



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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November 16, 2023

Jim Kaup, Chairperson  
Schuyler Rural Fire District 3  
273 Road 4A  
Schuyler, NE 68661

Dear Chairperson Kaup:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Schuyler Rural Fire District 3 (District) for the fiscal year ending 2023. **That request has been approved.**

However, the District's amount of disbursements for the fiscal year ending June 30, 2023, exceeded our normal threshold (\$500,000) for granting a waiver of the audit requirement.

Disbursements for the fiscal year ended 2023 totaled \$837,307, which exceeds the normal audit waiver threshold. Additionally, we noted the budgeted expenditures for fiscal year 2024 are \$800,000. Due to the District's submission of supporting documentation for one-time, low risk expenditures, that accounted for a significant percentage of the current year's expenditures, we were able to consider for this year, the District's activity to be low enough to grant the audit waiver request.

However, if the June 30, 2024, fiscal year end disbursements are similar to or greater than the fiscal year 2023's expenditures or near the budgeted amount of expenditures, an audit of fiscal year end June 30, 2024, may be required. This information is only for your consideration of planning for fiscal year 2024 and forward.

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 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 April 14, 2023, meeting minutes for the Board of Directors (Board) of the District. Those minutes reflect the Board's approval of District expenditures; however, the following claims, totaling \$2,868, were not included among the list of expenditures approved by the Board.

Payment Date	Name/Vendor	Amount
4/10/2023	Schuyler Utilities	\$ 875
4/13/2023	Internal Revenue Service	147
4/13/2023	Black Hills Energy	673
4/20/2023	Century Link	353
4/21/2023	Quick Med Claims	656
4/25/2023	AT&T	164
<b>Total</b>		<b>\$ 2,868</b>

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 to 84-1414 (Reissue 2014, Cum. Supp. 2022). In particular, Neb. Rev. Stat. § 84-1413(1) (Cum. Supp. 2022) requires public bodies, including Fire District Boards, to “keep minutes of all meetings,” showing, among other things, “the substance of all matters discussed.”

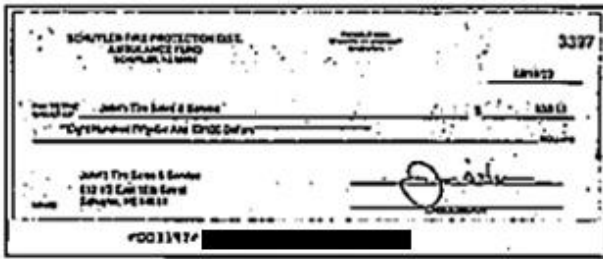
Furthermore, a good internal control plan and sound business practices require procedures to ensure that the Board approves, in a timely fashion, all expenditures and business transactions of the District. Those same procedures should ensure also that the Board documents such approval in its meeting 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.

We recommend the implementation of procedures to ensure the Board approves, in a timely fashion, all expenditures of District funds, and such approval is documented adequately in the Board’s meeting minutes. Such Board approval should be prior to the actual disbursement, if possible, or at the next District Board meeting.

## **2. Lack of Dual Signatures**

The APA obtained the monthly statements for the District’s bank accounts from its fiscal year 2023 audit waiver request. From those statements, the APA noted that two District checks written during the examination period contained only one signature. Additionally, one District check contained no signatures. Examples of such checks are shown below.



09/02/2022 3397 \$856.83



8/25/2022 3396 \$66.00

Nebraska law requires both the Secretary-Treasurer and the President of the District to sign all checks approved by the Board. In particular, Neb. Rev. Stat. § 35-511 (Reissue 2016) states that those checks “shall bear the signature of the secretary-treasurer and the countersignature of the president of such district.”

In addition, good internal controls and sound accounting practices require procedures to ensure that District 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.

We recommend the Board implement procedures to require dual signatures, from both the Secretary-Treasurer and the President, on all District 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 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](mailto:dakota.christensen@nebraska.gov).

Sincerely,

Mark Avery, CPA  
Assistant Deputy Auditor