



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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December 12, 2023

Robert Harrold, Chairperson  
Broken Bow Township Custer County  
79776 Road 440  
Broken Bow, NE 68822

Dear Chairperson Harrold:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Broken Bow Township Custer 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. Audit Waiver Activity Variance

The APA obtained the monthly statements for the Township's bank accounts from its fiscal year 2023 audit waiver request. From those statements, the APA noted that the deposits and debits of the bank for the fiscal year did not reconcile to the book activity reported on the fiscal year 2023 audit waiver request. The receipt and disbursement activity in the Township's bank accounts exceeded the activity on the audit waiver request by \$28,053. The Township failed to provide documentation to fully explain this variance. The variances noted are outlined in the table below:

	2023 Audit Waiver Request	Bank Statements	Variance
Balance as of July 1, 2022	\$ 197,340	\$ 197,340	\$ -
Receipts (Less Transfers In)	677,967	706,020	28,053
Disbursements (Less Transfers Out)	723,150	751,203	28,053
Balance as of June 30, 2023	\$ 152,157	\$ 152,157	\$ -

Sound accounting practices and good internal controls require procedures to ensure that receipt and disbursement activity reported on the audit waiver request is accurate. Without such procedures, there is not only an increased risk of theft, loss, or misuse of Township funds, but also a lack of transparency of the financial position and activity of the Township.

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 27, 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 procedures to ensure that receipt and disbursement activity reported on the audit waiver request is accurate.

**2. Payments Not Approved**

The APA obtained a copy of the May 9, 2023, meeting minutes for the Township Board. Those minutes fail to reflect the Board’s approval of any Township expenditures.

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.”

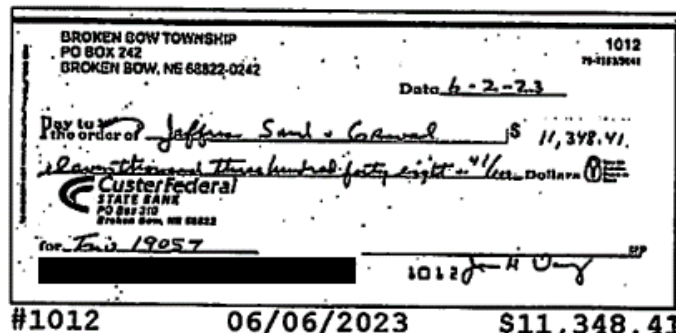
Furthermore, a good internal control plan and sound business practices require procedures to ensure that the Board approves all expenditures and business transactions of the Township prior to payment. Those same procedures should ensure also that the Board documents such approval in its meeting minutes,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

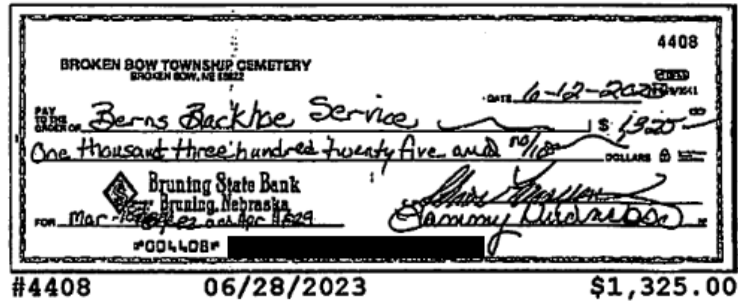
We recommend the implementation of procedures to ensure the Board approves all expenditures of Township funds prior to payment, and such approval is documented adequately in the Board’s meeting minutes.

**3. Lack of Dual Authorized Signatures**

The APA obtained the monthly statements for the Township’s bank accounts from its fiscal year 2023 audit waiver request. From those statements, the APA noted that 15 Township checks written during the examination period contained only one signature. An example of such checks is shown below.



Additionally, the APA noted that all Township checks issued from the Township Cemetery bank account contained the signatures of individuals that are not members of the Township Board. An example of such checks is 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 December 27, 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 require dual signatures, from both the Clerk and the Chairperson, on all Township checks, as required by law.

#### **4. Expenditures in Excess of Budget**

For the fiscal year ended June 30, 2023, actual expenditures exceeded the Township’s adopted budget by \$375,900. No amendment was filed with our office for these additional expenditures.

Neb. Rev. Stat. § 13-510 (Reissue 2022) states, in relevant part, the following:

*No expenditure during any fiscal year or biennial period shall be made in excess of the amounts indicated in the adopted budget statement, except as authorized in section 13-511, or by state law. Any officer or officers of any governing body who obligates funds contrary to the provisions of this section shall be guilty of a Class V misdemeanor.*

Neb. Rev. Stat. § 13-511 (Reissue 2022) sets out the procedures for amending the adopted budget accordingly.

When expenditures are made in excess of the amounts budgeted with no appropriation adjustments by the Board to address those excesses, the Township is noncompliant with State statute, further increasing the risk for loss and/or misuse of funds.

We recommend the Board implement procedures for monitoring closely its budget status on an ongoing basis to avoid expenditures that exceed the amount budgeted and amending the budget as required when such excess expenditures are unavoidable.

\* \* \* \* \*

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,

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