



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Ed North, Chairperson
O'Neill Rural Fire District 3
P.O. Box 915
O'Neill, NE 68763

Dear Chairperson North:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the O'Neill Rural Fire District 3 (District) 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 District.

The following information is intended to improve internal controls or result in other operational efficiencies.

Comments and Recommendations

1. Payments to Volunteer Fire Department

During our review of the bank statements accompanying the District's audit waiver request, the APA noted that the District paid \$3,500 to the O'Neill Volunteer Fire Department (Department). According to its Chairperson, the District has agreed to pay an annual stipend to the Assistant Fire Chief of the Department. The District's Chairperson noted that, instead of paying a salary, the District reimburses the Assistant Fire Chief for this use of his personal vehicle; however, the District was unable to provide a contract or agreement to support this payment, nor could the District provide documentation to support the amount of mileage incurred on the personal vehicle of the Assistant Fire Chief. Additionally, as the funds were paid to the Department, the APA could not verify that these funds were then paid to the Assistant Fire Chief, as intended by the District.

The Local Government Miscellaneous Expenditure Act (Act), which is found at Neb. Rev. Stat. §§ 13-2201 to 13-2204 (Reissue 2022; Cum. Supp. 2024), places strict parameters upon certain expenditures of public funds by local governments, including rural and suburban fire protection districts.

Additionally, Neb. Rev. Stat. § 35-901(6) (Reissue 2016) requires the expenditure of all public funds by the Department to be approved by the "taxing authority supporting" it – namely, in this case, the District – and properly published, as follows:

All expenditures of public funds as defined in the Nebraska Budget Act for support of a volunteer department or its purposes shall be submitted as claims, approved by the taxing authority supporting such department or its purposes, and published as required by law. All such claims shall be properly itemized for proposed expenditure or reimbursement for costs already incurred and paid except as may be otherwise permitted pursuant to section 35-106.

According to Neb. Rev. Stat. § 13-503(7) (Reissue 2022) of the Nebraska Budget Act, the term “public funds” means “all money, including nontax money, used in the operation and functions of governing bodies.” Any public funds received by the Department attach to the District to which it belongs – and, therefore, may be assumed to be used for the operation and function of that governing political subdivision. Consequently, such funds are subject to both the requirements of the Act and § 35-901(6).

Furthermore, good internal controls require procedures to ensure that any expenditure of funds by the District, whether directly or through a designated recipient thereof, is not only for a statutorily allowable purpose but also in accordance with the underlying objective of that disbursement. Thus, when a volunteer fire department – or, for that matter, any other entity or person – receives such funds, the District should have procedures for documenting their appropriate use.

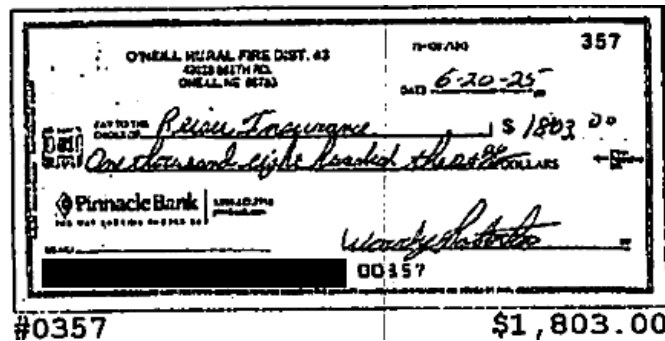
Without such procedures, there is an increased risk for the improper, if not prohibited, use of District funds.

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 20, 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 District implement procedures for documenting the expenditure of public funds by it, whether directly or otherwise, to ensure the proper use of those monies.

2. Lack of Dual Signatures

The APA obtained the monthly statements for the District’s bank accounts from its fiscal year 2025 audit waiver request. From those statements, the APA noted that all District checks written during the examination period contained only one signature. An example of such checks is shown below.



Additionally, the APA observed the August 21, 2025, meeting minutes for the Board of Directors (Board) of the District. During this meeting, the Board passed a motion to require only one signature on all checks. An excerpt from the August 21, 2025, meeting minutes is shown below.

W. J. Shultz made a motion to not require dual signature on checks issued and to continue to only require a single check signature by Sec. Treas. Tim Sec. All in favor

However, Nebraska law requires both the Secretary-Treasurer and the President of the District to sign all checks approved by the Board of Directors (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 prior reviews and was disclosed to the District in the APA's letters dated November 23, 2020; January 12, 2022; December 28, 2022; November 16, 2023; and November 20, 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 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,



Mark Avery, CPA
Assistant Deputy Auditor