



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Tim Jordan, Chairperson
Village of Taylor
P.O. Box 129
Taylor, NE 68879

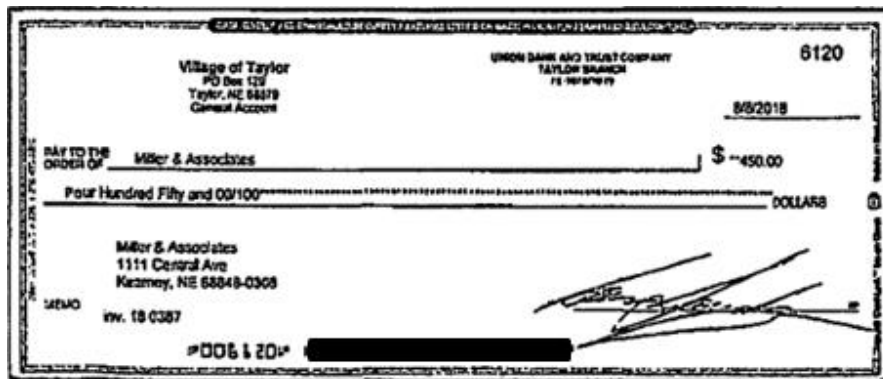
Dear Chairperson Jordan:

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



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 contained 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. 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 \$66.42, was issued before the underlying claim was approved by the Board.

The following is a summary of that premature payment:

Claim Date	Name/Vendor	Amount	Payment Type	Cleared Date	Days Paid Before Approval
8/9/2018	Safety Sign	\$ 66.42	VISA	7/27/2018	13

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. Payment of Unapproved Claims

During our comparison of the Village’s bank account details to claims approved by the Board, the APA identified one payment, totaling \$27.95, which was paid but not included on the claims listing to be approved by the Board.

Details of this unapproved payment are provided below:

Name/Vendor	Amount	Payment Type	Cleared Date
Smart Sign	\$ 27.95	Debit card	8/30/2018

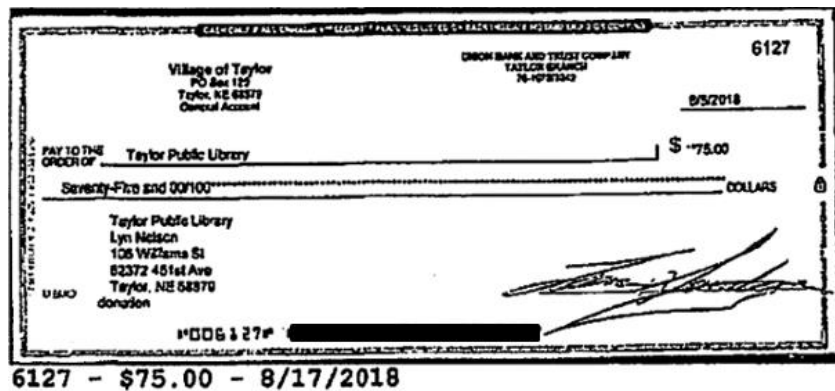
Good internal control requires procedures to ensure that all claims are approved by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved.

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. Donation

During review of the minutes for the Board’s meeting on August 9, 2018, the APA noted that a \$75 payment was written to the Taylor Public Library with a check memo of “donation.” A copy of this check is shown below:



Neb. Rev. Stat. § 13-604(1) (Reissue 2012) authorizes a municipality “to spend its own revenue and other available resources” for any lawful purpose, including the following:

Ordinary and necessary maintenance and operating expenses for (a) public safety, including law enforcement, fire protection, and building code enforcement; (b) environmental protection, including sewage disposal, sanitation and pollution abatement; (c) public transportation, including transit systems for streets and roads; (d) health; (e) recreation; (f) libraries; (g) social services as defined in section 68-1202; and (h) financial administration[.]

(Emphasis added.) Though not taking exception to the legality of the payment itself to the library, the APA questions the apparent lack of subsequent oversight to ensure that the public funds were utilized appropriately by the public library.

Good internal control requires procedures to ensure that Village disbursements are not only lawful but also reasonable, necessary, and utilized appropriately for their intended purpose.

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

We recommend the implementation of procedures to ensure that all Village disbursements are reasonable, necessary, and utilized appropriately for their intended purpose. To accomplish this, we recommend that Village aid be made – when expressly authorized by statute – on a reimbursement basis or contingent upon support from the recipient that the public funds awarded are being utilized appropriately.

* * * * *

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".

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

cc: Darcia Kovarik, Village Clerk