



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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October 29, 2024

Ronald Dozler, Chairperson
Albion Rural Fire District 1
2600 260th St.
Albion, NE 68620

Dear Chairperson Dozler:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Albion Rural Fire District 1 (District) for the fiscal year ending 2024. **That request has been approved.**

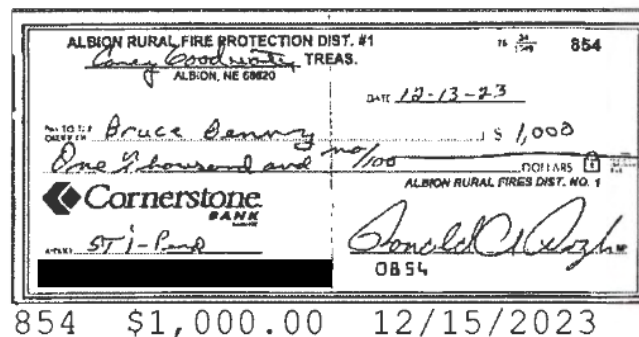
While performing, pursuant to Neb. Rev. Stat. § 84-304 (2024 Neb. Laws, L.B 1143, § 3), the preliminary examination necessary to determine whether further audit work would be required or the audit waiver should be allowed, the APA noted certain internal control or compliance matters, or other operational issues, within the District.

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

Comments and Recommendations

1. Lack of Adequate Documentation

During our review of the District's bank statements for the fiscal year ending June 30, 2024, we noted that the Fire Chief of the Volunteer Fire Department was paid \$1,000 on December 13, 2023. A copy of the cleared check image is below.



This check was similar to the check noted in the APA's letters to the District dated December 21, 2022, and October 25, 2023. Per the District, the Fire Chief now receives an annual stipend. However, the District was unable to provide a contract or agreement to support this stipend payment, nor could the District provide documentation to show that this payment was for actual work performed.

Article III, § 19, of the Nebraska Constitution contains the following prohibition against gratuitous payments to public employees:

The Legislature shall never grant any extra compensation to any public officer, agent, or servant after the services have been rendered nor to any contractor after the contract has been entered into, except that retirement benefits of retired public officers and employees may be adjusted to reflect changes in the cost of living and wage levels that have occurred subsequent to the date of retirement.

The Nebraska Attorney General (Attorney General) has summarized this constitutional provision by explaining, “Nebraska law generally requires work be performed in order for payment to be received.” Op. Att’y Gen. 95071 (Sept. 13, 1995).

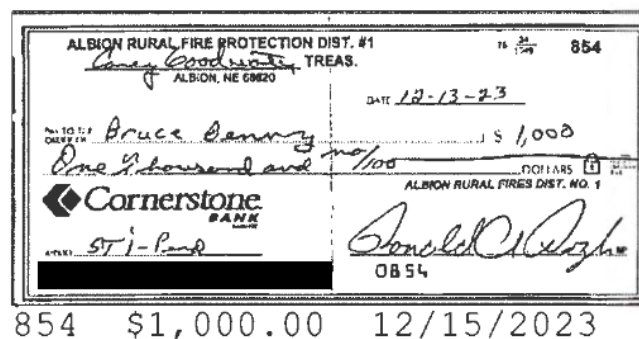
According to the Nebraska Supreme Court (Court), this constitutional prohibition is applicable to both the State and its many political subdivisions. *Retired City Civilian Employees Club of City of Omaha v. City of Omaha Employees’ Retirement System et al.*, 199 Neb. 507, 512, 260 N.W.2d 472, 475 (1977). Consequently, the District is subject to the injunction against gratuities.

Good internal controls require procedures to ensure adequate documentation is maintained to support that the District is in compliance with Article III, § 19 and State statutes. Without such procedures, there is an increased risk for not only noncompliance with applicable statutory requirements, but also misuse of District funds.

We recommend the Board implement procedures to ensure all District expenditures are allowable under State statute and that proper documentation is maintained for all disbursements. Compensation payments should be adequately supported by a contract or agreement and be tied to actual work performed.

2. Lack of Dual Signatures

The APA obtained the monthly statements for the District’s bank accounts from its fiscal year 2024 audit waiver request. From those statements, the APA noted that all District checks written during the examination period contained only one signature. 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.” It should be noted that the Secretary-Treasurer’s name is written on the top left of the check; however, it is unclear if this is a true signature or not of the Secretary-Treasurer.

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**.

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