



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Lavern McInturf, Chairperson
Stamford Rural Fire District
P.O. Box 112
Stamford, NE 68977

Dear Chairperson McInturf:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Stamford Rural Fire District (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. Audit Waiver Balance

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 the June 30, 2021, bank balance (including the County Treasurer balance) did not reconcile to the ending book balance reported on the fiscal year 2021 audit waiver as of June 30, 2021. The balance on the audit waiver exceeded the bank balance (including the County Treasurer balance) by \$3,504.83. The District failed to provide a reconciliation as of June 30, 2021, or documentation to fully explain this variance.

The reconciliation performed by the APA is shown below.

Account/Description	Balance/Amount
Bank Balance as of June 30, 2021	\$ 53,278.19
County Treasurer Balance as of June 30, 2021	\$ 534.68
Total Bank Balance + County Treasurer Balance	\$ 53,812.87
Book Balance from 21-22 Budget (Page 2, Column 2, Line 30)	\$ 57,317.70
Variance	\$ (3,504.83)

Sound accounting practices and good internal controls require procedures to ensure the District performs a periodic reconciliation between the bank and book balances. Furthermore, sound accounting practices and good internal controls require that balances reported on the audit waiver request are accurate.

Without such procedures, there is not only an increased risk of theft, loss, or misuse of District funds, but also a lack of transparency of the financial position of the District.

We recommend the District review its records and determine if the book balance reported on its audit waiver request is accurate. If the District determines the balance on the audit waiver is inaccurate, the balance should be corrected in a timely manner and revisions are submitted to the APA. Furthermore, we recommend the District implement procedures to ensure a periodic reconciliation between the bank and book balances is performed, and any discrepancies are resolved in a timely manner.

2. 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.

3. Potentially Disallowed Purchase

Our review of the bank statements obtained from the District’s audit waiver request revealed one payment in the amount of \$100 that was written during the fiscal year to the Carol McInturf Memorial.

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. Payments to memorials 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.

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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