



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley  
State Auditor

Mike.Foley@nebraska.gov  
PO Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
auditors.nebraska.gov

November 26, 2024

Robert Seegebarth, Chairperson  
Hadar Rural Fire District  
P.O. Box 134  
Hadar, NE 68738

Dear Chairperson Seegebarth:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Hadar Rural Fire District (District) for the fiscal year ending 2024. **That request has been approved.**

However, as noted in the **Comments and Recommendations** section below, the District expended public funds on apparently disallowed purchases, had multiple apparent instances of noncompliance with State statute, and certain control deficiencies. While the fiscal year 2024 audit waiver request has been approved, **the District must provide our office with a formal, detailed corrective action plan to ensure that District funds are protected from misuse, loss, and theft. The corrective action plan must describe the District's planned course of action to resolve the issues noted below in this letter. If the corrective action plan is not submitted timely or is deemed to be inadequate, the APA will require a financial audit or attestation to be performed at the expense of the District.**

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. Purchase of Alcohol

While reviewing the District's bank statements for fiscal year 2024, the APA noted the following \$656.40 check written to Rob Huntley, a member of the District's Board of Directors (Board), as a reimbursement for supplies purchased for the annual chicken feed hosted by the District:

HADAR FIRE & RESCUE  
HADAR, NE 68738

78-28/1841 1849

DATE: 10-2-23

PAY TO: Rob Huntley \$656.40

THREE HUNDRED & FIFTY SIX DOLLARS AND 40 CENTS

Midwest Bank  
www.midwestbank.com  
ALLIANT Chicken Feed

#1849 10/04/2023 \$656.40

The APA obtained the supporting documentation for this reimbursement, which was for two separate purchases: \$534.50 paid to Legion Lounge & Backroom Steakhouse, a restaurant in Pierce, Nebraska; and \$121.90 paid to Hy-Vee, a supermarket in Norfolk, Nebraska. The purchase at Legion Lounge & Backroom Steakhouse appears to be an allowable purchase of food for the chicken feed, but the purchase at Hy-Vee consisted entirely of alcoholic beverages plus sales tax, as detailed in the following table:

Item	Amount
Seagrams Jamaican Me Happy Cocktails - 4 Pack	\$ 5.99
Budweiser Beer - 24 Pack	27.99
Canadian Club Whisky	22.98
Bacardi Superior Rum	24.99
Jack Daniels Berry Punch Cocktails - 6 Pack	8.99
Busch Light Beer - 30 Pack	22.98
Sales Tax	7.98
<b>Total</b>	<b>\$ 121.90</b>

Almost five months after the reimbursement check shown above, the District made a separate \$279.35 payment to Hy-Vee for the purchase of beverages, including \$237.74 to purchase more alcohol. That check cleared the bank on February 13, 2024. The table below details the items bought and the sales tax charged:

Item	Amount
Busch Light Beer - Two 30 Packs	\$ 47.98
Red Bull Energy Drink - 4 Pack	7.68
Truly Hard Seltzer Lemonade Variety Pack - 12 Pack	17.98
Twisted Tea Hard Iced Tea Variety Pack - 12 Pack	18.59
White Claw Hard Seltzer Variety Pack - 12 Pack	17.98
Diet Coke - 12 Pack	8.79
Simply Orange Juice	8.49
Budweiser Beer - 12 Pack	13.27
Coors Light Beer - 24 Pack	21.99
Bud Light Chelada - 12 Pack	17.99
Windsor Canadian Whiskey	17.99
McCormick Vodka	13.99
Crown Royal Canadian Whisky	27.99
Bud Light Beer- 24 Pack	21.99
Sales Tax	16.65
<b>Total</b>	<b>\$ 279.35</b>

Both the reimbursement check to Mr. Huntley and the February check to pay for the Hy-Vee alcohol purchase were issued from the Hadar Volunteer Fire & Rescue Department's (Department) checking account, the activity for which was submitted with the District's audit waiver request and included in the District's budget document.

Interestingly, despite seeming to be two separate and distinct entities, the Department's checking account is held under the District's Federal tax identification number. The intent of doing so – as well as submitting the account activity with the District's audit waiver request and including it in the District's budget document – appears to have been to treat those monies as District funds.

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.

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

## 2. **Payments Not Approved**

The APA obtained a copy of the minutes for the June 12, 2024, meeting of the Board. Those minutes fail to reflect the Board’s approval of any expenditures from the Department’s Fire & Rescue checking and savings accounts. These accounts were submitted with the District’s audit waiver request and are under the District’s Federal tax identification number – indicating, as noted already in the previous comment, the District’s apparent control thereof.

Additionally, the June 12, 2024, meeting minutes fail to reflect the Board’s approval of two expenditures, totaling \$299, from the District’s General Fund, as detailed below:

Check Date	Check Number	Vendor	Amount
5/31/2024	2845	Century Link	\$ 104
6/10/2024	2847	Elkhorn Rural Public Power District	195
<b>Total</b>			<b>\$ 299</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 occur 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.

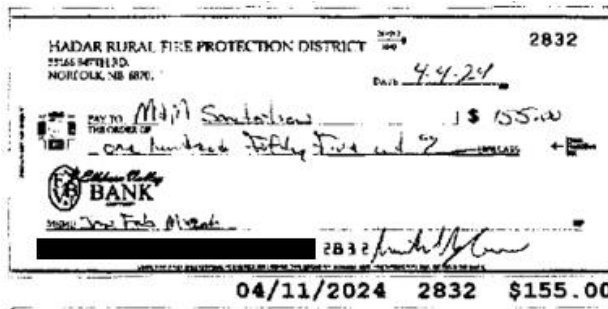
Without such procedures, there is an increased risk for not only failure to comply with State statute but also loss or misuse of public funds.

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 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.

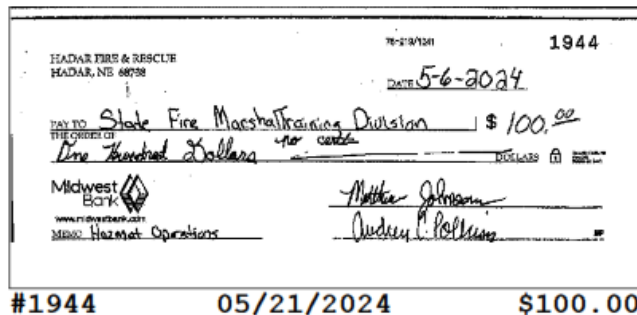
We recommend the implementation of procedures to ensure the Board approves, in a timely fashion, all expenditures of District funds, and such approval is documented adequately in the Board’s meeting minutes. Such Board approval should occur prior to the actual disbursement, if possible, or at the next Board meeting.

### 3. Lack of Dual Authorized 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 one check from the District’s general checking account written during the examination period contained only one signature, as shown below:



Additionally, the APA noted that all checks written from the Department’s Fire & Rescue accounts contained the signatures of individuals who are not members of the District’s Board. An example of such checks is shown below:



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 a prior review and was disclosed to the District in the APA's letter dated 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,

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