



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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January 22, 2021

Bernard Niewohner, Chairperson  
Snyder Rural Fire District 5  
1370 A Rd  
West Point, NE 68788

Dear Chairperson Niewohner:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Snyder Rural Fire District 5 (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 January 2020, meeting minutes for the Board of Directors (Board) of the District. While these minutes documented the Board's general approval of expenditures for those months, the District was unable to support which expenditures were approved by the Board, as a listing of approved claims was not documented in the minutes or separately.

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. 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.

**3. Alcohol Purchase**

During review of the District’s credit card statements, the APA requested supporting documentation for an expenditure at Whiskey Creek Steakhouse for \$197.34. During a review of the receipt, the APA noted that the District spent \$45.50 on alcoholic beverages, as shown below.

407 2nd Ave Kearney, NE	
1201 Trevor M	
Tbl 10/1	Chk 6423      Gst
Oct17'19 09:06PM	
*** Reprint Memo Check ***	
Seat:1	
2 Makers Mark @ 6.50	13.00
1 Straw Margarita	2.00
***No Choice***	
4 Btl Busch Lite @ 3.50	14.00
2 DBL Capt Morgan @ 7.25	14.50
1 Straw Margarita	2.00

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.

Good internal controls require procedures to ensure all District expenditures are allowable and appropriate. When such procedures do not exist, there is not only an increased risk of noncompliance with State statute, but also an increased risk of loss, misuse, or theft of District funds.

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 that reads "Mark Avery". The signature is written in a cursive, flowing style with a long horizontal stroke extending to the right.

Mark Avery, CPA  
Assistant Deputy Auditor