



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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October 30, 2024

Don Holtgrew, Chairperson  
Atkinson Rural Fire Protection District 1  
P.O. Box 117  
Atkinson, NE 68713

Dear Chairperson Holtgrew:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Atkinson Rural Fire Protection 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 Supporting Documentation**

While reviewing the District's bank statements, the APA noted that the District had three credit cards that were mainly used to make fuel and online equipment purchases. During the fiscal year ended June 30, 2024, the District's credit card purchases totaled \$26,688. The APA requested supporting documentation for three credit card payments. The District was unable to provide itemized receipts to support the following purchases:

Date	Vendor	Amount
5/28/2024	Phillips 66	\$ 85
5/29/2024	Casey's	35
<b>Total</b>		<b>\$ 120</b>

Neb. Rev. Stat. § 13-610 (4) (Reissue 2022) provides, in relevant part, the following requirements 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 is maintained for all purchasing card expenditures. Without such procedures, 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.

**2. Payment of Sales Tax**

While reviewing documentation to support purchases made with the District’s credit cards, we noted that the District paid \$92 in sales tax. The purchases that included payment of sales tax are shown below:

<b>Date</b>	<b>Vendor</b>	<b>Amount of Sales Tax Paid</b>
1/15/2024	Crown Awards	\$ 10
1/16/2024	Amazon	59
1/22/2024	Amazon	3
6/02/2024	Amazon	20
<b>Total</b>		<b>\$ 92</b>

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.

**3. Improper Reconciling Items**

During review of the District’s bank account reconciliation as of June 30, 2024, we noted the reconciliation included two deposits in transit, totaling \$2,193, that had not cleared the bank. These deposits were recorded in October 2022 and April 2023. As outstanding deposits normally clear the bank account in just a few business days, these reconciling items do not appear reasonable.

Good internal controls require procedures to ensure that reconciling items are appropriate and reasonable. Without such procedures, there is an increased risk for not only the loss or misuse of funds but also inaccurate financial reporting.

We recommend the District implement procedures to ensure that reconciling items are appropriate and reasonable.

**4. Payments Not Approved**

The APA obtained a copy of the May 30, 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 expenditures were not included on the listing of bills approved by the Board:

<b>Payment Date</b>	<b>Vendor</b>	<b>Amount</b>
6/3/2024	Century Link	\$ 273
6/4/2024	Black Hills	281
<b>Total</b>		<b>\$ 554</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.

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