings, where they follow a closed paper nominee and voting process. There is little documentation to support this assertion. A review of the Board minutes for regular meetings held in June during the examination period showed only discussion of the Board Chairman's election in June 2022.

CDFR also failed to provide evidence to support either of the elections for the two individuals representing property owners were held in accordance with state law. The Secretary/Treasurer/Administrative Assistant provided two documents indicating elections would be held. The documents did not, however, list the names and addresses of the candidates to be voted on for the property owners but instead asked for nominees.

Additionally, while there is documentation supporting the reelection of the Chairperson, there is no documentation the individual serving as Chairperson has been properly reelected to serve on the Board itself. The other property owner's election was also held on a Tuesday between the hours of 7 p.m. and 9 p.m. despite KRS 75.031(1)(a)'s mandate that such elections be held on the fourth Saturday of June between 11 a.m. and 2 p.m. There is also no evidence to suggest proper notice was given to the public 30 days prior to the election, as required by the same statute.

Further, even though the previous Garrard County Judge Executive appointed three members to serve during the examination period, CDFR officials could not provide written evidence, such as notification letters, to support the appointments. Rather, the Garrard County Fiscal Court provided documentation via fiscal court meeting minutes. The minutes are insufficient in nature, as they only establish support for two of the three appointments.

Finally, during the examination period, there is no evidence that elected Board member terms were staggered. CDFR only ran ads for the election of the Chairman on June 11th and 18th of 2020 and June 9th and 16th of 2022. Compliance with KRS 75.031(1)(a) requires an election every year for at least one member alternating between firefighter and property owner.

In summation, only two of the seven Board members serving during the examination period were seated correctly in accordance with state statute. The failure to adhere to governing statutes calls into question the Board's legitimacy. Improper seating of the Board could impact decisions made by the Board from December 1, 2021, to December 31, 2023.

We recommend CDFR comply with KRS 75.031 when configuring its board.

Finding 2: CDFR Fails to Comply with Kentucky's Open Meetings Law

Based on inquiry and a review of board meeting minutes, there are several instances in which the Board did not fully comply with Kentucky's Open Meetings Act. Such instances included failure to properly notify the public of meetings and failure to follow statutory requirements when entering into closed sessions.

Public Meetings

Under KRS 61.820(2), the schedule of regular meetings for public agencies must be made publicly available. In CDFR's case, however, the Secretary/Treasurer/Administrative Assistant indicated monthly meetings are not publicly announced via any formal measure but publicized "by word of mouth." Without proper public notice, property owners in CDFR's district and other stakeholders may be unaware a public meeting is occurring, let alone the time and place of the meeting. A reasonable person may interpret the failure to publicize these crucial details as a lack of public accountability and transparency within CDFR and the Board.

Closed or Executive Sessions

Kentucky's Open Meetings Act requires "[a]ll meetings of a quorum of the members of any public agency at which any public business is discussed or at which any action is taken by the agency" to be "open to the public at all times." KRS 61.810(1) does, however, provide exceptions to this rule. A public agency may enter a closed or executive meeting when the agency seeks to discuss any topic listed in KRS 61.810(1)(a)–(n). Prior to entering a closed or executive session, the public agency must identify the statutory exception relied upon to permit a closed or executive session.

KRS 61.815 requires, in part, that:

- (a) Notice shall be given in regular open meeting of the general nature of the business to be discussed in closed session, the reason for the closed session, and the specific provision of KRS 61.810 authorizing the closed session;
- (b) Closed sessions may be held only after a motion is made and carried by a majority vote in open, public session;
- (c) No final action may be taken at a closed session; and
- (d) No matters may be discussed at a closed session other than those publicly announced prior to convening the closed session.

From December 1, 2021, through December 31, 2023, the Board went into executive session in seven out of 24 board meetings. However, as illustrated by Figure 3, no closed sessions were entered via motion, and regular board meeting minutes document only two instances in which the Board went into an executive session during a regular board meeting.

Figure 3: CDFR Board Closed Sessions

Date of Closed Session	Mention of Closed Session in Regular Minutes	Motion To Go Into Closed Session	Motion To Return From Closed Session	Closed Session Minutes Provided
June 9, 2022	Yes	No	No	Yes
July 7, 2022	No	No	No	Yes
August 4, 2022	No	No	No	Yes
September 1, 2022	Yes	No	No	Yes
November 3, 2022	No	No	No	Yes
December 20, 2022	No	No	No	Yes
December 7, 2023	No	No	No	Yes

Source: APA, based on CDFR Board Meeting Minutes.

The June 9, 2022 minutes noted the Board entered a closed session “to discuss personnel and firefighters’ reimbursements for runs and training.” The minutes, however, fail to document or explain why such a topic qualifies as a statutory exemption under KRS 61.810. The September 1, 2022 minutes state, without further explanation, that the “Board went into executive session.”

Further, the executive session notes from July 7, 2022, establish the closed meeting—which, as stated above, was not entered into via motion—resulted in the unanimous hiring of a new full-time fire chief, as well as the pay and expectations of the position. This hiring directly violates KRS 61.815, which explicitly states, “[n]o final action may be taken at a closed session.” Additionally, Kentucky Office of Attorney General (OAG) Opinion 81-387 states, “No final action of a positive nature should be taken in a closed session” (Appendix A). Given there was no subsequent vote to hire the new chief in an open session, the hiring of the chief on July 7, 2022, was not approved in compliance with state law.

The Board acted without sufficient public knowledge and outside the confines of state statutes. These actions, at a minimum, may reduce confidence in the Board as decision-makers and representatives of the district.

We recommend CDFR comply with Kentucky’s Open Meetings Act by taking the following actions:

- Properly and formally notifying the public of CDFR Board meetings.
- Giving notice in a regular open meeting of the general nature of the business to be discussed in the closed session, the reason for the closed session, and the specific provision of KRS 61.810 authorizing the closed session.
- Only holding a closed session after a motion is made and carried by a majority vote in an open, public session.
- Not discussing any matter in a closed session other than those publicly announced prior to convening the closed session.
- Not taking final actions while in a closed session.

- Ensuring the Board's meeting minutes adequately reflect, in detail, all official Board actions.
- Require Board members and department officers to attend training on Kentucky's Open Meetings Act.

Finding 3: CDFR Lacks a Code of Ethics

KRS 65A.070(1)(a) states, “The board, officers, and employees of each special purpose governmental entity shall be subject to the code of ethics of the establishing entity in which the special purpose governmental entity’s principal business office is located.” The statute also provides CDFR the option to adopt a more stringent Code of Ethics than their establishing entity’s code.

CDFR’s establishing entity is Garrard County, which does have a Code of Ethics. However, when requested, CDFR was unable to provide a Code of Ethics or any record establishing CDFR is in compliance with state statute.

Failure to implement Garrard County’s Code of Ethics (or a more stringent version thereof) leaves CDFR and the Board vulnerable to several issues, including but not limited to unclear expectations, unchecked conflicts of interest, and an unknown and/or nonexistent system for the reporting and resolution of complaints.

We recommend CDFR formally approve and implement Garrard County’s Code of Ethics (or a more stringent version thereof) in accordance with state statute. The Code of Ethics should be distributed to all CDFR personnel and board members. In addition, we recommend requiring ethics training for all CDFR personnel and board members.

Finding 4: CDFR Lacks Accurate and Complete Board Minutes

Between December 1, 2021, and December 31, 2023, the Board held 24 board meetings. Twenty-three (23) of the 24 Board meeting minutes indicate matters were brought before the Board and motions made. However, there is no documentation of the outcome from the motions. The failure to record the outcome of votes is in direct violation of KRS 61.835, which states:

The minutes of action taken at every meeting of any such public agency, setting forth an accurate record of votes and actions at such meetings, shall be promptly recorded and such records shall be open to public inspection at reasonable times no later than immediately following the next meet of the body.

We recommend the Board properly document the outcome of all official motions and votes in official board minutes as required by statute.

Finding 5: CDFR Lacks Written Procurement Policies and Procedures

CDFR is currently without written procurement policies and procedures. The only written guidance CDFR has related to finances is in Section 5.1 of the CDFR Manual, which reads:

1. Finance
 - a. Funds must be raised in a non-profit manner (no fee for services rendered).
 - b. Banking and checking shall be done by the Treasurer as directed by the Chief or the Board of Directors.
 - c. All bills are to be given to the Treasurer before each meeting for payment.
 - d. All bills are to be paid by the Treasurer by check or automatic withdrawal after Board approval except on the monthly bills.
 - e. Checks will be approved at the Board of Directors meeting. Board has set a preapproved budget for emergencies that is set at \$2,000.

This guidance is not only too limited to serve as a procurement policy, but it also conflicts with the actual practices of CDFR. The Secretary/Treasurer/Administrative Assistant handles all financial activities without guidance and without any supervisory review from the Board. CDFR reported that bills are paid before Board approval and the limit for emergency purchases made by the Chief is actually \$3,000.

Without written policies and procedures to control the procurement process, CDFR cannot ensure public funds are used for legitimate operational purposes. Weak and ineffective internal controls increase the risk that fraud, waste, and abuse could occur and not be detected by CDFR.

We recommend CDFR develop, approve, and adhere to formal written procurement policies and procedures. At a minimum, such standards should require:

- Expenditure documentation with details regarding the purpose of the expense, the date of expense, and supervisory approval.
- Sufficient maintenance of detailed invoices and receipts for all goods and services purchased by CDFR.
- Clearly defined roles and responsibilities of the Board and employees in the procurement process, especially regarding the approval, recording, and monitoring of expenditures (*e.g.*, vendor payments).
- Identification of the types of expenditures that are unallowable via the use of public funds.
- Ensure all purchases are reasonable in amount, beneficial to the public, and not predominantly personal. If a bereavement gift or other personal expense is desired, personal funds should be used to cover the expense.

We also recommend CDFR personnel with any level of procurement authority periodically receive formal procurement training. Such training should cover various topics, including but not limited to bidding requirements, distribution of applicable statutes, CDFR policies and procedures, and the consequences of failing to adhere to such guidance. The CDFR Board should maintain documentation of who has completed the training and should consult with an attorney regarding procurement laws when questions arise.

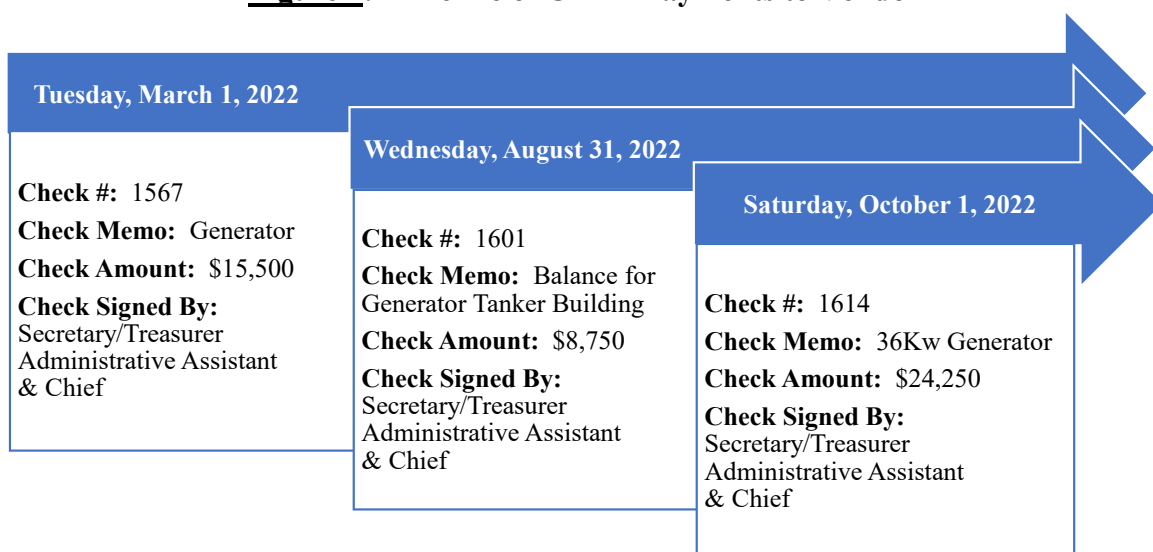
Finding 6: CDFR Lacks Segregation of Duties

With little to no oversight by the Board, the Secretary/Treasurer/Administrative Assistant is the only employee assigned to handle all accounting duties of CDFR, including accounts payable, accounts receivable, and procurement. While the Secretary/Treasurer/Administrative Assistant indicated the Board Chairman would occasionally sign checks during Board Meetings, there is no documentation to establish as much. Further, a review of selected transactions shows no evidence of approval by anyone except the Secretary/Treasurer/Administrative Assistant and the Chief, who, as previously stated, are related. As such, the Secretary/Treasurer/Administrative Assistant can initiate payments, record transactions, and receive, process, and deposit receipts with little to no oversight.

This is an issue CDFR's certified public accountant has brought to CDFR's attention in the past. For example, CDFR's FY 2019 and FY 2020 audits included a finding that duties related to recordkeeping and asset custody are not adequately segregated due to the limited number of employees. The finding acknowledged CDFR is not in the financial position to hire additional employees, but recommended the Board be regularly involved in CDFR's financial review process. CDFR's response to the finding states, in part, "[m]anagement does not believe the addition of an employee to improve segregation of duties is cost-beneficial to the District." Management did not respond to the recommendation of regular Board involvement as a cost-effective alternative.

Regular Board involvement, however, is still needed. Without segregation of duties, there is little to prevent an employee from wasting or misusing public funds. For example, CDFR paid a vendor \$24,250 for a generator in October 2022 despite having already completed the payment (via two separate checks) earlier in the year.

Figure 4: Timeline of CDFR Payments to Vendor



Source: APA, based on documentation provided by CDFR.

All three checks were made to the same vendor for only one generator and signed by the Secretary/Treasurer/Administrative Assistant and the Chief. CDFR was unaware of the overpayment until it was brought to its attention via this examination. CDFR requested a refund of the overpayment, and the vendor reimbursed CDFR almost a year and a half after the overpayment was made in October 2022.

We recommend CDFR ensure proper segregation of duties by implementing greater oversight of and accountability for fiscal operations. Duties that should be segregated among employees and reviewed by the Board include, but are not limited to, writing checks, recording transactions in the accounting ledger or system, making deposits, and reconciling accounts to bank records. Additional controls over the disbursement process should also be considered (*e.g.*, requiring a review of supporting documentation as well as two signatures before the disbursement of funds, with one of the signatures being that of a Board member).

Finding 7: CDFR Lacks Adequate Control Over Expenditures

CDFR has internal control deficiencies and noncompliance with regard to expenditures. The following issues were noted during the testing of 20 General Fund and 10 Ladies Auxiliary Account expenditures:

- Eight General Fund expenditures totaling \$35,974 appear either personal in nature, unreasonable in amount, or not beneficial to the public. One example is, in December 2021 and 2022, CDFR withdrew \$3,750 in funds to purchase gift cards for firefighters and Board members. Taxpayer funds were also spent on a bereavement gift.
- CDFR paid \$450 in sales tax despite having tax-exempt status.
- CDFR incurred and paid a late fee of \$1,000.
- Two Ladies Auxiliary Account expenditures, totaling \$7,881, were reimbursed by the General Fund, one of which was for Christmas gifts for firefighters in December 2023.
- All ten of the Ladies Auxiliary Account expenditures tested, totaling \$2,520, appear to be either personal in nature, unreasonable in amount, or not beneficial to the public. Examples are lunches, Christmas dinners and gifts, and bereavement gifts.
- The Ladies Auxiliary Account paid \$20 in sales tax despite having tax-exempt status.

Because the Kentucky Fire Commission lacks written guidance on allowable and unallowable expenditures for fire departments, these expenditures were reviewed based on the criteria outlined in Finance and Administration Policy (FAP) 120-23-00. Although a state government policy, FAP 120-23-00 can be applied to a local government.

The criteria states, in part, “[e]xpenditures of public funds shall only be allowed for carrying out the statutory responsibilities of the agency. Expenditures shall be reasonable in amount, beneficial to the public and not personal in nature.” FAP 120-23-00 identifies types of expenditures as unallowable, including beverages for employees, employee parties, flowers, holiday decorations, paper products, utensils, and dishes for employee use. FAP 120-23-00 also coincides with Section 3 of the Kentucky Constitution, which prohibits the expenditure of taxpayer funds for work not performed. As such, public funds should not be expended for personal purposes but solely for CDFR’s operations.

Further, according to the Kentucky Fire Commission, fire departments are advised not to transfer funds from the fire department to associated groups (such as the Ladies Auxiliary), as those are public funds and must be used as such.

CDFR’s noncompliance with FAP 120-23-00 and other guidance (as indicated by the above issues) demonstrates a need for the Kentucky Fire Commission to provide fire departments with written guidance on allowable and unallowable expenditures.

We recommend CDFR work with the Kentucky Fire Commission to obtain written guidance on allowable and unallowable expenditures. Until such guidance is provided, we recommend CDFR adhere to FAP 120-23-00 and other fiscal guidance by the Kentucky Fire Commission with regard to expenditures.

Finding 8: CDFR Has Concerning Payroll Practices***CDFR Does Not Issue W-2s or 1099s in Accordance with Federal and State Laws***

Despite having been advised to the contrary for the past several years, CDFR does not issue 1099s or W-2s to its contractors and employees, respectively. Employees are merely paid gross salaries, with nothing withheld or remitted to the Kentucky Department of Revenue (DOR) by CDFR. This practice violates both federal and state law.

The Internal Revenue Service (IRS) requires employers to annually distribute W-2 and 1099 forms. In addition, KRS 141.310 explicitly mandates, “[e]very employer making payment of wages on or after January 1, 1971” to “deduct and withhold upon the wages a tax” as required by law. Failure to do either may result in monetary penalties.

We recommend CDFR issue 1099s and W-2s to all contractors and personnel, respectively.

Employees Are Not Paid in Accordance with the Kentucky Constitution

Section 3 of the Kentucky Constitution states, “[n]o grant of exclusive, separate public emoluments or privileges shall be made to any man or set of men, except in consideration of public services.” As a result, any payment to a public employee should be in consideration of public service, which has been interpreted to mean salary and wages for work *performed*.

However, throughout the examination period, CDFR employees, including the Chief and Secretary/Treasurer/Administrative Assistant, were routinely paid before the end of the pay period and therefore before services were fully performed.

As summarized in Figure 5, the Secretary/Treasurer/Administrative Assistant received 29 paychecks during the examination period related to her Board Secretary and Treasurer positions. These paychecks totaled \$9,950 and prematurely compensated her for serving in these two positions, which are set to earn \$250 per month or \$3,000 per year. All of these payments were made prior to the end of the period for which she was being paid. Several of the pay advances during the fall of 2022 and throughout 2023 were also prematurely issued beyond the current month with no documented approval. These undocumented payments resulted in the Secretary/Treasurer/Administrative Assistant being paid \$3,700 more than expected for the 25-month period.

The Secretary/Treasurer/Administrative Assistant explained the Board has not set a policy regarding when paychecks should be issued and that she merely issues paychecks at the beginning of the pay period because that was the practice of her predecessor.

Figure 5: Board Secretary/Treasurer Payments

Check Date	Check Number	Check Memo	Check Amount
12/19/2021	1558	Jan Sec Reimburse	\$ 250
2/7/2022	1564	Feb Sec/Treasurer Reimburse	250
3/6/2022	1568	March Sec/Treasurer Reim	250
4/4/2022	1570	April Sec/Treasurer Reimburse	250
4/27/2022	1574	May Sec Reimburse	250
5/2/2022	1579	June Sec/Treasurer	250
7/6/2022	1585	July Sec Reimburse	250
8/1/2022	1593	Aug Sec Reimburse	250
9/1/2022	1602	Reimburse Sept Sec/Treasurer	250
9/14/2022	1610	Oct (early) Sec Reimburse	250
10/6/2022	1617	Nov Sec Reimburse	250
10/7/2022	1618	Dec Early Pay Sec Reimburse	250
10/13/2022	1619	Jan Sec Reimburse	250
10/18/2022	1620	Feb Early Sec Reimburse	250
10/21/2022	1625	Early Reimburse	250
11/7/2022	1632	Early Pay	350
11/15/2022	1633	Early Reimburse	350
12/28/2022	1697	Sec/Treasurer	250
4/3/2023	1720	April Sec/Treasurer Reimburse	250
5/4/2023	1731	May Sec/Treasurer	250
6/6/2023	1742	June Sec/Treasurer	250
7/27/2023	1758	Aug/Sept Sec	500
8/16/2023	1766	Reimburse Sec/Treasurer	500
8/28/2023	1770	2 Mons Sec/Treasurer	500
9/12/2023	1773	4 Mons Sec/Treasurer	1,000
9/19/2023	1777	(school loans) 2 Mons Sec/Treasurer	500
9/28/2023	1781	Advance 2 Mons Sec/Treasurer	500
10/9/2023	1788	Advance 2 Mons Sec	500
10/26/2023	1794	Advance 2 Mons Sec Reimburse	500
		Total	\$ 9,950

Source: APA, based on bank statements provided by CDFR.

We recommend CDFR discontinue the issuance of paychecks before the end of the pay period (*i.e.*, advances) given the unconstitutionality of the current practice.

Public Funds Were Improperly Utilized for Employee Bonuses

Between December 1, 2021, and December 31, 2023, CDFR paid firefighters a total of \$135,859 in bonuses—ranging from \$68 to \$7,775 per person. The bonuses were utilized by CDFR to entice firefighters to attend required trainings. In other words, CDFR was utilizing public funds to award firefighters additional compensation for completing duties already required of their position. The bonuses were relayed in the form of “fuel reimbursements,” payments of which were not based on actual documentation of fuel use, but on the number of meetings attended and runs conducted.

OAG Opinion 62-1 (Appendix B) states the awarding of a bonus from public funds violates Section 3 of the Kentucky Constitution, as it uses public funds to pay for services not actually performed. In addition, KRS 64.410(2) clearly dictates an officer shall not receive for his/her services:

- (a) Any other or greater fee than is allowed by law;
- (b) Any fee for services rendered when the law has not fixed a compensation therefor;
- (c) Any fee for service not actually rendered.

We recommend that CDFR cease using public funds to award bonuses (regardless of its form) to comply with statutory law and the Kentucky Constitution.

Employees Were Paid Without Documentation of Time Worked

The Secretary/Treasurer/Administrative Assistant did not submit or maintain timesheets for her work. The Chief and the Secretary/Treasurer/Administrative Assistant indicated the latter's failure to submit and maintain timesheets was immaterial given her position is salaried—that is, she receives a certain amount of pay each pay period regardless of the number of hours worked. This approach, however, violates KRS 337.320, which requires every employer to keep a record of “[t]he hours worked each day and each week by each employee.”

Further, despite the Board's requirement—as noted in the minutes for the closed session portion of the February 8, 2021 Board meeting—that the Chief's spouse maintain documented hours worked, there is insufficient documentation to account for all the Chief's spouse's alleged work. For example, two payments totaling \$270 were issued on September 1, 2022, and February 7, 2023, for paperwork and cleaning services, but there was no documentation of hours worked on her timesheets to support these payments. The documentation for the remaining 19 payments to the Chief's spouse for paperwork and cleaning services also lacked details of the nature of the work and the specific times worked. Copies of the timesheets can be found in Appendix C.

Given their status as employees of CDFR, both the Chief's spouse and the Secretary/Treasurer/Administrative Assistant have a statutory duty to submit and maintain detailed timesheets. Failure to do so results in a violation of state law and conflicts with CDFR's obligation to taxpayers to be fiscally responsible and to ensure public funds are appropriately expended.

We recommend CDFR require employees to complete a timesheet for all duties performed. Timesheets should be detailed, including the date, hours worked, and duties performed.

Individuals Sign Their Own Paychecks

Three individuals are authorized to sign checks: the Board Chairman, the Chief, and the Secretary/Treasurer/Administrative Assistant. Dual signatures are required on all checks. However, despite the availability of a third authorized signer, the Chief and the Secretary/Treasurer/Administrative Assistant were observed as check signers for most checks during the examination period, including for their own paychecks. Further, despite their family status, the same two individuals sign the Chief's spouse's checks.

The Chief and the Secretary/Treasurer/Administrative Assistant have little to no supervision to access CDFR's funds. This unlimited control makes CDFR vulnerable to the risk of fraud, waste, and/or abuse.

We recommend CDFR strengthen its internal controls by designating a Board Member as a required signatory for all checks, not just as an authorized signer. We also recommend that the individual issued the check not be a signer on the check.

CDFR Issued a Duplicate Check

The Secretary/Treasurer/Administrative Assistant issued the Chief a duplicate check for the pay period of September 25, 2023, through October 6, 2023. While one of the two checks was dated September 6, 2022, and the other was dated October 6, 2023, the checks were numbered much closer and could not have been written over a year apart.

The Secretary/Treasurer/Administrative Assistant explained the second check was a mistake and should not have been issued. She could not, however, account as to why the Board failed to catch the duplicate payment.

We recommend CDFR conduct monthly payroll and other bank account reconciliations, which should be made available at the Board's monthly meetings. Board Members should review the monthly payroll and other bank account reconciliations for irregularities.

Finding 9: CDFR's Vehicle Registrations Are Deficient

CDFR has 19 vehicles, including fire engines, tankers, trucks, off-road vehicles, utility trailers, boats, and boat utility trailers. A review of each registration on file with the Garrard County Clerk revealed five different addresses associated with 18 out of the 19 vehicles. Two of the five addresses were unrelated to the fire department and associated with a former Chief and a former Secretary/Treasurer on seven of the 18 vehicles. Further, one utility trailer was not even registered with the County Clerk.

Although once registered, CDFR does not get another registration tag and does not have to pay taxes, all fire engines, tankers, trucks, off-road vehicles, utility trailers, boats, and boat utility trailers should be registered with the County Clerk with the correct CDFR-related addresses.

We recommend CDFR ensure that all fire engines, tankers, trucks, off-road vehicles, utility trailers, boats, and boat utility trailers are properly registered with the Garrard County Clerk. We also recommend CDFR update the vehicle addresses with the Garrard County Clerk to ensure all vehicles owned by CDFR are properly registered with the correct address.

CHAPTER 3: Observations

Observation 1: The Board Lacks Sufficient Bylaws

Bylaws are a set of internal rules that govern an agency's operations and structure. They help an agency define its purpose and day-to-day functions. In addition, bylaws serve to protect an agency from potential problems by clearly outlining governing principles, the decision-making process, and a standard of compliance. Typically, board bylaws of fire departments include the following information:

- Name and purpose of the organization;
- Membership of the organization;
- Resignation or removal from the organization;
- Officers, including both Board and Fire Officers, and their qualifications, duties, and limitations;
- Elections and terms of office;
- Information regarding meetings, including when and where they will be held, the types of meetings permitted, who may call each, how notice will be given, what constitutes a quorum, and attendance requirements;
- Board composition, including powers and duties of the Board, as well as compensation.
- Committees;
- Disciplinary proceedings;
- Parliamentary authority; and
- Amendment of bylaws.

CDFR's Board's bylaws are missing most of this crucial information. They only consist of the duties of officers and are, therefore, insufficient and incomplete.

We recommend the Board review and revise the Board bylaws to include all relevant information. Once completed, the bylaws should be formally approved by the Board and distributed to all CDFR personnel.

Observation 2: Checks Taking 60 Days or Longer to Clear the Bank

According to the Secretary/Treasurer/Administrative Assistant, the Board has never required checks to be cashed within a specific timeframe. For example, in 11 instances, checks issued by CDFR—five to the Chief, five to the Secretary/Treasurer/Administrative Assistant, and one to a firefighter—took 60 days or longer to clear the bank. Such delays in cashing checks hampers the Board's ability to effectively monitor CDFR's budget.

We recommend CDFR encourage recipients of checks to cash them in a timely and reasonable manner. In addition, we recommend the Board consider implementing procedures to void checks not cashed within 60 days.

Appendices

Appendix A: OAG Opinion 81-387**OAG 81-387**

To: Gary Bale, Attorney, Office of Legal Services, Department of Education, Frankfort, Kentucky

By: Carl Miller, Assistant Attorney General, October 26, 1981

OPEN MEETINGS—Closed session, minutes

SYLLABUS: Opinion discusses the minutes of a closed session.

On behalf of the State Board of Education you have requested an official clarification of OAG 81-235 relative to one point, that being whether a public agency, and specifically the State Board of Education, is required by law to keep minutes of its executive sessions.

OAG 81-235 dealt particularly with KRS 160.270(2) and generally with KRS 61.835. The former statute, which applies only to district boards of education provides that when a district board meets its secretary shall be present at the meeting and shall record in a book provided for that purpose all of the official proceedings. That statute does not apply to the State Board of Education or any other deliberative body.

KRS 61.835, a part of the Kentucky Open Meetings Law, applies generally to the meetings of public bodies, including the State Board of Education, and reads as follows:

"The minutes of action taken at every meeting of any such public agency, setting forth an accurate record of votes and actions at such meetings, shall be promptly recorded and such records shall be open to the public inspection at reasonable times no later than immediately following the next meeting of the body."

KRS 156.030(5) [as amended by Executive Order of the Governor] provides that the Superintendent of Public Instruction shall select a secretary for the State Board of Education who shall be an employee of the Kentucky State Department of Education and that it shall be the duty of the secretary to handle the Board's correspondence and maintain a permanent record of its proceedings. There is no statute expressly providing that the secretary must be present in a closed session of the State Board of Education.

There is no statute prescribing the necessary contents of the minutes of a public body except the provision of KRS 61.835 that the minutes shall set forth an accurate record of votes and actions at such meetings. Case law has established the rule that a public agency only speaks authoritatively through its minutes. County Board of Education v. Durham, 198 Ky. 732, 249 S.W. 1028 (1923). The minimum statutory requirement for minutes is, therefore, that they record formal motions made in a meeting and the vote of the members on the motion. Anything more than such a record is a matter of parliamentary procedure and the discretion of the public body.

KRS 446.080 provides that all words and phrases used in the statute shall be construed according to common and approved usage of language. In order to determine the meaning of the word "minutes" as used in KRS 61.835, we have consulted the foremost authority on parliamentary procedure, Roberts' Rules of Order, Newly Revised, published by Scott Foresman and Company, 1970, Section 47, pp. 389-391. Roberts says that minutes should contain mainly a record of what was done at the meeting, not what was said by the members. Roberts makes no distinction as to open meetings and closed or executive sessions but does discuss the situation when a deliberative assembly forms itself into "a committee of the whole" and says that "the proceedings of a committee of the whole should not be entered in the minutes, but the fact that the assembly went into committee of the whole and the committee report should be recorded." Id., p. 391. We believe that when a public body goes into closed session as permitted by statute it is, in effect, a committee of the whole and, therefore, the proceedings of the closed session should not be entered in the minutes except to show that the closed session was held and if a formal action was taken in the closed session.

Against the background of the foregoing discussion of the statutes we conclude the following opinion:

(1) The State Board of Education is not required to have its secretary present in a closed session.

(2) Minutes of a meeting, open or closed, are not required to show any more than the formal action taken and the votes cast by the members. It is not required to summarize the discussion or record what any of the members said.

(3) The minutes of the body when a closed session is held should show that the statutory formality provided by KRS 61.815 was observed before going into a closed session, the general subject of the closed session, i.e., personnel matter, litigation, etc., but need not show information which would defeat the purpose of holding a closed session on authorized subject matter.

(4) The deliberative body may exercise its discretion as to whether an additional record should be made of a closed session beyond what we have indicated as the statutory minimum.

(5) No final action of a positive nature should be taken in a closed session but a decision to take no action on a matter under discussion can be made in a closed session. KRS 61.815.

Appendix B: OAG Opinion 62-1**OAG 62-1**

CITIES GENERALLY - Employees, bonus for

To: J. Gordon Lisanby, City Attorney, Princeton, Ky.
By: Walter C. Herdman, Asst. Atty. Genl., January 2, 1962

This is in answer to your telegram of December 27 in which you request an opinion as to whether or not it is legal for the City of Princeton to give a bonus to its city employees and policemen.

We must first consider the fact that the city is dealing with public funds and public employees. § 3 of the Kentucky Constitution prohibits the granting of separate public emoluments to any person or a set of persons except in consideration of public services. Now the employees referred to are paid a salary and this salary is required to be fixed by the city legislative body under the provisions of KRS 64.580 (1950). The granting or awarding of a bonus would seem to us to contravene the section of the Constitution referred to since it would seem to be using public funds for services not actually rendered.

Referring next to McQuillin, Municipal Corporations, Vol. 4, § 12.193, we find the general rule expressed regarding the granting of extra compensation as follows:

"Extra compensation is compensation over and above that fixed by contract or by law when the services were rendered. Where an officer performs duties imposed by law he is entitled to the compensation therefor fixed by law and no other. He is not entitled to extra compensation for services performed in the line of his official duty...."

In connection with the above quote, we refer you to the case of Ludlow Board of Education v. Ritchie, 149 Ky. 674, 149 S.W. 985 (1912). We also wish to refer you to the terms of KRS 64.410(2)(c) which prohibit a public officer from receiving for his services any fee for services not actually rendered and KRS 434.250 which prohibits any officer from paying any person any sum for services not actually rendered.

There is, of course, no prohibition against a city legislative body changing the compensation of city officers as fixed by it during their employment. This, however, would require an amendment to the ordinance setting forth the compensation of city employees.

Under the circumstances, therefore, we do not believe that the city is legally authorized to grant a bonus or additional compensation to city employees out of public funds over and above that amount fixed according to law.

Appendix C: Timesheets for the Chief's Spouse**WORK SHEET 2021**

12-2-2021 " " " + 10 hrs paperwork pd. \$275.00 ck# 1509

WORK SHEET 2022

2-8-2022 8 Hrs paperwork pd. \$120.00 ck# 1556

4-4-2022 8 Hrs Paperwork pd. \$120.00 ck# 1572

5-2-2022 8 Hrs " pd. \$120.00 ck# 1576

6-9-2022 6 Hrs " pd. \$90.00 ck# 1581

7-7-2022 8 1/2 Hrs ^{127.50} + ^{main station} cleaning ^{80.00} pd. \$207.50 ck# 1587

8-4-2022 11 Hrs, paperwork : errands pd. 165.00 ck# ~~1595~~ 1595

10-6-2022 Cleaning all stations ^{125.00} + 8 Hrs ¹²⁰ pd. \$245 ck# 1616

11-3-2022 Cleaning ¹¹⁰, 8 Hrs paperwork pd. \$230 ck# 1631

11-17-2022 ^{Main} Cleaning 9 1/2 Hrs paperwork pd. 222.50 ck# 1642

WORK SHEET 2023

1-5-2023 Cleaning Main ^{\$80} + ^{Paperwork} 4 Hrs ^{\$60} pd. 140.00 ck# 1703

4-4-2023 Cleaning Main ^{\$80} 6 Hrs paperwork pd. 170 ck# 1723

5-5-2023 7 1/2 Hrs paperwork pd. \$112.50 ck# 1734

6-1-2023 8 1/2 Hrs " " pd. \$127.50 ck# 1738

7-6-2023 12 Hrs " " pd. \$180.00 ck# 1753

8-3-2023 8 Hrs " " pd. \$120.00 ck# 1761

9-7-2023 10 Hrs " " pd. \$150.00 ck# 1769

10-6-2023 7 Hrs " " pd. \$105 ck# 1783

11-2-2023 11 Hrs " " pd. 165.00 ck# 1798

12-2023

Camp Dick Fire and Rescue Response



P.O. Box 16 Bryantsville, KY 40410

November 8, 2024

Hon. Allison Ball
Auditor of Public Accounts
209 St. Clair St
Frankfort, Ky 40604-1817

Re: Examination of Certain Financial Operations and Internal Policies & Controls of Camp Dick Fire & Rescue

Honorable Allison Ball,

On behalf of the Camp Dick Fire & Rescue please accept this letter in response to your "Examination of Certain Financial Operations and Internal Policies & Controls of Camp Dick Fire & Rescue." The draft was received October 30, 2024, and our response is due before Thursday, November 14, 2024.

We wish to express our appreciation for the hard work and professionalism of your staff concerning their comprehensive review of financial operations and internal control. Your draft report, which found no misappropriation of funds, sets forth various recommendations for procedural improvement. These recommendations have been reviewed and discussed with the Board of Trustees on Thursday, November 7, 2024. Some procedural recommendations discussed in the draft received changes or new policies created prior to receiving your report. We will be working diligently to address all issues discussed in your report. We will be preparing a thorough response to your final report addressing each of your recommendations. Our response to your final report will be provided sixty (60) days of the issuance of the final report.

Current changes:

QuickBooks has been put into use to limit mistakes and provide check and balances monthly. This will help with internal control.

Changes will be made to signatures on checks, the board is looking at designating 1 or 2 Board Members as signers. This will eliminate the individual issued the check not being a signer on his/her check.

*All reimbursement advances have been stopped prior to the final report being sent out. The advancements shown in report were reimbursed in December of that fiscal year, during the reimbursement period for the firefighters. Changes to the end of the year reimbursement has been changed to quarterly.

The firefighters have been advised to cash checks when receiving and not hold on to them. It only done for no reason except to save the money and not be spent by the member. The board will implement policy in the bylaws. Ladies Auxiliary works off fundraisers and donations only. Taxpayer dollars have not been used or put into that account.

*Detailed timesheets have been already put into use

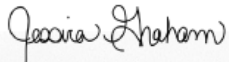
*The secretary is working with the Garrard Co Clerk, Kevin Montgomery in getting the deficient vehicle registrations corrected that used addresses of earlier chiefs and earlier secretaries. Anything purchased during the active administration is not deficient.

Again, allow all our fire department personnel to express our deepest gratitude for the efficient work you have performed. We are working hard to get these problems behind us and move forward as a fire district. I do understand the necessity of proper accountability of the taxpayer's money. They deserve to know and demand how the tax dollar is being spent, and for the purpose it was intended.

Sincerely,

Camp Dick Fire & Rescue Board of Trustees

Jessica Graham, Secretary/Treasurer



Tevis Graham, Chief





P.O. Box 16 Bryantsville, KY 40410

January 5, 2025

Hon. Allision Ball
Auditor of Public Accounts
209 St. Clair St
Frankfort, Ky 40604-1817

Re: Examination of Certain Financial Operation and Internal Policies and Controls

Hon. Allison Ball,

Please accept this letter as our corrective action plan in response to your office's special examination audit.

It has been a pleasure working with your staff. They provided us with professional and respectful service.

CDFD Leadership Structure: Administrative assistant not listed in the CDFD positions and duties section in the By-Laws
Corrective Action: Section 2.1 has been updated to address the position of Administrative Assistant.

Updated as follows

2.1 Duties of all Officers

Administration Assistant:

- a. Prepares statistical information of department records including but not limiting to fire attendance records, personnel records, and training records
- b. prepare new hire forms and letters
- c. computer database updates
- d. creates employee file
- e. Meeting recorder (ISO Audits, monthly reports to NIFRS)
- f. control over social media accounts for fire department
- g. runs ads in local newspaper
- h. updates policies/procedures

Finding 1: Improper Board Seating

*No evidence to support that elections to be held during the examination period for the two firefighter positions on the Board were held in accordance with KRS 75.031

*Could not provide written evidence, such as notification letters, to support the appointments

* No evidence that elected Board member terms were staggered

Recommendations: CDFR comply with KRS 75.031 when configuring its board.

Corrective Action: CDFR will add KRS 75.031(2) into the new by-laws, which requires board member elections to be held annually on the fourth Saturday of June from 11 a.m. to 2 p.m. at the fire station and KRS 424.120 that outlines additional requirements for these elections, including advertisement and notification methods. CDFR created an election application and election ballot for the firefighter and property owner elections to have more documentation to support the assertion. CDFR also began sending recommendation letters for appointed board members to the newly elected county judge executive via email to have documentation to support the referral of position. CDFR will publicize the seat up for election each year via local newspaper and/or our social media page for public awareness.

CDFR worked through the current board members to update our board member list and terms Firefighter 4 years, Property owner 4 years, appointed by County Judge Executive 3 years

Current Board Members Began in 2023

Elected: Wayne Ray began term in 2023 expires in 2027

Tim Scott began term in 2021 expires in 2025

Appointed: Sammy Marsee began term in 2022 expires in 2025

Chris Shelley began term in 2023 expires in 2026

Greg Hensley began term in 2024 expires in 2027

Firefighters: Jessica Graham began term in 2024, expires in 2028

Daniel Vinson began term in 2023 expires in 2025

Finding 2: Fails to Comply with Kentucky's Open Meetings Law-

* No closed sessions were entered via motion, and regular board meeting minutes document only two instances in which the Board went into an executive session during a regular board meeting.

* Failure to properly notify the public of meetings

Recommendations: CDFR comply with Kentucky's Open Meetings Act by taking the following actions:

- Properly and formally notifying the public of CDFR Board meetings.
- Giving notice in a regular open meeting of the general nature of the business to be discussed in the closed session, the reason for the closed session, and the specific provision of KRS 61.810 authorizing the closed session.
- Only holding a closed session after a motion is made and carried by a majority vote in an open, public session.
- Not discussing any matter in a closed session other than those publicly announced prior to convening the closed session.
- Not taking final actions while in a closed session.
- Ensuring the Board's meeting minutes adequately reflect, in detail, all official Board actions.
- Require Board members and department officers to attend training on Kentucky's Open Meetings Act.

Corrective Action: CDFR plans to follow KRS 61.820(2), the schedule of regular meetings for public agencies must be made publicly available. CDFR now publishes the advertisement of meetings on the fire department social media account and post on the front door of the fire station. Also, each year a yearly schedule will be run in the local newspaper. A copy of Roberts Rules of Order has been ordered and will be available if an issue/question arises.

CDFR plans to abide by the Kentucky Open Meetings Act and KRS 61.815. We acknowledge the procedure on entering and exiting a closed session and now are aware no final decisions will be made in a closed session or that are not publicly announced.

Both will be added to the By-laws as future reference

Finding 3: CDFR Lacks a Code of Ethics

Recommendation: CDFR formally approve and implement Garrard County's Code of Ethics (or a more stringent version thereof) in accordance with state statute. The Code of Ethics should be distributed to all CDFR personnel and board members. In addition, we recommend requiring ethics training for all CDFR personnel and board members

Corrective Plan: CDFR has received a copy of our County Fiscal Court Code of Ethics and plans to adopt it as the CDFR Code of Ethics the board has begun finalizing. The final copy will be kept on hand in the office if needed for future reference and each member and personnel will be made aware of the final report.

Finding 4: Lacks Accurate and Complete Board Minutes-(23) of the 24 Board meeting minutes indicate matters were brought before the Board and motions made. However, there is no documentation of the outcome from the motions and failure to record the outcome of votes

Recommendation: The Board properly document the outcome of all official motions and votes in official board minutes as required by statute.

Corrective Action: CDFR is now more aware of the KRS 61.835, where we must document the outcome of all official motions and votes in official board minutes as required by statute. This procedure began immediately at the regular meetings.

Finding 5: Lacks Written Procurement Policies and Procedures

* Guidance procedure in the CDFD Manual is too limited to serve as a procurement policy

* The Secretary/Treasurer/Administrative Assistant handles all financial activities without guidance and without any supervisory review from the Board

Recommendation: CDFR develops, approve, and adhere to formal written procurement policies and procedures. At a minimum, such standards should require:

- Expenditure documentation with details regarding the purpose of the expense, the date of expense, and supervisory approval.
- Sufficient maintenance of detailed invoices and receipts for all goods and services purchased by CDFR.
- Clearly defined roles and responsibilities of the Board and employees in the procurement process, especially regarding the approval, recording, and monitoring of expenditures (e.g., vendor payments).
- Identification of the types of expenditures that are unallowable via the use of public funds.
- Ensure all purchases are reasonable in amount, beneficial to the public, and not predominantly personal. If a bereavement gift or other personal expense is desired, personal funds should be used to cover the expense.

We also recommend CDFR personnel with any level of procurement authority periodically receive formal procurement training.

Corrective Action: CDFD's current procedure is that the board approves all purchases at monthly board meetings prior to being made unless they are monthly bills such as utilities. The board receives monthly expenditure documentation with details regarding the purpose of expenses and the date of expenses. The board has set a \$3000.00 emergency amount that can be utilized by the fire chief for operations, maintenance, and emergencies. The emergency procedure and amount as been added to the updated in the By-laws.

The board also acknowledges the recommended formal procurement training for personnel and has begun looking into the classes to take. Documentation will be added to the board members' file who completes the trainings.

Finding 6: Lacks Segregation of Duties

*With little to no oversight by the Board, the Secretary/Treasurer/Administrative Assistant is the only employee assigned to handle all accounting duties of CDFR, including accounts payable, accounts receivable, and procurement

* CDFD Public Accountant recommended the Board be regularly involved in CDFR's financial review process Management did not respond to the recommendation of regular Board involvement as a cost-effective alternative.

Recommendation: CDFR ensure proper segregation of duties by implementing greater oversight of and accountability for fiscal operations. Duties that should be segregated among employees and reviewed by the Board include, but are not limited to, writing checks, recording transactions in the accounting ledger or system, making deposits, and reconciling accounts to bank records. Additional controls over the disbursement process should also be considered (e.g., requiring a review of supporting documentation as well as two signatures before the disbursement of funds, with one of the signatures being that of a Board member).

Corrective Action: The CDFR Board is consistently involved in oversight of accounting duties and is regularly reviewed during every meeting. For instance, QuickBooks has been purchased and will help with reconciling accounts to bank records and compiling a monthly report of all expenses for the board to view at the regular monthly meeting.

Finding 7: Lacks Adequate Control Over Expenditures

*Eight General Fund expenditures appear either personal in nature, unreasonable in amount, or not beneficial to the public. Taxpayer funds were also spent on a bereavement gift.

*CDFR paid \$450 in sales tax despite having tax-exempt status.

*CDFR incurred and paid a late fee of \$1,000.

*Two Ladies Auxiliary Account expenditures were reimbursed by the General Fund, one of which was for Christmas gifts for firefighters in December 2023.

*All ten of the Ladies Auxiliary Account expenditures tested appear to be either personal in nature, unreasonable in amount, or not beneficial to the public. Examples are lunches, Christmas dinners and gifts, and bereavement gifts.

*The Ladies Auxiliary Account paid \$20 in sales tax despite having tax-exempt status.

Recommendation: CDFR work with the Kentucky Fire Commission to obtain written guidance on allowable and unallowable expenditures. Until such guidance is provided, we recommend CDFR adhere to FAP 120-23-00 and other fiscal guidance by the Kentucky Fire Commission regarding expenditures.

Corrective Action: CDFR acknowledges FAP 120-23-00 and plans to follow the recommendation. The CDFR Ladies Auxiliary account is funded by donations or fundraisers, not taxpayers' funds. This account will be utilized in the future for items for firefighter dinners, bereavement gifts, and etc.

CDFD has updated their info with the Ky Department of Revenue. The new tax exemption form has been added to several merchants where the CDFR and/or CDFR Ladies Auxiliary account may have paid sales tax. We are currently distributing the new form to current businesses we use for sales or services.

Finding 8: Concerning Payroll Practices

* Does Not Issue W-2s or 1099s in Accordance with Federal and State Laws

* Employees Are Not Paid in Accordance with the Kentucky Constitution- CDFR employees were routinely paid before the end of the pay period and therefore before services were fully performed.

* Public Funds Were Improperly Utilized for Employee Bonuses

* Employees Were Paid Without Documentation of Time Worked

* Individuals Sign Their Own Paychecks - Chief and the Secretary/Treasurer/Administrative Assistant were seen as check signers for most checks during the examination period, including for their own paychecks.

Recommendations: CDFR issue 1099s and W-2s to all contractors and personnel, respectively.

CDFR discontinue the issuance of paychecks before the end of the pay period (i.e., advances) given the unconstitutionality of the current practice

CDFR cease using public funds to award bonuses (regardless of its form) to comply with statutory law and the Kentucky Constitution.

CDFR require employees to complete a timesheet for all duties performed. Timesheets should be detailed, including the date, hours worked, and duties performed

CDFR strengthen its internal controls by designating a Board Member as a required signatory for all checks, not just as an authorized signer. We also recommend that the individual issued the check not be a signer on the check.

CDFR conduct monthly payroll and other bank account reconciliations, which should be made available at the Board's monthly meetings. Board Members should review the monthly payroll and other bank account reconciliations for irregularities

Corrective Action: CDFR acknowledges the recommendations and will issue 1099s and/or W-2s to all contractors and personnel via QuickBooks. W-9 will be required before payment to any contractor.

Any distribution of firefighter's pay is now being done quarterly which will be tracked by the board.

Personnel are implementing detailed timesheets for all duties performed detailed,

Procurement/Payroll Policies will be added to the SOP's and a board member to the checking account as a signer for financial oversight. The board plans to implement in their bylaws that the payee will not be the signer of their own check.

Finding 9: Vehicle Registrations Are Deficient

Five different addresses associated with 18 out of the 19 vehicles that are registered with the Garrard County Clerk. Two of the five addresses were unrelated to the fire department and others associated with a former Chief and a former Secretary/Treasurer on seven of the 18 vehicles.

Recommendation: CDFR ensure that all fire engines, tankers, trucks, off-road vehicles, utility trailers, boats, and boat utility trailers are properly registered with the Garrard County Clerk. We also recommend CDFR update the vehicle addresses with the Garrard County Clerk to ensure all vehicles owned by CDFR are properly registered with the correct address.

Corrective

Action: All addresses and FDID numbers have been corrected on every apparatus owned by CDFR via the Garrard Co Clerks Office as of 1/2/2025.

Observation 1: The Board Lacks Sufficient Bylaws

Recommendation: Board review and revise the Board bylaws to include all relevant information. Once completed, the bylaws should be formally approved by the Board and distributed to all CDFR personnel.

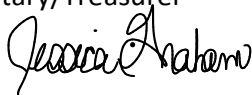
Corrective Action: The Board is adopting a code of ethics that includes standards of conduct for its Board members, officers, and personnel. The new by-laws will include the requirement to sign a form saying that the personnel have received and understand the code of ethics. The code will include statements about moral and ethical standards, confidentiality, conflicts of interest, nepotism, gifts, honoraria, and assistance with applicable audits and investigations.

Observation 2: Checks Taking 60 Days or Longer to Clear the Bank

Recommendation: CDFR encourage recipients of checks to cash them in a prompt and reasonable manner. In addition, we recommend the Board consider implementing procedures to void checks not cashed within 60 days

Corrective Action: The new CDFR By-Laws will include a 60-day time limit on check cashing.

Jessica Graham, Secretary/Treasurer



Tevis Graham, Chief.

