



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
auditors.nebraska.gov

December 22, 2021

Randy Royle, Chairperson
Algernon Township Custer County
PO Box 81
Mason City, NE 68855

Dear Chairperson Royle:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Algernon Township Custer County (Township) for the fiscal year ending 2021. **That request has been approved.**

As noted in **Comment and Recommendation Number 1** (“Budget and Audit Waiver Filing”) below, the Township’s budget document, which was also used as the fiscal year 2021 audit waiver request, was delinquent and incomplete. **To be considered for an audit waiver for the fiscal year ended June 30, 2022, the Township must ensure a complete and accurate budget and audit waiver request filing is submitted to our office. If similar issues, as noted below, in this letter still exist, the APA may deny the fiscal year ended June 30, 2022, audit waiver request.** The Township then will be required to have an audit conducted for fiscal year 2022, and that audit will be required to be filed with the APA by December 31, 2022. Costs of such audit will be the responsibility of the Township.

While performing, pursuant to Neb. Rev. Stat. § 84-304 (2021 Neb. Laws, LB 528, § 51), 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 Township.

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

Comments and Recommendations

1. Budget and Audit Waiver Filing

The Township’s 2021-2022 budget document, also used as the fiscal year 2021 audit waiver request, was filed with the APA on October 7, 2021. While the budget document was filed after the September 20th deadline set by the Nebraska Budget Act, it was also incomplete. The following items were either incomplete or not filed with the APA in the original submission, which required revisions or multiple request attempts by the APA.

- Total All Funds (page 2) contained errors and was incomplete.
- LID Supporting Schedule (page 4) was incomplete.
- LID Computation Form (page 5) was not submitted with original submission.
- Certification of Taxable Value for tax year 2021 from the County Assessor was not submitted with original submission.
- Meeting minutes documenting the Township Board’s approval of the budget document were not submitted.
- Copies of bank statements for all Township bank accounts were not submitted with the original submission.

Neb. Rev. Stat. § 13-504(1) (Cum. Supp. 2020) states, in relevant part, the following:

Each governing body shall annually or biennially, as the case may be, prepare a proposed budget statement on forms prescribed and furnished by the auditor. . . .

Neb. Rev. Stat. § 13-506(2) (2021 Neb. Laws, LB 528, § 4) states, in relevant part, the following:

Upon approval by the governing body, the budget shall be filed with the auditor. The auditor may review the budget for errors in mathematics, improper accounting, and noncompliance with the Nebraska Budget Act or sections 13-518 to 13-522. If the auditor detects such errors, he or she shall immediately notify the governing body of such errors. The governing body shall correct any such error as provided in section 13-511. . . .

Neb. Rev. Stat. § 13-508(1) (Cum. Supp. 2020) states, in relevant part, the following:

After publication and hearing thereon and within the time prescribed by law, each governing body shall file with and certify to the levying board or boards on or before September 20 of each year or September 20 of the final year of a biennial period and file with the auditor a copy of the adopted budget statement which complies with sections 13-518 to 13-522 or 79-1023 to 79-1030, together with the amount of the tax required to fund the adopted budget, setting out separately (a) the amount to be levied for the payment of principal or interest on bonds issued by the governing body and (b) the amount to be levied for all other purposes. Proof of publication shall be attached to the statements. . . .

Good internal control requires procedures to ensure that the forms and documentation required to be filed with the APA are complete, accurate, and submitted within the time constraints set out by State statute and by the APA. Without such procedures, there is an increased risk of not only noncompliance with State statute but also an increased chance of the Township's audit waiver being denied or forfeited funds due to noncompliance of such filings.

We recommend the Township implement procedures to ensure that the forms and documentation required to be filed with the APA are complete, accurate, and submitted within the time constraints set out by State statute and by the APA.

2. Notice of Budget Hearing and Budget Summary

During the review of the 2021-2022 budget document filed with our office, we noted the Affidavit of Publication submitted for the proof of publication for the notice of budget hearing and budget summary appears was not in compliance with State statute. A copy of the publication is shown below.

Algernon Township

**The Algernon Township
will hold a meeting on September 27, 2021 at 8:00 p.m. located at Cole Electric Company's office 524 Main St. Mason City, NE for budget approval.**

**Pub: September 23, 2021
ZNEZ**

The publication above appears to be a notice for the Township's regular meeting to approve the budget; however, no other proof of publication for the notice of budget hearing and budget summary was submitted.

Neb. Rev. Stat. § 13-506(1) (2021 Neb. Laws, LB 528, § 4) states, in relevant part, the following:

Each governing body shall each year or biennial period conduct a public hearing on its proposed budget statement. Such hearing shall be held separately from any regularly scheduled meeting of the governing body and shall not be limited by time. Notice of place and time of such hearing, together with a summary of the proposed budget statement, shall be published at least four calendar days prior to the date set for hearing in a newspaper of general circulation within the governing body's jurisdiction. For purposes of such notice, the four calendar days shall include the day of publication but not the day of hearing. When the total operating budget, not including reserves, does not exceed ten thousand dollars per year or twenty thousand dollars per biennial period, the proposed budget summary may be posted at the governing body's principal headquarters. . . .

(Emphasis added.) Good internal controls require procedures to ensure the Township’s publication of the notice of budget hearing and budget summary is in compliance with State statute. Without procedures, there is not only a risk of noncompliance with State statute but also an increased risk of lack of transparency of the budget of the Township.

We recommend the Township Board implement procedures to ensure the Township’s publication of the notice of budget hearing and budget summary is in compliance with State statute.

3. Audit Waiver Balance

The APA obtained the monthly statements for the Township’s bank accounts from its fiscal year 2021 audit waiver request. From those statements, the APA noted that the June 30, 2021, total bank balances (including the County Treasurer balance) did not reconcile to the ending book balance reported on the fiscal year 2021 audit waiver as of June 30, 2021. The bank balance (including the County Treasurer balance) was less than the balance on the audit waiver by \$723.37. The Township failed to provide a reconciliation as of June 30, 2021, or documentation to fully explain this variance.

The reconciliation performed by the APA is shown below.

Description	Balance/Amount
Total Bank Balance as of June 30, 2021	\$ 131,046.03
County Treasurer Balance as of June 30, 2021	\$ 627.26
Total Bank Balance + County Treasurer Balance	\$ 131,673.29
Less: CY O/S Checks	\$ (37,543.26)
Reconciled Bank Balance + County Treasurer Balance	\$ 94,130.03
Book Balance from 21-22 Budget (Page 2, Column 2, Line 30)	\$ 94,853.40
Variance	\$ (723.37)

Sound accounting practices and good internal controls require procedures to ensure the Township performs a periodic reconciliation between the bank and book balances. Furthermore, sound accounting practices and good internal controls require that balances reported on the audit waiver request are accurate.

Without such procedures, there is not only an increased risk of theft, loss, or misuse of Township funds, but also a lack of transparency of the financial position of the Township.

We recommend the Township review its records and determine if the book balance reported on its audit waiver request is accurate. If the Township determines the balance on the audit waiver is inaccurate, the balance should be corrected in a timely manner and revisions are submitted to the APA. Furthermore, we recommend the Township implement procedures to ensure a periodic reconciliation between the bank and book balances is performed, and any discrepancies are resolved in a timely manner.

4. Approved Claims Listing

The APA obtained a copy of the September 27, 2021, meeting minutes for the Township Board. Those minutes reflect the Board’s approval of Township expenditures; however, a listing of approved claims was not included.

Nebraska law requires the Township Board approve all claims. In particular, Neb. Rev. Stat. § 23-255 (Reissue 2012) states the following, in relevant part:

All claims and charges against the town, duly audited and allowed by the town board, shall be paid by order so drawn.

(Emphasis added.) Properly discharging the above statutory duties necessarily entails the Board’s approval of all expenditures of Township funds prior to the actual disbursement.

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. Per Neb. Rev. Stat. § 84-1413(1) (2021 Neb. Laws, LB 83, § 13) public bodies, including Township Boards, are required 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 all expenditures and business transactions of the Township prior to payment. 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 all expenditures of Township funds prior to payment, and such approval is documented adequately in the Board’s meeting minutes.

5. Lack of Dual Signatures

The APA obtained the monthly statements for the Township’s bank accounts from its fiscal year 2021 audit waiver request. From those statements, the APA noted that all Township checks written during the examination period contained only one signature. Additionally, it was noted all checks written from the Township’s Library and Cemetery accounts during the fiscal year 2021 were signed by an individual other than the Township Chairman and Clerk. Examples of such checks are shown below.



Nebraska law requires both the Clerk and the Chairperson of the Township Board to sign all checks approved by the Board. In particular, Neb. Rev. Stat. § 23-255 (Reissue 2012) states, in relevant part, the following:

The town clerk shall draw and sign all orders upon the town treasurer for all money to be disbursed by the township, and all warrants upon the county treasurer for money raised for town purposes, or apportioned to the town by the county or state, and present the same to the chairman of the board, to be countersigned by him, and no warrant shall be paid until so countersigned.

(Emphasis added.) In addition, good internal controls and sound accounting practices require procedures to ensure that Township checks contain the statutorily required endorsements.

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 Board implement procedures to require dual signatures, from both the Clerk and the Chairperson, on all Township checks, as required by law.

6. Potentially Disallowed Purchases

Our review of the bank statements obtained from the Township’s audit waiver request revealed two payments, totaling \$158.85, that were written during the fiscal year for flowers and a memorial. Images of these checks are below.



The Local Government Miscellaneous Expenditure Act (Act), which is set out at Neb. Rev. Stat. § 13-2201 (Reissue 2012) et seq., specifies various expenditures, aside from those otherwise authorized by law, that constitute allowable uses of public funds by designated political subdivisions. The provisions of the Act are made applicable to Townships, among numerous other public entities, by both subsections (2) and (3) of Neb. Rev. Stat. § 13-2202 (Cum. Supp. 2020).

Neb. Rev. Stat. § 13-2203 (Cum. Supp. 2020) of the Act enumerates the miscellaneous expenditures permitted by governing bodies of local governments. Purchases of flowers – whether for funerals, memorials, or other personal occasions – are not found among that select statutory list of permissible expenditures. As a result, such disbursements must be considered disallowed by law.

On September 17, 1993, the Nebraska Accountability and Disclosure Commission adopted a document entitled “A Guideline to the Use of Public Funds by Cities and Villages – Revised” (Guideline). The Guideline addresses a number of different scenarios involving the expenditure of public funds. Though issued almost three decades ago, the Guideline remains relevant to various Nebraska public entities, including Townships.

Regarding the issue of flower and memorial purchases, the Guideline provides the following:

Question #6 – May municipal funds be expended for flowers and memorials for deceased elected officials, employees or their families?

Response – No.

Good internal control requires procedures to ensure compliance with the provisions of the Act.

Without such procedures, there is an increased risk for not only noncompliance with applicable statutory requirements but also loss or misuse of Township funds.

We recommend the Board implement procedures to ensure all Township purchases are allowable under State statute, including the provisions of the Act.

* * * * *

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 Township'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 Township.

This communication is intended solely for the information and use of the Township 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 cursive script that reads "Mark Avery". The signature is written in black ink and has a long, sweeping horizontal line extending to the right.

Mark Avery, CPA
Assistant Deputy Auditor