



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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November 16, 2023

Kevin Siffring, Chairperson  
Reading Township Butler County  
2911 F Road  
Rising City, NE 68658

Dear Chairperson Siffring:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Reading Township Butler County (Township) for the fiscal year ending 2023. **That request has been approved.**

While performing, pursuant to Neb. Rev. Stat. § 84-304 (Supp. 2023), 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. Payments Not Approved**

The APA obtained a copy of the March 20, 2023, meeting minutes for the Township Board. Those minutes fail to reflect the Board's approval of Township payroll and the associated payroll taxes.

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 to 84-1414 (Reissue 2014, Cum. Supp. 2022). 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.

## **2. 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 15 of the 16 checks, totaling \$9,589, approved at the Board meeting on March 20, 2023, were issued before the underlying claims were approved by the Board.

Neb. Rev. Stat. § 23-255 (Reissue 2022) requires the Township Board to approve claims against the Township, as follows:

*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 duty 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.

A similar issue was identified by the APA in a prior review and was disclosed to the Township in the APA's letter dated December 28, 2022, which can be found on the APA's website. However, this issue does not appear to have been corrected after the APA's notification.

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.

## **3. Negative Bank Balances**

While examining the Township bank statements, the APA noted that the Township's checking account had a negative balance two times during fiscal year 2023. The following table shows the periods that the bank balance was negative and the largest negative balance during each period. During fiscal year 2023, the Township incurred \$35 in overdraft fees.

<b>Period</b>	<b>Largest Negative Balance</b>
6/6/2023 – 6/7/2023	\$ 1,525
6/8/2023 – 6/16/2023	\$ 1,277

Good internal controls and sound business practices require procedures to ensure sufficient funds are available in the Township's bank accounts to pay claims.

Without such procedures, there is an increased risk for not only the loss, misuse, or theft of Township funds but also the accumulation of overdraft fees.

A similar issue was identified by the APA in a prior review and was disclosed to the Township in the APA's letter dated December 28, 2022, which can be found on the APA's website. However, this issue does not appear to have been corrected after the APA's notification.

We recommend the Township implement controls to ensure sufficient funds are available in the Township's bank accounts to pay claims.

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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](mailto: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