



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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September 26, 2019

Jim Crawford, Chairperson
Village of Phillips
706 East Street
Phillips, NE 68865

Dear Chairperson Crawford:

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



4/9/2018 10996 \$528.35

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.

2. Lack of Claim Purpose

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

The following is an example of the approved claims listing provided by the Village for February 6, 2018:

Name	Description	Amount
Aurora News Register		\$ 87.38
Black Hills Energy		\$ 839.07
Blue Cross/Blue Shield		\$ 1,028.81
Hamilton Telephone		\$ 101.34
Heartland Disposal		\$ 1,617.00
Home Federal Bank		\$ 100.00
Menards		\$ 73.69
National Life Co.		\$ 47.54
NATW		\$ 35.00
Sams Club		\$ 221.74
Southern Power District		\$ 301.00
Svehia Law Offices, P. C.		\$ 1,752.00
Visa		\$ 377.10
Hooley, S		\$ 2,996.00
Walker, C		\$ 1,048.43
Aurora Co-Op		\$ 310.75
Black Hills Energy		\$ 368.14
Hamilton Telephone		\$ 101.17
Southern Power District		\$ 404.00
Verizon		\$ 92.75
Black Hills Energy		\$ 86.87
NE. Public Health Environmental Lab		\$ 19.00
NE. Rural Water		\$ 375.00
Southern Power District		\$ 531.00
Total		\$ 12,914.78

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.

3. 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 \$221.74, was paid before the underlying claim was approved by the Board.

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

Claim Date	Name/Vendor	Amount	Check #	Cleared Date	Days Paid Before Approval
2/6/2018	Sams Club	\$ 221.74	EFT	1/30/2018	7

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.

4. Payment of Unapproved Claims

During our comparison of the Village’s bank account details to claims approved by the Board, the APA identified two checks, totaling \$337.23, which were paid but not included on the claims listing to be approved by the Board.

Those unapproved disbursements are summarized in the table below:

Check Date	Name/Vendor	Amount	Check #	Cleared Date
2/7/2018	Scott Hooley	\$ 100.00	10962	2/14/2018
ACH	NE Dept of Rev	\$ 237.23	EFT	2/28/2018
Total		\$ 337.23		

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.

5. Payment Made in Excess of Approved Amount

During our comparison of the Village’s bank account details to claims approved by the Board, the APA identified one check paid in excess of the amount approved by the Board.

The following table summarizes that overpayment:

Name	Claim Date	Approved Amount	Amount Paid	Over Payment
Visa	2/6/2018	\$ 377.10	\$ 397.53	\$ 20.43

Good internal control requires procedures to ensure that all claims are made in the amount approved by the Board.

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

We recommend the Village implement procedures to ensure payments are made in the amount approved by the Board.

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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. The Village declined to respond.

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". The signature is written in black ink and is positioned to the left of the typed name and contact information.

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

cc: Cathie Walker, Village Clerk