



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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December 14, 2020

Steve Rohde, Chairperson  
Randolph Rural Fire District  
PO Box 458  
Randolph, NE 68771

Dear Chairperson Rohde:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Randolph Rural Fire District (District) for the fiscal year ending 2020. **That request has been approved.**

While performing, pursuant to Neb. Rev. Stat. § 84-304 (2020 Neb. Laws, LB 781, § 8), the preliminary examination necessary to determine whether further audit work would be required or the audit waiver should be allowed, the APA noted certain internal control or compliance matters, or other operational issues, within the District.

The following information is intended to improve internal controls or result in other operational efficiencies.

## Comments and Recommendations

### **1. Payments Not Approved**

The APA obtained a copy of the September 16, 2019, meeting minutes for the Board of Directors (Board) of the District. Those minutes fail to reflect the Board's approval of any District expenditures.

Per Neb. Rev. Stat. § 35-508(4) (Reissue 2016), Boards have the exclusive power to "manage and conduct the business affairs of the district." Accordingly, any expenditure of District funds requires express Board authorization.

Additionally, Neb. Rev. Stat. § 35-511 (Reissue 2016) provides, in relevant part, the following:

*All donations, contributions, bequests, annuities, or borrowed money received by or on behalf of the district shall be deposited with the secretary-treasurer of the district and shall be drawn out only upon proper check. Such check shall be authorized by the board of directors and shall bear the signature of the secretary-treasurer and the countersignature of the president of such district.*

(Emphasis added.) Properly discharging the above statutory duties necessarily entails proper financial management, which calls for the Board's approval of all expenditures prior to, or as soon thereafter as possible, the actual disbursement of District funds.

As a public body, moreover, the Board is subject to the provisions of the Open Meetings Act, which is set out at Neb. Rev. Stat. § 84-1407 (Reissue 2014) et seq. In particular, Neb. Rev. Stat. § 84-1413(1) (Cum. Supp. 2018) requires public bodies, including Boards, to "keep minutes of all meetings," showing, among other things, "the substance of all matters discussed."

Furthermore, a good internal control plan and sound business practices require procedures to ensure that the Board approves, in a timely fashion, all expenditures and business transactions of the District. Those same procedures should ensure also that the Board documents such approval in its meeting minutes, specifying the name of each payee, the exact amount of any disbursement, and the specific purpose of the payment.

Without such procedures, there is an increased risk for not only failure to comply with State statute but also loss or misuse of public funds.

We recommend the implementation of procedures to ensure the Board approves, in a timely fashion, all expenditures of District funds, and such approval is documented adequately in the Board's meeting minutes.

## **2. Expenditures in Excess of Budget**

For the fiscal year ended June 30, 2020, actual expenditures exceeded the adopted budget by \$303,787. No amendment was filed with our office for these additional expenditures.

Neb. Rev. Stat. § 13-510 (Reissue 2012) states, in relevant part:

*No expenditure during any fiscal year or biennial period shall be made in excess of the amounts indicated in the adopted budget statement, except as authorized in section 13-511, or by state law. Any officer or officers of any governing body who obligates funds contrary to the provisions of this section shall be guilty of a Class V misdemeanor.*

Neb. Rev. Stat. § 13-511 (Cum. Supp. 2018) sets out the procedures for amending the adopted budget accordingly.

When expenditures are made in excess of the amounts budgeted with no appropriation adjustments by the Board to address those excesses, the District is noncompliant with State statute, further increasing the risk for loss and/or misuse of funds.

We recommend the Board implement procedures to monitor closely its budget status on an ongoing basis to avoid incurring expenditures in excess of the amount budgeted, and amend the budget as necessary.

## **4. Alcohol Purchase**

During review of the District's bank statements for fiscal year 2020, we observed one check written to Drunken Moose, totaling \$404. We obtained copies of the Drunken Moose receipts corresponding with this payment, which showed that the full \$404 was spend on various alcoholic beverages, as shown below.

958939

Invoice		SHIP TO	
SOLD TO Rural Fire Dept		ADDRESS	
ADDRESS #1 invoice		CITY, STATE, ZIP	
CUSTOMER ORDER NO.	SOLD BY Drunken Moose	TERMS	F.O.B.
			DATE 9-9-19

ORDERED	SHIPPED	DESCRIPTION	PRICE	UNIT	AMOUNT
	2 cases	Bud			48.00
	3	Budlight			72.00
	1 1/2	Buschlight			34.00
	1	Millerlite			24.00
	1	Cors Light			24.00
	12 pk	Palm Beverage/Truly			22.00
	12 pk	Busch NA			7.00
	1 1/2	Ultra			27.00
	2	Canadian Springs			26.00
	1	Vodka			12.00
	1	Peachtree			16.00
	1	Malibu			22.00


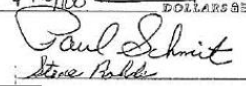
PD #1693  
9-26-19

958940

Invoice		SHIP TO	
SOLD TO Rural Fire Dept #2 invoice		ADDRESS	
ADDRESS		CITY, STATE, ZIP	
CUSTOMER ORDER NO.	SOLD BY Moose	TERMS	F.O.B.
			DATE 9-9-19

ORDERED	SHIPPED	DESCRIPTION	PRICE	UNIT	AMOUNT
	1	Cranberry			4.00
	3	Orange Juice			9.00
	1	Case pop			8.00
		Leads tonic/club			5.00
	5	Bags Ice			25.00
	1	Windsor			19.00
					<del>404.00</del>

Thank you!!  
Molly Webb

RANDOLPH RURAL FIRE PROTECTION DIST.		1693
RANDOLPH, NE 68771		9-26-2019 76-225/1041
Pay to the Order of Drunken Moose		\$ 404.00
Four hundred four & no/100		
 STATE Bank 8000 Pk. BERKLEY 68701 www.StateBank.com		 Paul Schmit Stone Falls
FOR App supplier		1693

10/09/2019 1693 \$404.00

The purchase of alcohol with public funds is prohibited by Neb. Rev. Stat. § 13-2203(2) (Supp. 2019), which permits the governing body of a local government to purchase, among other things, only nonalcoholic beverages.

We recommend the District implement procedures to ensure District funds are not expended for the purchase of alcoholic beverages.

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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 District's policies or procedures. Nevertheless, our objective is to use the knowledge gained during the performance of that preliminary planning work to make comments and suggestions that we hope will prove useful to the District.

This communication is intended solely for the information and use of the District and its management. It is not intended to be, and should not be, used by anyone other than those specified parties. However, this letter is a matter of public record, and its distribution is not limited.

If you have any questions, please contact **Dakota Christensen** at **402-499-8702** or **dakota.christensen@nebraska.gov**.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Avery", with a long horizontal flourish extending to the right.

Mark Avery, CPA  
Assistant Deputy Auditor