



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Chris Rath, Chairperson
Village of Sholes
56182 Sholes Dr.
Randolph, NE 68771

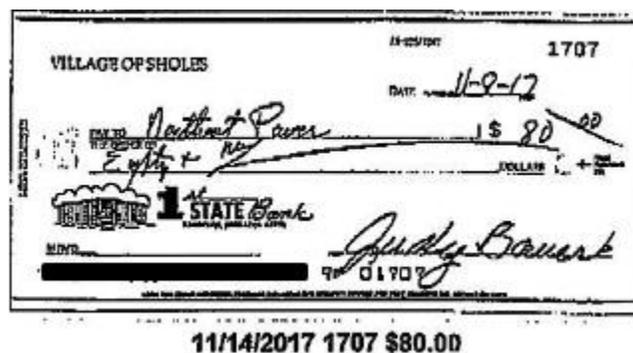
Dear Chairperson Rath:

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

We recommend the Board implement procedures to require dual signatures, from the Board Chairman and the Village Clerk, on all Village checks, as mandated by law.

2. Meeting Minutes Not Kept

When the APA contacted the Village to obtain a listing of approved claims for August 2018, the Village Clerk responded that claims listings and meeting minutes are not maintained – except for special occasions, such as documenting the Board’s approval to request an audit waiver.

Consequently, the APA questions also whether publication of the Board’s “official proceedings,” including details of all approved claims, occurred in accordance with State statute.

Neb. Rev. Stat. § 17-605 (Cum. Supp. 2018) provides the following:

The city clerk or village clerk shall have the custody of all laws and ordinances and shall keep a correct journal of the proceedings of the city council of a city of the second class or village board of trustees. After the period of time specified by the State Records Administrator pursuant to the Records Management Act, the city clerk or village clerk may transfer such journal of the proceedings of the city council or village board of trustees to the State Archives of the Nebraska State Historical Society for permanent preservation. He or she shall also perform such other duties as may be required by the ordinances of the city or village.

(Emphasis added.) Neb. Rev. Stat. § 19-1102 (Cum. Supp. 2018) requires the publication of the “official proceedings” of all Board meetings, 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.) Furthermore, Record Retention Schedule 24 (Local Agencies – General Records) (January 5, 2015), promulgated by the Nebraska Records Management Division pursuant to the Records Management Act, as set out at Neb. Rev. Stat. §§ 84-1201 to 84-1227 (Reissue 2014, Cum. Supp. 2018), requires certain public records to be maintained for a specified period of time. In particular, item number 24-57, “Meeting Minutes and Materials,” provides the following:

Open Meeting Act Defined Groups: Retained permanently, subject to review by the State Archives for possible accession[.]

Good internal control and sound accounting practices require procedures to ensure that Board meeting minutes are maintained in accordance with Record Retention Schedule 24, and the “official proceedings” of all Board meetings, including descriptions of approved claims, are published per State statute.

Without such procedures, there is an increased risk of not only noncompliance with applicable laws but also a lack of transparency regarding the nature of the expenses paid and the government business conducted.

We recommend the Board implement procedures to ensure all meeting minutes of the Board are maintained in accordance with Record Retention Schedule 24, and the “official proceedings” of all Board meetings, including descriptions of approved claims, are published per State statute.

Overall Village Response: The village of sholes will begin keeping minutes, publishing minutes, and having 2 signatures on all checks written as of the august 2019 meeting. All minutes will be kept on file at the clerks office.

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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,



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cc: Tom Bauer, Village Clerk