



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Chad Settje, Chairperson  
Village of Creston  
P.O. Box 245  
Creston, NE 68631

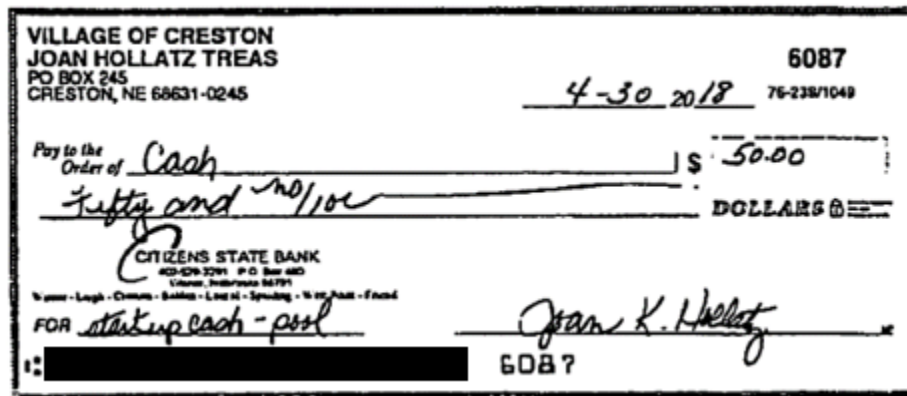
Dear Chairperson Settje:

As you know, the Nebraska Auditor of Public Accounts (APA) has approved the fiscal year 2018 audit waiver for the Village of Creston (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 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 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. Moreover, when checks containing only one signature are made out to “cash,” as shown in the example above, the risk of loss or theft of Village funds is increased greatly.

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 have the Village Chairman’s name put on the bank accounts along with the treasurer and both will sign all checks written. The Village Clerk lists all the warrants, which are then approved by the Village Board. The checks will be written and signed by both the Village Chairman and the Treasurer. The checks will then be given to the Clerk for distribution to the appropriate payee.*

**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 October 30, 2017:

<b>Name</b>	<b>Description</b>	<b>Amount</b>
NE Dept of Revenue		\$ 826.15
Humphrey Democrat		\$ 106.46
Albracht Disposal		\$ 1,649.00
Loup Power Distr		\$ 1,123.98
Dearborn National		\$ 72.24
NE Public Health Env Lab		\$ 15.00
SippleHansenEmSchu		\$ 175.50
Central Valley Ag		\$ 38.76
Creston LP Gas		\$ 241.00
Sargent Drilling		\$ 225.00
One Call Concepts		\$ 7.14
Creston Transportation		\$ 15.69
OfficeNet		\$ 29.99
Chris Smith		\$ 300.00
Carol Bachman		\$ 484.84
Todd Groteluschen		\$ 115.44
Tasha Hake		\$ 151.47
Dave Hollatz		\$ 46.18
OfficeNet		\$ 10.19
KBT Lumber		\$ 16.16
Century Link		\$ 111.93
Loup Power District		\$ 157.28
Century Link		\$ 111.34
941 Deposit		\$ 132.14
<b>Total</b>		<b>\$ 6,162.88</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.

*Village Response: We will inform the Village Clerk to include the purpose for each claim in the official proceedings.*

**3. Payment of Claim 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 check, totaling \$826.15, was paid before the underlying claim was approved by the Board. Details of this premature payment are provided in the table below:

Name	Claim Date	Check #	Cleared Date	Amount	Days Paid Before Approval
NE Dept of Rev	10/30/2017	7338	10/16/2017	\$ 826.15	14

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 the 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.

*Village Response: Sometime ago the Village Board approved paying the phone bill and the state sales tax bill prior to the meeting and then have those claims listed with the other warrants at the meeting. The phone bill and the state sales tax bill are received between meetings and are due before the next board meeting is held.*

#### **4. Other Issues**

On the Schedule of Outstanding Debt attached to the audit waiver request, the Village reported outstanding debt of \$463,592 as of September 30, 2018. However, debt service payments were not noted on Exhibit A of the audit waiver request.

Good internal control requires procedures to ensure that debt service payments are reported accurately on the Village's audit waiver request.

Without such procedures, there is increased risk for not only loss or misuse of Village funds but also denial of the waiver request due to the incomplete information submitted.

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

*Village Response: Debt service payments will be reported on audit waiver requests.*

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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,



Mary Avery  
Special Audits and Finance Manager  
Phone (402) 471-3686  
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cc: Joan Hollatz, Village Treasurer