



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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November 20, 2024

Mickey Soloman, Chairperson
Kilfoil Township Custer County
P.O. Box 22
Merna, NE 68856

Dear Chairperson Soloman:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Kilfoil Township Custer 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. Payments Not Approved

The APA obtained a copy of the May 23, 2024, meeting minutes for the Township Board (Board). Those minutes fail to reflect the approval of any Township Cemetery or Township Library expenditures by the Board. Additionally, the Township Library Board (Library Board) was unable to provide any meeting minutes to show approval of Library expenditures. According to the Township, the Board does not approve vouchers or issue payments for the Library Board.

Nebraska law requires the Board to approve all claims, besides Township Library 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.) Further, the Library Board is required to approve all claims against the Township Library. In particular, Neb. Rev. Stat. § 51-207 (Reissue 2021) provides the following:

The library board shall have exclusive control of expenditures, of all money collected or donated to the credit of the library fund, of the renting and construction of any library building, and the supervision, care and custody of the grounds, rooms or buildings constructed, leased or set apart for that purpose.

Additionally, Neb. Rev. Stat. § 51-209 (Reissue 2021) states the following, in relevant part:

All taxes levied or collected and all funds donated or in any way acquired for the erection, maintenance, or support of any public library shall be kept for the use of the library separate and apart from all other funds of the city, village, county, or township, shall be drawn upon and paid out by the treasurer of such city, village, county, or township upon vouchers signed by the president of the library board and authenticated by the secretary of such board, and shall not be used or disbursed for any other purpose or in any other manner.

(Emphasis added.) Properly discharging the above statutory duties necessarily entails the Library Board’s approval of all expenditures of Township Library funds prior to their actual disbursement.

As public bodies, moreover, both the Board and the Library Board are 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 and the Library 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 both the Board and the Library Board approve all of their respective expenditures and business transactions prior to payment. Moreover, such approval should be documented in the meeting minutes of the Board or Library Board, as appropriate, specifying the name of each payee, the exact amount of any disbursement, and the specific purpose of the payment.

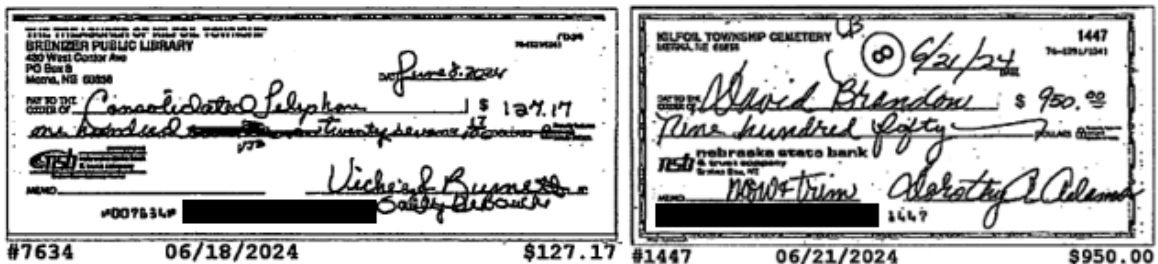
Without such procedures, there is an increased risk for not only failure to comply with State statute but also loss or misuse of public funds.

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 both the Board and the Library Board approve all expenditures of their respective funds prior to payment, and such approval is documented adequately in the appropriate meeting minutes.

2. Lack of Dual Authorized 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 15 checks written from the Township Cemetery’s bank account and 7 checks written from the Township Library’s bank account during the examination period contained only one signature. Additionally, all checks issued from these accounts contained signatures of individuals that are not members of the Township Board. Examples of such checks are 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.

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 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.**

Sincerely,



Mark Avery, CPA
Assistant Deputy Auditor