



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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December 21, 2020

Brad Jesch, Chairperson  
Stratton Ambulance & Fire Protection District  
309 Railway St.  
Stratton, NE 69043

Dear Chairperson Jesch:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Stratton Ambulance and Fire Protection 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. Unsupported Checks to Cash

During our review of bank statements for the District, the APA noted three checks, totaling \$1,985, which were written out to "Cash". Images of these checks are shown below.

4587 \$1,050.00 12/10/2019

5154 \$510.00 1/9/2020

4552 \$425.00 7/9/2019

Per the District Treasurer, one check was for bonuses and the other two were for individuals to have cash for meal costs and other incidentals while traveling to conferences. For all three checks, the District could not provide documentation showing that the cash went to the appropriate individuals for the purposes noted; therefore, the APA could not verify that the use of funds was proper and in compliance with State statutes governing the use of District funds.

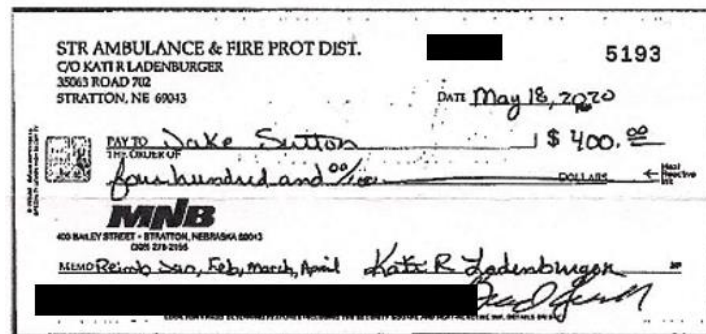
The Local Government Miscellaneous Expenditure Act, which is found at Neb. Rev. Stat. § 13-2201 (Reissue 2012) et seq., places strict parameters upon certain expenditures of public funds by local governments, including rural and suburban fire protection districts.

Good internal control and sound business practices require policies and procedures to ensure that all payments are adequately supported by documentation on file showing payments are reasonable and proper.

We recommend that the District implement policies and procedures to limit the number of checks written to “cash”, and if determined necessary, payments to “cash” are authorized by the Board and adequately reviewed, monitored, and supported with adequate documentation on file.

## **2. Monthly Stipends to District Members**

During review of the banks statements the APA noted four payments made during the year for “reimbursements” totaling \$1,400, an example of such checks is shown below.



Per the District Treasurer, these payments are made to District personnel on a monthly basis for work completed for the District; however, these payments are not for reimbursement of actual expenses but rather appear to be monthly stipends. The District Treasurer stated that there is no support received and maintained.

Good internal control and sound business practices require policies and procedures to ensure that all payments are supported adequately by documentation on file showing payments are reasonable and proper.

We recommend that the District set up a signed agreement with department members to dictate how much will be paid for each month, as well as the amount of work that is required each month to support the amount paid. We recommend the District have said members complete time sheets to show how much time is spent by the members on duty to support the amount of stipend being paid.

## **3. Payments Not Approved**

The APA obtained a copy of the March 3, 2020, 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.

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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, sweeping horizontal line extending to the right.

Mark Avery, CPA  
Assistant Deputy Auditor