



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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December 28, 2022

Duane McKenzie, Chairperson
Nickerson Township Dodge County
2108 County Road O
Fremont, NE 68025

Dear Chairperson McKenzie:

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

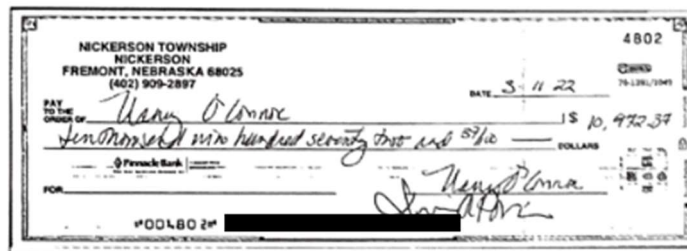
While performing, pursuant to Neb. Rev. Stat. § 84-304 (Cum. Supp. 2022), the preliminary examination necessary to determine whether further audit work would be required or the audit waiver should be allowed, the APA noted certain internal control or compliance matters, or other operational issues, within the Township.

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

Comments and Recommendations

1. Control Environment

During review of the bank statements obtained as part of the Township's audit waiver request, the APA noted one check to the Township Treasurer for \$10,972. A copy of this check is shown below.



3/14/2022 4802 \$10,972.37

The Township informed the APA that it constructed a new shed during the year, and this check was to reimburse the Treasurer, who purchased the supplies from Menards with her personal credit card. The APA obtained a copy of the itemized receipt associated with this purchase and noted the items purchased appear reasonable for the Township to construct a new shed.

Furthermore, the APA noted that a rebate, totaling \$1,196, was issued by Menards for this purchase. The rebate was issued to the Township and, as of November 21, 2022, the Township had only used \$672 of this rebate. The APA also obtained the receipts for all the purchases made using the rebate. All purchases made with the rebate appear reasonable for the Township. Additionally, the APA noted that supplies from the original purchase were returned to Menards, and \$570 was credited to the Treasurer's personal credit card on April 19, 2022. The APA observed \$570 was deposited into the Township's bank account on April 25, 2022.

While the APA found no evidence of personal gain, other than possible personal credit card benefits, by the Township Treasurer, we noted a lack of internal controls within the Township to eliminate or mitigate the risk associated with reimbursing employees for Township expenses made with a personal credit card. First, the Township lacked a formal reimbursement policy. Second, reimbursing individuals for Township purchases made with personal credit cards opens the Township to several risks such as the following: 1) purchased items could be returned to the vendor with the funds being credited to the personal credit card; 2) an individual could keep rebates earned from purchases made on behalf of the Township; and 3) an individual may gain other credit card rewards, such as cash back or airline miles, for their personal benefit from Township purchases.

Good internal controls and sound business practices require the Township have a formal reimbursement policy and to implement procedures to ensure the risks associated with reimbursing employees for Township expenses made with a personal credit card are eliminated or mitigated. Those same procedures should limit the use of personal credit cards for Township purchases.

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

We recommend the Township develop and approve a formal reimbursement policy and implement procedures to ensure the risks associated with reimbursing employees for Township expenses made with a personal credit card are eliminated or mitigated.

2. Lack of Claims Listing

The APA obtained a copy of the March 8, 2022, meeting minutes for the Township Board. Those minutes document the Board's approval of Township expenditures; however, a list of the expenditures approved by the Board was not included.

As a public body, 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."

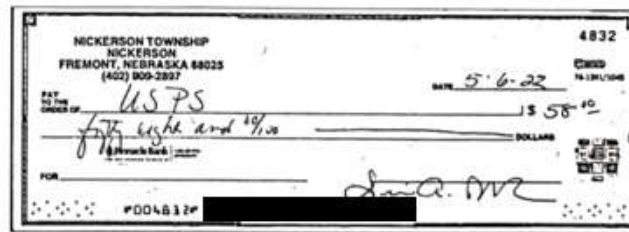
Furthermore, a good internal control plan and sound business practices require procedures to ensure that the Board approves all expenditures and business transactions of the Township prior to payment. Those same procedures should ensure also that the Board documents such approval in its meeting minutes, 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.

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 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 one Township check written during the examination period contained only one signature. A copy of this check is shown below.



5/10/2022 4832 \$58.00

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. Expenditures in Excess of Budget

For the fiscal year ended June 30, 2022, actual expenditures exceeded the Township's adopted budget by \$87,148. No amendment was filed with our office for these additional expenditures.

Neb. Rev. Stat. § 13-510 (Reissue 2022) states, in relevant part, the following:

No expenditure during any fiscal year or biennial period shall be made in excess of the amounts indicated in the adopted budget statement, except as authorized in section 13-511, or by state law. Any officer or officers of any governing body who obligates funds contrary to the provisions of this section shall be guilty of a Class V misdemeanor.

Neb. Rev. Stat. § 13-511 (Reissue 2022) sets out the procedures for amending the adopted budget accordingly.

When expenditures are made in excess of the amounts budgeted with no appropriation adjustments by the Board to address those excesses, the Township is noncompliant with State statute, further increasing the risk for loss and/or misuse of funds.

We recommend the Board implement procedures for monitoring closely its budget status on an ongoing basis to avoid expenditures that exceed the amount budgeted and amending the budget as required when such excess expenditures are unavoidable.

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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 that reads "Mark Avery". The signature is written in a cursive style with a long, sweeping underline.

Mark Avery, CPA
Assistant Deputy Auditor