



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Tom Davis, Chairperson
Valentine Rural Fire District
41250 903rd RD
Valentine, NE 69201

Dear Chairperson Davis:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Valentine Rural Fire District (District) 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 District.

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

Comments and Recommendations

1. Audit Waiver Activity and Balance

The APA obtained monthly statements of the District's bank accounts for its fiscal year 2021 audit waiver request. From those statements, the APA noted that the ending balance on the fiscal year 2021 audit waiver of \$154,230 did not reconcile to the bank balances (including County Treasurer balance) of \$148,794, resulting in the June 30, 2021, audit waiver balance being overstated by \$5,435. This variance appears to be due to receipts on the fiscal year 2021 audit waiver being overstated by 4,034 and disbursements being understated by \$1,401. The District was unable to provide an accurate June 30, 2021, reconciliation or explanation for this variance.

Sound accounting practices and good internal controls require procedures to ensure the District 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 District funds, but also, a lack of transparency of the financial position of the District.

We recommend the District review its records and determine if the book balance reported on its audit waiver request is accurate. If the District 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 District implement procedures to ensure a periodic reconciliation between the bank and book balances is performed, and any discrepancies are resolved in a timely manner.

2. Payments Not Approved

The APA obtained a copy of the July 14, 2021, meeting minutes for the Board of Directors (Board) of the District. While these minutes documented the Board’s general approval of expenditures, 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 of District funds. Such Board approval should be prior to the actual disbursement, if possible, or at the next District Board meeting.

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) (2021 Neb. Laws, LB 83, § 14) 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.

A similar issue was identified by the APA in a prior review and was disclosed to the District in the APA’s letter dated November 9, 2020, which can be found on the APA’s website. However, it does not appear this issue was corrected after the APA’s notification.

We recommend the implementation of procedures to ensure the Board approves, in timely fashion, all expenditures of District funds, and such approval is documented adequately in the Board’s meeting minutes, specifying the name of each payee, the exact amount of any disbursement, and the specific purpose of the payment.

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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". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Mark Avery, CPA
Assistant Deputy Auditor