



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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October 9, 2019

Shane Montgomery, Chairperson  
Village of Maxwell  
108 S Pine St.  
Maxwell, NE 69151

Dear Chairperson Montgomery:

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

During our comparison of the Village's bank account details to claims approved by the Village Board (Board), the APA identified numerous payments, totaling \$2,568.17, 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 #	Cleared Date	Amount
EMS Billing Services	6499	Note 1	\$ 121.24
Robert L Isabell	6514	Note 1	\$ 1,343.60
John M Feeney	6511	Note 1	\$ 212.66
Kayli R Lewis	6512	Note 1	\$ 33.00
Monica Breinig	6513	9/28/2018	\$ 606.23
USPS	EFT	9/21/2018	\$ 52.98
Intuit	EFT	9/24/2018	\$ 2.70
USPS	EFT	9/25/2018	\$ 50.00
ink toner store	EFT	9/26/2018	\$ 55.63
Office Supply	EFT	9/26/2018	\$ 11.03
Smart Sign	EFT	9/27/2018	\$ 71.80
Intuit	EFT	9/27/2018	\$ 7.30
<b>Total</b>			<b>\$ 2,568.17</b>

**Note 1:** These checks were outstanding at September 30, 2018.

The APA noted that several debit card transactions were made throughout the year. These transactions included purchases from several different vendors, including Walmart, Amazon, Walgreens, Paypal, USPS, Newegg, and Shopko. As noted above, some of these transactions appear to have lacked Board approval.

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.

**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 one Village check, totaling \$634.24, was issued before the underlying claim was approved by the Board.

The table below provides a summary of this premature payment:

Name	Check #	Claim Date	Cleared Date	Amount	Days Paid Before Approval
IEK	6456	9/20/2018	9/14/2018	\$ 634.24	6

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.

**3. Negative Fund Balance**

On Exhibit A of the Village’s audit waiver request form, the APA noted that the General and Enterprise funds had deficit fund balances of \$17,222.22 and \$45,429.64, 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.

**4. Other Issues**

On Exhibit A of the Village's audit waiver request form, the Village reported \$8,100 in expenditures as debt service under the Enterprise Fund. However, the Schedule of Outstanding Debt reported no outstanding Village debt as of September 30, 2018.

Good internal controls require procedures to ensure that outstanding Village debt is reported accurately on the Village's audit waiver request.

Without the appropriate recording or reporting of debt service, there is increased risk of loss or misuse of Village money.

We recommend the Village implement procedures to ensure Village debt is reported appropriately on the Village's audit waiver request.

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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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cc: Monica Breinig, Village Clerk