



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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October 30, 2024

Jack Galt, Chairperson
Crawford Rural Fire Protection District 4
P.O. Box 184
Crawford, NE 69339

Dear Chairperson Galt:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Crawford Rural Fire Protection District 4 (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. Credit Card Procedures

While reviewing the District's bank statements that were obtained as part of the audit waiver request, we noted the District made five credit card payments, totaling \$3,771, during the fiscal year ending June 30, 2024. The APA requested documentation to support one payment, totaling \$2,540. We noted the following issues regarding the District's procedures over this credit card payment.

Lack of Adequate Supporting Documentation

The District was unable to provide adequate documentation to support 14 purchases, totaling \$697, made with the District's credit card. The following table details the purchases that were not properly supported:

Date	Vendor	Amount
2/26/2024	Gulf Oil	\$ 72
2/27/2024	Kwik Stop	1
2/27/2024	Gulf Oil	35
2/28/2024	Burger King	29
2/29/2024	Gulf Oil	51
3/8/2024	TA Express	125
3/11/2024	Pizza Ranch	16
3/12/2024	Texas Roadhouse*	42
3/13/2024	Sonic	14
3/15/2024	Amazon	45

Date	Vendor	Amount
3/18/2024	Country Kitchen	38
3/21/2024	Hausers Gran N Go	46
3/21/2024	Hausers Gran N Go	96
3/22/2024	Nebraska Wildland Fire Academy	87
Total		\$ 697

**This purchase included a credit card slip; however, an itemized receipt was not provided.*

Neb. Rev. Stat. § 13-610 (4) (Reissue 2022) provides the following requirement for a purchasing card program:

An itemized receipt for purposes of tracking expenditures shall accompany all purchasing card purchases. In the event that a receipt does not accompany such a purchase, purchasing card privileges shall be temporarily or permanently suspended in accordance with rules and regulations adopted and promulgated by the political subdivision.

(Emphasis added.) As noted above, State law requires an itemized receipt for all purchases made with a political subdivision’s purchasing card. Good internal controls require procedures to ensure an itemized receipt for all purchasing card expenditures is maintained by the District. Without such policy, there is an increased risk for not only loss, theft, or misuse of District funds but also noncompliance with State statute.

We recommend the District implement procedures to ensure an itemized receipt is maintained for all purchasing card expenditures, in accordance with State statute.

Purchase of Alcohol

The APA noted one credit card purchase at Ruby Tuesday, totaling \$172.33, included purchases for alcohol of \$19. A copy of the receipt associated with this purchase is shown below:



The Local Government Miscellaneous Expenditure Act (Act), which is set out at Neb. Rev. Stat. §§ 13-2201 to 13-2204 (Reissue 2022), specifies the 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 rural or suburban fire protection districts, among numerous other public entities, by both subsections (2) and (3) of Neb. Rev. Stat. § 13-2202 (Reissue 2022).

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 subject to the Act to purchase, among other things, only nonalcoholic beverages.

Good internal controls require procedures to ensure that all District expenditures are allowable and appropriate, which necessarily precludes the purchase of alcohol with public funds. Without such procedures, there is an increased risk for not only noncompliance with State statute but also loss, misuse, or theft of District funds.

We recommend the District implement procedures to ensure all District expenditures are allowable and appropriate, which necessarily precludes the purchase of alcohol with public funds.

Payment of Sales Tax

The APA noted two payments to Norfolk Lodge & Suites, totaling \$605, to pay for lodging at a training event. Upon review of the supporting documentation associated with these payments, it was noted the District paid \$38 in State and Local sales tax.

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.

2. Payments Not Approved

The APA obtained a copy of the April 17, 2024, meeting minutes for the Board of Directors (Board) of the District. Those minutes reflect the Board’s approval of District expenditures; however, one payment, totaling \$662, to Black Hills Energy was not included with the list of payments approved by the Board.

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 22, 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,



Mark Avery, CPA
Assistant Deputy Auditor