January 5, 2022

Mike Hort, Chairperson
Kiowa Rural Fire District
40014 Carpenter Road
Lyman, NE 69352

Dear Chairperson Hort:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Kiowa 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.

**Comment and Recommendation**

**Payments to Volunteer Fire Department**

During our review of the bank statements accompanying the District’s audit waiver request, the APA noted that the District paid $7,500 to the Lyman Volunteer Fire Department (Department). According to its Chairperson, the District has agreed to provide the Department with funding for “Bonus” to help retain firefighters; however, the District was unable to provide either a copy of that formal agreement or documentation to support that the funds disbursed pursuant thereto were indeed used for appropriate firefighter compensation.

The Local Government Miscellaneous Expenditure Act (Act), which is found at Neb. Rev. Stat. § 13-2201 (Reissue 2012) et seq., places strict parameters upon certain expenditures of public funds by local governments, including rural and suburban fire protection districts.

Additionally, Neb. Rev. Stat. § 35-901(6) (Reissue 2016) requires the expenditure of all public funds by the Department to be approved by the “taxing authority supporting” it, namely the District, and properly published, as follows:

*All expenditures of public funds as defined in the Nebraska Budget Act for support of a volunteer department or its purposes shall be submitted as claims, approved by the taxing authority supporting such department or its purposes, and published as required by law. All such claims shall be properly itemized for proposed expenditure or reimbursement for costs already incurred and paid except as may be otherwise permitted pursuant to section 35-106.*
According to Neb. Rev. Stat. § 13-503(7) (Cum. Supp. 2020) of the Nebraska Budget Act, the term “public funds” means “all money, including nontax money, used in the operation and functions of governing bodies.” Any public funds received by the Department attach to the District to which it belongs – and, therefore, may be assumed to be used for the operation and function of that governing political subdivision. Consequently, such funds are subject to both the requirements of the Act and § 35-901(6).

Furthermore, good internal controls require procedures to ensure that any expenditure of funds by the District, whether directly or through a designated recipient thereof, is not only for a statutorily allowable purpose but also in accordance with the underlying objective of that disbursement. Thus, when a volunteer fire department – or, for that matter, any other entity or person – receives such funds, the District should have procedures for documenting their appropriate use.

Without such procedures, there is an increased risk for the improper, if not prohibited, use of District funds.

We recommend the District implement procedures for documenting the expenditure of public funds by it, whether directly or otherwise, to ensure the proper use of those monies.

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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