



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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January 12, 2022

Lynn Meyer, Chairperson
Maxwell Rural Fire District
424 10th Street, P.O. Box 249
Gothenburg, NE 69138

Dear Chairperson Meyer:

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

The APA obtained a copy of the September 7, 2021, meeting minutes for the Board of Directors (Board) of the District. Those minutes reflect the Board's approval of the Transaction Detail for fiscal year 2021, which includes all bills paid during the year. The APA noted the Transaction Detail listing approved a payment to Verizon Wireless for \$74.79; however, this payment was actually paid to Jill Falcon.

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.

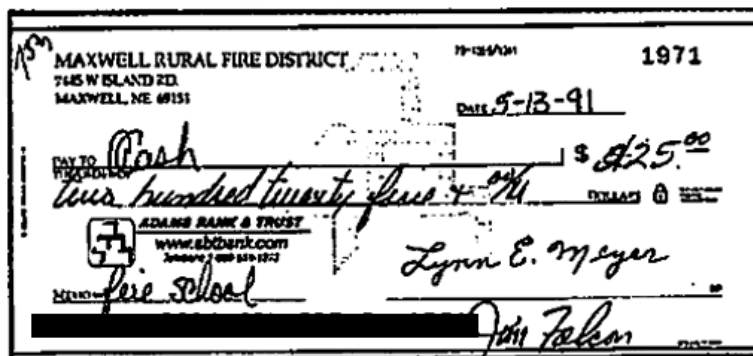
Without such procedures, there is an increased risk for not only failure to comply with State statute but also loss or misuse of public funds.

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.

2. Unsupported Check to Cash

During our review of bank statements for the District, the APA noted one check, totaling \$225.00, which was written out to “Cash.” The image of the check is shown below.



Per the District Treasurer, this check was to provide \$75 each to three individuals that were attending fire school in May 2021, to cover their travel expenses and meals during the trip. The District could not provide documentation showing that the cash went to the appropriate individuals for the purposes noted; therefore, the APA could not verify that the use of funds was proper and in compliance with State statutes governing the use of District funds.

Good internal control and sound business practices require policies and procedures to ensure that all payments are adequately supported by documentation on file showing payments are reasonable and proper.

We recommend that the District implement policies and procedures to limit the number of checks written to “cash”, and if determined necessary, payments to “cash” are authorized by the Board and adequately reviewed, monitored, and supported with adequate documentation on file.

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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, appearing to read "Mark Avery", with a long horizontal flourish extending to the right.

Mark Avery, CPA
Assistant Deputy Auditor