



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Vaughn Ross, Chairperson  
Callaway Rural Fire District 9  
42911 Callaway Road  
Callaway, NE 68825

Dear Chairperson Ross:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Callaway Rural Fire District 9 (District) 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 District.

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

## Comments and Recommendations

### 1. Audit Waiver Activity Variance

The APA obtained the monthly statements for the District's bank accounts from its fiscal year 2022 audit waiver request. From those statements, the APA noted that the deposits and debits of the bank for the fiscal year did not reconcile to the book activity reported on the fiscal year 2022 audit waiver. The receipt and disbursement activity on the audit waiver exceeded the activity in the District's bank accounts by \$124,885. The District failed to provide documentation to fully explain this variance. The variances noted are outlined in the table below.

	2022 Audit Waiver	Bank Statements	Variance
Balance as of July 1, 2021	\$ 390,026	\$ 390,026	\$ -
Receipts (Less Transfers In)	\$ 238,346	\$ 113,461	\$ 124,885
Disbursements (Less Transfers Out)	\$ 421,671	\$ 296,786	\$ 124,885
Balance as of June 30, 2022	\$ 206,701	\$ 206,701	\$ -

Sound accounting practices and good internal controls require procedures to ensure that receipt and disbursement activity reported on the audit waiver is 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 and activity of the District.

We recommend the District implement procedures to ensure that receipt and disbursement activity reported on the audit waiver is accurate.

**2. Lack of Approved Claims Listing**

The APA obtained a copy of the March 8, 2022, meeting minutes for the Board of Directors (Board) of the District. Those minutes reflect the Board’s approval of District expenditures; however, a detailed listing of approved claims was not included.

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 et seq. (Reissue 2014). In particular, Neb. Rev. Stat. § 84-1413(1) (Cum. Supp. 2022) 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 timely fashion, all expenditures of District funds, and such approval is documented adequately in the Board’s meeting minutes. Such Board approval should be prior to the actual disbursement, if possible, or at the next District Board meeting.

**3. Potentially Disallowed Purchase**

Our review of the bank statements obtained from the District’s audit waiver request revealed one withdrawal in the amount of \$235 during the fiscal year 2022 with the memo “Donation Food Pantry”, as shown below.

Withdrawal From	Great Western Bank	CHECKING WITHDRAWAL SLIP	
Date	9-10-2021	Account Number	[REDACTED]
Amount	\$ 235.00	Customer Name	Callaway Rural Fire Dist.
Signature	[Signature]	Payee	Donelson Food Pantry
Slip #	#0	Date	09/10/2021
Amount	\$235.00		

The Local Government Miscellaneous Expenditure Act (Act), which is set out at Neb. Rev. Stat. § 13-2201 (Reissue 2022) et seq., specifies various expenditures, aside from those otherwise authorized by law, that constitute allowable uses of public funds by designated political subdivisions. The provisions of the Act are made applicable to Districts, among numerous other public entities, by both subsections (2) and (3) of Neb. Rev. Stat. § 13-2202 (Reissue 2022).

Neb. Rev. Stat. § 13-2203 (Reissue 2022) of the Act enumerates the miscellaneous expenditures permitted by governing bodies of local governments. Donations are not found among that select statutory list of permissible expenditures. As a result, such disbursements must be considered disallowed by law.

Good internal control requires procedures to ensure compliance with the provisions of the Act.

Without such procedures, there is an increased risk for not only noncompliance with applicable statutory requirements but also loss or misuse of District funds.

We recommend the Board implement procedures to ensure all District expenditures are allowable under State statute, including the provisions of the Act.

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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