



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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November 26, 2024

Dave Wortmann, Chairperson  
Eastern Township Knox County  
89307 548 Avenue  
Crofton, NE 68730

Dear Chairperson Wortmann:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Eastern Township Knox 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. Possible Impermissible Gratuities

On December 13, 2023, the Township Board of Directors (Board) issued checks, totaling \$350, to two Township employees, as detailed in the table below:

Check #	Employee	Amount
5421	Township Library Employee	\$ 100
5422	Township Employee	250
<b>Total</b>		<b>\$ 350</b>

According to the Township, these payments were for a year-end bonus – which appears to have been paid in addition to compensation received already for work performed. Additionally, the following excerpt from the December 13, 2023, Board meeting minutes indicates that these checks were bonuses paid to employees:

*All Bills were approved including bonuses employee checks.*

Article III, § 19, of the Nebraska Constitution contains the following prohibition against gratuitous payments to public employees:

*The Legislature shall never grant any extra compensation to any public officer, agent, or servant after the services have been rendered nor to any contractor after the contract has been entered into, except that retirement benefits of retired public officers and employees may be adjusted to reflect changes in the cost of living and wage levels that have occurred subsequent to the date of retirement.*

The Nebraska Attorney General has summarized this constitutional provision by explaining, “Nebraska law generally requires work be performed in order for payment to be received.” Op. Att’y Gen. 95071 (Sept. 13, 1995).

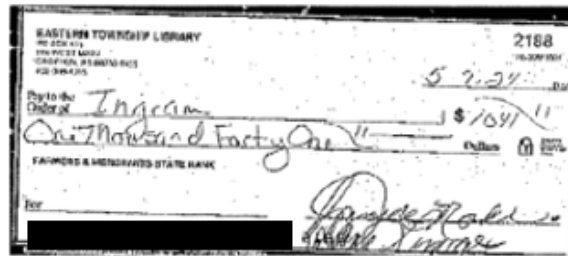
According to the Nebraska Supreme Court, this constitutional prohibition is applicable to both the State and its many political subdivisions. *Retired City Civilian Employees Club of City of Omaha v. City of Omaha Employees’ Retirement System et al.*, 199 Neb. 507, 512, 260 N.W.2d 472, 475 (1977). Consequently, the Township is subject to the injunction against gratuities.

Good internal control requires procedures to ensure that any payments, including bonuses, to Township employees are made in strict accordance with Article III, § 19. Without such procedures, there is an increased risk of not only loss or misuse of public funds but also violation of the Nebraska Constitution.

We recommend the Township implement procedures to ensure all payments are constitutionally permissible.

## 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 all checks issued from the Township Library’s bank account during the examination period contained the signatures of individuals that are not on the Township Board. An example of such checks is shown below:



Check 2188 Amount \$1,041.11 On 5/21/2024

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 October 27, 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,

A handwritten signature in black ink, appearing to read "Mark Avery", with a long horizontal flourish extending to the right.

Mark Avery, CPA  
Assistant Deputy Auditor