



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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November 26, 2024

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 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. Negative Bank Balances

While examining the District's bank statements, the APA noted that the District's checking account had negative balances during two periods in fiscal year 2024. The following table shows the periods during which the bank balance was negative and the largest negative balance for each period:

Period	Largest Negative Balance
11/22/2023 - 11/27/2023	\$ 7,942
11/28/2023 - 12/11/2023	1,076

During fiscal year 2024, moreover, the District incurred \$20 in overdraft fees; however, these were later refunded by the bank.

Good internal controls and sound business practices require procedures to ensure that funds are available in the District's bank account prior to payment. Without such procedures, additional fees can occur, and there is an increased risk of loss, misuse, or theft of funds.

We recommend the District Board implement procedures to ensure funds are available in the bank account prior to payment.

**2. Payments Not Approved**

The APA obtained a copy of the May 15, 2024, meeting minutes for the Board of Directors (Board) of the District. Those minutes reflect the Board’s approval of District expenditures; however, the following electronic payments, totaling \$1,788, were not included on the listing of expenditures approved by the Board:

<b>Payment Date</b>	<b>Vendor</b>	<b>Amount</b>
5/10/2024	Utilities	\$ 717
5/14/2024	Black Hills Energy	252
5/23/2024	Century Link	370
5/22/2024	Quick Med Claims	285
5/28/2024	AT&T	164
<b>Total</b>		<b>\$ 1,788</b>

Per Neb. Rev. Stat. § 35-508(4) (Reissue 2016), the Board has 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 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; 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). In particular, Neb. Rev. Stat. § 84-1413(1) (Cum. Supp. 2022) requires public bodies, including the Board, 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 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, 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 Board meeting.

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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