



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Michael Cabela, Chairperson
Chappell Fire District 1
PO Box 182
Chappell, NE 69129

Dear Chairperson Cabela:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Chappell Fire District 1 (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. Inclusion of the Volunteer Fire Department Account

During review of the District's audit waiver for the fiscal year ending June 30, 2020, the APA noted that the original filing inappropriately included the activity and balance of the "Chappell VFD" account ending in 7202, which had a balance of \$9,573 at June 30, 2020. Upon further inquiry, the following account information was provided, alongside account information for the District's general bank account ending in 6246.

VFD Acct. 7202
○ Tax ID: [REDACTED] 136
○ Account Owner: City of Chappell
○ Authorized Signers: Kegan Brott & Ryan Timm
Fire District Acct. 6246
○ Tax ID: [REDACTED] 096
○ Account Owner: Fire District
○ Authorized Signers: Mike Cabela

Based on the account information provided, it appears that the "Chappell VFD" account is established under the Federal Tax Identification Number (FTIN) of the City of Chappell rather than the District's. The APA verified with the State's accounting system that the FTIN associated with this account was the same FTIN as the City of Chappell's. The District's fiscal year 2020 audit waiver filing was then revised to remove this non-District account.

According to Neb. Rev. Stat. § 13-503(7) (Cum. Supp. 2020) of the Nebraska Budget Act, the term "public funds" means "all money, including nontax money, used in the operation and functions of governing bodies."

Furthermore, Neb. Rev. Stat. § 13-504(2) (Cum. Supp. 2020) of the Nebraska Budget Act, states:

The actual or estimated unencumbered cash balance required to be included in the budget statement by this section shall include deposits and investments of the political subdivision as well as any funds held by the county treasurer for the political subdivision and shall be accurately stated on the proposed budget statement.

In addition, sound accounting procedures and good internal controls require procedures to ensure funds held under the authority of another political subdivision or entity are not included in the budget or audit waiver filing of the District.

We recommend the District implement procedures to ensure only District activity and funds are reported appropriately in the District’s budget and audit filings.

2. Lack of Dual Signatures

The APA obtained the monthly statements for the District’s bank accounts from its fiscal year 2020 audit waiver request. From those statements, the APA noted that all District checks written during the examination period contained only one signature.

Nebraska law requires both the Secretary-Treasurer and the President of the District to sign all checks approved by the Board. In particular, Neb. Rev. Stat. § 35-511 (Reissue 2016) states that those checks “shall bear the signature of the secretary-treasurer and the countersignature of the president of such district.”

In addition, good internal controls and sound accounting practices require procedures to ensure that District 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 Secretary-Treasurer and the President, on all District checks, as required by law.

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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,



Mark Avery, CPA
Assistant Deputy Auditor