



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Carol Schroeder, Chairperson  
Village of Dannebrog  
714 E Depot Street  
Dannebrog, NE 68831

Dear Chairperson Schroeder:

As you know, the Nebraska Auditor of Public Accounts (APA) has approved the fiscal year 2018 audit waiver for the Village of Dannebrog (Village).

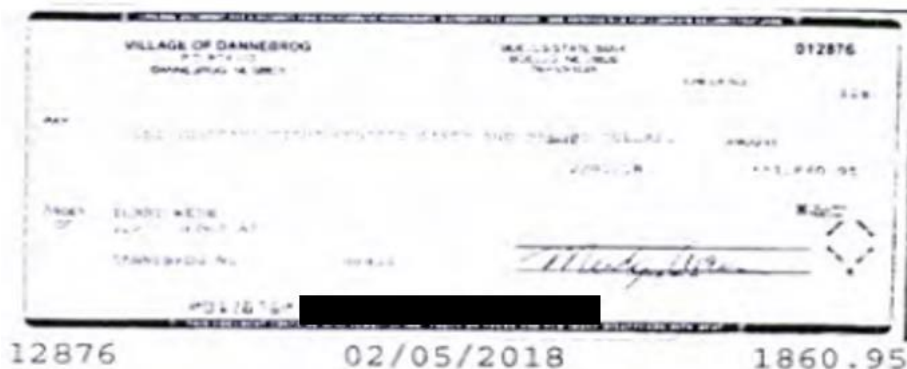
However, the Village's amount of disbursements for the fiscal year ending September 30, 2018, did exceed our normal threshold (\$300,000) for granting a waiver of the audit requirement. Due to the Village's submission of supporting documentation for large one-time type expenditures, which accounted for a large percentage of the current year's expenditures, we were able to consider the Village's financial activity for this year to be low-risk enough to grant the audit waiver request. Therefore, if the fiscal year 2019 disbursements are similar to or greater than the fiscal year ended 2018's expenditures, an audit of for the fiscal year ending September 30, 2019, may be required. This information is only for your consideration of planning for fiscal year 2019 and forward.

Additionally, 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 several Village checks 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.

**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 September 10, 2018:

<b>Name</b>	<b>Description</b>	<b>Amount</b>
Payroll		\$ 8,593.57
Payroll taxes		\$ 2,268.82
N.E. Workforce		\$ 67.28
Sale Tax Form 10		\$ 916.98
Office Rent		\$ 300.00
Duane Burns		\$ 200.00
Thrivent		\$ 419.90
Heartland Disposal		\$ 1,665.80
Howard Greeley RPPD		\$ 1,946.51
Black Hills Energy		\$ 35.12
US Cellular		\$ 97.16
one call		\$ 5.64
NCTC		\$ 218.61
Ne public health lab		\$ 190.00
Aurora Coop		\$ 581.03
Menards		\$ 56.03
Kelly Supply		\$ 38.26
League		\$ 382.00
Reynolds Construction		\$ 41,994.00
CPI Payloader		\$ 914.33
St Paul Vet		\$ 20.00
Neb Waste Reduction		\$ 25.00
KS State Bank		\$ 3,700.00
LARM		\$ 965.68
	<b>Total</b>	<b>\$ 65,601.72</b>

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 two Village payment, totaling \$3,185.80, were paid before the underlying claims were approved by the Board.

The table below provides a summary of those premature payments:

Claim Date	Name/Vendor	Amount	Check #	Cleared Date	Days Paid Before Approval
9/10/2018	Payroll taxes	\$ 2,268.82*	ACH	8/9/2018	32
9/10/2018	Sale Tax Form 10	\$ 916.98	ACH	9/6/2018	4
<b>Total</b>		<b>\$ 3,185.80</b>			

\*Amount on claims listing was \$2,268.82; amount that cleared bank was \$1,684.24

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. Other Issues**

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 multiple debit card transactions at the following locations: Tractor Supply (Grand Island), Chipotle (Papillion), Comfort Suites (La Vista), Red Robin (Lincoln), Office Max, Old Chicago (Kearney), Walmart, Menards, Dollar Tree, Amazon, PayPal, Sam’s Club, Pilot, Orschelins, Bomgaars, Ramada Midtown (Grand Island), Cairo Bowl N Lounge, Alley Rose (Kearney), Panera Bread (Kearney), and Hotels.com.

The debit card transactions at the locations specified above appear not to have been approved by the Board.

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. Those same procedures should ensure also that an adequate review of debit card transactions is completed to verify that those higher-risk expenditures are appropriate.

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

We recommend the implementation of procedures to ensure the following:  
1) 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; and 2) an adequate review of debit card transactions is completed to verify that those higher-risk expenditures are appropriate.

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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,



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