



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Shane Batenhorst, Chairperson
Wisner Rural Fire District
2473 2nd Road
Wisner, NE 68791

Dear Chairperson Batenhorst:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Wisner Rural Fire District (District) for the fiscal year ending 2022. **That request has been approved.**

While performing, pursuant to Neb. Rev. Stat. § 84-304 (Cum. Supp. 2022), 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 Not Approved

The APA requested a copy of meeting minutes for the Board of Directors (Board) of the District that reflect the Board's approval of any District expenditures. According to the Secretary/Treasurer for the District, the Board only meets occasionally and the Board does not approve District expenditures.

Per Neb. Rev. Stat. § 35-508(4) (Reissue 2016), Boards have 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 be prior to the actual disbursement, if possible, or at the next District 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 et seq. (Reissue 2014). In particular, Neb. Rev. Stat. § 84-1413(1) (Cum. Supp. 2022) requires public bodies, including Boards, 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.

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

2. Lack of Dual Authorized Signatures

The APA obtained the monthly statements for the District's bank accounts from its fiscal year 2022 audit waiver request. From those statements, the APA noted that all District checks issued from the District's joint checking account during the examination period lacked the dual signatures required by law. An example of such checks is shown below.



This account is jointly funded by the District and the City of Wisner (City); however, the account was created under the Federal tax identification number of the District, and is considered to contain District funds. Claims to be paid out of this account are sent to the City's Clerk and are approved by the City's Board of Directors. The City's Clerk then issues the checks through the bank's online payment system. After checks are issued, the list of claims is then given to the District. The APA questions this process as the City Clerk, who is not a member of the District Board, is the only individual that issues payment from this District account.

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.

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.

3. Potentially Disallowed Purchase

Our review of the bank statements obtained from the District revealed a payment, totaling \$800, for a fireworks donation to the Wisner Volunteer Fire Department. This payment was made from an account held under the authority of the District.

The Local Government Miscellaneous Expenditure Act (Act), which is set out at Neb. Rev. Stat. § 13-2201 (Reissue 2022) et seq., 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 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. Purchases of fireworks 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 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 purchases are allowable under State statute, including the provisions of the Act.

4. Negative Bank Balances

While examining the District bank statements, the APA noted that the District's joint checking account had a negative balance two times during the fiscal year 2022. The following table shows the periods that the bank balance was negative and the largest negative balance during each period. During the fiscal year 2022, the District incurred \$11 in overdraft fees.

Period	Largest Negative Balance
12/16/2021 – 12/20/2021	\$ 3,010
1/14/2022 - 1/19/2022	\$ 12,360

Good internal control and sound business practices require procedures to ensure sufficient funds are available in the District's bank accounts to pay claims.

Without such procedures, there is an increased risk for not only the loss, misuse, or theft of District funds but also the accumulation of overdraft fees.

We recommend the District implement procedures to ensure sufficient funds are available in the District's bank accounts to pay claims.

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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, sweeping horizontal line extending to the right.

Mark Avery, CPA
Assistant Deputy Auditor