



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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December 23, 2022

Pam Ogden, Chairperson  
Chapman Township Merrick County  
1173 10th Road  
Chapman, NE 68827

Dear Chairperson Ogden:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Chapman Township Merrick County (Township) for the fiscal year ending 2022. **That request has been approved.**

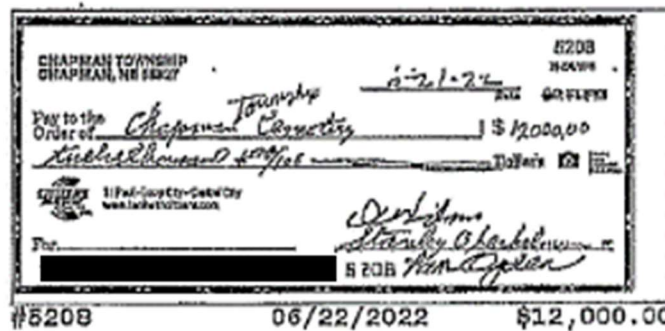
While performing, pursuant to Neb. Rev. Stat. § 84-304 (Cum. Supp. 2022), the preliminary examination necessary to determine whether further audit work would be required or the audit waiver should be allowed, the APA noted certain internal control or compliance matters, or other operational issues, within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

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

### Comments and Recommendations

#### 1. Payment to Chapman Township Cemetery

During our review of the bank statements accompanying the Township's audit waiver request, the APA noted that the Township paid \$12,000 to the Chapman Township Cemetery (Cemetery), as shown below. Per the Township, the Cemetery is a separate entity, and the Township makes a similar payment each year to the Cemetery for aid. However, the Township was unable to provide a formal agreement with the Cemetery for annual aid. Further, the Township noted that the Township Board does not review the expenditures of these funds by the Cemetery to ensure the funds were used for the intended purposes.



After further inquiry, the APA determined the bank account for the Township was established under the Federal Tax Identification Number (FTIN) of the Cemetery as no FTIN had been created for the Township.

Sound business practices and good internal controls require procedures to ensure the following: 1) a formal agreement is in place that outlines the annual aid; 2) that any entities receiving grant or aid funds from the Township expend those public monies for appropriate purposes, and documentation supporting the appropriate expenditures of such funds is maintained by the Township; and 3) all Township accounts be appropriately established under its own FTIN.

When such procedures do not exist, there is an increased risk of loss, misuse, or theft of Township funds.

We recommend the Township Board implement procedures to ensure the following: 1) a formal agreement is in place that outlines the annual aid; 2) that any entities receiving grant or aid funds from the Township expend those public monies for appropriate purposes, and documentation supporting the appropriate expenditures of such funds is maintained by the Township; and 3) all Township accounts be appropriately established under its own FTIN.

**2. Payments Not Approved**

The APA obtained a copy of the June 21, 2022, meeting minutes for the Township Board. Those minutes fail to reflect the Board’s approval of three Township expenditures. These expenditures are detailed in the table below:

<b>Name/Vendor</b>	<b>Amount</b>	<b>Check #</b>	<b>Check Date</b>
Pam Ogden	\$ 25	5205	6/21/2022
Darrell Widman	\$ 25	5206	6/21/2022
Stanley Oberhelman	\$ 25	5207	6/21/2022
<b>Total</b>	<b>\$ 75</b>		

Nebraska law requires the Township Board to approve all claims against the Township. In particular, Neb. Rev. Stat. § 23-255 (Reissue 2022) states the following, in relevant part:

*All claims and charges against the town, duly audited and allowed by the town board, shall be paid by order so drawn.*

(Emphasis added.) Properly discharging the above statutory duties necessarily entails the Board’s approval of all expenditures of Township funds prior to the actual disbursement.

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. Per Neb. Rev. Stat. § 84-1413(1) (Cum. Supp. 2022) public bodies, including Township Boards, are required 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 all expenditures and business transactions of the Township prior to payment. 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.

We recommend the implementation of procedures to ensure the Board approves all expenditures of Township funds prior to payment, and such approval is documented adequately in the Board’s meeting minutes.

**3. Payment of Claims Prior to Board Approval**

During our comparison of the Township’s bank account details to claims approved by the Board, the APA noted that the following checks, totaling \$2,780, were issued before the underlying claims were approved by the Board.

Approval Date	Name/Vendor	Amount	Check #	Check Date	Days Paid Before Approval
6/21/2022	Liberty Mutual Insurance	\$ 2,650	5204	6/6/2022	15
6/21/2022	Overhead Door	\$ 130	5202	6/5/2022	16
	<b>Total</b>	<b>\$ 2,780</b>			

The Township Board is required to approve claims against the Township as set out in Neb. Rev. Stat. § 23-255 (Reissue 2022), which states the following, in relevant part:

*All claims and charges against the town, duly audited and allowed by the town board, shall be paid by order so drawn.*

(Emphasis added.) Properly discharging the above statutory duties necessarily entails the Board’s approval of all expenditures of Township funds prior to the actual disbursement.

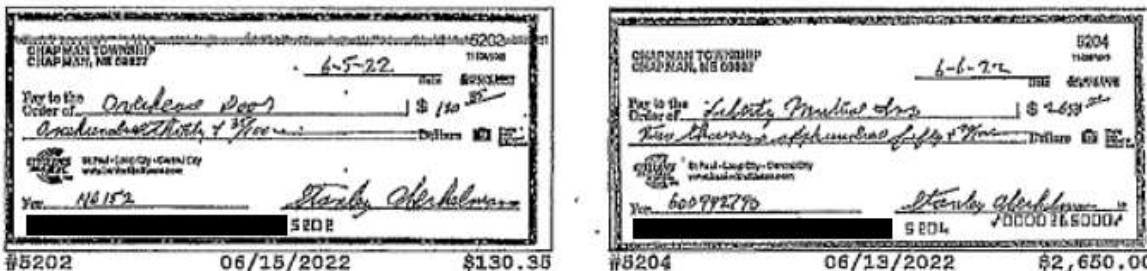
Furthermore, good internal control requires procedures to ensure that all claims are approved by the Board prior to payment and are adequately documented in the minutes of the meeting during which they are approved.

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

We recommend the Board implement procedures to ensure all claims against the Township are approved by the Board prior to payment and are adequately documented in the minutes of the meeting during which they are approved.

#### 4. Lack of Dual Signatures

The APA obtained the monthly statements for the Township’s bank accounts from its fiscal year 2022 audit waiver request. From those statements, the APA noted that two Township checks written in June 2022 contained only one signature. These checks are shown below.



Nebraska law requires both the Clerk and the Chairperson of the Township Board to sign all checks approved by the Board. In particular, Neb. Rev. Stat. § 23-255 (Reissue 2022) states, in relevant part, the following:

*The town clerk shall draw and sign all orders upon the town treasurer for all money to be disbursed by the township, and all warrants upon the county treasurer for money raised for town purposes, or apportioned to the town by the county or state, and present the same to the chairman of the board, to be countersigned by him, and no warrant shall be paid until so countersigned.*

(Emphasis added.) In addition, good internal controls and sound accounting practices require procedures to ensure that Township 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 Township in the APA's letter dated November 18, 2021, 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 Clerk and the Chairperson, on all Township checks, as required by law.

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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 Township'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 Township.

This communication is intended solely for the information and use of the Township 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