



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

September 18, 2019

Charles J. Seyler II, Chairperson
Village of Union
P.O. Box 27
Union, NE 68455

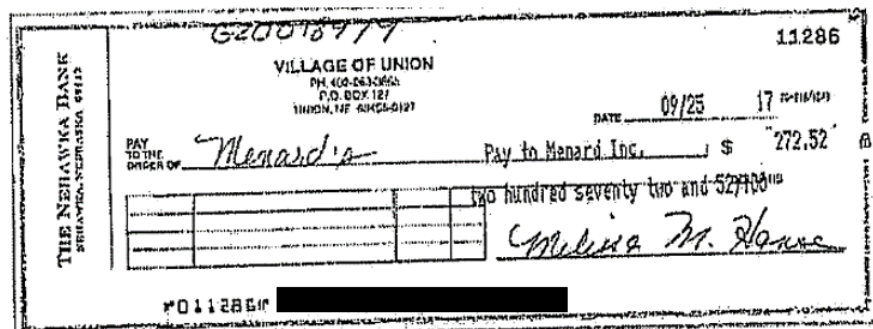
Dear Chairperson Seyler:

As you know, the Nebraska Auditor of Public Accounts (APA) has approved the fiscal year 2018 audit waiver for the Village of Union (Village). However, while performing our review to determine whether to approve the audit waiver, the APA noted certain internal control or compliance matters, or other operational issues, within the Village. The following information is intended to improve internal controls or result in other operational efficiencies.

Comments and Recommendations

1. Dual Signatures Required on Checks

The APA obtained the bank statements for the Village's accounts from its fiscal year 2018 audit waiver request. From these statements, the APA noted that 97 Village checks, totaling \$26,162.50, written during the examination period contained only one signature. An example of such checks is shown below:



State statute requires Village checks to be signed by both the Village Board (Board) Chairperson and the Village Clerk. Specifically, Neb. Rev. Stat. § 17-711 (Cum. Supp. 2018) provides the following:

All warrants drawn upon the city treasurer of a city of the second class or village treasurer must be signed by the mayor or chairperson of the village board of trustees and countersigned by the city clerk or village clerk, stating the particular fund to which the same is chargeable, the person to whom payable, and for what particular object. No money shall be otherwise paid than upon such warrants so drawn. Each warrant shall specify the amount included in the adopted budget statement for such fund upon which it is drawn and the amount already expended of such fund.

Good internal control and sound accounting practices require procedures to ensure that Village checks contain the statutorily required endorsements.

Without such procedures, there is an increased risk of not only failure to comply with State statute but also the loss and/or misuse of Village funds.

We recommend the Board implement procedures to require dual signatures, from the Board Chairperson and the Village Clerk, on all Village checks, as required by law.

Village Response: The Village of Union has ordinances in place that will need to be updated. In the past, checks written up to \$250 didn't require the chairperson's signature, only approval. These checks were written for day to day expenses like postage, office supplies, maintenance supplies, etc. The receipt for these checks were kept with the claims and accounts and processed through the fund budgeted for the expense in QuickBooks each month.

The new procedure will include two signatures on all checks, which is a moot point if all miscellaneous expenditures are to be approved through claims and accounts monthly. The fund account drawn from, with a description of the item, will be written in the memo portion of the check. As a part-time clerk/treasurer it will be a burden to have "each warrant specify the amount included in the adopted budget statement for such fund upon which it is drawn and the amount already expended of such fund." We will need time to come up with a new process and implement it to satisfy this requirement or change to online bill paying. We do not have debit OR credit cards which, in our thoughts, is more at risk for loss and misuse. Our Village pays most of our claims by check and it seems the State is now pressuring us to pay our bills online.

2. Payment of Claims Prior to Board Approval

During our comparison of the Village's bank account details to claims approved by the Board, the APA noted that one Village payment, totaling \$21,209, was issued before the underlying claim was approved by the Board.

Details of the premature payment are presented in the table below:

Claim Date	Name/Vendor	Amount	Check #	Cleared Date	Days Paid Before Approval
10/11/2017	USDA	\$ 21,209.00	ACH	10/2/2017	9

Neb. Rev. Stat. § 17-614(1) (Cum. Supp. 2018) sets out the proper method for the appropriation or payment of money by the Village, as follows:

All ordinances and resolutions or orders for the appropriation or payment of money shall require for their passage or adoption the concurrence of a majority of all members elected to the city council in a city of the second class or village board of trustees . . .

(Emphasis added.) Good internal control requires procedures to ensure that all claims are approved by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved.

Without such procedures, there is an increased risk for the loss or misuse of Village funds.

We recommend the Board implement procedures to ensure all claims are approved by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved.

Village Response: There are certain payments that the Board is aware of and the Village is required to pay each month, quarter or year. In the past these order for payments to government agencies; USDA Loan, NE State Sales taxes, NE Employment taxes and U.S. Treasury, are known transactions and part of the Village doing business. The reports are prepared and money owed is usually transferred electronically when completed. In the future, these reports will need to be prepared weeks in advance to be included in Claims and Accounts for the 2nd Wednesday of the month. We will also need to try to establish business accounts with the vendors we use on a regular basis to make sure we can do our day to day jobs and still comply with the requirement for the Board to approve all transactions before payment is made.

3. Payment of Unapproved Claims

During our comparison of the Village’s bank account details to claims approved by the Board, the APA identified numerous checks, totaling \$15,272.85, which were paid but not included on the claims listing to be approved by the Board.

These disbursements are summarized in the table below:

Name/Vendor	Check #	Cleared Date	Amount
Intuit Payroll	EFT	10/20/2017	\$ 6.33
USPS	11305	10/6/2017	\$ 83.00
Menard’s	11286	10/3/2017	\$ 272.52
American Builders, Inc.	11319	10/19/2017	\$ 7,256.00
NeRWA	11320	10/30/2017	\$ 105.00
NDEQ	11321	10/25/2017	\$ 150.00
Jeff Ruby	11323	10/30/2017	\$ 7,400.00
Total			\$ 15,272.85

Good internal control requires procedures to ensure that all claims are approved by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved.

Without such procedures, there is an increased risk for the loss or misuse of Village funds.

We recommend the Board implement procedures to ensure all claims are approved by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved.

Village Response: (American Builder’s and Jeff Ruby) These transactions were counter-signed by the Chairman and part of a construction bids previously approved by the Board. These payments could have been delayed until after the Board met. (USPS and Menards) were purchases needed to carry on the activities of the clerk for mailings and the maintenance supplies needed to repair or upkeep equipment or systems. The Village will have to come up with another way to pay for day-to-day necessities. Petty Cash has been discouraged by our accountant. NWRA and NDEQ were drafts approved by the Chairman for discounted class reservations and attendance and the certification of our maintenance for waste water operations. This was a last minute endeavor and in the future a special meeting will be called for the approval of the last minute expenditures. The Intuit transaction can be included in claims since it is a monthly transaction for our payroll service.

4. Village Funds

On Exhibit A of the Village’s audit waiver request form, the APA noted that the Village reported balances and activity under only the General Fund column. However, as certain receipts, such as highway allocation monies, are restricted for street or road purposes, the Village must report these monies under a separate restricted fund, such as the Street Fund, unless these monies are reimbursing certain street or road expenditures out of the General Fund.

Good internal control requires procedures to ensure that all Village funds, along with their respective activities, are reported correctly on the Village’s audit waiver request form.

Without such procedures, there is an increased risk of not only loss, misuse, or theft of Village monies but also a lack of transparency regarding the financial activity and position of the Village.

We recommend the Board implement procedures to ensure all Village funds, along with their respective activities, are reported correctly on the Village’s audit waiver request form.

Village Response: This was an error in reporting. All Street Funding is kept separate in Quick Books from the General Fund.

5. Other Issues

On the Schedule of Outstanding Debt attached to the Village’s audit waiver request, the Village reported outstanding debt of \$327,651.08 as of September 30, 2018. However, debt service payments were not noted on Exhibit A of the Village’s audit waiver request.

Good internal controls require procedures to ensure that debt service payments are reported accurately on the Village’s audit waiver request. Without such procedures, there is an increased risk of not only loss or misuse of Village funds but also such incomplete audit waiver request not reflecting accurately the financial position of the Village and being denied as a result.

We recommend the Village implement procedures to ensure debt service payments are reported appropriately on the Village’s audit waiver request.

Village Response: Exhibit A in Enterprise Funds should have reported as \$21,209.00 in debt service.

* * * * *

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 Village’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 Village.

Draft copies of this letter were furnished to the Village to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. Any formal responses received have been incorporated into this letter. Such responses have been objectively evaluated and recognized, as appropriate, in the letter. Any response indicating that corrective action has been taken was not verified at this time.

This communication is intended solely for the information and use of the Village 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 regarding the above information, please contact our office.

Sincerely,

A handwritten signature in black ink that reads "Mary Avery". The signature is written in a cursive style with a large, looping initial "M" and a long, sweeping tail on the "y".

Mary Avery
Special Audits and Finance Manager
Phone (402) 471-3686
mary.avery@nebraska.gov

cc: Melissa Hansen, Village Clerk