



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

July 22, 2019

Sandy Granger, Chairperson
Village of Comstock
115 E. Main
P.O. Box 55
Comstock, NE 68828

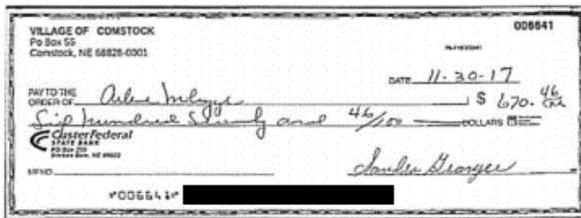
Dear Chairperson Granger:

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

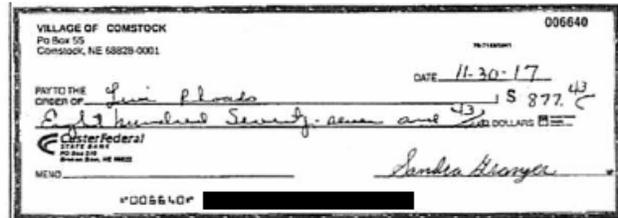
Comments and Recommendations

1. Dual Signatures Required on Checks

The APA obtained the bank statements for the Village's accounts per the fiscal year 2018 audit waiver request. From these statements, the APA noted two Village checks, totaling \$1,547.89, written during the examination period that contained only one signature. State statute requires Village checks to be signed by both the Board Chairperson and the Clerk.



6641 \$670.46 12/1/2017



6640 \$877.43 12/1/2017

Neb. Rev. Stat. § 17-711 (Cum. Supp. 2018) states 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.

When checks do not contain the required endorsements, the Village is not in compliance with State statute. Furthermore, permitting only a single signature increases the risk for loss and/or misuse of Village funds.

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

Village Response: The two checks that were written that are contained in your preliminary letter are payroll checks to Village employees. Due to the Village Board meeting on a regular basis that occurs less than when payroll checks are due, this situation occurred in which those checks were issued prior to having the Board Chairpersons signature. The checks that are written are standard payroll checks that are issued on a regular payroll basis.

2. Payment of Claims Prior to Board Approval

During our comparison of the Village’s bank account details to claims approved by the Village Board (Board), the APA noted that multiple Village checks, totaling \$3,011.73, were issued before the underlying claims were approved by the Board. The table below provides a summary of those premature payments:

Name	Approval Date	Check #	Check Clear Date	Check Amount	Days Paid Before Approval
Candace Kirwan	12/7/2017	6639	11/21/2017	\$ 414.54	16
Arlene Molczyk	12/7/2017	6641	12/1/2017	\$ 670.46	6
AFLAC	12/7/2017	ACH	12/6/2017	\$ 128.18	1
Levi Rhoads	12/7/2017	6638	11/15/2017	\$ 921.12	22
Levi Rhoads	12/7/2017	6640	12/1/2017	\$ 877.43	6
Total				\$ 3,011.73	

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: As stated in the above paragraph, the Village Board does not meet as often as needed in order to pay the standard payroll checks that are due on a regular basis to Village employees. The check to Candace Kirwan, Arlene Molczyk and the two to Levi Roades are all standard payroll checks and are not written out of the ordinary course of business. The Aflac check is simply a standard payment to the insurance company for insurance covered for employees and is done within the consistent course of business.

3. Payment of Unapproved Claims

During our comparison of the Village’s bank account details to claims approved by the Board, the APA identified one check, totaling \$49.00, which was paid, but not included on the claims listing to be approved by the Board. That disbursement was a payment to Postmasters via check #6659, which cleared on December 21, 2017.

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: The check for \$49.00 to postmasters is a standard expense in the daily operation of the Village business for postage. The claim should have been authorized by the Board, but must have been an oversight.

4. Other Issues

During our preliminary planning work, it was noted that the Village’s water rates have not been set by ordinance, as required by State statute; instead, they were set by Resolution No. 8-18-4, passed on August 2, 2018.

Neb. Rev. Stat. § 17-538 (Cum. Supp. 2018) states the following:

Cities of the second class and villages shall have the right and power to tax, assess, and collect from the inhabitants of such cities and villages such tax, rent, or rates for the use and benefit of water used or supplied to them by such waterworks, mains, portion, or extension of any system of waterworks or water supply as the city council or village board of trustees shall deem just or expedient. All such water rates, taxes, or rent shall be a lien upon the premises, or real estate, upon or for which such water is used or supplied; and such taxes, rents, or rates shall be paid and collected and such lien enforced in such manner as the city council or village board of trustees shall provide by ordinance.

When the Village’s water rates are not set by ordinance, the Village is not in compliance with State statute.

We recommend the Village set its water rates by ordinance, as directed by statute.

Village Response: The Village had set the water rates by Resolution and had been maintained accordingly. A Village Ordinance shall be drafted, reviewed by the Village Board and passed accordingly pursuant to your recommendations.

* * * * *

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 cursive script that reads "Mary Avery".

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

cc: Arlene Molczyk, Village Clerk