



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

September 10, 2019

Mike Doty, Chairperson
Village of Dunbar
105 E Nebraska Street
Dunbar, NE 68346

Dear Chairperson Doty:

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

The APA received Village Board (Board) meeting minutes and the accompanying claims listing for August 9, 2018. From this listing, the APA identified a potential conflict of interest involving the actions of Board Chairperson Mike Doty.

According to the meeting minutes, Mr. Doty appears to have failed to abstain from voting on the following claims:

Claim Date	Name	Claim Description	Amount	Check #	Cleared Date
8/9/2018	Mike Doty	2 mowings 7-17 & 8-5 & 1 spraying,tower	\$ 450.00	7501	8/13/2018
8/9/2018	Mike Doty	purchases Menards \$139.99 Tractor Sup \$38.37	\$ 178.36	7502	8/13/2018
Total			\$ 628.36		

An excerpt from the August 9, 2018, Board minutes is provided below:

The treasurer's report, receipts and claims were reviewed. Motion was made by Trustee Roland and seconded by Trustee Betti to approve the treasurer's report, accept the receipts and to pay all claims. Roll call vote: Doty, Jensen, Betti, and Randy voted aye. Wilson absent. Motion carried.

(Emphasis added.) The apparent failure of Board Chairperson Mike Doty to abstain from voting on the motion above gives rise to concerns regarding possible violations of the Nebraska Political Accountability and Disclosure Act (Act), which is set out at Neb. Rev. Stat. § 49-1401 (Cum. Supp. 2018) et seq.

To start, Neb. Rev. Stat. § 49-14,101.01(1) (Reissue 2010) states the following:

A public official or public employee shall not use or authorize the use of his or her public office or any confidential information received through the holding of a public office to obtain financial gain, other than compensation provided by law, for himself or herself, a member of his or her immediate family, or a business with which the individual is associated.

The penalty for violating the above-cited conflict of interest statute is set out in subsection (7) thereof, as follows:

[A]ny person violating this section shall be guilty of a Class III misdemeanor, except that no vote by any member of the Legislature shall subject such member to any criminal sanction under this section.

Furthermore, Neb. Rev. Stat. § 49-1499.03(2) (Reissue 2010) provides the following:

(a) Any person holding an elective office of a city or village not designated in section 49-1493 and any person holding an elective office of a school district who would be required to take any action or make any decision in the discharge of his or her official duties that may cause financial benefit or detriment to him or her, a member of his or her immediate family, or a business with which he or she is associated, which is distinguishable from the effects of such action on the public generally or a broad segment of the public, shall take the following actions as soon as he or she is aware of such potential conflict or should reasonably be aware of such potential conflict, whichever is sooner:

(i) Prepare a written statement describing the matter requiring action or decision and the nature of the potential conflict;

(ii) Deliver a copy of the statement to the person in charge of keeping records for the city, village, or school district who shall enter the statement onto the public records of the city, village, or school district; and

(iii) Abstain from participating or voting on the matter in which the person holding elective office has a conflict of interest.

(b) The person holding elective office may apply to the commission for an opinion as to whether the person has a conflict of interest.

(Emphasis added.) Good internal control requires procedures to ensure compliance with the applicable provisions of the Act.

Without such procedures, there is an increased risk for both statutory violations and the loss of Village funds.

We recommend the Board implement procedures to ensure compliance with the applicable provisions of the Act. Because the issue addressed herein constitutes a possible violation of the Act, we are forwarding this information to the Nebraska Accountability and Disclosure Commission.

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 two Village checks, totaling \$136.37, 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
Windstream	8/9/2018	ACH	8/2/2018	\$ 67.57	7
Dearborn National Life Ins.	8/9/2018	EFT	8/2/2018	\$ 68.80	7
Total				\$ 136.37	

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. Lack of Bank Reconciliation

The Village failed to provide the APA with a copy of the September 30, 2018, bank reconciliation. As a result, we were unable to determine the accuracy of the \$279,702.41 book balance for that date, which was included with the Village's audit waiver request.

As of September 30, 2018, the Village's total bank balance for all accounts was \$279,362.45 according to the bank statements provided by the Village, resulting in a variance of \$339.96 between that and the \$279,702.41 reported with the audit waiver request.

Good internal controls and sound accounting practices require procedures to ensure that the Village performs an accurate bank reconciliation, and any discrepancies noted during that process are resolved in a timely manner.

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 Village performs an accurate bank reconciliation, and any discrepancies noted during that process are resolved in a timely manner.

4. Other Issues

The APA noted also that interfund transfers totaling \$3,908.15, which were reported on Exhibit A of the Audit Waiver Request Form submitted by the Village, were not included on the Schedule of Interfund Transfers.

Good internal control and sound accounting practices require procedures to ensure that all Village fund activity, particularly that found on the Schedule of Interfund Transfers, is reported accurately.

Without such procedures, there is an increased risk for not only the loss or misuse of public funds but also a lack of transparency regarding the finances of the Village and the possibility of an audit waiver request being denied due to the inadequacy of the accompanying information.

We recommend the implementation of procedures to ensure that all Village fund activity, particularly that found on the Schedule of Interfund Transfers, is reported accurately.

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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".

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

cc: Patricia Petersen, Village Clerk
Nebraska Accountability and Disclosure Commission