



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
auditors.nebraska.gov

January 18, 2022

Pat Tawney, Chairperson
North Bend Rural Fire District 9
P.O. Box 8
North Bend, NE 68649

Dear Chairperson Tawney:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the North Bend Rural Fire District 9 (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. Lack of Dual Signatures

The APA obtained the monthly statements for the District's bank accounts from its fiscal year 2021 audit waiver request. From those statements, the APA noted that one District check written during the examination period contained only one signature, as shown below.



Nebraska law requires both the Secretary-Treasurer and the President of the District to sign all checks approved by the Board. In particular, Neb. Rev. Stat. § 35-511 (Reissue 2016) states that those checks “shall bear the signature of the secretary-treasurer and the countersignature of the president of such district.”

In addition, good internal controls and sound accounting practices require procedures to ensure that District 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 Secretary-Treasurer and the President, on all District checks, as required by law.

2. Negative Bank Balances

While examining the District bank statements, the APA noted that the District’s checking account ending in XX0543 had a negative balance five times during fiscal year 2021. The following table shows the periods that the bank balance was negative and the largest negative balance during each period. During the fiscal year, the District incurred \$20 in overdraft fees that were later refunded by the bank.

Period	Largest Negative Balance
11/25/2020 – 11/27/2020	\$ 56,770.01
11/27/2020 – 11/30/2020	\$ 108.19
12/1/2020 – 12/2/2020	\$ 369.51
12/4/2020 – 12/7/2020	\$ 204.48
12/7/2020 – 12/8/2020	\$ 544.92

Good internal control and sound business practices require procedures to ensure sufficient funds are available in the District’s bank accounts to pay claims.

Without such procedures, there is an increased risk for not only the loss, misuse, or theft of District funds but also the accumulation of overdraft fees.

We recommend the District implement procedures to ensure sufficient funds are available in the District’s bank accounts to pay claims.

3. Potentially Disallowed Purchases

Our review of the bank statements obtained from the District’s audit waiver request revealed four payments, totaling \$208.95, that were written during the fiscal year that appear to be for flowers or memorials. The following table summarizes these payments from the District’s bank account.

Date	Check Number	Vendor	Memo	Amount
6/25/2020	7424	Custom Floral	[Illegible] Funeral	\$ 50.00
7/10/2020	7439	Flower & Gift Gallery	[Illegible]	\$ 50.00
8/3/2020	7459	Greens Florists	[Illegible]	\$ 58.95
10/6/2020	7520	402 Floral	[Illegible]	\$ 50.00
Total				\$ 208.95

The Local Government Miscellaneous Expenditure Act (Act), which is set out at Neb. Rev. Stat. § 13-2201 (Reissue 2012) 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 (Cum. Supp. 2020).

Neb. Rev. Stat. § 13-2203 (Cum. Supp. 2020) of the Act enumerates the miscellaneous expenditures permitted by governing bodies of local governments. Purchases of flowers – whether for funerals, memorials, or other personal occasions – are not found among that select statutory list of permissible expenditures. As a result, such disbursements must be considered disallowed by law.

On September 17, 1993, the Nebraska Accountability and Disclosure Commission adopted a document entitled “A Guideline to the Use of Public Funds by Cities and Villages – Revised” (Guideline). The Guideline addresses a number of different scenarios involving the expenditure of public funds. Though issued almost three decades ago, the Guideline remains relevant to various Nebraska public entities, including Districts.

Regarding the issue of flower and memorial purchases, the Guideline provides the following:

Question #6 – May municipal funds be expended for flowers and memorials for deceased elected officials, employees or their families?

Response – No.

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 purchases are allowable under State statute, including the provisions of the Act.

* * * * *

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