



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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December 18, 2024

Ron Sukup, Chairperson
Knox County Agricultural Society
PO Box 14
Bloomfield, NE 68718

Dear Mr. Sukup:

We have received and reviewed the audit waiver request from the Knox County Agricultural Society (Society) for the fiscal year ended June 30, 2024. **That request has been approved.**

While performing, pursuant to Neb. Rev. Stat. § 84-304 (Reissue 2024), the preliminary examination necessary to determine whether the audit waiver should be allowed or further audit work would be required, the APA noted certain internal control or compliance matters, or other operational issues, within the Society.

Background Information

The Knox County Agricultural Society (Society) is located in Knox County, Nebraska. The Board of Directors (Board) is the governing body that exercises financial accountability and control over activities relevant to the operations of the Society. Board members are elected by the public and have broad decision-making authority, including the power to levy taxes and to designate management, the ability to exert significant influence over all Society operations, and the primary responsibility for related fiscal matters.

During the period of July 1, 2023, to June 30, 2024, the Society maintained two bank accounts at Farmers & Merchants Bank in Bloomfield, NE. The following table shows the combined bank activity of both of these accounts during the fiscal year ended June 30, 2024:

Bank Account	Balance as of 7/1/2023	Total Deposits/Other Credits	Total Checks/Other Debits	Balance as of 6/30/2024
General Checking	\$277,134.78	\$388,673.10	\$437,499.50	\$228,308.38
Capital Improvements Checking	\$90,610.44	\$76,759.12	\$128,948.78	\$38,420.78
Total Bank Activity	\$367,745.22	\$465,432.22	\$566,448.28	\$266,729.16

It is worth noting that the Capital Improvements bank account consists almost entirely of funds received from disbursements made from a Nebraska Public Agency Investment Trust (NPAIT) account held by Knox County. NPAIT is an investment pool comprised of public agencies throughout Nebraska, of which Knox County is a participant. Knox County maintains and makes disbursements out of this NPAIT account to both of the Society's bank accounts.

The following table lists the different revenue sources for the Capital Improvements bank account for the fiscal year ended June 30, 2024:

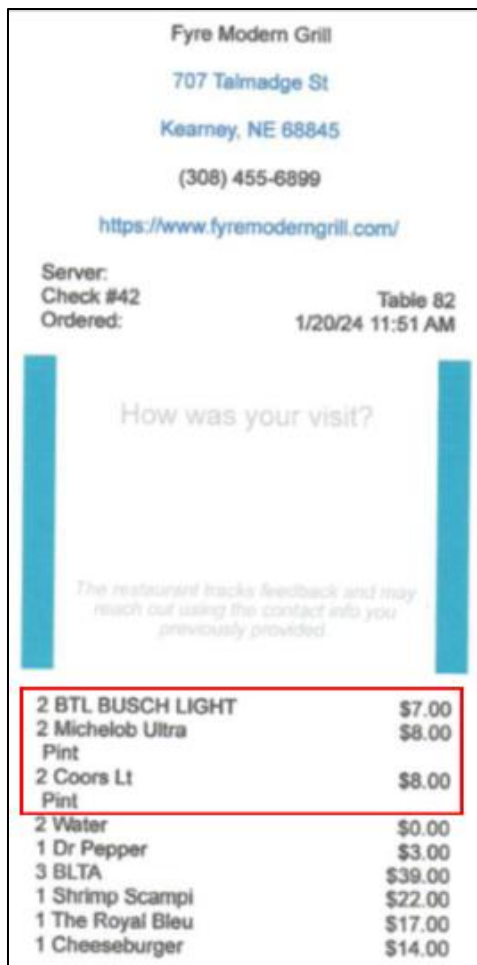
Funding Source	Amount
NPAIT Funds	\$75,242.91
Return Item	\$882.43
Interest Accruals	\$633.78
Total	\$76,759.12

The following comments and recommendations, which have been discussed with the appropriate members of the Society and its management, are intended to improve internal control or result in other operating efficiencies.

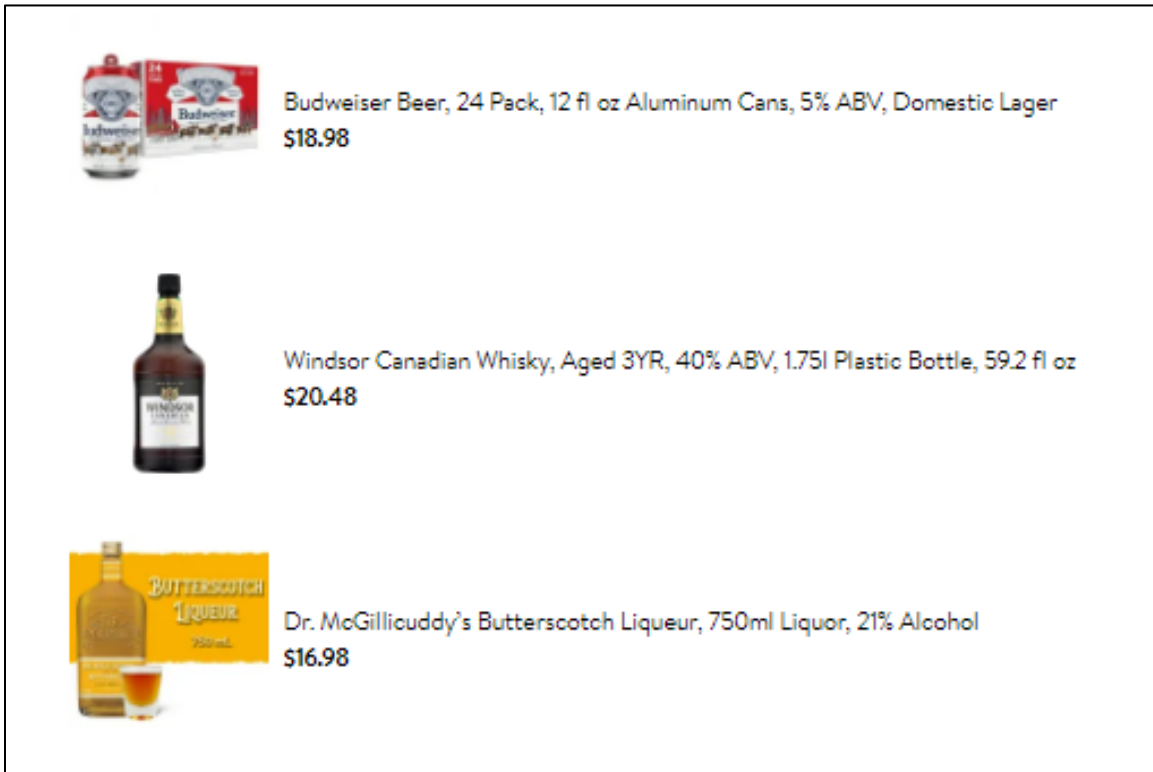
Comments and Recommendations

1. Potentially Disallowed Purchases

During examination of the Society’s Capital Improvements bank account statements, the APA noted 94 debit card purchases, totaling \$11,434.60. Of these transactions, several purchases were made at such establishments as restaurants, grocers, gas stations, and a country club. The APA inquired with the Society to obtain support for a selection of 10 transactions made with the Society’s debit card; the Society was able to provide itemized receipts for all but three of the requested purchases. Included with the documentation provided was a receipt from Fyre Modern Grill in Kearney, Nebraska, which included alcohol. An excerpt of this receipt, listing the alcohol purchased, is shown in the image below:



Included in the total debit card purchases, moreover, were six debit card transactions made to Walmart, totaling \$601.07. The APA utilized Walmart’s “Receipt Lookup” website (<https://www.walmart.com/receipt-lookup>) to ascertain the individual items purchased. In doing so, the APA observed that four of the Walmart debit card purchases contained alcohol. An example of one such purchase on July 17, 2023, is shown below:



The Society makes alcohol purchases out of the General Checking bank account (ending in 2070) as well; however, these purchases are made with non-public funds, such as sponsorships and contributions, to acquire alcohol intended to be sold at the Knox County Fair. Conversely, the alcohol purchases made on the Society’s debit card out of the Capital Improvements bank account appear to have been made not only using public funds but also for individual consumption.

In addition to the alcohol purchases, the APA noted also that the Society’s debit card was used on November 22, 2023, to purchase a memorial lantern and funeral flowers for \$90.00 from Blooms & Bling, a boutique located in Bloomfield, Nebraska. The following image is an excerpt of the receipt for this purchase:

White memorial Lantern w/Cardinal “ I am always w/you” remote	\$45.95
Funeral flowers	\$44.05
Total	\$90.00
Blooms & Bling (402) 373-4213	

As stated above in the “Background Information” section herein, the Society’s Capital Improvement bank account is comprised entirely of public funds transferred from the Knox County NPAIT account.

The purchase of alcohol, memorials, and funeral flowers with public funds is not authorized under the Local Government Miscellaneous Expenditure Act (Act). Set out at Neb. Rev. Stat. §§ 13-2201 to 13-2204 (Cum. Supp. 2024, Reissue 2022), the Act 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 county agricultural societies, among numerous other public entities, by both subsections (2) and (3) of § 13-2202.

The expenditure of public funds for food or drinks is covered by § 13-2203 of the Act, which permits the governing body of a local government to purchase only nonalcoholic beverages. This section also enumerates the other 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 over three decades ago, the Guideline remains relevant to various Nebraska public entities, including county agricultural societies.

Regarding the issue of flower and memorial purchases, the Guidelines 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 controls require procedures to ensure that all Society expenditures are allowable and appropriate, which necessarily precludes the purchase of alcohol, memorials, and funeral flowers 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 Society funds.

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

2. Lack of Adequate Supporting Documentation

In response to the aforementioned request for documentation to support the 10 purchases made with its debit card, the Society was unable to provide adequate supporting documentation for three of the debit card transactions at issue.

Neb. Rev. Stat. § 13-610(4) (Reissue 2022) requires that any expenditure with a political subdivision’s purchasing card be supported by an itemized receipt, as follows:

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.

Additionally, good internal controls require procedures to ensure that an itemized receipt is maintained for all expenditures of Society funds, especially those made with a purchasing card. Without such procedures, there is an increased risk for not only loss, theft, or misuse of Society funds but also noncompliance with State statute.

We recommend the Society implement procedures to ensure an itemized receipt is maintained for each purchasing card expenditure.

Overall Society Response:

We agree with your findings and will implement changes in our policies and procedures.

Knox County Agricultural Society will implement policies which will ensure that all future expenditures are allowable and appropriate. All current and any new board members will be given a copy of the Local Government Miscellaneous Expenditures Act set out at Nebr. Rev. Stat. 13-2201 to 13-2204 (Cum. Supp. 2024 Reissue 2022), Society board members will use this as a reference for all future expenditures. Board members will also discuss and determine if future expenditures are allowable and appropriate prior to the purchase.

Knox County Ag Society will adopt a policy which requires an itemize receipt to accompany each purchasing card purchase. It will also be required that the itemized receipt be maintained with the appropriate bank statement. If itemized receipts do not accompany or are not maintained will result in purchasing card privileges to temporary or permanently suspended.

* * * * *

Our audit procedures are designed primarily on a test basis and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use the knowledge gained during our work to make comments and recommendations that we hope will be useful to the Society.

Draft copies of this letter were furnished to the Society to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. Any formal response received has been incorporated into this letter. Such response has been objectively evaluated and recognized, as appropriate, in the letter. A response that indicates corrective action has been taken was not verified at this time.

This communication is intended solely for the information and use of the Society and its management. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this communication is a matter of public record, and its distribution is not limited.

If you have any questions regarding the above information, please contact our office.

Audit Staff Working on this Examination:

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Mason Culver – Auditor-In-Charge
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Sincerely,



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