



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Jim Standerford, President
Richardson County Agricultural Society
718 Grand Avenue
Humboldt, NE 68376

Dear Mr. Standerford:

As you may know, the Nebraska Auditor of Public Accounts (APA) received certain financial concerns regarding the Richardson County Agricultural Society (Society), specifically related to the collection of rental fees. In response, the APA began limited preliminary planning work to determine if a full financial audit or attestation would be warranted. Pursuant thereto, the APA requested from the Society pertinent financial information.

Based upon a review of the information provided, the APA has determined that a separate financial audit or attestation of the Society is unnecessary at this time. Nevertheless, during the course of the preliminary planning work, we noted certain issues that merit corrective action, as presented below.

Background

The Society is a duly organized non-profit corporation in the State of Nebraska. Its purpose is to operate the Richardson County Fair. The Society must abide by the provisions of the County Agricultural Society Act (Act), which is found at Neb. Rev. Stat. §§ 2-250 to 2-273 (Reissue 2012, Cum. Supp. 2018).

In addition, the Society is subject to the following statutory requirements: the Nebraska Budget Act, found at Neb. Rev. Stat. §§ 13-501 to 13-513 (Reissue 2012, Cum. Supp. 2018); the Open Meetings Act, set out at Neb. Rev. Stat. §§ 84-1407 to 84-1414 (Reissue 2014, Cum. Supp. 2018); and the Records Management Act, codified at Neb. Rev. Stat. §§ 84-1201 to 84-1227 (Reissue 2014, Cum. Supp. 2018).

Per Neb. Rev. Stat § 2-253 (Reissue 2012) of the Act, the Society must “hold an annual meeting open to all registered voters of the county for the purpose of electing a board of directors and conducting any other business of the county agricultural society.” The members of the Society’s current Board of Directors (Board) are listed below:

James Standerford, President
Joe Standerford, Secretary/Treasurer
John Cander
Joe Cook
Glenn Hayward

Alan King
Todd Mayer
Mark Uhri
Terry Way

Comments and Recommendations

1. Rental Fees and Procedures

The Society allows the rental of some of its facilities, as follows:

Ag Building: This structure can be rented for \$100 per day or \$125 per day if alcohol is present. Charges begin when the building key is obtained and continue until it is returned.

Powell Livestock Center: This is available for rent from October 1 to May 1 for individuals to store motor homes, campers, boats, trailers, etc. The fee is \$100 for one unit of the Center's cemented driveway for a term of six months. The rent for one unit on the north side of the driveway is \$25. The alley near the East Barn can also be rented for \$100. According to the Society, there were three continuous annual renters for this building: Alan King, Joe Standerford, and John Wilhelm.

Blue Building: There has been one continuous renter for a number of years who is charged \$250 per month. There is not a fee schedule for this building.

Using the Society's bank statements, the APA prepared the following list of rental deposits since July 2018:

Date	Payee	Amount	Reason
7/2/2018	Merv Stutheit	\$ 500.00	Merv June payment - 2 months
7/18/2018	Smith	\$ 350.00	Ag Building
7/18/2018	Bucher	\$ 100.00	Ag Building
7/18/2018	Bredimier	\$ 100.00	Ag Building
8/27/2018	Larry Stauffer	\$ 100.00	Ag Building
9/10/2018	Merv Stutheit	\$ 500.00	Blue Building
9/10/2018	John Wilhelm	\$ 200.00	Two trucks main alley of Powell Building
9/10/2018	Alan King	\$ 50.00	Truck and trailer north alley of Powell Building
9/26/2018	Richardson Co Ag Society	\$ 1,045.00	Premium Money for Fair Not Used
11/2/2018	Humboldt Chamber of Commerce	\$ 250.00	County Fair
11/7/2018	Merv Stutheit	\$ 500.00	Blue Building
11/19/2018	Samantha Platt	\$ 125.00	Ag Building
11/19/2018	Jana Koster	\$ 225.00	Ag Building
12/27/2018	Donna Bucher	\$ 100.00	Rent Ag Building
12/27/2018	Joe Standerford	\$ 100.00	Rent East Barn
2/26/2019	Merv Stutheit	\$ 750.00	Blue Building
3/20/2019	Merv Stutheit	\$ 250.00	Blue Building
3/20/2019	Junior Class	\$ 125.00	Ag Building 2-2-2019
3/20/2019	Boy Scouts	\$ 100.00	Ag Building 2-10-2019
4/9/2019	Merv Stutheit	\$ 250.00	Blue Building
6/21/2019	Merv Stutheit	\$ 500.00	Blue Building
6/21/2019	Jessica Dunlap	\$ 325.00	Ag Building 6-9-19 for 3 days
6/21/2019	John Cander	\$ 100.00	Ag Building 5-11-2019
Fiscal Year 2019 Rental Receipts		\$ 6,645.00	
7/30/2019	Merv Stutheit	\$ 250.00	Blue Building Rent
8/29/2019	Merv Stutheit	\$ 250.00	Blue Building Rent
9/10/2019	Merv Stutheit	\$ 250.00	Blue Building
9/10/2019	Lewis	\$ 225.00	Ag Building
9/20/2019	Richardson Co Ag Society	\$ 1,945.00	Premium Money for Fair Not Used
July 2018 to September 2019 Rental Receipts		\$ 9,565.00	

The APA also obtained copies of the Society’s monthly rental calendars used to track activities and rental of the Ag Building. The APA noted the following concerns:

- The Society lacked formal, written policies to govern the rental of its facilities. For example, the Society allowed certain groups or individuals to use its facilities free of charge. These groups and individuals were not specifically designated or otherwise approved, however, in any official directive.

The following is a partial list of individuals who were not required to pay for the use of the Ag Building:

Date	Group or Individual
8/7/2018	Case IH
9/8/2018	Eric Frederic
10/11/2018	Cancer Garden
10/14/2018	Unknown
12/8/2018	Kelsey Schuetz
3/10/2019	FFA
5/4/2019	Jeff Fankhauser
5/16/2019	Flower Show
6/19/2019	Bloodmobile
8/26/2019	FSH

Additionally, the APA noted instances of the Society’s other facilities being used by various groups or for certain activities free of charge. Among the gratis recipient activities were various shooting sports, BB gun and archery activities, and activities of the rural fire district.

- As noted above, the Powell Livestock Center may be used for storage during certain times of the year. The Board lacked a method for accurately tracking those who rent its facilities to ensure that proper rental payments are received. In fact, the Board failed to maintain even a simple listing of such individuals or a calendar of when their payments were due.
- The Society lacked procedures for ensuring that all rental fees collected for the Society were recorded and deposited properly. One Board member collected the rental fees but did not record those proceeds or provide receipts for them to the renters. Rather, that Board member simply kept the undocumented funds, waiting until the next Board meeting to deliver them informally to the Secretary/Treasurer for deposit.
- The Society lacked formal, written agreements that clearly identified all terms and conditions for the rental of its properties.

The Society provided an unsigned copy of its “Constitution and Bylaws.” Article III, Section 5, of that document requires the Treasurer to “receive all money from all sources belonging to the Society.” However, neither that document nor any other promulgated by the Society provides any guidance pertaining to the rental of its facilities.

Without adequate written policies governing the rental of the Society’s facilities – including procedures to ensure that proper documentation exists to support rental amounts due from all renters, and all rental fees collected for the Society are recorded and deposited properly – there is an increased risk for loss or misuse of funds.

Additionally, a lack of written agreements specifying the terms and conditions for renting the Society's properties not only heightens the risk for loss or misuse of funds but also exposes the Society to possible litigation arising from such informal rental arrangements.

We recommend the Board implement procedures to ensure the following:

- The Board adopts formal, written policies for the rental of its facilities. Such policies should specify the various rental rates as well as those individuals or groups excluded from the payment thereof. Additionally, the policies should be approved annually so that documentation of their current status is readily available.
- Records are maintained to ensure the receipt of all rental payments. At a minimum, such records should include the name of the renter, the rental dates, the facility rented, and the amount and date of payment.
- All rent proceeds are deposited promptly and compared to the receipt records described above.
- Written rental agreements are implemented to specify all terms and conditions for use of the Society's properties.

2. Inadequate Records for Cash Premium Payments

Once each year prior to the start of the Richardson County Fair, the Society withdraws funds from its bank account to be used for both cash premium payments at its livestock shows and cash awards of less than \$5 in the Ag Building. The Society failed to document the recipients of the cash payments.

On September 11, 2018, the Society cashed a check at the bank for \$2,600, returning \$1,045 on September 26, 2018. There was no documentation to support the disposition of the \$1,555 difference, which was presumably awarded as cash premium payments and other cash awards.

Similarly, on September 10, 2019, the Society wrote a check in the name of its Treasurer for \$3,300, returning \$1,945 on September 20, 2019. Again, the Society failed to document the disposition of the \$1,355 difference, which was also presumably awarded as cash premium payments and other cash awards.

Article III, Section 5, of the Society's unsigned "Constitution and Bylaws" requires the Treasurer to "keep regular books of account, and balance and submit the same with proper documentation at least thirty (30) days prior to the annual meeting of the Society to the auditing committee."

Good internal control requires procedures to ensure that the Society keeps an adequate account of its financial activity, as required by the unsigned "Constitution and Bylaws." Those procedures should be sufficient to safeguard and document properly the Society's assets, especially when cash disbursements are involved.

Without such procedures, there is an increased risk for loss or misuse of Society assets – particularly cash, given its susceptibility to theft.

We recommend the implementation of procedures to ensure the Society keeps an adequate account of its financial activity. In particular, such procedures should provide for the proper documentation of all cash premium payments and other cash awards, specifying not only the amount and date of each such disbursement but also the recipient thereof.

3. Open Meetings Act Requirements

As noted in the Background section (pg. 1) herein, the Society is subject to the Open Meetings Act (OM Act). Neb. Rev. Stat. § 2-261(1) (Reissue 2012) states, in relevant part, “County agricultural societies shall comply with the Open Meetings Act”

Nevertheless, the APA found that the Society’s meeting minutes have failed to comply with certain requirements of the OM Act.

Typical of the Society’s meeting minutes are those for September 2019, which are copied below:

SEPTEMBER 9, 2019
SPECIAL BUDGET HEARING

A SPECIAL BUDGET HEARING WAS OPENED BY PRESIDENT JIM STANDERFORD, AT 8:00 PM, SEPTEMBER 9, 2019. BOARD MEMBERS PRESENT WERE: JIM STANDERFORD, ALAN KING, TERRY WAY, JOE STANDERFORD, JOE COOK, JOHN CANDER, TODD MAYER. MEMBERS ABSENT WERE: GLENN HAYWARD, MARK UHRI. ALSO IN ATTENDANCE WERE: JEANNE STANDERFORD AND BETTY DELVILLAR. ALL PUBLIC COMMENTS PRESENTED WERE ADDRESSED AND QUESTIONS ANSWERED. THE PRESIDENT MOVED TO CLOSE THE HEARING AT 8:30 AND JOHN SECONDED THE MOTION. ALL MEMBERS PRESENT VOTED AYE.

SEPTEMBER 9, 2019
REGULAR MEETING

SEPTEMBER REGULAR MEETING OF THE RICHARDSON COUNTY AG SOCIETY WAS CALLED TO ORDER AT 8:30, BY PRESIDENT JIM STANDERFORD. PRESENT: JIM STANDERFORD, ALAN KING, TERRY WAY, JOE STANDERFORD, JOE COOK, JOHN CANDER, TODD MAYER. ABSENT: MARK UHRI AND GLENN HAYWARD. ALSO PRESENT WERE JEANNE STANDERFORD AND BETTY DELVILLAR.

MINUTES OF THE AUGUST MEETING WERE READ AND APPROVED.

TREASURER’S REPORT WAS PRESENTED AND QUESTIONS ANSWERED. JOE COOK MOVED AND JOHN SECONDED A MOTION TO APPROVE THE REPORT. MOTION PASSED

A REPORT WAS GIVEN ON GLENN AND JUNE HAYWARD. THEY WERE IN AN AUTO ACCIDENT ON SUNDAY AND ARE BOTH IN THE HOSPITAL AT PRESENT. THEY SHOULD BOTH BE RELEASED THIS WEEK, BUT THEIR HELP WILL BE MISSED DURING THE RICHARDSON COUNTY FREE FAIR THIS WEEK. ANY MEMBERS FINDING TIME ON THEIR HANDS ARE ASKED TO COME IN AND SEE IF SOME HELP IN THE AG BUILDING IS NEEDED. A SCHEDULE WAS HANDED OUT FOR THE SHIFTS TO DRIVE THE SHUTTLE AND OVER SEE THE AG BUILDING. UPCOMING EVENTS DURING THE FAIR WERE DISCUSSED.

BOOKINGS FOR THE AG BUILDING WERE GIVEN.

JOE STANDERFORD MOVED AND JOHN SECONDED THE MOTION TO ADJOURN AT 9:15. MOTION PASSED.

JOE STANDERFORD SEC.

Neb. Rev. Stat § 84-1413(1) (Cum. Supp. 2018) of the OM Act requires the meeting minutes of a public body to contain specific information, as follows:

Each public body shall keep minutes of all meetings showing the time, place, members present and absent, and the substance of all matters discussed.

(Emphasis added.) Additionally, subsection (2) of that same statute requires any action taken during a meeting of a public body to be recorded in the following manner:

Any action taken on any question or motion duly moved and seconded shall be by roll call vote of the public body in open session, and the record shall state how each member voted or if the member was absent or not voting.

(Emphasis added.) As illustrated by the sample meeting minutes copied above, the Society does not always record the “substance of all matters discussed.” Oftentimes, the Society indicates simply that a discussion took place without providing any details regarding the specifics of that particular deliberation.

Furthermore, as also reflected in the above example, the Society’s meeting minutes do not always record how each member voted on a given motion.

It should be noted also that the Neb. Rev. Stat. § 84-1412(8) (Reissue 2014) of the OM Act provides, in relevant part, the following:

Public bodies shall make available at least one current copy of the Open Meetings Act posted in the meeting room at a location accessible to members of the public. At the beginning of the meeting, the public shall be informed about the location of the posted information.

(Emphasis added.) As shown in the above example of the Society’s meeting minutes, no notice appears to have been given of a copy of the OM Act being posted in the meeting room. Per § 84-1413(1), any such notification should have been recorded in the meeting minutes.

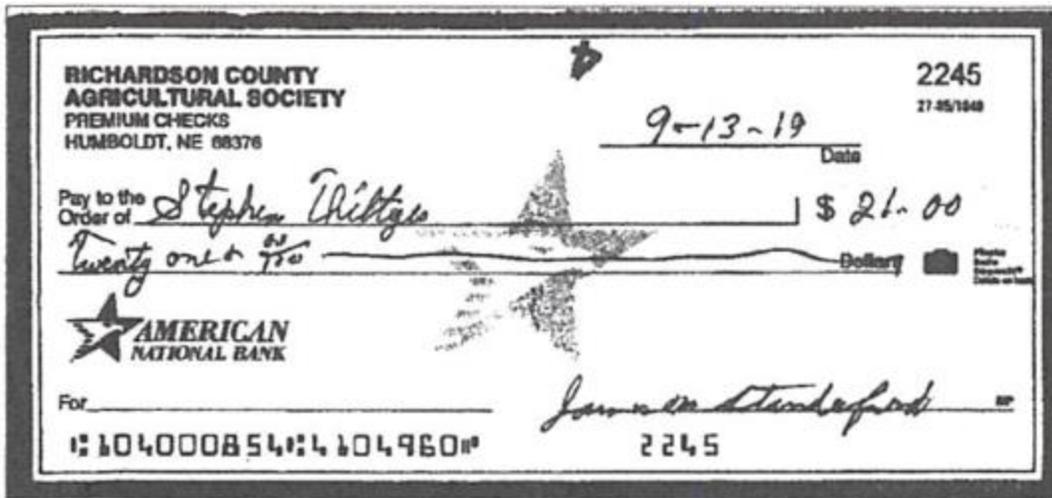
Neb. Rev. Stat. § 84-1414(2) (Reissue 2014) says, “The Attorney General and the county attorney of the county in which the public body ordinarily meets shall enforce the Open Meetings Act.”

Without procedures to ensure compliance with all provisions of the OM Act, there is an increased risk of violating State law.

We recommend the Society implement procedures to ensure compliance with all provisions of the OM Act. Because this comment addresses apparent violations of the OM Act, we are forwarding the information herein to the Nebraska Attorney General and the Richardson County Attorney for further review.

4. Checks Signed by One Individual

The APA found that annual checks written for the premium payments at its livestock shows are signed only by the Board President, as shown in the example below:



The premium checks contain a different number sequence than regular Society checks.

Article III, Section 5, of the Society's unsigned "Constitution and Bylaws" specifies the method for signing checks, as follows:

Any and all checks or drafts of the Society shall require both the signature of the president and the signature of the treasurer.

Without procedures to ensure that the President and the Treasurer sign all Society checks, there is an increased risk for not only noncompliance with the governing provision of the unsigned "Constitution and Bylaws" but also loss or misuse of funds.

We recommend the Society implement procedures to ensure all checks or drafts drawn on the Society's account are signed by the President and Treasurer, as required in its unsigned "Constitution and Bylaws."

5. Unsigned Constitution and Bylaws

As noted throughout this letter, the Society provided an unsigned copy of its "Constitution and Bylaws." Therefore, the APA is unable to determine the effective date or validity of that document.

Good internal control requires procedures to ensure that the Society's "Constitution and Bylaws" is properly signed to indicate its formal adoption and validity.

Without such procedures, the legitimacy of the Society's unsigned "Constitution and Bylaws" is subject to speculation.

We recommend the implementation of procedures to ensure that the Society's "Constitution and Bylaws" is properly signed, indicating its formal adoption and validity.

The preliminary planning work that resulted in this letter was designed primarily on a test basis and, therefore, may not bring to light all existing weaknesses in the Society's policies or procedures.

Draft copies of this letter were furnished to the Society to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. The Society declined to respond.

If you have any questions regarding the above information, please contact our office.

Sincerely,

A handwritten signature in cursive script that reads "Mary Avery".

Mary Avery
Special Audits and Finance Manager
Phone: (402) 471-3686
mary.avery@nebraska.gov

cc: Doug Peterson, Nebraska Attorney General
Douglas E. Merz, Richardson County Attorney