



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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January 12, 2022

Don Sack, Chairperson
Dannebrog Fire Department
1576 9th Avenue
Dannebrog, NE 68831

Dear Chairperson Sack:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Dannebrog Fire Department (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. Payments Not Approved

The APA obtained a copy of the July 27, 2021, meeting minutes for the Board of Directors (Board) of the District. Those minutes reflect the Board's approval of the Treasurer's report (Report). Per discussion with the District, the Report included a list of bills paid between May 11, 2021, and July 27, 2021; however, this Report was given verbally. Thus, the District was unable to support which expenditures were approved by the Board, as a listing of approved claims was not documented in the minutes or separately.

Per Neb. Rev. Stat. § 35-508(4) (Reissue 2016), Boards have the exclusive power to "manage and conduct the business affairs of the district." Accordingly, any expenditure of District funds requires express Board authorization.

Additionally, Neb. Rev. Stat. § 35-511 (Reissue 2016) provides, in relevant part, the following:

All donations, contributions, bequests, annuities, or borrowed money received by or on behalf of the district shall be deposited with the secretary-treasurer of the district and shall be drawn out only upon proper check. Such check shall be authorized by the board of directors and shall bear the signature of the secretary-treasurer and the countersignature of the president of such district.

(Emphasis added.) Properly discharging the above statutory duties necessarily entails proper financial management, which calls for the Board's approval of all expenditures of District funds. Such Board approval should be prior to the actual disbursement, if possible, or at the next District Board meeting.

As a public body, moreover, 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. In particular, Neb. Rev. Stat. § 84-1413(1) (2021 Neb. Laws, LB 83, § 14) requires public bodies, including Boards, 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, in a timely fashion, all expenditures and business transactions of the District. 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.

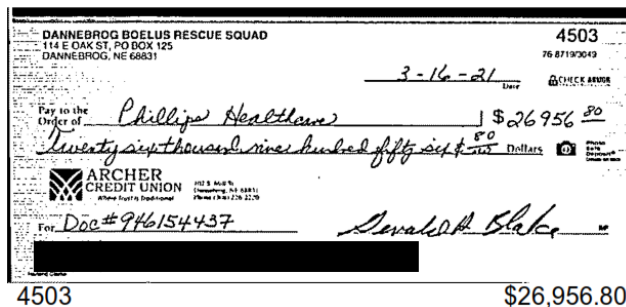
Without such procedures, there is an increased risk for not only failure to comply with State statute but also loss or misuse of public funds.

A similar issue was identified by the APA in a prior review and was disclosed to the District in the APA’s letter dated November 23, 2020, which can be found on the APA’s website. However, it does not appear this issue was corrected after the APA’s notification.

We recommend the implementation of procedures to ensure the Board approves, in timely fashion, all expenditures of District funds, and such approval is documented adequately in the Board’s meeting minutes, specifying the name of each payee, the exact amount of any disbursement, and the specific purpose of the payment.

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 all District checks written out of the Archer Credit Union Checking Account during the examination period contained only one signature. The auditor also noted two checks from other District accounts written after February 15, 2021, did not include dual signatures. 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.

A similar issue was identified by the APA in a prior review and was disclosed to the District in the APA’s letter dated November 23, 2020, which can be found on the APA’s website. However, it does not appear this issue was corrected after the APA’s notification.

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. Expenditures in Excess of Budget

For the fiscal year ended June 30, 2021, actual expenditures exceeded the adopted budget by \$1,642.15. No amendment was filed with our office for these additional expenditures.

Neb. Rev. Stat. § 13-510 (Reissue 2012) states, in relevant part:

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 (Cum. Supp. 2020) 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 District is noncompliant with State statute, further increasing the risk for loss and/or misuse of funds.

We recommend the Board implement procedures to monitor closely its budget status on an ongoing basis to avoid incurring expenditures in excess of the amount budgeted, and amend the budget as necessary.

4. Lack of Supporting Documentation

During our review of the bank statements accompanying the District’s audit waiver request, the APA noted that the District wrote one check during the year to “Cash” for \$50. The APA was provided a copy of the October 2019 minutes, showing the approval of a \$50 petty cash fund. After further inquiry, the District was unable to provide supporting receipts or a petty cash log to show what was purchased with the \$50 petty cash.

Good internal controls require procedures to ensure that any expenditure of funds by the District has supporting documentation on record.

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

We recommend the District implement procedures to ensure adequate documentation is maintained for all expenditures.

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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,

A handwritten signature in black ink that reads "Mark Avery". The signature is written in a cursive style with a long, sweeping horizontal line extending to the right.

Mark Avery, CPA
Assistant Deputy Auditor