



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 18, 2025

Larry Leibhart, Chairperson
Cliff Township Custer County
80701 Road 420
Anselmo, NE 68813

Dear Chairperson Leibhart:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Cliff Township Custer County (Township) for the fiscal year ending 2025. **That request has been approved.**

While performing, pursuant to Neb. Rev. Stat. § 84-304 (Supp. 2025), 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. Failure to Remit Federal Taxes

The Internal Revenue Service (IRS) Form 944 is the Employer's Annual Federal Tax Return used for reporting and paying employee-related taxes to the United States Government. The Township is required to withhold Federal taxes, including income tax, Social Security tax, and Medicare tax, from compensation paid to Township employees. Despite withholding the Federal taxes from employees' compensation, the Township failed to remit those amounts to the IRS or file the annual Form 944 for calendar year 2024.

During calendar year 2024, it appears the Township withheld taxes, totaling \$1,331; however, this amount was not remitted to the IRS. According to the Township, the Township transitioned to a new payroll servicing company for 2025 and the Form 944 for 2024 was overlooked during this transition.

2025 IRS Publication 15 (Circular E), "Employer's Tax Guide," states the following, in relevant part:

Fiscal year taxpayers. The due dates listed next apply whether you use a calendar or a fiscal year.

By January 31

File Form 941 or Form 944. . . . File Form 944 for the previous calendar year instead of Form 941 if the IRS has notified you in writing to file Form 944. Pay any undeposited income, social security, and Medicare taxes with your Form 944. You may pay these taxes with Form 944 if your total tax liability for the year (Form 944, line 9) is less than \$2,500. For additional rules on when you can pay your taxes with your return, see Payment with return in section 11. If you timely deposited all taxes when due, you may file by February 10.

Good internal control requires procedures to ensure that Federal taxes withheld from compensation paid to Township employees is submitted timely, along with the corresponding Form 944, to the IRS, as required by Federal law. Without such procedures, there is an increased risk for not only loss or misuse of Township funds but also violation of Federal law.

We recommend the Township implement procedures to ensure Township employee taxes are remitted timely, along with the Form 944, to the IRS, as required by Federal law.

2. Board Member Per Diem

The APA obtained the monthly statements for the Township’s bank accounts from its fiscal year 2025 audit waiver request. From those statements, the APA noted that each Township Board (Board) member received a per diem of \$1,000 during fiscal year 2025. However, the Township failed to provide documentation supporting the approval of this per diem amount.

Neb. Rev. Stat. § 23-260 (Reissue 2022) states the following:

The members of the town board shall be entitled to a per diem as fixed by the town board at its annual meeting.

The electors at an annual town meeting constitute a public body subject to the provisions of the Open Meetings Act, which is set out at Neb. Rev. Stat. §§ 84-1407 to 84-1414 (Reissue 2024; Supp. 2025). In particular, Neb. Rev. Stat. § 84-1413(1) (Reissue 2024) requires such public bodies to “keep minutes of all meetings,” showing, among other things, “the substance of all matters discussed.”

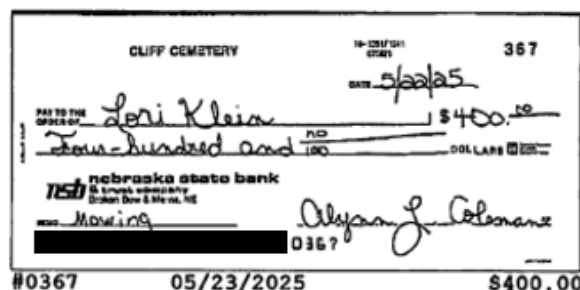
Good internal control requires procedures to ensure that the Board’s per diem is set annually, as required by State statute, and is adequately documented in the minutes of the meeting in which the per diem was approved. Without such procedures, there is an increased risk for not only failure to comply with State statute but also loss or misuse of Township 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 December 4, 2024, 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 ensure the Board’s per diem is set annually, as required by State statute, and is adequately documented in the minutes of the meeting in which the per diem was approved.

3. Lack of Dual Authorized Signatures

The APA obtained the monthly statements for the Township’s bank accounts from its fiscal year 2025 audit waiver request. From those statements, the APA noted that all checks written from the Township Cemetery’s bank account during the examination period contained only one signature. Further, the individual signing these checks is not a member of the Board. An example of such checks is shown below.



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 December 4, 2024, 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.

4. Payments Not Approved

The APA obtained a copy of all 2025 meeting minutes for the Board. Those minutes fail to reflect the Board's approval of any Township Cemetery expenditures.

Nebraska law requires the Board to approve all claims against the Township. In particular, Neb. Rev. Stat. § 23-255 (Reissue 2022) states the following, in relevant part:

All claims and charges against the town, duly audited and allowed by the town board, shall be paid by order so drawn.

(Emphasis added.) Properly discharging the above statutory duties necessarily entails the Board's approval of all expenditures of Township funds prior to their actual disbursement.

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 2024; Supp. 2025). Per Neb. Rev. Stat. § 84-1413(1) (Reissue 2024) public bodies, including the Board, are required 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 all expenditures and business transactions of the Township prior to payment. 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.

We recommend the implementation of procedures to ensure the Board approves all expenditures of Township funds prior to payment, and such approval is documented adequately in the Board's meeting minutes.

* * * * *

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