



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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John Brennemann, Chairperson
Sandhills Fire Protection District
102 South Grant Avenue
Hyannis, NE 69350

Dear Chairperson Brennemann:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Sandhills Fire Protection District (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. Lack of Purchasing Card Policy

During the review of the bank statements obtained from the District's audit waiver request, it was noted there were multiple debit card transactions throughout the fiscal year 2022, totaling \$545. After further inquiry with the District, the APA was informed that the District utilized a debit card for purchases of fuel and other expenses while traveling to fires outside of the District.

With the use of a debit card, the District increases its risk of unrecoverable loss of funds due to fraud because debit cards do not provide as much fraud protection as a credit card or other purchasing cards. The District also increases its risk of payments being made without Board approval because the debit card does not require dual signatures. The District was unable to provide a copy of a purchasing card policy outlining procedures for safeguarding District assets when using the District card, including such allowable purchases and authorized individuals.

Neb. Rev. Stat. § 13-610 (Reissue 2022) provides, in relevant part, the following requirements regarding a purchasing card program:

(1) A political subdivision, through its governing body, may create its own purchasing card program. The governing body shall determine the type of purchasing card or cards utilized in the purchasing card program and shall approve or disapprove those persons who will be assigned a purchasing card. Under the direction of its governing body, any political subdivision may contract with one or more financial institutions, card-issuing banks, credit card companies, charge card companies, debit card companies, or third-party merchant banks capable of operating the purchasing card program on behalf of the political subdivision. Expenses associated with the political subdivision's purchasing card program shall be considered, for purposes of this section, as an administrative or operational expense.

(4) An itemized receipt for purposes of tracking expenditures shall accompany all purchasing card purchases. In the event that a receipt does not accompany such a purchase, purchasing card privileges shall be temporarily or permanently suspended in accordance with rules and regulations adopted and promulgated by the political subdivision.

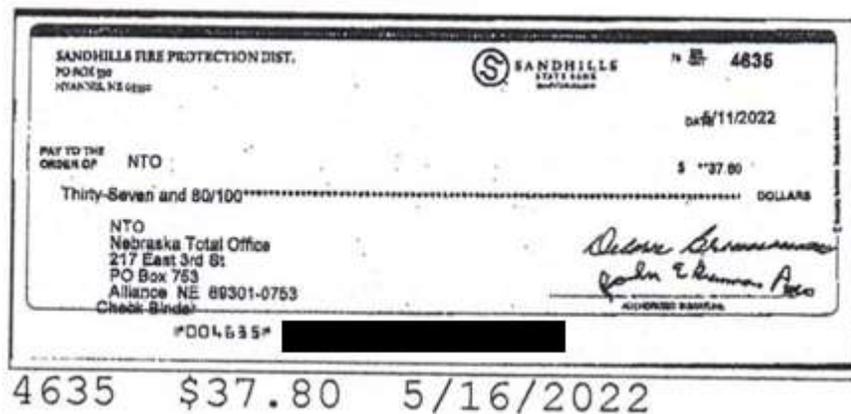
(6) No officer or employee of a political subdivision shall use a political subdivision purchasing card for any unauthorized use as determined by the governing body.

Good internal control procedures require adequate controls over the District's purchasing card, including an approved card policy that outlines procedures for the allowable use of the District card and authorized users. Without such procedures there is an increased risk of loss, theft, or misuse of District funds.

We recommend the District implement adequate controls over the District's purchasing card, including an approved card policy that outlines procedures for the allowable use of the District card and authorized users.

2. Lack of Dual Authorized Signatures

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 nine District checks written during the examination period contained the signature of an individual that is not a member of the District Board of Directors (Board). An example of such checks is 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.

3. Negative Bank Balances

While examining the District bank statements, the APA noted that the District’s checking account had a negative balance five times during the fiscal year 2022. The following table shows the days that the bank balance was negative and the largest negative balance during each day. During the fiscal year 2022, the District did not incur any overdraft fees.

Date	Largest Negative Balance
8/17/2021	\$ 1,106
9/21/2021	\$ 33
9/23/2021	\$ 602
11/23/2021	\$ 9,996
6/22/2022	\$ 43,437

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.

A similar issue was identified by the APA in a prior review and was disclosed to the District in the APA’s letter dated January 18, 2022, which can be found on the APA’s website.

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

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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