NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Roger Mathiesen, Chairperson
Blair Rural Fire District
1712 Washington Street
Blair, NE 68008

Dear Chairperson Mathiesen:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Blair Rural Fire District (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. Board Member Compensation

During review of the District's bank statements obtained as part of the audit waiver request, we noted that each member of the Board of Directors (Board) of the District was paid $300 during the fiscal year ended June 30, 2025. State statute allows for Board members to be paid up to $50 per meeting of the Board; however, we were informed that the Board only meets twice each year. As such, Board members should have received $100 for fiscal year 2025.

Specifically, Neb. Rev. Stat. § 35-506(3) (Cum. Supp. 2024) states the following, in relevant part:

> *The members of the board of directors of a rural or suburban fire protection district may receive up to fifty dollars for each meeting of the board, but not to exceed twelve meetings in any calendar year, and reimbursement for any actual expenses necessarily incurred as a direct result of their responsibilities and duties as members of the board engaged upon the business of the district.*

(Emphasis added.) Good internal controls require procedures to ensure Board members are compensated in accordance with State statute. Without such procedures, there is an increased risk for not only noncompliance with applicable statutory requirements but also loss or misuse of District funds.

> We recommend the Board implement procedures to ensure Board members are compensated in accordance with State statute.

2. Lack of Adequate Supporting Documentation

While reviewing the District's bank statements, the APA noted that the District issued check #5309, dated September 18, 2024, to Dan Thompson, the Secretary-Treasurer of the District, in the amount of $900. After inquiry, the APA was provided with the following explanation regarding this check:

> *The check was a reimbursement for postage, envelopes, office supplies, telephone and internet. The Rural FD has been paying the board secretary this payment each year since 1959. This payment is not for wages, rather a reimbursement of expenses.*

The APA then requested documentation to support the amount spent by Mr. Thompson throughout the year on postage, envelopes, office supplies, telephone, and internet. Upon this request, the APA was informed that a flat amount is paid to the Secretary-Treasurer each year and no documentation is obtained to support the amount paid.

Neb. Rev. Stat. § 35-506(3) (Cum. Supp. 2024) states the following, in relevant part:

> *<u>The members of the board of directors of a rural or suburban fire protection district may receive</u> up to fifty dollars for each meeting of the board, but not to exceed twelve meetings in any calendar year, and <u>reimbursement for any actual expenses necessarily incurred as a direct result of their responsibilities and duties as members of the board engaged upon the business of the district</u>.*

(Emphasis added.) Good internal controls require procedures to ensure that adequate documentation is maintained for all expenditures of District funds, specifically payments for expense reimbursements. Additionally, reimbursements to Board members should only be made for "actual expenses necessarily incurred," as required by State law. Without such procedures, there is an increased risk for the loss, theft, or misuse of District funds.

> We recommend the District implement procedures to ensure adequate supporting documentation is maintained for all District expenditures. We further recommend reimbursements to Board members are only made for actual expenses incurred, as required by State statute.

3. Potentially Disallowed Purchase

Our review of the bank statements obtained from the District's audit waiver request revealed a $50 payment made to Blair Fire Department on September 19, 2024, for a memorial of a former Board member.

The Local Government Miscellaneous Expenditure Act (Act), which is set out at Neb. Rev. Stat. §§ 13-2201 to 13-2204 (Reissue 2022; Cum. Supp. 2024), 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 Fire Districts, among numerous other public entities, by both subsections (2) and (3) of Neb. Rev. Stat. § 13-2202 (Cum. Supp. 2024).

Neb. Rev. Stat. § 13-2203 (Reissue 2022) of the Act enumerates the miscellaneous expenditures permitted by governing bodies of local governments. Memorials are not found among that select statutory list of permissible expenditures. As a result, unless expressly authorized elsewhere in statute, such disbursements must be considered disallowed by law.

On September 17, 1993, the Nebraska Accountability and Disclosure Commission adopted a document entitled "A Guideline to the Use of Public Funds by Cities and Villages – Revised" (Guideline). The Guideline addresses a number of different scenarios involving the expenditure of public funds. Though issued over three decades ago, the Guideline remains relevant to various Nebraska public entities, including fire districts.

Regarding the issue of flower and memorial purchases, the Guideline provides the following:

> *Question #6 – May municipal funds be expended for flowers and memorials for deceased elected officials, employees or their families?*
>
> *Response – No.*

Good internal control requires procedures to ensure compliance with the provisions of the Act. Without such procedures, there is an increased risk for not only noncompliance with applicable statutory requirements but also loss or misuse of District funds.

> We recommend the Board implement procedures to ensure all District expenditures are allowable under State statute, including the provisions of the Act.

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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

Mark Avery, CPA
Assistant Deputy Auditor