



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Dan Schroeter, Chairperson
Newman Grove Rural Fire District 7
53545 Highway 32
Newman Grove, NE 68758

Dear Chairperson Schroeter:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Newman Grove Rural Fire District 7 (District) for the fiscal year ending 2022. **That request has been approved.**

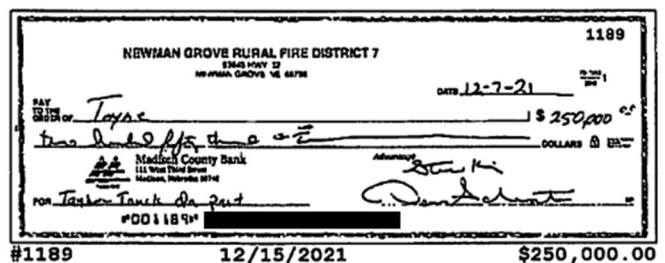
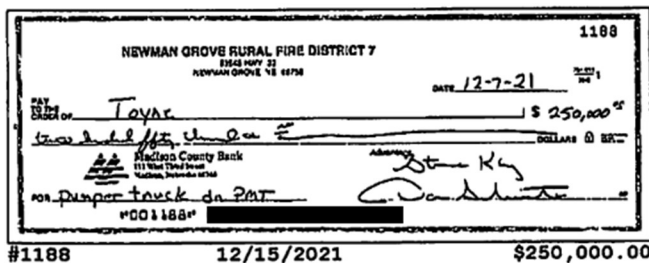
While performing, pursuant to Neb. Rev. Stat. § 84-304 (Cum. Supp. 2022), the preliminary examination necessary to determine whether further audit work would be required or the audit waiver should be allowed, the APA noted certain internal control or compliance matters, or other operational issues, within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

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

Comment and Recommendation

Down Payments on Truck Purchases

During our review of the bank statements accompanying the District's audit waiver request, the APA noted that the District issued two checks, totaling \$250,000 each, on December 7, 2021, to Toyne Inc., a fire department equipment supplier located in Breda, Iowa. Images of those checks are shown below:



The memo line of one check says that it is for a pumper truck down payment, and the memo line of the other says that it is for a tanker truck down payment. The APA reviewed the two purchase agreements for which the checks were issued. Dated December 6, 2021, both agreements state that the trucks have an anticipated delivery date of 415 days after the signing of the documents. According to the District's Secretary-Treasurer, however, the trucks are not expected to arrive until at least June 2023, or approximately 570 days from the dates of the purchase agreements.

Neb. Rev. Stat. § 23-135 (Reissue 2022) restricts County governments from making advance payments for personal property unless the County Board approves those particular expenditures. In relevant part, § 23-135 states the following:

(1) All claims against a county shall be filed with the county clerk within ninety days from the time when any materials or labor, which form the basis of the claims, have been furnished or performed, except that . . . (b) payment may be approved as provided in subsection (2) of this section

(2) A county board may by resolution, which resolution constitutes a claim pursuant to subsection (1) of section 23-1303, approve the payment for a particular piece of personal property prior to the receipt of such property by the county.

Despite applying only to County governments, § 23-135 offers practical guidance for safeguarding District funds from waste and abuse – adherence to which would prove beneficial to the fiscal credibility of all public entities, regardless of technical legal status.

Good internal controls and sound business practices require procedures to ensure that payments are issued only after the property has been received or the District Board has formally authorized an advance payment.

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

We recommend the District implement procedures to ensure payments are issued only after the property has been received or the District Board has formally authorized an advance payment.

* * * * *

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