



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 17, 2019

Mark Billsbach, Chairperson
Village of Odell
P.O. Box 5
Odell, NE 68415

Dear Chairperson Billsbach:

As you know, the Nebraska Auditor of Public Accounts (APA) has approved the fiscal year 2018 audit waiver for the Village of Odell (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 all of the Village checks written during the examination period contained only one signature. An example of such checks is shown below:

VILLAGE OF ODELL
P. O. BOX 5 PH 402-756-4122
ODELL, NE 68415

8871
76-4501043

9-10-18 Date

Pay to the Order of Hein Construction \$ 15,330.40
Fifteen thousand three hundred thirty + 40/100 Dollars

STATE BANK OF ODELL
BOX 145
ODELL, NEBRASKA 68415

For Sandy Kostal

8871

8871 09/24/2018 15330.40

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: From this point on we will have two signatures on every check, mine (board chairman) and our clerks (Sandy Kostal).

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 multiple Village checks, totaling \$37,993.57, 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
Municipal Supply	9/12/2018	8847	8/17/2018	\$ 6,579.12	26
Midwest Labs.	9/12/2018	8848	8/24/2018	\$ 266.03	19
Norris Public Power	9/12/2018	8851	8/30/2018	\$ 1,713.40	13
SENND	9/12/2018	8853	9/7/2018	\$ 275.00	5
Midlands Contracting	9/12/2018	8856	9/7/2018	\$ 29,090.00	5
Black Hills Energy	9/12/2018	8857	9/10/2018	\$ 70.02	2
Total				\$ 37,993.57	

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: From now on all bills will be submitted and approved at our board meetings before checks are issued for payment.

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 \$27,003.27, 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	Check #	Check Cleared Date	Amount
Edward Jones	8859	9/14/2018	\$ 360.00
Schmidt's Sanitation	8860	9/14/2018	\$ 2,374.99
The Stanosheck Agency	8874	9/25/2018	\$ 1,008.00
IRS	EFT	9/11/2018	\$ 1,140.16
James Duitsman	EFT	9/15/2018	\$ 1,426.08
Blue Cross Blue Shield	EFT	9/21/2018	\$ 416.54
Chase NYC Bank	EFT	9/28/2018	\$ 15,010.00
Chase NYC Bank	EFT	9/28/2018	\$ 5,267.50
Total			\$ 27,003.27

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: If bills come in after meeting that need prompt payment, we will call a special meeting for approval of payment or bills will remain until the following month for payment.

4. Other Issues

On the Schedule of Outstanding Debt attached to the Village's audit waiver request, the Village reported outstanding debt of \$308,817.01 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.

* * * * *

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, looped 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: Sandy Kostal, Village Clerk