



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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November 20, 2024

Ed North, Chairperson  
O'Neill Rural Fire District 3  
P.O. Box 915  
O'Neill, NE 68763

Dear Chairperson North:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the O'Neill 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. Potentially Disallowed Purchases

Our review of the bank statements obtained from the District's audit waiver request revealed the following purchases, totaling \$2,114, made by the District during the fiscal year ending June 30, 2024. These purchases were made from the District's checking account, which contained property tax revenues.

Date	Name/Vendor	Amount	Description
11/15/2023	[Employee] Memorial	\$ 1,800	Memorial
12/16/2023	Twig Flowers & Gifts	105	Flowers for Funeral
1/10/2024	Twig Flowers & Gifts	209	Flowers for Funeral
<b>Total</b>		<b>\$ 2,114</b>	

The Local Government Miscellaneous Expenditure Act (Act), which is set out at Neb. Rev. Stat. § 13-2201 (Reissue 2022) et seq., specifies 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 Districts, among numerous other public entities, by both subsections (2) and (3) of Neb. Rev. Stat. § 13-2202 (Reissue 2022).

Neb. Rev. Stat. § 13-2203 (Reissue 2022) of the Act enumerates the miscellaneous expenditures permitted by governing bodies of local governments. Memorials and purchases of flowers – whether for funerals, memorials, or other personal occasions – are not found among that select statutory list of permissible expenditures. As a result, such disbursements must be considered disallowed by law.

On September 17, 1993, the Nebraska Accountability and Disclosure Commission adopted a document entitled “A Guideline to the Use of Public Funds by Cities and Villages – Revised” (Guideline). The Guideline addresses a number of different scenarios involving the expenditure of public funds. Though issued almost three decades ago, the Guideline remains relevant to various Nebraska public entities, including fire districts.

Regarding the issue of flower and memorial purchases, the Guideline provides the following:

*Question #6 – May municipal funds be expended for flowers and memorials for deceased elected officials, employees or their families?*

*Response – No.*

Good internal control requires procedures to ensure compliance with the provisions of the Act. Without such procedures, there is an increased risk for not only noncompliance with applicable statutory requirements but also loss or misuse of District funds.

We recommend the Board implement procedures to ensure all District purchases are allowable under State statute, including the provisions of the Act.

## 2. Lack of Adequate Documentation

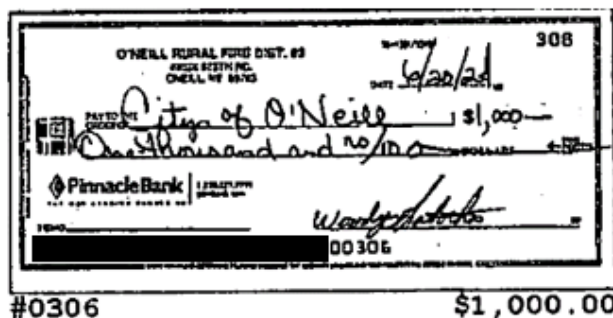
While reviewing the District’s bank statements, we noted that the Assistant Fire Chief of the O’Neill Volunteer Fire Department was paid \$2,750 on June 13, 2024, from the District checking account. Per the District, the Assistant Fire Chief receives compensation for vehicle mileage, wear-and-tear, and various other expenses incurred while performing officer duties. This pay is meant to be half of the amount paid to the Fire Chief by the City of O’Neill; however, the District was unable to provide a contract or agreement to support this compensation, nor could the District provide documentation to show how the amount was calculated for this payment.

Good internal controls require procedures to ensure adequate documentation is maintained to support all District disbursements. Without such procedures, there is an increased risk for loss or misuse of District funds.

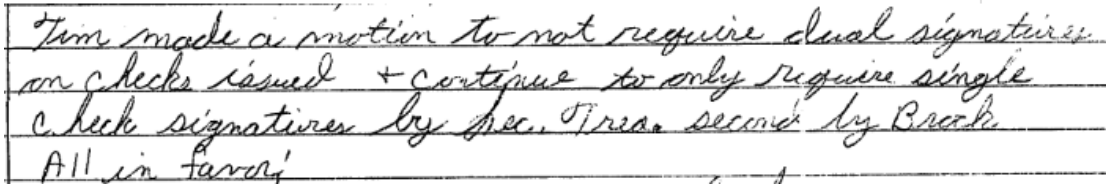
We recommend the Board implement procedures to ensure that proper documentation is maintained for all disbursements. Compensation payments should be adequately supported by a contract or agreement and be for actual work performed.

## 3. Lack of Dual Signatures

The APA obtained the monthly statements for the District’s bank accounts from its fiscal year 2024 audit waiver request. From those statements, the APA noted that all District checks written during the examination period contained only one signature. An example of such checks is shown below.



Additionally, the APA observed the August 21, 2024, meeting minutes for the Board of Directors (Board) of the District. During this meeting, the Board passed a motion to require only one signature on all checks. An excerpt from the August 21, 2024, meeting minutes is shown below.



Tom made a motion to not require dual signatures on checks issued + continue to only require single check signatures by Sec. Treas. second by Brock. All in favor.

However, Nebraska law requires both the Secretary-Treasurer and the President of the District to sign all checks approved by the Board. In particular, Neb. Rev. Stat. § 35-511 (Reissue 2016) states that those checks “shall bear the signature of the secretary-treasurer and the countersignature of the president of such district.”

In addition, good internal controls and sound accounting practices require procedures to ensure that District 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 prior reviews and was disclosed to the District in the APA’s letters dated November 23, 2020; January 12, 2022; December 28, 2022; and 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 Secretary-Treasurer and the President, on all District 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 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