



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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November 16, 2023

Robert Seegebarth, Chairperson
Hadar Rural Fire District
P.O. Box 134
Hadar, NE 68738

Dear Chairperson Seegebarth:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Hadar Rural Fire District (District) 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 District.

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

Comments and Recommendations

1. Purchase of Alcohol

During review of the District's bank statements for fiscal year 2023, the APA observed the following check written to Liquor Store, a convenience store located in Pierce, Nebraska, totaling \$91.07.

HADAR FIRE & RESCUE
HADAR, NE 68738 DK

1787

DATE

PAY TO Liquor Store \$ 91 07

THE ORDER OF Thirty One Dollars 7 cent DOLLARS

Midwest Bank
www.midwestbank.com

MENSO

1787

#1787 09/21/2022 \$91.07

According to the District, this purchase was related to the annual chicken feed. The APA obtained a copy of the receipt associated with this payment which showed this purchase was for alcoholic beverages, as shown below.

The Liquor Store Convenience & More	
#09-946	9/20/22, 5:33 PM
Sale	Served by Devin
Transaction #1137650909202216564	
<hr/>	
1 x CaptainMorgan1	28.16 T
1 x Windsor1.75	17.48 T
1 x NaturalLt15pk (COLD)	12.49 T
1 x BuschLt30Pk (COLD)	26.99 T
<hr/>	
Subtotal	85.52
Total Tax	5.55
Total	91.07
<hr/>	
Check	91.07

The purchase of alcohol with public funds is prohibited by Neb. Rev. Stat. § 13-2203(2) (Reissue 2022), which permits the governing body of a local government to purchase, among other things, only nonalcoholic beverages.

Good internal controls require procedures to ensure all District expenditures are allowable and appropriate. When such procedures do not exist, there is not only an increased risk of noncompliance with State statute, but also an increased risk of the loss, misuse, or theft of District funds

We recommend the District implement procedures to ensure District funds are not expended for the purchase of alcoholic beverages.

2. Potentially Disallowed Purchase

During review of the District’s bank statements, the APA noted that the District reimbursed an individual for a purchase made at Open Country Firearms LLC, totaling \$578. According to the District, two guns were purchased, and the District held a raffle for these two guns as part of a fundraiser for the District. The purchase of guns to be raffled off appears to be disallowed by law.

The Local Government Miscellaneous Expenditure Act (Act), which is set out at Neb. Rev. Stat. § 13-2201 (Reissue 2022) et seq., specifies various expenditures, aside from those otherwise authorized by law, that constitute allowable uses of public funds by designated political subdivisions. The provisions of the Act are made applicable to Districts, among numerous other public entities, by both subsections (2) and (3) of Neb. Rev. Stat. § 13-2202 (Reissue 2022).

Neb. Rev. Stat. § 13-2203 (Reissue 2022) of the Act enumerates the miscellaneous expenditures permitted by governing bodies of local governments. Purchases of guns – for uses other than public safety – are not found among that select statutory list of permissible expenditures. As a result, such disbursements must be considered disallowed by law.

Good internal controls require procedures to ensure all District expenditures are allowable and appropriate. When such procedures do not exist, there is not only an increased risk of noncompliance with State statute, but also an increased risk of loss, misuse, or theft of District funds.

We recommend the Board implement procedures to ensure all District purchases are allowable under State statute, including the provisions of the Act.

3. Payments Not Approved

The APA obtained a copy of the June 7, 2023, meeting minutes for the Board of Directors (Board) of the District. Those minutes fail to reflect the Board’s approval of any expenditures from the District’s Fire and Rescue bank accounts. These accounts were submitted with the District’s audit waiver request and are under the District’s Federal tax identification number.

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.

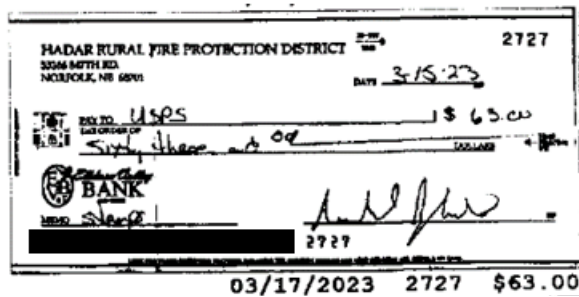
Without such procedures, there is an increased risk for not only failure to comply with State statute but also loss or misuse of public funds.

A similar issue was identified by the APA in a prior review and was disclosed to the District 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.

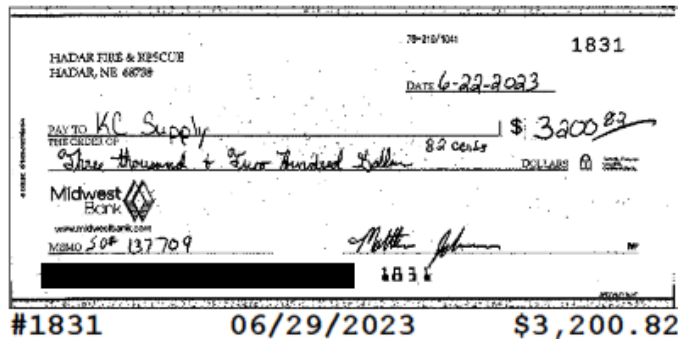
We recommend the implementation of procedures to ensure the Board approves, in a timely fashion, all expenditures of District funds, and such approval is documented adequately in the Board’s meeting minutes. Such Board approval should be prior to the actual disbursement, if possible, or at the next District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

4. Lack of Dual Authorized 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 checks from the District’s general checking account written during the examination period contained only one signature. An example of such checks is shown below.



Additionally, the APA noted that all checks written from the District’s Fire and Rescue accounts contained only one signature. Further, the individual signing these checks is not a member of the District’s Board. An example of such checks is shown below.



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.

A similar issue was identified by the APA in a prior review and was disclosed to the District 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 require dual signatures, from both the Secretary-Treasurer and the President, on all District checks, as required by law.

5. Payment of Sales Tax

During review of the supporting documentation received for several purchases made by the District, the APA noted that the District paid \$31 in sales tax, as detailed in the table below.

Date of Payment	Name/Vendor	Amount of Sales Tax
8/25/2022	Lou’s Thrifty Way	\$ 5
9/20/2022	Liquor Store	6
11/16/2022	Walmart	20
Total		\$ 31

Neb. Rev. Stat. § 77-2704.15(1)(a) (Supp. 2023) states that purchases made by the State or its political subdivisions are exempt from sales tax, as follows:

Sales and use taxes shall not be imposed on the gross receipts from the sale, lease, or rental of and the storage, use, or other consumption in this state of purchases by the state, including public educational institutions recognized or established under the provisions of Chapter 85, or by any county, township, city, village, rural or suburban fire protection district

(Emphasis added.) Good internal controls require procedures to ensure that District funds are not expended for the payment of Nebraska sales tax.

Without such procedures, there is not only an increased risk of noncompliance with State statute, but also an increased risk of the loss, misuse, or theft of District funds.

We recommend the District implement procedures to ensure that District funds are not expended for the payment of Nebraska sales tax.

* * * * *

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