



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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December 29, 2022

Randy Royle, Chairperson
Algernon Township Custer County
78493 Road 456
Mason City, NE 68855

Dear Chairperson Royle:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Algernon Township Custer 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. Budget and Audit Waiver Filing

The Township's 2022-2023 budget document, also used as the fiscal year 2022 audit waiver request, was filed with the APA on December 6, 2022. While the budget document was filed after the September 30th deadline set by the Nebraska Budget Act, it was also incomplete. The following items were either incomplete or not filed with the APA in the original submission.

- Meeting minutes documenting the Township Board's approval of the budget document and approval to use the budget document as an audit waiver request were not submitted with the original submission.
- Copies of bank statements for two Township bank accounts were not submitted with the original submission.
- An Affidavit of Publication was not submitted for the proof of publication for the notice of budget hearing and budget summary. Upon further inquiry, the Township did not publish the notice of budget hearing as a budget hearing was not held.

Neb. Rev. Stat. § 13-504(1) (Reissue 2022) states, in relevant part, the following:

Each governing body shall annually or biennially, as the case may be, prepare a proposed budget statement on forms prescribed and furnished by the auditor. . . .

Neb. Rev. Stat. § 13-506(1) (Reissue 2022) states, in relevant part, the following:

Each governing body shall each year or biennial period conduct a public hearing on its proposed budget statement. Such hearing shall be held separately from any regularly scheduled meeting of the governing body and shall not be limited by time. Notice of place and time of such hearing, together with a summary of the proposed budget statement, shall be published at least four calendar days prior to the date set for hearing in a newspaper of general circulation within the governing body's jurisdiction. For purposes of such notice, the four calendar days shall include the day of publication but not the day of hearing. When the total operating budget, not including reserves, does not exceed ten thousand dollars per year or twenty thousand dollars per biennial period, the proposed budget summary may be posted at the governing body's principal headquarters. . . .

(Emphasis added.) Neb. Rev. Stat. § 13-506(2) (Reissue 2022) states, in relevant part, the following:

Upon approval by the governing body, the budget shall be filed with the auditor. The auditor may review the budget for errors in mathematics, improper accounting, and noncompliance with the Nebraska Budget Act or sections 13-518 to 13-522. If the auditor detects such errors, he or she shall immediately notify the governing body of such errors. The governing body shall correct any such error as provided in section 13-511. . . .

Neb. Rev. Stat. § 13-508(1) (Reissue 2022) states, in relevant part, the following:

After publication and hearing thereon and within the time prescribed by law, each governing body shall file with and certify to the levying board or boards on or before September 30 of each year or September 30 of the final year of a biennial period and file with the auditor a copy of the adopted budget statement which complies with sections 13-518 to 13-522 or 79-1023 to 79-1030, together with the amount of the tax required to fund the adopted budget, setting out separately (a) the amount to be levied for the payment of principal or interest on bonds issued or authorized by the governing body or the legal voters of the political subdivision and (b) the amount to be levied for all other purposes. Proof of publication shall be attached to the statements. . . .

Good internal control requires procedures to ensure that the forms and documentation required to be filed with the APA are complete, accurate, and submitted within the time constraints set out by State statute and by the APA. Without such procedures, there is an increased risk of not only noncompliance with State statute but also an increased chance of the Township's audit waiver being denied or forfeited funds due to noncompliance of such filings.

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 22, 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 Township implement procedures to ensure that the forms and documentation required to be filed with the APA are complete, accurate, and submitted within the time constraints set out by State statute and by the APA.

2. Approved Claims Listing

The APA obtained a copy of the March 14, 2022, meeting minutes for the Township Board. Those minutes reflect the Board's approval of Township expenditures; however, a listing of approved claims was not included.

Nebraska law requires the Township Board to approve all claims against the Township. In particular, Neb. Rev. Stat. § 23-255 (Reissue 2022) 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.

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. Per Neb. Rev. Stat. § 84-1413(1) (Cum. Supp. 2022) public bodies, including Township Boards, are required 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 all expenditures and business transactions of the Township prior to payment. 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 Township in the APA’s letter dated December 22, 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 implementation of procedures to ensure the Board approves all expenditures of Township funds prior to payment, and such approval is documented adequately in the Board’s meeting minutes.

3. Lack of Dual Authorized 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 six Township checks written from the Township’s General bank account during the examination period contained only one signature. Additionally, all Township checks written from the Township’s Cemetery and Library bank accounts during the examination period contained only one signature. Further, the individual signing the Cemetery and Library checks is not a member of the Township Board. Examples of such checks are 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.

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 22, 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,



Mark Avery, CPA
Assistant Deputy Auditor

cc: Anita Sisemore, Dana F Cole & Company