



**Finance, Expenditure & Legal  
Subcommittee Meeting  
December 6, 2005  
8:00 p.m.  
Agenda**

**Finance, Expenditure & Legal Subcommittee Members:**

Dick Connealy, Chairperson  
Tim Fowler, Vice-Chairperson  
John Conley  
Dorothy Lanphier  
Jim Thompson

Alternate Members: John Schwope  
Rich Tesar

Staff Liaison: Jim Becic\*  
Jerry Herbster  
Jack Lawless  
Trent Heiser

1. Meeting Called to Order – Chairperson Connealy
2. Quorum Call
3. Adoption of Agenda
4. Proof of Publication of Meeting Notice
5. Review and Recommendation of Amendment to District Policies:
  - a. 14.1 – Financial – Investments – Director John Conley
  - b. 14.2 – Financial – Disbursements – Director John Conley
  - c. 14.3 – Financial – Accounting – Director Lanphier
  - d. 14.4 – Financial – Reports – Director John Conley
  - e. 15.2 – Purchasing – Professional services – Director John Conley

[NOTE: District Policy 1.5 requires that amendments to the Policies listed above be tabled for one month. Final consideration for adoption will be at the January 12, 2006 Board Meeting.]
6. Discussion regarding Implementation of the Improvements to the District’s Accounting System Identified in Bland & Associates Management Letter – Director Lanphier
7. Review and Recommendation on Purchase Agreement with Metropolitan Community College for Dam Site 13 [*Executive Session, if needed*] – Paul Woodward
8. Adjourn

Agenda Item: 5.a.

## **Suggested amendment to District Policy 14.1.**

**14.1 Financial - Investments.** The Treasurer of the District be, and is hereby authorized and directed to hold the funds of the District in the following manner:

A. The amount necessary for the immediate needs of the District shall be account at the Wells Fargo Bank Nebraska, N.A., or Dakota County Bank or their successors.

B. The remainder of the funds of the District shall be maintained in one or more of the following investment accounts, in such proportions or amounts as may be determined by the Treasurer, subject to the limitations hereinafter provided, to-wit:

1. In insured time certificates of deposit issued by any bank within the District.
2. In United States treasury notes or bonds ~~or the United States~~, on the best terms as may be obtainable and in such multiples, amounts and maturities as may be available on the open market. The Treasurer is authorized to hold such notes or bonds until the maturity thereof, or sell the same when he or she shall determine that the proceeds thereof shall be necessary for the payment of District obligations or when a greater return to the District can be obtained by investing said proceeds in one or more other investments authorized by these rules and regulations.

C. No funds of the District cumulating an amount in excess of the applicable FDIC insurance coverage shall be maintained on deposit or in certificates of deposit of any bank unless the excess is secured in the same manner as provided by statute for the deposit of public funds.

D. The Treasurer and General Manager, jointly; the Treasurer and the Assistant General Manager, jointly; the Assistant Treasurer and the General Manager, jointly; or the Assistant Treasurer and the Assistant General Manager, jointly, are authorized to issue written orders for the transfer of District funds between District deposit and investments accounts, issue checks against the District deposit accounts without prior approval of this Board for the purchase of such U.S. Treasury notes or bonds or time certificates of deposit as may be made by the Treasurer of the District pursuant hereto; and, redeem such instruments, and endorse such instruments for deposit in District deposit accounts.

E. The District Accountant is authorized to transmit verbal or electronic orders for the transfer of District funds between District deposit and investment accounts and for the purchase, sale or redemption of U.S. Treasury notes or bonds or certificates of deposit pursuant hereto.

F. The Treasurer is authorized and directed to designate Wells Fargo Bank Nebraska N.A., or their successors as the Treasurer's agent for the safekeeping of any U.S. Treasury notes or bonds purchased pursuant to the authority granted herein.

[December 5, 1986; January 11, 1990; December 12, 2002; January 12, 2006; January 12, 2006]

Agenda Item: 5.b.

## **Suggested amendment to District Policy 14.2.**

**14.2 Financial - Disbursements.** Checks, drafts and orders for payments of District funds on deposit any District depository, shall be made only as authorized by the Board and may be signed by the Treasurer and the General Manager, Jointly; or by the Treasurer and Assistant General Manager, jointly; or by the Assistant Treasurer and the General Manager, jointly; or by the Assistant Treasurer and the Assistant General Manager, jointly. Electronic funds transfer orders, except for those authorized by 14.1, shall only be made upon the written approvals required for check disbursements. A copy of the approvals shall become a part of the accounting records.

[December 5, 1986; January 11, 1990; January 12, 2006]

Agenda Item: 5. c.

## **Suggested amendment to District Policy 14.3.**

### **14-3 Financial - Accounting.**

A. Accounting books and records for all financial transactions will be kept in accordance with generally accepted accounting principles. An audit of the District's books shall be made at the end of each fiscal year.

1. At least every five years the District will advertise for proposals for professional auditing services, using the procedure set out in Policy 15.2 Purchasing – Professional Services.

B. Expenses of the District employees and Directors will be reimbursed only upon the completion of an Expense Claim, Form 14.3.B., Manual of Standard Forms (Appendix E). The expense claim shall itemize and describe the nature of the expense. Receipts for expenses shall be attached to the claim as required by the claim form. Staff expense claims will be furnished to the District Accountant by Wednesday noon, a week prior to Board meetings. The Administrative Coordinator will forward monthly expense claims to each Director for review, signature and return to the office for payment with the next payroll.

Directors and District employees are eligible for a travel advance against the otherwise reimbursable expenses of any authorized out-of-District travel. Maximum amount for a travel advance shall be \$500.00. A written request for a travel advance must be submitted to the District Accountant at least five (5) days prior to the date of travel.

While conducting District business out-of-District, Directors and District employees shall be eligible for reimbursement for mileage. It shall be the policy of the District to pay the standard mileage rate allowed by the State of Nebraska Administrative Services Department, pursuant to Section 81-1176, R.R.S., 1943, for those Directors and District employees required to provide their own vehicles. However, if air travel is available, the District shall reimburse the lesser amount, i.e., if lowest available rate for air travel is \$200.00 and mileage is \$225.00 the District shall only pay \$200.00. If air travel is available and Directors or District employees choose to drive, they will be reimbursed for the reimbursable expenses for one travel day and Directors shall be paid for only one day of per diem. If air travel is available, additional housing expense will not be allowed as a reimbursable expense if road transportation is utilized as a matter of choice.

[December 5, 1986; February 4, 1988; January 12, 2006]

Agenda Item: 5.d.

## **Suggested amendment to District Policy 14.4.**

### **14.4 Financial - Reports.**

A. ~~The present chart of accounts and accounting system shall be used by the District in maintaining a record of the District's financial conditions.~~ Major changes to the District's accounting system or the replacement of the accounting system with a different system shall require the prior approval of the Board, except where required by law. Minor changes, such as adding new accounts, deleting obsolete accounts, renaming accounts, etc.; are not considered major changes and may be made with the approval of the General Manager.

B. Management shall provide to the members of the Finance, Expenditure and Legal Subcommittee such periodic written itemizations of planned and pre-authorized disbursements of District funds as such Subcommittee shall request.

[December 5, 1986; July 9, 1992; January 12, 2006]

Agenda Item: 5.e.

## **Suggested amendment to District Policy 15.2.**

### **15.2 Purchasing - Professional Services.**

A. Statement of purpose. It is the purpose of this policy to provide a uniform procedure for advertising for and selecting firms for the award of contracts for professional services.

B. Definitions. As used throughout this policy, unless the context otherwise requires, the following terms shall have the following meanings:

1. Firm: Any person, partnership, association or corporation engaged in, and legally authorized to practice in the state, a professional service.
2. Professional services: Any one or more of the following services: architecture, engineering, land surveying, landscape architecture or land appraisal ~~or audit firms.~~
3. Auditing Services: Auditing Services are excluded from the requirements of Policy 15.2.B.2. and shall be obtained in accordance with Policy 15.6.C. Purchases by Formal Competitive Bidding. The District shall obtain bids for auditing services at a minimum of every five years.

C. Selection Committee. The Ad Hoc Selection Committee responsible for selecting and negotiating with firms for these professional services shall consist of three Directors appointed by the Chairperson and one non-voting staff member appointed by the General Manager, or, as determined by the Chairperson, five Directors appointed by the Chairperson and two non-voting staff members appointed by the General Manager.

D. Request for Services. Projects that have been determined by the General Manager as requiring professional services shall be advertised at least once in the daily newspaper having the greatest circulation in the District. Written requests for professional services (requests for proposals) may be sent by Management to known qualified firms. Such requests for professional services shall indicate that those firms wishing to participate shall contact the District for a copy of the general scope of the professional services. All firms requesting a copy of the general scope of the professional services shall be given a uniform date by which to reply, and the name of the District staff member to contact for replies to any questions.

E. List of Firms. A list of all firms interested in providing professional services shall be developed and maintained by Management. Statements of qualifications and past performance data will be required to be filed by interested firms. Such statements should include the following:

1. Firm name, address, telephone number;
2. Years established and former names;
3. Type of services particularly qualified to perform;
4. Names of principals and states in which they are registered;

5. Names of key personnel to be utilized, experience of each and length of service with the firm;
6. Maximum number of the staff at any one time;
7. Outside consultants and associates that might be employed;
8. List of similar completed projects for which the firm was the principal professional;
9. Similar current projects of the firm and estimated construction costs of each; and,
10. History of professional negligence claims made against the firm during the past five years.

F. Reply by interested firms. After the firm has obtained a copy of the general scope of the professional services, then firm shall reply in writing to the General Manager to the following items:

1. Express if they are interested in the project;
2. Relate any changes in the firm's qualifications and past performance date from those previously submitted;
3. Express willingness and capability to meet time requirements;
4. Other additional material as may be outlined in the scope of the project, or as may be beneficial to the selection committee; and,
5. Provide a proposed plan of approach to the project.

G. Method of selection. The method of selection of a firm for professional services shall be in accordance with the following estimated fees, as established by the General Manager:

1. When the fee does not exceed twenty thousand dollars (\$20,000.00), the General Manager shall select the firm directly, giving consideration which shall include, but not be limited to, the following:
  - a) Firms which have sufficient professional manpower to meet project schedules;
  - b) Firms with a sound performance record for meeting time and budget requirements;
  - c) Firms which possess project experience and management ability;
  - d) Recent, current and projected work load with the District; and,
  - e) Any other specialized qualification which the firms might possess to benefit the project.
2. When the fee exceeds twenty thousand dollars (\$20,000.00), the Ad Hoc selection committee shall, where possible, select the three (3), or more at its discretion, best qualified firms in accordance with the considerations set out in subsection (a),

above, and from the reply to the items set out in subparagraph F. The selection committee shall rank the firms first, second, third, etc. Where possible, the three (3) or more at its discretion, best qualified firms shall be given a time and place for a personal interview by the selection committee. After review of submittal materials and the personal interview, the selection committee shall rank the firms first, second, third, etc.

H. Fee negotiations.

The firm ranked as first shall be notified to appear and negotiate with Management on the fee, detailed scope and schedule for the professional services requested. If Management and the firm selected as first cannot come to an agreement regarding the fee, the negotiations with that firm shall be terminated and the firm ranked second shall be contacted. If the factors which caused them to be ranked as such have not changed, negotiations shall be initiated with them. The procedure shall be repeated until an agreement is reached if it can be reached.

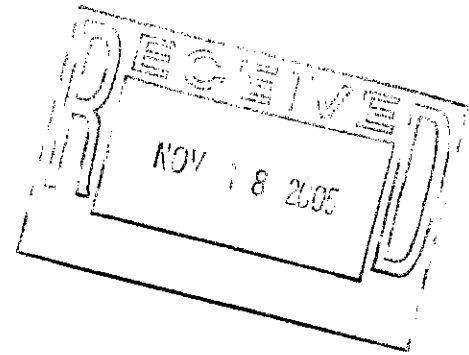
Where agreement is reached, the contract in final written form shall be submitted to the Ad Hoc selection committee for approval and be awarded an executed, if at all, in accord with all applicable provisions of these policies and applicable provisions of State Statutes.

I. Board authority not limited. Nothing in this policy shall be construed to abrogate, limit or amend the authority of the Board in the award or approval of contracts.

[December 5, 1986; June 13, 1991; January 9, 1992; January 12, 2006]



Dorothy Lanphier, Director  
Papio-Missouri River NRD  
812 South 51 Street  
Omaha, NE 68106



November 17, 2005

Dear Fellow Board Members;

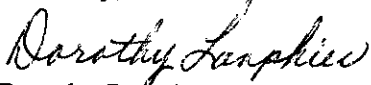
As you know, the CPA firm that conducted the FY 2005 annual audit of the Papio-Missouri River NRD, recommended improvements in our current accounting system.

I would like to address several of their recommendations. They are not difficult to implement and in fact are standard accounting practices. By not addressing them, we may be putting the District in a tenuous position and subjecting ourselves to a liability. The recommendations I would like to discuss are as follows:

1. The recommendation that we review our collateral position to avoid bank deposits exceeding the FDIC limit can be dealt with by implementing a policy. The policy would direct staff to compute the average daily balance in a month and if it exceeded the FDIC amount, to increase the collateral position. This data should be included in our monthly reports.
2. Tracking of the Districts assets is not just essential but required by GASB 34. We will need to investigate how to best accomplish it.
2. Maintaining separate general ledger accounts for grant funding is a standard accounting practice. It should not take much effort to keep revenue and expenditures from grants separate from other business of the NRD.

By implementing these recommendations the District would exercise due care in providing financial accountability that I believe the Board of Directors is responsible for. As we continue to pursue more bonding capability in the Legislature, we need to provide public assurance that we are safeguarding the Districts assets. I would like to place this issue on the November FEL Committee agenda. Please contact me if you have questions or concerns.

Sincerely,

  
Dorothy Lanphier, Director  
Sub-District Seven

Cc: Steven G. Oltmans, General Mgr., Paul Peters, Legal Counsel

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To the Board of Directors  
Papio-Missouri River Natural Resources District  
Omaha, Nebraska

In planning and performing our audit of the financial statements of Papio-Missouri River Natural Resources District (the District) for the year ended June 30, 2005, we considered its system of internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the system of internal control. However, we noted certain matters involving the internal control system and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of the internal control system that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

We believe Papio-Missouri River Natural Resources District should consider implementing the following suggestions, which will continue to improve the overall system of internal control.

#### **Payment of Invoices**

An invoice was approved for payment prior to the completion of work on the project. A check was then prepared and held for the completion of the work. We recommend the District not approve invoices for payment prior to completion of the work.

#### **Review of Collateral Position**

One of the District's bank account balances exceeded the Federal Deposit Insurance Corporation (FDIC) insurance amount at year-end. We recommend the District's collateral position be reviewed quarterly or as often as necessary to ensure that all accounts are properly insured by FDIC or other forms of collateral.

#### **Tracking of Capital Assets**

With the District's implementation of Government Accounting Standards Board (GASB) Statement No. 34, new requirements for tracking and reporting capital assets take effect. To date, the District has tracked only the assets that it purchases or disposes of, and the auditor has tracked the total capital assets for reporting purposes. We recommend the District take a full inventory of fixed assets to update its listing and remove outdated items and subsequently track all capital assets internally.

#### **Accounting for Grant Funding**

The District does not separate the federal award monies from other monies received (the money received is recorded in the same general ledger accounts). With the substantial amounts received in federal funding, the importance of accurately matching federal funds to expenses is enhanced. We recommend, at a minimum, the District establish separate general ledger revenue and expense accounts to monitor federal funds.

Board of Directors  
Papio-Missouri River Natural Resources District  
Omaha, Nebraska  
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### **Segregation of Duties**

Due to the limited number of accounting staff, the District has a lack of segregation of duties within the accounting department. A good system of internal accounting control includes segregation of duties so that no one person handles a transaction from inception to completion. Segregation problems occur in almost all small and medium sized organizations, and it is often not economically feasible to permit an adequate segregation of duties in all respects. The District's management should be diligent in providing additional separation where possible.

### **Performance Reports**

The FEMA Floodway Mapping program did not file one of the four performance reports in a timely manner. We recommend that the project managers monitor all due dates for performance reports and ensure such reports are timely filed.

\* \* \*

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control system would not necessarily disclose all matters in the system of internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. **We do not consider any of the foregoing reportable conditions to be material weaknesses.**

We have discussed these comments and suggestions with the District personnel and would be pleased to discuss them in greater detail at your convenience.

This letter is solely for the information and use of the Board of Directors and management of Papio-Missouri River Natural Resources District and should not be used for any other purposes.

Omaha, Nebraska  
September 27, 2005

*Blond & Associates, P.C.*