



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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November 18, 2021

Pam Ogden, Chairperson
Chapman Township Merrick County
1173 10th Road
Chapman, NE 68827

Dear Chairperson Ogden:

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

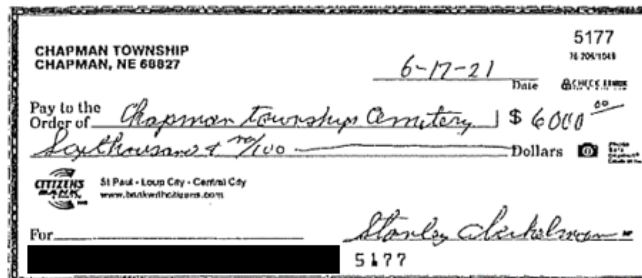
While performing, pursuant to Neb. Rev. Stat. § 84-304 (2021 Neb. Laws, LB 528, § 51), the preliminary examination necessary to determine whether further audit work would be required or the audit waiver should be allowed, the APA noted certain internal control or compliance matters, or other operational issues, within the Township.

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

Comments and Recommendations

1. Payment to Chapman Township Cemetery

During our review of the bank statements accompanying the Township's audit waiver request, the APA noted that the Township paid \$6,000 to the Chapman Township Cemetery (Cemetery), as shown below. Per the Township, the Cemetery is a separate entity, and the Township makes a similar payment each year to the Cemetery for aid. However, the Township was unable to provide underlying documentation to support that the funds disbursed pursuant thereto were used for the intended purposes.



After further inquiry, the APA determined the bank account for the Township was established under the Federal Tax Identification Number (FTIN) of the Cemetery as no FTIN had been created for the Township.

Sound business practices and good internal controls require procedures to ensure that any entities receiving grant or aid funds from the Township expend those public monies for appropriate purposes, and documentation supporting the appropriate expenditures of such funds is maintained by the Township. Furthermore, sound business practices and good internal controls require all Township accounts be appropriately established under its own FTIN.

When such procedures do not exist, there is an increased risk of loss, misuse, or theft of Township funds.

We recommend the Township Board implement procedures to ensure that entities receiving grant or aid funds from the Township utilize those public monies appropriately, and documentation supporting the appropriate expenditure of such funds is maintained by the Township. We further recommend the Township ensure its own accounts are established under its own FTIN.

2. 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. An example of such checks is 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.

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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 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 black ink that reads "Mark Avery". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

Mark Avery, CPA
Assistant Deputy Auditor