



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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November 8, 2024

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 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 Township.

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

## Comments and Recommendations

### 1. Negative Bank Balances

While examining the Township bank statements, the APA noted that the Township's checking account had a negative balance during six separate periods during fiscal year 2024. The Township transfers funds from their savings account to cover the expenses paid out of the checking account. However, these transfers often occur after the expenses have already cleared the checking account and, therefore, these delayed transfers result in the checking account going negative.

The following table shows the periods that the bank balance was negative and the largest negative balance during each period. During fiscal year 2024, the Township incurred \$35 in overdraft fees.

| Period                  | Largest Negative Balance |
|-------------------------|--------------------------|
| 7/6/2023 - 7/7/2023     | \$ 897                   |
| 8/1/2023 - 8/4/2023     | 1,934                    |
| 10/12/2023 - 10/13/2023 | 734                      |
| 11/9/2023 - 11/10/2023  | 768                      |
| 1/4/2024 - 1/5/2024     | 746                      |
| 2/1/2024 - 2/2/2024     | \$ 5,833                 |

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 November 16, 2023, 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.

## **2. Payments Not Approved**

The APA obtained a copy of the December 6, 2023, meeting minutes for the Township Board (Board). Those minutes fail to reflect the Board's approval of \$4,251 in Township payroll and the associated payroll taxes. Total payroll and payroll taxes paid by the Township for fiscal year 2024 totaled \$59,172.

Nebraska law requires the 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; 2023 Neb. Laws, L.B. 43, § 21; 2024 Neb. Laws, L.B. 287, § 74; 2024 Neb. Laws, L.B. 399, § 4; 2024 Neb. Laws, L.B. 1370, § 8). Per Neb. Rev. Stat. § 84-1413(1) (Cum. Supp. 2022) public bodies, including the Board, 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.

A similar issue was identified by the APA in a prior review and was disclosed to the Township in the APA's letter dated November 16, 2023, 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 all expenditures of Township funds prior to payment, and such approval is documented adequately in the Board's meeting minutes.

## **3. 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 the following checks, totaling \$12,830, were issued before the underlying claims were approved by the Board.

| Approval Date | Name/Vendor                  | Amount           | Check # | Check Date | Days Paid Before Approval |
|---------------|------------------------------|------------------|---------|------------|---------------------------|
| 12/6/2023     | Moravec and Associates       | \$ 575           | 3451    | 12/4/2023  | 2                         |
| 12/6/2023     | Triple S Service             | 72               | 3452    | 11/27/2023 | 9                         |
| 12/6/2023     | Black Hills Energy           | 56               | 3453    | 11/27/2023 | 9                         |
| 12/6/2023     | Butler Public Power District | 33               | 3454    | 11/29/2023 | 7                         |
| 12/6/2023     | Elan Financial Services      | 697              | 3455    | 11/28/2023 | 8                         |
| 12/6/2023     | NMC, Inc.                    | 1,143            | 3456    | 11/28/2023 | 8                         |
| 12/6/2023     | AKRS Equipment               | 545              | 3457    | 11/28/2023 | 8                         |
| 12/6/2023     | John Deere Financial         | 9,708            | 3458    | 11/27/2023 | 9                         |
| <b>Total</b>  |                              | <b>\$ 12,829</b> |         |            |                           |

Nebraska law requires the 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 duty necessarily entails the Board’s approval of all expenditures of Township funds prior to their 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.

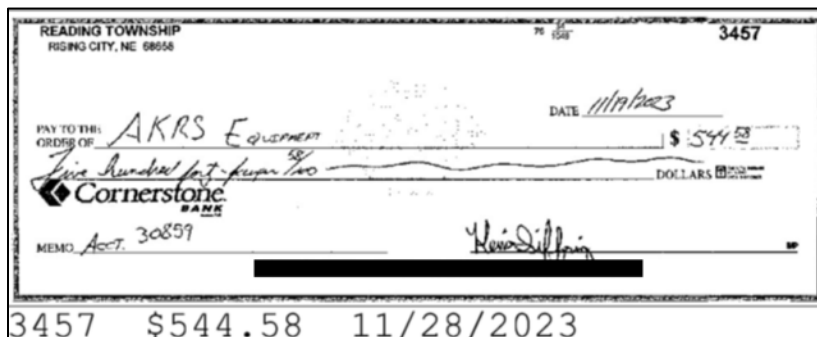
Without such procedures, there is an increased risk for the loss or misuse of Township funds.

A similar issue was identified by the APA in a prior review and was disclosed to the Township in the APA’s letter dated November 16, 2023, 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 prior to payment and are adequately documented in the minutes of the meeting during which they are approved.

#### 4. Lack of Dual Signatures

The APA obtained the monthly statements for the Township’s bank accounts from its fiscal year 2024 audit waiver request. From those statements, the APA noted that one Township check written during the examination period contained only one signature, as shown below:



Nebraska law requires both the Clerk and the Chairperson of the 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.

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.

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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,



Mark Avery, CPA  
Assistant Deputy Auditor