



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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December 28, 2022

Dan Mihm, Chairperson
Lewis Township Clay County
1651 Road 319
Harvard, NE 68944

Dear Chairperson Mihm:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Lewis Township Clay County (Township) for the fiscal year ending 2022. **That request has been approved.**

While performing, pursuant to Neb. Rev. Stat. § 84-304 (Cum. Supp. 2022), 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 of Claims Prior to Board Approval

During our comparison of the Township's bank account details to claims approved by the Board, the APA noted that the following checks, totaling \$4,270, were issued before the underlying claims were approved by the Board. The Township only meets once per year, and approves all claims for the prior year at the annual meeting.

Approval Date	Name/Vendor	Amount	Check #	Check Date	Days Paid Before Approval
9/12/2022	Clay County News	\$ 70	2091	9/9/2021	367
9/12/2022	Baird & Griess	\$ 300	2092	9/9/2021	367
9/12/2022	Bruce Trautman	\$ 300	2093	9/13/2021	363
9/12/2022	John McKenzie	\$ 300	2094	9/13/2021	363
9/12/2022	Dan Mihm	\$ 300	2095	9/13/2021	363
9/12/2022	Clay County Highway Department	\$ 3,000	2096	2/28/2022	196
	Total	\$ 4,270			

The Township Board is required to approve claims against the Township as set out in Neb. Rev. Stat. § 23-255 (Reissue 2022), which 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.

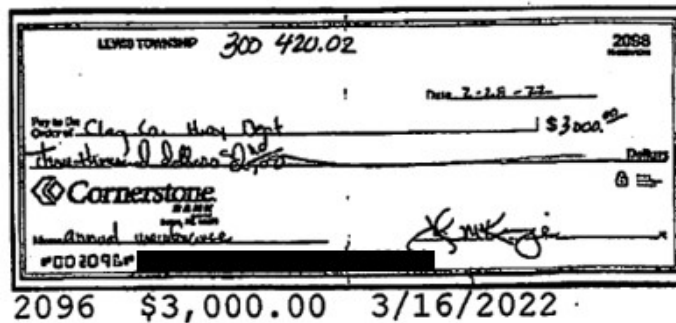
Furthermore, good internal control requires procedures to ensure that all claims are approved by the Board prior to payment and are adequately documented in the minutes of the meeting during which they are approved.

Without such procedures, there is an increased risk for the loss or misuse of Township funds.

We recommend the Board implement procedures to ensure all claims against the Township are approved by the Board prior to payment and are adequately documented in the minutes of the meeting during which they are approved.

2. Lack of Dual Signatures

The APA obtained the monthly statements for the Township’s bank accounts from its fiscal year 2022 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 2022) 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.

A similar issue was identified by the APA in a prior review and was disclosed to the Township in the APA’s letter dated December 8, 2021, 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 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, appearing to read "Mark Avery", with a long horizontal flourish extending to the right.

Mark Avery, CPA
Assistant Deputy Auditor