



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Robert Harrold, Chairperson  
Broken Bow Township Custer County  
79776 Road 440  
Broken Bow, NE 68822

Dear Chairperson Harrold:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Broken Bow 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. Audit Waiver Balance

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 the ending balance on the original fiscal year 2022 audit waiver request did not reconcile to the bank balances as of June 30, 2022. The APA inquired with the Township for an explanation of this variance. A revised audit waiver request was received that also contained a variance in the ending balance. The variance in the ending balance was finally corrected after a third revision. The variances noted are outlined in the table below.

|                             | Correct Balances | Original Submission | Original Variance | Second Submission | Second Variance |
|-----------------------------|------------------|---------------------|-------------------|-------------------|-----------------|
| Balance as of July 1, 2021  | \$ 192,056       | \$ 181,228          | \$ 10,828         | \$ 192,056        | \$ -            |
| Balance as of June 30, 2022 | \$ 197,340       | \$ 199,416          | \$ (2,076)        | \$ 210,245        | \$ (12,905)     |

The variances noted above appear to be due to the Township not performing accurate bank reconciliation.

Sound accounting practices and good internal controls require procedures to ensure that balances and activity reported on the audit waiver are accurate. Without such procedures, there is not only an increased risk of theft, loss, or misuse of Township funds, but also a lack of transparency of the financial position and activity of the Township.

We recommend the Township implement procedures to ensure that the balances and activity reported on the audit waiver are accurate.

**2. 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 all but two checks were issued before the underlying claims were approved by the Board.

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.

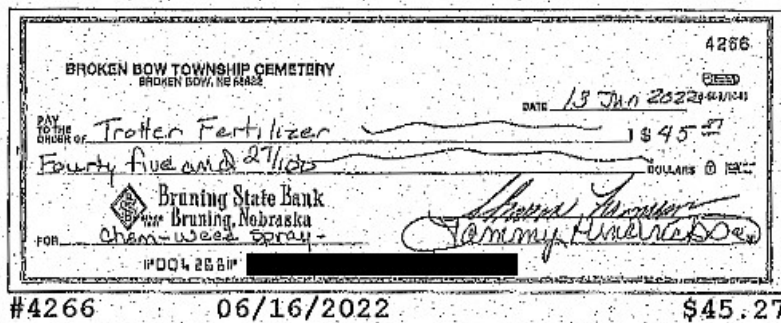
Furthermore, good internal control requires procedures to ensure that all claims are approved by the Board prior to payment and are adequately documented in the minutes of the meeting during which they are approved.

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.

**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 all Township checks written from the Township Cemetery bank account during the examination period contained the signatures of individuals that are not members of the Township Board. 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.

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.

**4. Potentially Disallowed Purchases**

Our review of the bank statements obtained from the Township’s audit waiver request revealed one payment of \$25 to the Broken Bow Fire Department with the memo “Donation.”

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 Townships, 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 Township funds.

We recommend the Board implement procedures to ensure all Township 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 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