

## KENTUCKY FIRE COMMISSION INTERNAL AUDIT PROCEDURES

AS REFERENCED IN 95A.055 AND 739 KAR 2:14

1. Review minutes of the meetings of the Fire Departments governing body. Determine:
  - a. The governing body met on a routine and consistent basis, and in compliance with the Fire Department's articles of incorporation, by-laws, or local ordinance.
  - b. Minutes were sufficient in detail to identify debt approved during the year, expenditure approvals, and salary adjustment approvals, and any other information significant to the governance and operations of the Fire Department.
  
2. Check Fire Commission records for Financial Disclosure Reporting compliance and act on any Non-Compliance issues received from the Department for Local Government. Review budgets and financial expenditure information that are designed to ensure that all public funds received by the fire districts are being responsibly used.
  
3. For the Fire Department bank account(s), review a sample of bank statements for 4 months during the engagement period, one of which should be the last month of the Fire Department's fiscal year. Determine the following:
  - a. Bank reconciliations were performed for each month selected. Determine that bank reconciliations are mathematically correct.
  - b. Transfers to/from the bank account(s) were appropriately recorded in the Fire Departments accounting ledgers and trace to sufficient supporting documents.
  
4. Using the 4 bank statements selected in Procedure 3 above, scan checks to:
  - a. Identify any checks made payable to a Fire Department employee or member of a governing body. For any checks written to such individuals other than routine payroll payments, trace to supporting documentation to determine that payment was for a legitimate business purpose, was authorized, properly recorded in the Fire Departments disbursements ledger, and was in line with governing body policies.
  - b. Identify /scan for checks made out to unusual vendors as well and get supporting documentation to see if it's a valid disbursement.



5. From the disbursement's ledger:
  - a. Select for further review any single payment exceeding \$2000.00 and a sample of ~~up to 5~~ additional expenditures. Trace payments to supporting documentation to determine that the payment was for a legitimate business purpose, was authorized, properly recorded in the Fire Departments disbursement ledger, and was in line with governing body procurement procedures.
  
6. Obtain any contracts or loans related to all debt and financing arrangements related to the Fire Department. Determine:
  - a. Debt/financing was approved by the governing body.
  - b. The Fire Department is current in its debt service/financing payments.
  
7. Obtain a list of any paid and / or Incentive receiving employees of the Fire Department. Select a sample of up to 5 employees, one of which should be the agency head, and test the following:
  - a. If an employee is on contract, review the contract to determine it is up-to-date and that payments/benefits paid to the employee during the year were in line with contractual requirements.
  - b. For noncontract employees, sample e 4 pay periods to ensure the employee was paid the appropriate pay rate, overtime rate, timesheets were reviewed and approved by a supervisor, and any salary adjustments made during the year were approved by the governing body and appropriately documented in the employee file.
  
8. Per 95A.055 (5), The commission shall ensure that every fire district or nonprofit fire departments shall at least once every twelve (12) months be subject to a financial review that shall include procedures developed by the commission and approved by the Auditor of Public Accounts in advance. Subsequent changes to these procedures shall also be approved by the Auditor of Public Accounts prior to the period in which they are performed.

