



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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November 4, 2020

Ken Petersen, Chairperson
Carleton Rural Fire District 8
PO Box 202
Carleton, NE 68326

Dear Chairperson Petersen:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Carleton Rural Fire District 8 (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. Negative Bank Balance

During review of the bank statements obtained from the District's audit waiver request, it was noted that one of the District's checking accounts had a negative balance of \$3,419 on September 10, 2019.

Good internal control and sound business practices require procedures to ensure sufficient funds are available in the District's bank accounts to pay claims.

Without such procedures, there is an increased risk for not only the loss, misuse, or theft of District funds but also the accumulation of overdraft fees.

We recommend the District implement procedures to ensure sufficient funds are available in the District's bank accounts to pay the District's expenses.

2. Payments Not Approved

The APA obtained a copy of the September 9, 2019, meeting minutes for the Board of Directors (Board) of the District. At that meeting, the Board approved a Treasurer's Report for the period January 1, 2020, through September 8, 2020. However, the Treasurer's Report included only a summary of the expenses paid by the District by expense type, as shown below.

EXPENSES			
6010 Advertising	53.30	6092 Equipment	284.50
6020 Bank Charges and Fees	20.00	6093 Fire Trucks	1,084.44
Treasurer Bonding Fee	100.00	<hr/>	<hr/>
TOTAL 6020 Bank Charges and Fe...	120.00	TOTAL 6090 Repairs	2,089.32
6030 Fuel		6094 Building Repairs	450.00
6031 Diesel	103.93	6100 Supplies	
6032 Gasoline	228.60	6101 Ambulance	353.95
6033 Propane	680.03	6102 Fire Truck	528.69
<hr/>	<hr/>	TOTAL 6100 Supplies	882.64
TOTAL 6030 Fuel	1,012.56	6110 Utilities	
6040 Insurance	4,802.00	6112 Telephone	134.09
6080 Professional Services		<hr/>	<hr/>
6082 Legal	1,677.45	TOTAL 6110 Utilities	134.09
<hr/>	<hr/>	6113 Electricity	291.00
TOTAL 6080 Professional Services	1,677.45	6120 Equipment Purchases	2,243.38
6090 Repairs		6130 Misc. Expense	200.00
6091 Ambulance	720.38	6140 New Fire Hall	331,990.61
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		TOTAL EXPENSES	345,946.35

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 horizontal flourish extending to the right.

Mark Avery, CPA
Assistant Deputy Auditor