



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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James Rezac, Board Chairperson  
Village of Valparaiso  
PO Box 147  
Valparaiso, NE 68065

Dear Chairperson Rezac:

As you may know, the Nebraska Auditor of Public Accounts (APA) has received certain concerns regarding the financial records and official proceedings of the Village of Valparaiso (Village). As a result, we began limited preliminary planning work to determine if a full financial audit or attestation by the APA would be warranted.

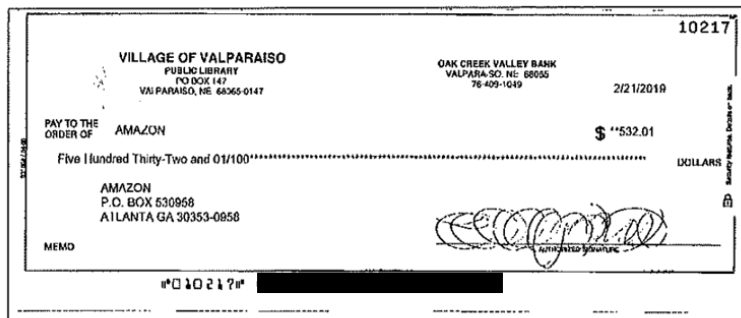
Pursuant thereto, the APA requested specific financial information and other records from the Village. Based upon the outcome of our preliminary planning work, including a review of the information received, the APA has determined that it is unnecessary for this office to perform a separate financial audit or attestation at this time.

However, during the course of the preliminary planning work, we noted certain internal control or compliance matters, or other operational matters, that are presented below. The following information is intended to improve internal controls or result in other operational efficiencies.

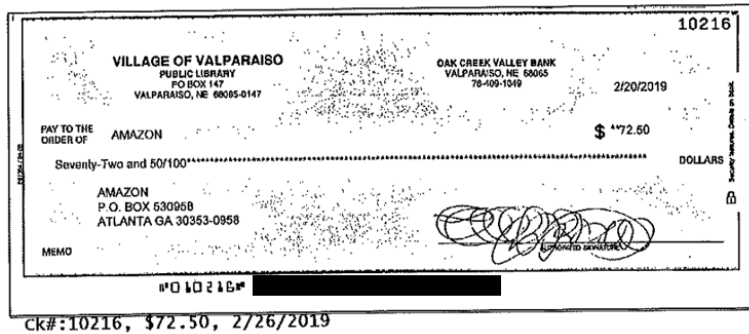
## Comments and Recommendations

### 1. Dual Signatures Required on Checks

In the APA's request for information, bank statements, including images of cancelled checks, were obtained for October 2018 through April 2019. From these statements, the APA noted multiple Village checks written during October 2018 through April 2019 that contained only one signature. In particular, a majority of the checks written out of the Village's Public Library bank account contain only one signature. Examples of such checks are shown below:



ck#:10217, \$532.01, 2/28/2019



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.

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: This was an oversight on our part and all checks will be required to have dual signatures by both the Board Chairman and the Village Clerk going forward.*

## **2. Payment of Unapproved Claims**

Using the bank statements and check images, the APA compared the payments that cleared the bank to the claims approved by the Board. During this comparison, the APA identified multiple payments, totaling \$31,359.10, which were not included on the claims listing to be approved by the Board.

These unapproved disbursements are summarized in the table below:

| <b>Name/EFT Description</b> | <b>Check #</b> | <b>Date</b> | <b>Amount</b> |
|-----------------------------|----------------|-------------|---------------|
| Home Depot                  | EFT            | 10/9/2018   | \$ 157.32     |
| Water Bills                 | EFT            | 10/15/2018  | \$ 100.00     |
| DEMCO                       | 10209          | 10/16/2018  | \$ 149.13     |
| Sandy Novoling              | 834            | 10/17/2018  | \$ 123.00     |
| Home Depot                  | EFT            | 10/19/2018  | \$ 17.97      |
| Amazon                      | 10210          | 10/22/2018  | \$ 244.31     |
| Kelly Supply Company Inc    | EFT            | 10/23/2018  | \$ 76.54      |
| USPS                        | EFT            | 10/24/2018  | \$ 5.50       |
| Ernies                      | 835            | 10/26/2018  | \$ 579.00     |
| Ameritas Life               | EFT            | 11/7/2018   | \$ 1,340.01   |

| Name/EFT Description                 | Check # | Date       | Amount              |
|--------------------------------------|---------|------------|---------------------|
| IRS                                  | EFT     | 11/7/2018  | \$ 2,640.84         |
| Nebraska Revenue                     | EFT     | 11/7/2018  | \$ 949.51           |
| Water Bills                          | EFT     | 11/15/2018 | \$ 100.00           |
| USPS                                 | 20497   | 11/26/2018 | \$ 175.00           |
| Nebraska Revenue                     | EFT     | 12/5/2018  | \$ 915.15           |
| IRS                                  | EFT     | 12/5/2018  | \$ 1,898.30         |
| Ameritas Life                        | EFT     | 12/6/2018  | \$ 1,112.92         |
| Office Depot                         | EFT     | 12/7/2018  | \$ 55.43            |
| Water Bills                          | EFT     | 12/17/2018 | \$ 100.00           |
| USPS                                 | 20539   | 12/31/2018 | \$ 175.00           |
| Ameritas Life                        | EFT     | 1/3/2019   | \$ 1,515.53         |
| IRS                                  | EFT     | 1/3/2019   | \$ 2,604.96         |
| Nebraska Revenue                     | EFT     | 1/3/2019   | \$ 897.10           |
| Nebraska Department of Revenue       | 20540   | 1/4/2019   | \$ 954.20           |
| Nebraska Unemployment Insurance Div. | 20541   | 1/4/2019   | \$ 26.50            |
| Menards                              | EFT     | 1/14/2019  | \$ 39.18            |
| O'Reilly Auto                        | EFT     | 1/14/2019  | \$ 115.50           |
| Water Bills                          | EFT     | 1/15/2019  | \$ 100.00           |
| Intuit                               | EFT     | 1/18/2019  | \$ 685.75           |
| USPS                                 | EFT     | 1/29/2019  | \$ 5.71             |
| C & L Hardware                       | EFT     | 1/29/2019  | \$ 16.57            |
| Miscellaneous Debit – <b>Note 1</b>  | Debit   | 1/31/2019  | \$ 2,816.25         |
| IRS                                  | EFT     | 2/6/2019   | \$ 1,847.60         |
| Nebraska Revenue                     | EFT     | 2/6/2019   | \$ 897.42           |
| Ameritas Life                        | EFT     | 2/7/2019   | \$ 759.75           |
| Kelly Supply Company Inc             | EFT     | 2/11/2019  | \$ 12.28            |
| Miscellaneous Debit – <b>Note 2</b>  | Debit   | 2/14/2019  | \$ 1,117.50         |
| Water Bills                          | EFT     | 2/15/2019  | \$ 100.00           |
| USPS                                 | 20614   | 2/21/2019  | \$ 175.00           |
| USPS                                 | EFT     | 2/27/2019  | \$ 5.71             |
| Schrock Innovations Inc              | EFT     | 3/4/2019   | \$ 68.29            |
| Schrock Innovations Inc              | EFT     | 3/4/2019   | \$ 68.29            |
| Ameritas Life                        | EFT     | 3/4/2019   | \$ 910.99           |
| IRS                                  | EFT     | 3/4/2019   | \$ 2,185.16         |
| Nebraska Revenue                     | EFT     | 3/4/2019   | \$ 970.18           |
| Staples                              | EFT     | 3/7/2019   | \$ 42.79            |
| Southeast Library System             | 10218   | 3/10/2019  | \$ 125.00           |
| Center Point Large Print             | 10219   | 3/10/2019  | \$ 182.00           |
| Bobby Draper                         | 20649   | 3/12/2019  | \$ 180.00           |
| Water Bills                          | EFT     | 3/15/2019  | \$ 100.00           |
| USPS                                 | EFT     | 3/27/2019  | \$ 4.39             |
| Office Depot                         | EFT     | 4/1/2019   | \$ 64.19            |
| Kari Matultia                        | 836     | 4/3/2019   | \$ 50.00            |
| Amazon                               | 10220   | 4/9/2019   | \$ 171.48           |
| DEMCO                                | 10221   | 4/9/2019   | \$ 128.66           |
| DEMCO                                | 10222   | 4/9/2019   | \$ 212.61           |
| Water Bills                          | EFT     | 4/15/2019  | \$ 100.00           |
| Walmart                              | EFT     | 4/25/2019  | \$ 14.38            |
| Walmart                              | EFT     | 4/25/2019  | \$ 173.25           |
|                                      |         |            | <b>\$ 31,359.10</b> |

**Note 1:** Per the miscellaneous debit slip, the amount withdrawn from the bank account was for interest of \$2,801.25 and a \$15 fee for the Village's Water Bond.

**Note 2:** Per the miscellaneous debit slip, the amount withdrawn from the bank account was for interest of \$1,102.50 and a \$15 fee for the Village's Sewer Bond.

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: All claims will be approved by the Village Board and published in accordance with state statute.*

### **3. 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 three Village checks, totaling \$1,590.26, were issued before the underlying claims were approved by the Board.

The table below provides a summary of those premature payments:

| <b>Name</b>   | <b>Check #</b> | <b>Payment Date</b> | <b>Approval Date</b> | <b>Amount</b>      |
|---------------|----------------|---------------------|----------------------|--------------------|
| Amazon        | 10216          | 2/20/2019           | 3/15/2019            | \$ 72.50           |
| Amazon        | 10217          | 2/21/2019           | 3/15/2019            | \$ 532.01          |
| Ameritas Life | EFT            | 4/16/2019           | 5/14/2019            | \$ 985.75          |
| <b>Total</b>  |                |                     |                      | <b>\$ 1,590.26</b> |

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.

*Village Response: We will implement procedures to ensure all claims are approved by the board before a check is written.*

### **4. Lack of Claim Purpose**

During our comparison of the Village’s bank account details to claims approved by the Board, the APA noted that, except for payroll, 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 April 9, 2019:

| Name                         | Description | Amount              |
|------------------------------|-------------|---------------------|
|                              | Wages       | \$ 7,628.90         |
| Ameritas                     |             | \$ 240.00           |
| Bulter County RPPD           |             | \$ 3,289.20         |
| CNHI Productive Plus         |             | \$ 43.82            |
| Core & Main                  |             | \$ 47.00            |
| MARC                         |             | \$ 137.58           |
| Midwest Laboratories         |             | \$ 101.02           |
| NE Public Health Environment |             | \$ 33.00            |
| NE Snow Equipment            |             | \$ 17.82            |
| Nelson Oil                   |             | \$ 218.81           |
| Oak Valley Lumber            |             | \$ 262.77           |
| One Call Concepts            |             | \$ 5.61             |
| Otte Oil & Propane           |             | \$ 839.93           |
| Rieck Trucking               |             | \$ 1,693.47         |
| Site One                     |             | \$ 877.13           |
| Trimark                      |             | \$ 59.28            |
| Tvrdy's One Stop             |             | \$ 169.85           |
| USPS                         |             | \$ 4.39             |
| Val Seniors                  |             | \$ 192.00           |
| Verizon                      |             | \$ 108.38           |
| Wahoo/Waverly News           |             | \$ 686.74           |
| Windstream                   |             | \$ 272.69           |
| <b>Total</b>                 |             | <b>\$ 16,929.39</b> |

The APA questions whether the Village published the statutorily required details for approved claims when those specifics were lacking in the Board's official proceedings.

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: Claim purpose will be listed in the minutes on all claims approved by the Village Board and published in accordance with state statute.*

\* \* \* \* \*

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,



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Special Audits and Finance Manager  
Phone: (402) 471-3686  
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cc: Cheryl Rieck, Clerk