



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Bryan Gotch, Chairperson
Village of Newcastle
510 Annie St.
Newcastle, NE 68757

Dear Chairperson Gotch:

As you know, while performing a review to determine whether to approve the Village of Newcastle's (Village) fiscal year 2018 audit waiver, the Nebraska Auditor of Public Accounts (APA) noted certain internal control or compliance matters, or other operational issues, within the Village. As a result, the APA sent a draft letter to the Village on September 11, 2019.

The Village Board (Board) Chairperson contacted the APA on September 20, 2019, the date the Village's response to the original letter was due, with additional concerns, including negative fund balances and questions regarding utility accounts. Additionally, the Village Clerk had advised the Board that she was behind on her billings and was given a month to update them.

As a result, the APA requested additional information from the Clerk, including a backup of her accounting software, details of the records for each of the Village's utility customers, bank statements, Board meeting minutes, and municipal utility rates.

The following information is intended to improve internal controls or result in other operational efficiencies.

Comments and Recommendations

1. Village Accounting Processes

The Village Clerk failed to track the Village's cash balances for each fund or to record transactions properly in the accounting system.

The Village uses the QuickBooks accounting software to record its financial transactions and maintain its utility accounts. QuickBooks was not designed for fund accounting; therefore, the system did not track the cash balances for each of the Village's funds.

The Village has not tracked the cash balances properly for any of its funds.

The CPA who prepared the Village’s fiscal year 2018 audit waiver used the ending cash balances from the previous audit waiver, which was created by a different CPA. Support for those ending cash balances was never provided.

The following image is from the fiscal year 2018 audit waiver and represents the beginning cash balances, or cash balances, as of October 1, 2017:

The activity for each Village fund should be listed separately. See Note 5 On Memo.							
	GENERAL FUND	STREET FUND	CAPITAL PROJECTS FUNDS	DEBT SERVICES FUNDS	ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	TOTAL (Includes Total From page 1a)
1 Net Cash Balance	4,492.38	765.37			179,182.87		184,440.62

The following funds make up each of the funds shown on the audit waiver:

General Fund: General Fund, Police/Fire Fund, Park Fund

Street Fund: Road Fund

Enterprise Funds: Water Fund, Sewer Fund, Garbage Fund, Street Light Fund

The APA noted that the activity of the Street Light Fund consists of lease payments received for the use of the Village’s electrical distribution system. Because these lease payments are not payments from utility customers, it may be more appropriate to reflect that activity as part of the General Fund.

With the exception of the Street Fund, which included only one fund, the Village or its CPA was unable to provide the cash or fund balances for the individual funds listed above. Without procedures for adequately tracking its cash balances by fund, the Village cannot determine whether the income and expenses recorded for services provided to residents are appropriate.

The Village also failed to record transactions to the correct fund in its accounting system. QuickBooks has a field, called Class, which can be used to track financial activity by fund. However, the Village didn’t use this Class field properly to record the activity of its funds.

As a result, in preparing both the fiscal year 2018 audit waiver and the 2019-2020 budget, the Village’s CPA had to go through the Village’s transactions manually to identify the correct funds to which the transactions should have been recorded.

The following table provides a comparison of the fiscal year 2019 expenses per the 2019-2020 budget to the amounts the APA obtained from the Village’s accounting system for each fund:

FY 19 Expenses	Per 2019-2020 Budget	FY 19 GL by Class (Fund)	Difference
General	\$ 58,917.08	\$ 111,255.70	\$ (52,338.62)
Public Safety - Police and Fire (Fire)	\$ 68,130.89	\$ 23,048.68	\$ 45,082.21
Public Works - Streets	\$ 52,872.53	\$ 54,264.99	\$ (1,392.46)
Culture and Recreation (Park)	\$ 15,400.79	\$ 26,593.09	\$ (11,192.30)
Electric Utility	\$ 14,184.17	\$ 3,447.01	\$ 10,737.16
Solid Waste	\$ 19,954.40	\$ 20,649.76	\$ (695.36)

FY 19 Expenses	Per 2019-2020 Budget	FY 19 GL by Class (Fund)	Difference
Wastewater	\$ 9,836.54	\$ 6,267.74	\$ 3,568.80
Water	\$ 22,652.28	\$ 10,243.33	\$ 12,408.95
Utility Payments		\$ 3,036.56	\$ (3,036.56)
Unclassified		\$ 1,302.89	\$ (1,302.89)
Totals	\$ 261,948.68	\$ 260,109.75	\$ 1,838.93

As can be seen from the above table, the CPA needed to make significant adjustments from the Village's accounting records to accumulate the budgeted expenses, including the addition of \$1,838.93 more of expenditures than in QuickBooks.

The APA also determined that the Village should review the method used to allocate various expenses to each fund. For example:

- The current Director of Public Works has responsibilities covering the police, parks, streets, the various utility accounts, etc. However, in the accounting system, his payroll is charged approximately 58% to the Street Fund, and the remaining 42% is charged to the General Fund. During preparation of the budget, the CPA charges his salary using an allocation percentage of 15% to the Water Fund, 43% to the Street Fund, and 42% to the Police/Fire Fund.
- Likewise, the Village Clerk recorded her entire salary to the General Fund in the accounting system. However, the CPA allocated her salary 25% to the Water Fund, 25% to the Sewer Fund, 25% to the General Fund, and 25% to the Garbage Fund.

By not charging payroll costs correctly in the accounting system, the Village would be unable to appropriately monitor its fund balances.

Furthermore, the use of certain Village funds is restricted by State statute. Neb. Rev. Stat. § 39-2510(1) (Reissue 2016) requires all money collected from motor vehicle fees or use to be expended only on public highways and bridges and roads, as follows:

All money derived from fees, excises, or license fees relating to registration, operation, or use of vehicles on the public highways, or to fuels used for the propulsion of such vehicles, shall be expended for payment of highway obligations, cost of construction, reconstruction, maintenance, and repair of public highways and bridges and county, city, township, and village roads, streets, and bridges, and all facilities, appurtenances, and structures deemed necessary in connection with such highways, bridges, roads, and streets, or may be pledged to secure bonded indebtedness issued for such purposes, except for (a) the cost of administering laws under which such money is derived, (b) statutory refunds and adjustments provided therein, and (c) money derived from the motor vehicle operators' license fees or money received from parking meter proceeds, fines, and penalties.

Similarly, statutes for waterworks and sewers place restrictions upon the use of those funds. Neb. Rev. Stat. § 17-540 (Cum. Sup. 2018) states the following:

All income received by cities of the second class or villages from public utilities and from the payment and collection of water taxes, rents, rates, or assessments shall be applied to the payment of running expenses, interest on bonds or money borrowed, and the erection and construction of public utilities. If there is any surplus income, such income shall be placed into a sinking fund for the payment of public utility bonds or for the improvements of the works, or into the general fund as the city council or village board of trustees may direct. The surplus remaining, if any, may, if the city council or village board of trustees so directs, be invested in interest-bearing bonds or obligations of the United States.

Neb. Rev. Stat. § 17-925.01 (Cum. Supp. 2018) provides the following:

The mayor and city council of any city of the second class or the village board of trustees is hereby authorized, after the establishment of a system of sewerage and at the time of levying other taxes for city or village purposes, to levy a tax of not more than three and five-tenths cents on each one hundred dollars upon the taxable value of all the taxable property in such city or village for the purpose of creating a fund to be used for the maintenance and repairing of any sewer or water utilities in such city or village. In lieu of the levy of such tax, the mayor and city council or the village board of trustees may establish by ordinance such rates for such sewer service as may be deemed to be fair and reasonable, to be collected from either the owner or the person, firm, or corporation requesting the services at such times, either monthly, quarterly, or otherwise, as may be specified in the ordinance. All sewer charges shall be a lien upon the premises or real estate for which the same is used or supplied. Such lien shall be enforced in such manner as the city council or village board of trustees provides by ordinance. The charges thus made when collected shall be placed either in a separate fund or in a combined water and sewer fund and used exclusively for the purpose of maintenance and repairs of the sewer system, or the water and sewer system, in such city or village.

Without adequate procedures to ensure that the Village's financial activity is recorded to the correct funds in the accounting system, there is an increased risk for misuse of municipal funds and noncompliance with State statutes.

We recommend the Village implement procedures to ensure the use of an appropriate method to track the balance for each of the Village's funds. Because the balance for each fund cannot be easily determined, we recommend the Village approve a resolution to allocate such balances based on the activity thereof. We also recommend the Village implement procedures to ensure a proper accounting of all transactions by fund source so that the activity of each fund is reflected properly in the accounting system, and the need for manual calculations to prepare the budgets and audit waivers is eliminated. Finally, the Village should approve by resolution all methods of allocating expenses, including salary costs, to more than one fund.

2. Utility Accounts

The APA found the following significant concerns with the Village's utility records and accounts:

Utility Rates

The Village failed to provide properly approved resolutions for the rates that it charges its utility customers. Instead, it provided meeting minutes from May 2018, approving a rate of \$150 **per month** for utilities. The Village did not implement this language, as the utility rate charged to residents was \$150 **per quarter**.

Neb. Rev. Stat. § 17-538 (Cum. Supp. 2018) requires a village to set the water rate by ordinance, as follows:

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.

(Emphasis added). Similarly, Neb. Rev. Stat. § 17-925.01 (Cum. Supp. 2018) provides the following for sewer rates:

The mayor and city council of any city of the second class or the village board of trustees is hereby authorized, after the establishment of a system of sewerage and at the time of levying other taxes for city or village purposes, to levy a tax of not more than three and five-tenths cents on each one hundred dollars upon the taxable value of all the taxable property in such city or village for the purpose of creating a fund to be used for the maintenance and repairing of any sewer or water utilities in such city or village. In lieu of the levy of such tax, the mayor and city council or the village board of trustees may establish by ordinance such rates for such sewer service as may be deemed to be fair and reasonable, to be collected from either the owner or the person, firm, or corporation requesting the services at such times, either monthly, quarterly, or otherwise, as may be specified in the ordinance. All sewer charges shall be a lien upon the premises or real estate for which the same is used or supplied. Such lien shall be enforced in such manner as the city council or village board of trustees provides by ordinance. The charges thus made when collected shall be placed either in a separate fund or in a combined water and sewer fund and used exclusively for the purpose of maintenance and repairs of the sewer system, or the water and sewer system, in such city or village.

(Emphasis added). The APA also found that the Village allocated the \$150 per quarter to the various utilities, as follows:

Fund	Amount
Water	\$ 60.00
Sewer	\$ 42.00
Garbage	\$ 42.39
Sales Tax	\$ 5.61
Total Fee	\$ 150.00

Again, the Village failed to provide documentation of the Board’s formal approval for the allocation of the \$150 quarterly utility fee to its various utility funds.

Furthermore, the APA found that the Village charged different rates to its utility customers. Different customers were charged rates of \$538.05, \$500, \$144.39, \$107.61, and \$105.69 for one quarter. None of these rates were supported by adequate documentation.

Good internal control requires procedures to ensure that all utility rates are properly approved and implemented through Village ordinances. Those same procedures should ensure also that the utility rates charged to customers are uniform and properly supported, and the Board approves the allocation of receipts to various utility funds.

Without such procedures, there is an increased risk for the loss of Village funds and noncompliance with State statute.

Resolution of Amounts Owed

The APA noted a number of utility accounts with rather large, outstanding balances. As of September 30, 2019, the Village utility records show an outstanding balance of almost \$25,000 in utility accounts.

Each of the following utility accounts have outstanding balances of more than \$1,000:

Type	Date	Num	Amount	Balance
Customer 1 Balance as of 9/30/2017				\$ 1,146.11
Invoice	10/1/2017	3279	\$ 130.95	\$ 1,277.06
Invoice	1/1/2018	4224	\$ 130.95	\$ 1,408.01
Invoice	4/1/2018	4225	\$ 130.95	\$ 1,538.96
Invoice	7/1/2018	4226	\$ 150.00	\$ 1,688.96
Payment	9/26/2018	CASH	\$ (100.00)	\$ 1,588.96
Invoice	10/1/2018	4227	\$ 150.00	\$ 1,738.96
Payment	10/9/2018	CASH	\$ (50.00)	\$ 1,688.96
Payment	10/26/2018	CASH	\$ (50.00)	\$ 1,638.96
Payment	11/6/2018	CASH	\$ (50.00)	\$ 1,588.96
Invoice	1/1/2019	4771	\$ 150.00	\$ 1,738.96
Invoice	4/1/2019	4772	\$ 150.00	\$ 1,888.96
Invoice	7/1/2019	4773	\$ 150.00	\$ 2,038.96
Balance as of 9/30/2019			\$ 892.85	\$ 2,038.96
Customer 2 Balance as of 9/30/2017				\$ -
Invoice	10/1/2017	4861	\$ 449.68	\$ 449.68
Invoice	1/1/2018	3981	\$ 449.68	\$ 899.36
Payment	2/13/2018	43467	\$ (449.68)	\$ 449.68
Invoice	4/1/2018	4860	\$ 449.68	\$ 899.36
Invoice	7/1/2018	3983	\$ 538.05	\$ 1,437.41
Invoice	10/1/2018	3984	\$ 538.05	\$ 1,975.46
Invoice	1/1/2019	4573	\$ 538.05	\$ 2,513.51
Payment	3/26/2019	CHECK	\$ (1,076.10)	\$ 1,437.41
Invoice	4/1/2019	4574	\$ 538.05	\$ 1,975.46
Balance as of 9/30/2019			\$ 1,975.46	\$ 1,975.46
Customer 3 Balance as of 9/30/2017				\$ 472.36
Invoice	10/1/2017	4881	\$ 126.00	\$ 598.36
Invoice	1/1/2018	3900	\$ 126.00	\$ 724.36
Invoice	4/1/2018	3901	\$ 126.00	\$ 850.36
Invoice	7/1/2018	3902	\$ 144.39	\$ 994.75
Invoice	10/1/2018	3903	\$ 144.39	\$ 1,139.14
Invoice	1/1/2019	4496	\$ 144.39	\$ 1,283.53
Payment	2/23/2019	24220121	\$ (126.00)	\$ 1,157.53
Invoice	4/1/2019	4498	\$ 144.39	\$ 1,301.92
Invoice	7/1/2019	4499	\$ 144.39	\$ 1,446.31
Balance as of 9/30/2019			\$ 973.95	\$ 1,446.31

Type	Date	Num	Amount	Balance
Customer 4 Balance as of 9/30/2017				\$ 416.25
Invoice	10/1/2017	3212	\$ 130.95	\$ 547.20
Invoice	1/1/2018	3804	\$ 130.95	\$ 678.15
Payment	3/29/2018	1719	\$ (250.00)	\$ 428.15
Invoice	4/1/2018	3805	\$ 130.95	\$ 559.10
Invoice	7/1/2018	3807	\$ 130.95	\$ 690.05
Invoice	10/1/2018	3808	\$ 130.95	\$ 821.00
Invoice	1/1/2019	4428	\$ 150.00	\$ 971.00
Invoice	4/1/2019	4429	\$ 150.00	\$ 1,121.00
Invoice	7/1/2019	4430	\$ 150.00	\$ 1,271.00
Payment	8/15/2019	1753	\$ (150.00)	\$ 1,121.00
Balance as of 9/30/2019			\$ 704.75	\$ 1,121.00
Customer 5 Balance as of 9/30/2017				\$ 892.76
Invoice	1/1/2018	3771	\$ 130.95	\$ 1,023.71
Payment	2/20/2018	1212	\$ (43.65)	\$ 980.06
Invoice	4/1/2018	3772	\$ 130.95	\$ 1,111.01
Payment	4/20/2018	EFT	\$ (43.65)	\$ 1,067.36
Payment	5/21/2018	EFT	\$ (43.65)	\$ 1,023.71
Payment	6/1/2018	EFT	\$ (43.65)	\$ 980.06
Invoice	7/1/2018	3773	\$ 150.00	\$ 1,130.06
Payment	7/20/2018	EFT	\$ (50.00)	\$ 1,080.06
Payment	8/22/2018	EFT	\$ (50.00)	\$ 1,030.06
Payment	9/24/2018	EFT	\$ (50.00)	\$ 980.06
Invoice	10/1/2018	3774	\$ 150.00	\$ 1,130.06
Payment	10/24/2018	EFT	\$ (50.00)	\$ 1,080.06
Payment	11/20/2018	EFT	\$ (50.00)	\$ 1,030.06
Payment	12/20/2018	EFT	\$ (50.00)	\$ 980.06
Invoice	1/1/2019	4714	\$ 150.00	\$ 1,130.06
Payment	1/23/2019	EFT	\$ (50.00)	\$ 1,080.06
Payment	2/20/2019	EFT	\$ (50.00)	\$ 1,030.06
Payment	3/20/2019	EFT	\$ (50.00)	\$ 980.06
Invoice	4/1/2019	4715	\$ 150.00	\$ 1,130.06
Payment	4/22/2019	EFT	\$ (50.00)	\$ 1,080.06
Payment	5/22/2019	EFT	\$ (50.00)	\$ 1,030.06
Payment	6/20/2019	EFT	\$ (50.00)	\$ 980.06
Invoice	7/1/2019	4716	\$ 150.00	\$ 1,130.06
Payment	7/24/2019	EFT	\$ (50.00)	\$ 1,080.06
Payment	8/20/2019	EFT	\$ (50.00)	\$ 1,030.06
Balance as of 9/30/2019			\$ 137.30	\$ 1,030.06

The Village's utility ordinances allow for the discontinuance of service or the declaration of a lien on the customer's property when utility payments are delinquent. The Village should utilize those enforcement tools to collect on overdue accounts.

Good internal control requires procedures to ensure that the Village takes appropriate action on delinquent utility accounts.

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

Not all Properties Charged

The Village failed to charge all users of the water and sewer systems, including churches, the American Legion, and the Village's Director of Public Works.

The Board did not provide documentation of formal approval for these exclusions, and Village ordinances appear to make no allowance for them.

Furthermore, Neb. Rev. Stat. § 49-14,101.01(1) (Reissue 2010) of the Nebraska Political Accountability and Disclosure Act prohibits a public official from using his or her office to obtain improper financial gain, as follows:

A public official or public employee shall not use or authorize the use of his or her public office or any confidential information received through the holding of a public office to obtain financial gain, other than compensation provided by law, for himself or herself, a member of his or her immediate family, or a business with which the individual is associated.

Depending upon the circumstances, the Village employee's use of the municipal water and sewer systems without charge could fall within the above statutory prohibition.

Good internal controls requires procedures to ensure that all users of the Village's water and sewer systems are charged appropriately.

Without such procedures, other Village customers pay for the use of those who are not assessed the utility rate.

Errors in Billing, Duplicate Accounts

The APA's review of Village utility records revealed a number of other record-keeping issues, as follows:

- Customers with more than one utility account.
- Customers not billed for eight quarters during a two-year period.
- Lack of documentation to support property vacancies during times when no utilities were assessed.
- Difficulty in determining the property for which the rates are charged because the utility records contain the name of the property owner but not the property address.

Good internal control requires procedures to ensure the proper billing, collection, and recording of all utility rates.

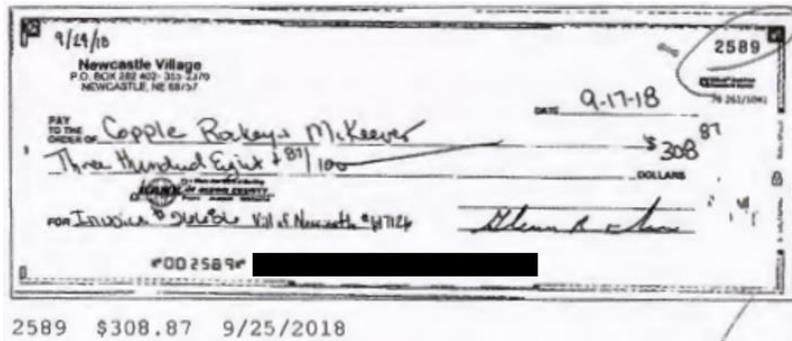
Without such procedures, there is an increased risk for loss or misuse of Village funds.

We recommend the Board implement procedures to ensure the following:

- Utility rates are authorized by Village ordinance.
- All customers are charged the authorized utility rate.
- The Board's method of allocating receipts to its various utility funds is formally approved and documented.
- Procedures are implemented for pursuing and collecting on delinquent utility accounts.
- Utility records are improved to ensure: 1) all customers have only one account per property and are billed properly; 2) documentation to support property vacancies is maintained; and 3) each customer is identified by both name and property address.

3. 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 multiple Village checks, totaling \$7,826.07, 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.

4. Lack of Claim Purpose

During our comparison of the Village’s bank account details to claims approved by the Board, the APA noted that a few of the claims listed in the Board’s official proceedings lacked descriptions of their respective purposes.

The following are the claims identified without descriptions within the approved claims listing provided by the Village for September 17, 2018:

Name	Description	Amount
Clemon		\$ 108.00
Gill Hauling Inc.		\$ 1,509.67
Lindblom Services, Inc.		\$ 930.00
Marrons		\$ 410.54
McNally Law Office		\$ 1,011.55
Nebraska Public Health Environ		\$ 15.00
Nebraska Journal Leader		\$ 98.55
Grossenburg Equipment		\$ 600.00
Northeast Nebraska Public Power		\$ 1,800.26
Northeast Nebraska Telephone		\$ 154.61
Michael Pommer, CPA		\$ 900.00
Quality Power & Control		\$ 60.00
R & B LandTiling & Construction		\$ 2,264.55
Garbage Deposit		\$ 298.00
Dakota County MFO		\$ 1,541.34
	Total	\$ 11,702.07

Neb. Rev. Stat. § 19-1102 (Cum. Supp. 2018) requires publication of the Board’s official proceedings, which must include, among other things, the purpose of each claim allowed, as follows:

It shall be the duty of each village or city clerk in every village or city having a population of not more than one hundred thousand inhabitants as determined by the most recent federal decennial census or the most recent revised certified count by the United States Bureau of the Census to prepare and publish the official proceedings of the village or city board, council, or commission within thirty days after any meeting of the board, council, or commission. The publication shall be in a newspaper in or of general circulation in the village or city, shall set forth a statement of the proceedings of the meeting, and shall also include the amount of each claim allowed, the purpose of the claim, and the name of the claimant, except that the aggregate amount of all payroll claims may be included as one item. Between July 15 and August 15 of each year, the employee job titles and the current annual, monthly, or hourly salaries corresponding to such job titles shall be published. Each job title published shall be descriptive and indicative of the duties and functions of the position. The charge for the publication shall not exceed the rates provided for in section 23-122.

(Emphasis added.) Good internal control and sound accounting practices require procedures to ensure that the Board’s official proceedings describe the purpose of each claim allowed.

Without such procedures, there is an increased risk of not only failure to comply with statutory publication requirements but also a lack of transparency regarding the nature of public expenditures.

We recommend the Board implement procedures to ensure the purpose of each claim allowed is included in the Board’s official proceedings and published in accordance with State statute.

5. 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 check, totaling \$900, was issued before the underlying claim was approved by the Board.

The table below provides a summary of that premature payment:

Claim Date	Name	Amount	Check #	Cleared Date	Days Paid Before Approval
9/17/2018	Michael Pommer, CPA	\$ 900.00	2564	9/6/2018	11

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.

6. 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 \$6,078.63, which were paid but not included on the claims listing to be approved by the Board.

Those disbursements are summarized in the table below:

Check Date	Name/Vendor	Amount	Check #	Cleared Date
9/20/2018	Nebraska Journal Leader	\$ 63.22	2596	9/26/2018
9/17/2018	Copple Rockey McKeeves	\$ 308.87	2589	9/25/2018
9/14/2018	John Olander	\$ 680.89	2584	9/17/2018
9/14/2018	Jim Olander	\$ 915.41	2583	9/17/2018
9/17/2018	Todd Brennan	\$ 450.00	2580	9/19/2018
9/17/2018	Gene Blatchford	\$ 450.00	2579	9/21/2018
9/17/2018	Bryan Gotch	\$ 450.00	2577	9/18/2018
9/17/2018	Glenn Irwin	\$ 650.00	2576	9/25/2018
9/4/2018	Susan Day	\$ 500.00	2571	9/28/2018
9/4/2018	Susan Day	\$ 1,410.24	2570	9/28/2018
9/21/2018	Trolley Time	\$ 200.00	2574	9/21/2018
Total		\$ 6,078.63		

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.

7. Negative Fund Balances

On Exhibit A of the Village’s audit waiver request form, the APA noted that the General and Street funds had deficit balances of \$54,104.51 and \$9,661.16, respectively, as of September 30, 2018.

Good internal control and sound accounting practices require procedures to ensure that Village fund balances are sufficient to cover fully all disbursements and transfers approved by the Board. Those same procedures should ensure also that the Board is apprised regularly of each Village fund balance and, therefore, placed in a position to take any action needed to resolve deficits therein.

Without such procedures, there is an increased risk of not only insufficient Village fund balances but also the resultant inability to cover fully all disbursements and transfers approved by the Board.

We recommend the Village Board implement procedures to ensure the Board is apprised regularly of each Village fund balance and, therefore, placed in a position to take any action needed to resolve deficits therein.

8. Late Filing

The Village's audit waiver request was filed on July 18, 2019, over nine months after the fiscal year end and over three months after an audit or approved audit waiver must be filed with the APA, as required by State statute.

Neb. Rev. Stat. § 19-2903 (Reissue 2012) states, in relevant part, the following:

The municipal authorities of each municipality shall cause an audit of the municipality's accounts to be made by a recognized independent and qualified accountant as expeditiously as possible following the close of the fiscal year for such municipality and to cover all financial transactions and affairs of the municipality for such preceding fiscal year Such audit shall be completed and the annual audit report made by such accountant shall be submitted within six months after the close of the fiscal year in any event A village may request a waiver of the audit requirement subject to the requirements of subdivision (4) of section 84-304.

Furthermore, Neb. Rev. Stat. § 19-2905 (Reissue 2012) provides, in relevant part, the following:

At least three copies of the annual audit report shall be properly signed and attested by the accountant; two copies shall be filed with the clerk of the municipality involved and one copy shall be filed with the Auditor of Public Accounts.

(Emphasis added.) Good internal control requires procedures to ensure forms required to be filed with the APA are submitted within the time constraints set out by State statute.

Without such procedures, there is an increased risk of not only noncompliance with State statute but also lack of transparency. Furthermore, such deficiencies may result in the Village's audit waiver request being denied.

We recommend the Village implement procedures to ensure forms required to be filed with the APA are submitted within the time constraints set out by State statute.

Overall Village Response: The Village of Newcastle will be improving our accounting processes, our record keeping, and controls. We will be implementing these over the next several months.

* * * * *

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".

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

cc: Susan Day, Village Clerk
Frank Daley, Nebraska Accountability and Disclosure Commission