



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

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Jack Engelhaupt, Board Chairperson
Lower Niobrara Natural Resources District
410 Walnut Street
P.O. Box 350
Butte, NE 68722

Dear Mr. Engelhaupt:

As you may know, the Nebraska Auditor of Public Accounts (APA) has received some financial concerns regarding the Lower Niobrara Natural Resources District (District). As a result, the APA began limited preliminary planning work to determine if a full financial audit or attestation would be warranted. Pursuant thereto, the APA obtained financial records and other relevant documentation from the District. Based on the outcome of this preliminary planning work, including an analysis of the information obtained, the APA has determined that a separate financial audit or attestation is unnecessary at this time.

Nevertheless, during the course of the preliminary planning work, the APA noted certain issues that merit corrective action.

The following comment and recommendation, which has been discussed with the appropriate members of the District and its management, is intended to improve internal control or result in other operating efficiencies.

Comment and Recommendation

Accounting Procedures

The APA examined the District's bank statements for the period December 1, 2021, through April 30, 2023, and identified the following issues related to the District's financial operations:

Potentially Disallowed Purchases

Our examination of the bank statements obtained from the District revealed two payments, totaling \$217.71, for an apparent flower purchase and donation, as noted in the following table:

Check #	Check Date	Payee	Amount	Memo
30772	8/1/2022	Ellwanger's Greenhouse & Floral	\$32.71	50th Anniversary Flowers
1128	12/5/2022	NARD	\$185.00	Donation
Total			\$217.71	

The Local Government Miscellaneous Expenditure Act (Act), which is set out at Neb. Rev. Stat. § 13-2201 et seq. (Reissue 2022) 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 natural resources 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. Donations 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.

Good internal control requires procedures to ensure all District purchases are allowable under State statute, including the provisions of the Act.

Negative Bank Balance

While examining the District’s bank statements, the APA also noted that one of the District’s checking accounts had a negative balance for six days during 2022. The table below summarizes the negative account balances for those six days. Additionally, the District paid \$10 in overdraft charges due to these negative balances.

Date Range	Largest Negative Balance	Overdraft Fee
7/27/2022 - 8/1/2022	\$(624.23)	\$10.00

Good internal controls and sound business practices require procedures to ensure sufficient funds are available in the District’s bank accounts to pay claims and avoid overdraft fees.

Payment of Expenses Prior to Check Date

It was also noted during our examination of the District’s bank statements that the following checks, totaling \$46,216.97, were dated after they had cleared the bank, as shown below:

Check #	Check Date	Cleared Date	# of Days Between Cleared Date & Check Date	Payee	Amount
1268	3/27/2023	3/13/2023	14	Hollman Media	\$70.00
1269	3/27/2023	3/13/2023	14	Holt County Independent	\$226.38
1272	3/27/2023	3/13/2023	14	Mid-American Benefits	\$204.50
1273	3/27/2023	3/13/2023	14	Middle Niobrara NRD	\$423.49
1275	3/27/2023	3/13/2023	14	NPPD	\$82.52
1278	3/27/2023	3/13/2023	14	Pinnacle Bank	\$2,413.12
1279	3/27/2023	3/13/2023	14	Professional Computer Solutions	\$135.00
1285	3/27/2023	3/13/2023	14	Village of Butte	\$181.40
1270	3/27/2023	3/14/2023	13	In-Situ Inc.	\$26,925.94
1277	3/27/2023	3/14/2023	13	Office Products Center	\$99.56
1276	3/27/2023	3/14/2023	13	O'Neill Shopper	\$89.00
1284	3/27/2023	3/14/2023	13	Verizon	\$106.39
1271	3/27/2023	3/15/2023	12	Knox County Clerk	\$2,319.80
1267	3/27/2023	3/16/2023	11	Dana F. Cole & Co LLP	\$3,700.00
1280	3/27/2023	3/16/2023	11	Quill	\$90.24
1281	3/27/2023	3/17/2023	10	Rock County Leader	\$598.19
1282	3/27/2023	3/17/2023	10	Simple Solutions	\$158.32
1266	3/27/2023	3/20/2023	7	Crofton Journal	\$332.40
1274	3/27/2023	3/20/2023	7	NARD Risk Pool Association	\$8,060.72
Total					\$46,216.97

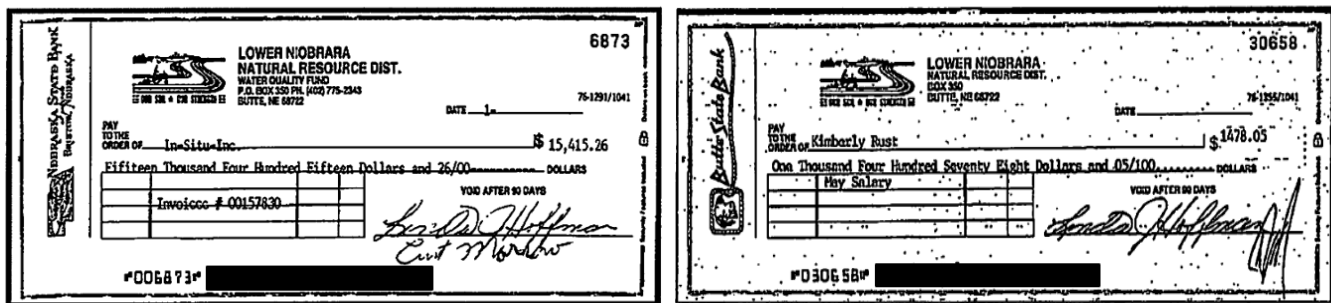
Good internal controls require procedures to ensure check dates are accurate, and checks are not issued prior to the check date.

Lack of Check Dates

In addition to the check date issues noted above, 12 checks issued by the District – 11 of which were payroll payments – totaling \$49,538.61, did not contain a check date.

Check #	Check Date	Cleared Date	Payee	Amount	Memo
30658		6/1/2022	Kimberly Rust	\$1,478.05	May Salary
6798		7/26/2022	Wade Ellwanger	\$4,694.51	July Salary
6799		7/27/2022	Connie McCarthy	\$2,123.40	July Salary
30734		8/1/2022	Kim Rust	\$1,601.40	July Salary
30845		9/23/2022	Becky Meritt	\$2,240.29	Sept Salary
6821		9/26/2022	Connie McCarthy	\$2,123.40	Sept Salary
6820		9/26/2022	Wade Ellwanger	\$4,694.50	September Salary
30844		9/30/2022	Kim Rust	\$1,601.40	Sept Salary
6849		11/25/2022	Wade Ellwanger	\$4,694.50	Nov Salary
6850		11/28/2022	Connie McCarthy	\$2,123.40	Nov Salary
6884		1/30/2023	Wade Ellwanger	\$6,748.50	January Salary
6873		2/1/2023	In-Situ Inc	\$15,415.26	Invoice # 00157830
Total				\$49,538.61	

Examples of such checks are shown below:



Good internal controls and sound accounting practices require procedures to ensure that District checks contain the required information.

Without such procedures, there is an increased risk for loss or misuse of District funds.

We recommend the implementation of procedures to ensure the following: 1) all District purchases are allowable under State statute, including provisions of the Act; 2) sufficient funds are available in the District’s bank accounts to pay claims and avoid overdraft fees; 3) check dates are accurate, and checks are not issued prior to the check date; and 4) District checks contain the required information, including check dates.

District Response:

The Lower Niobrara Natural Resources District (LNNRD) Board of Directors and I [General Manager] appreciate your time, efforts, and recommendations on these issues. The LNNRD Board of Directors has been informed of your findings and recommendations, and had previously taken steps to hire, train, and educate new administrative staff. I have myself reviewed The Local Government Miscellaneous Expenditures Act and reviewed it and the contents of this letter with our other administrative staff member. An improved understanding of our accounting software and practices have been implemented, and internal controls have been updated.

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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 District.

Draft copies of this letter were furnished to the District to provide its management with an opportunity to review and to respond to the comment and recommendation 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 District 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:

Craig Kubicek, CPA, CFE – Deputy Auditor
Mason Culver – Auditor-In-Charge
Destini Morales – Auditor
Kelsey Lutz – Examiner

Sincerely,



Craig Kubicek, CPA, CFE
Deputy Auditor
Auditor of Public Accounts
Room 2303, State Capitol
Lincoln, NE 68509
Phone (402) 471-3686
craig.kubicek@nebraska.gov