



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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September 18, 2019

Nina Landwehr, Chairperson
Village of Lorton
7 Cypress Street
Lorton, NE 68382

Dear Chairperson Landwehr:

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

VILLAGE OF LORTON
GEN. ACCOUNT
PO. BOX 259-2646
LORTON, NE 68382

2550
DEPOSITED
10-12-2017
\$139.30
ONE HUNDRED THIRTY-NINE AND 30/100 DOLLARS ONLY

First Valley Bank
OVER \$1,000.00

Rep. Drouer
Shelah Morris

10/16/2017 2550 139.30

State statute requires Village checks to be signed by both the 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.

Village Response: We will require two signatures on all checks for both the Village General Checking account and the Keno Community Betterment account going forward. The only exception will be for the Keno Petty Cash account which will require one signature. The purpose of the Keno Petty Cash account is so the keno operator may be able to replenish the keno cash drawer as needed and to pay out keno winner's as per both your recommendation as well as The Charitable Gaming Division's recommendation.

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 a majority of 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 13, 2018:

Name	Description	Amount
Nebraska City Utilities Street Lights		\$ 147.50
Nebraska City Utilities Community Building		\$ 40.32
Jeri Rowen		\$ 25.00
Nina Landwehr		\$ 25.00
Judy Neemann		\$ 25.00
Pat Hogancamp		\$ 25.00
Stephanie DeGroot		\$ 125.00
Stephanie DeGroot	Internet	\$ 75.00
Judy Neemann	Lawn Mowing	\$ 90.00
Gatehouse Media	Budget Newspaper Ad	\$ 28.50
Donation	Kayla Greipenstrogh Benefit	\$ 200.00
Total		\$ 806.32

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.

Village Response: We will list a description in the meeting minutes for checks related to monthly Village Board fees paid.

3. Payment of Unapproved Claims

During our comparison of the Village’s bank account details to claims approved by the Board, the APA identified numerous checks, totaling \$3,289.86, 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/Vendor	Amount	Check #	Cleared Date
Craig Hartman	\$ 200.00	2651	9/5/2018
Gen Beckman	\$ 700.00	2652	9/11/2018
Lorton Lounge	\$ 174.50	2653	9/17/2018
Rob Harms LLC	\$ 1,440.36	2654	9/18/2018
Terry Peterson	\$ 775.00	2655	9/27/2018
Total	\$ 3,289.86		

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.

Village Response: We will now list keno winning amounts by date and amount won in the meeting minutes.

4. Other Issues

During the APA’s review of the Village’s audit waiver request form, the following other issues were noted:

- On Exhibit A, the Village reported an investment balance of \$71,537 as of September 30, 2018; however, the Schedule of Investments was not submitted to support this investment balance.
- Checks were made out to “donations” from the Keno account for an individual’s benefit being held.

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[.]

Likewise, the Local Government Miscellaneous Expenditure Act (Act), which is set out at Neb. Rev. Stat. §§ 13-2201 to 13-2204 (Reissue 2012), specifies various expenditures, aside from those otherwise authorized by law, that constitute allowable uses of public funds by designated political subdivisions. The provisions of the Act are made applicable to villages, among numerous other entities, by both subsections (2) and (3) of § 13-2202.

Neither § 13-604(1) nor any provision of the Act authorizes the Village to donate public funds for benefits.

Good internal control requires procedures to ensure the following: 1) all required information for the Village’s audit waiver request form is properly completed and submitted; and 2) all Village disbursements are reasonable, necessary, and authorized by statute.

Without such procedures, there is an increased risk for not only the loss or misuse of funds but also the possibility that an audit waiver request will be denied due to the deficiency noted.

We recommend the Village implement procedures to ensure all required information is completed and submitted with the Village’s audit waiver request. We also recommend the implementation of procedures to ensure disbursements made by the Board are reasonable, necessary, and allowable by law.

Village Response: Going forward all donations for a benefit will be according to State Statute and the required information will be obtained to substantiate the donation.

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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. Any formal responses received have been incorporated into this letter. Such responses have been objectively evaluated and recognized, as appropriate, in the letter. Any response indicating that corrective action has been taken was not verified at this time.

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.

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

cc: Stephanie DeGroot, Village Clerk