

**ATTESTATION REPORT
OF THE
VILLAGE OF NEHAWKA**

OCTOBER 1, 2017, THROUGH SEPTEMBER 30, 2019

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Issued on March 26, 2020

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VILLAGE OF NEHAWKA

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VILLAGE OF NEHAWKA

BACKGROUND

The Village of Nehawka (Village) is located in Cass County, Nebraska. The Village Board of Trustees (Board) is the governing body that exercises financial accountability and control over activities relevant to the operations of the Village. The Village receives funding from State and local government sources and must comply with the requirements of these funding sources. Board members are elected by the public and have broad decision-making authority, including the power to levy taxes and to designate management, the ability to exert significant influence over all Village operations, and the primary responsibility for related fiscal matters.

In 2017, the Nebraska Auditor of Public Accounts (APA) had received concerns related to the Village and its current accounting practices. Due to these concerns, the APA issued a letter to the Village on January 31, 2018, with several comments and recommendations for the Board to consider.

On November 5, 2019, the APA sent a letter to the Village, stating the APA's intent to perform an attestation examination of that political subdivision for the period October 1, 2017, through September 30, 2019.

Prior to this, the APA had communicated with Allen Gansemer, the Chairman of the Village's Board of Trustees (Board), regarding late or unfiled audits of the Village. On April 24, 2019, the APA wrote the Chairman to notify him that our office had not received an audit for the fiscal year ending September 30, 2018. When no response to our initial notice was forthcoming, the APA sent a second letter to the Chairman on May 3, 2019, explaining that highway allocation funds would be withheld starting on May 3, 2019, but noting that the funds could be released if the required filing was received and accepted on or before November 3, 2019. The second letter was sent by certified mail; the return receipt, verifying delivery of the letter, was signed by Jen Gansemer, the Village Clerk, on May 7, 2019. The APA received partial filings of the fiscal year 2018 audit waiver on November 3-4, 2019; however, these documents were both incomplete and inaccurate.

Despite these three written communications, as well as numerous phone messages, the Village failed to file the required audit waiver. Consequently, the APA notified the State Treasurer to withhold the distribution of highway allocation funds to the Village. As of February 21, 2020, the Village has permanently lost \$8,464.62 in highway allocation funds.

In January 2020, the APA began preparation for the planned attestation examination, requesting several documents required for that audit work. On February 5, 2020, the APA traveled to the Village to obtain additional documentation needed to complete the attestation examination.

The Schedule of Bank Activity, which is included herein, contains details regarding each Village bank account. The Village used manual processes and some electronic reports to record its financial activity during the period tested.

VILLAGE OF NEHAWKA

KEY OFFICIALS AND VILLAGE CONTACT INFORMATION

Village of Nehawka Board of Trustees

Name	Title	Status For Period
Allen Gansemer	Chairperson	Full Term
Shane Adams	Trustee	Full Term
John Henderson	Trustee	Full Term
Bob Sorenson	Trustee	Full Term
Ben Heneger	Trustee	Term Ended 12/12/2018
Michael McIntire	Trustee	Term Started 12/12/2018

Village of Nehawka

Name	Title	Started In
Jen Gansemer	Village Clerk/Treasurer	2012

Village of Nehawka
217 Sherman Avenue
P.O. Box 134
Nehawka, NE 68413

VILLAGE OF NEHAWKA

SUMMARY OF COMMENTS

During our examination of the Village of Nehawka (Village), we noted certain deficiencies and other operational matters that are presented here. The following comments are required to be reported in accordance with *Government Auditing Standards*: Comments #1, “Audit/Audit Waiver Not Filed with APA” and #3, “Non-Payment of Federal Taxes,” which are considered to be significant deficiencies; and Comment #5, “Control Environment,” which is considered material noncompliance.

These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

1. ***Audit/Audit Waiver Not Filed with APA:*** The Village failed to file an audit with the APA, or request an audit waiver from this office, for the fiscal year 2018, as required.
2. ***Non-Payment of Utilities by Clerk and Board Chair:*** Based upon the Village’s utility “Customer QuickReport” for the Gansemers (Clerk/Treasurer and Board Chair) in QuickBooks, they failed to pay over \$1,000 owed for their usage of Village utilities during the period tested, October 1, 2017, through September 30, 2019.
3. ***Non-Payment of Federal Taxes:*** Federal taxes withheld from employees’ compensation were not remitted to the Internal Revenue Service (IRS), and the required quarterly Form 941 was not been filed with the IRS. The APA estimates the Village owes over \$28,000 for unpaid Federal taxes for calendar years 2017, 2018, and 2019.
4. ***Duplicate Payment:*** The Board Chair was reimbursed twice for the same expense. Further, this expense lacked supporting documentation and was for a purchase not authorized under the Local Government Miscellaneous Expenditures Act.
5. ***Control Environment:*** The APA identified a number of internal control issues, including a lack of segregation of duties, noncompliance with State statute due to the improper signing of checks, claims not published in the meeting minutes, receipts not issued for cash received, transactions not recorded in a formalized accounting system, a significant negative balance in the Village Water Department bank account, and lack of a fixed asset policy.
6. ***Utility Receipt Procedures:*** The Village lacked procedures to ensure all customers were billed appropriately every month. Approximately 65 customers, including the Village Clerk (Clerk) and a municipal maintenance man, were allowed to self-report their monthly usage.
7. ***Payroll Procedures:*** The APA noted a number of significant internal control issues involving the processing of payroll, including tax deductions not based on current tax tables, no support for the method to allocate payroll costs for the Clerk and maintenance man, and employee use of a Village-owned vehicle not included as a taxable benefit.
8. ***Disbursement Procedures:*** The Village failed to provide adequate supporting documentation for Village expenditures. Additionally, the Village did not require mileage logs to support fuel purchases made with the Village charge card and prevent the misuse of Village funds. Consequently, the APA questions whether a number of fuel purchases made over a short period of time are related to Village use.
9. ***Conflicts of Interest:*** A potential conflict of interest was noted involving the actions of Board Chairperson Allen Gansemer, who failed to abstain from voting on claims in which he had a financial interest.

VILLAGE OF NEHAWKA

SUMMARY OF COMMENTS

(Concluded)

More detailed information on the above items is provided hereinafter. It should be noted that this report is critical in nature, containing only our comments and recommendations on the areas noted for improvement and does not include our observations on any accounting strengths of the Village.

Draft copies of this report were furnished to the Village to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this report. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next examination.

VILLAGE OF NEHAWKA

COMMENTS AND RECOMMENDATIONS

1. **Audit/Audit Waiver Not Filed with APA**

The Village failed to file an audit with the Audit of Public Accounts (APA), or request an audit waiver from this office, for the fiscal year 2018. Consequently, as of February 21, 2020, the Village has permanently lost State Aid funds in the amount of \$8,464.62. The Village will continue to lose its State Aid funds until an annual audit or audit waiver request is filed and current.

Additionally, due to the failure to file a timely audit or audit waiver request, the APA determined that it was necessary to complete an examination of the Village financial records, at the expense of the Village.

Neb. Rev. Stat. § 19-2903 (Reissue 2012) provides, in relevant part, the following:

The municipal authorities of each municipality shall cause an audit of the municipality's accounts to be made by a recognized independent and qualified accountant as expeditiously as possible following the close of the fiscal year for such municipality and to cover all financial transactions and affairs of the municipality for such preceding fiscal year Such audit shall be completed and the annual audit report made by such accountant shall be submitted within six months after the close of the fiscal year A village may request a waiver of the audit requirement subject to the requirements of subdivision (4) of section 84-304.

Neb. Rev. Stat. § 19-2905 (2019 Neb. Laws, LB 193, § 174) provides, in relevant part, the following:

At least three copies of such annual audit report shall be properly signed and attested by the accountant; two copies shall be filed with the clerk of the municipality involved and one copy shall be filed with the Auditor of Public Accounts.

Neb. Rev. Stat. § 19-2907 (2019 Neb. Laws, LB 193, § 175) provides, in relevant part, the following:

Upon a failure, refusal, or neglect to cause such annual audit to be made as required by sections 19-2903 and 19-2904, and a failure to file a copy thereof with the Auditor of Public Accounts as required by section 19-2905, the Auditor of Public Accounts shall, after due notice and a hearing to show cause by such city or village, notify the State Treasurer of such failure to file a copy with the Auditor of Public Accounts. The State Treasurer shall, upon receipt of such notice, withhold distribution of all money to which such city or village may be entitled under the provisions of sections 39-2511 to 39-2520, until such annual audit shall have been made and have been filed with the Auditor of Public Accounts. If such annual audit is not filed within a period of six months from the time of the order and notice of delinquency given by the Auditor of Public Accounts to the State Treasurer, the amount so withheld shall be distributed to the other cities and villages in the county where such delinquent city is located.

Neb. Rev. Stat. § 84-304 (2019 Neb. Laws, LB 492, § 44) provides, in relevant part, the following:

It shall be the duty of the Auditor of Public Accounts:

* * * *

(4)(a) To examine or cause to be examined, at the expense of the political subdivision, when the Auditor of Public Accounts determines such examination necessary

By failing to file either an annual audit or audit waiver request with the APA, the Village is in violation of State statute and stands to continue to lose thousands of dollars in State Aid funds.

We recommend the Village establish procedures to ensure compliance with State statutes relating to the mandatory filing of audits or audit waiver requests.

Village Response: The Village's prior CPA stopped preparing audit waivers and budgets in 2019. The Village did not receive notice of this from the CPA and as a result no audit waiver requested was filed. The Village has located an accounting firm to retain and once this audit is complete the firm will be completing the audit/audit waivers and budgets for the Village moving forward.

VILLAGE OF NEHAWKA

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Non-Payment of Utilities by Clerk and Board Chair**

Based upon the Village's utility "Customer QuickReport" for the Gansemers (Clerk/Treasurer and Board Chair) in QuickBooks, they failed to pay over \$1,000 owed for their usage of Village utilities during the period tested, October 1, 2017, through September 30, 2019. The following is a summary of the Gansemers' utility payments, as recorded in QuickBooks, for that time:

Customer	Type	Date	Amount
Allen Gansemer	Payment	12/4/2017	\$ 67.54
Allen Gansemer	Payment	3/6/2018	\$ 67.54
Allen Gansemer	Payment	5/1/2018	\$ 67.54
Allen Gansemer	Payment	1/6/2019	\$ 135.08
Allen Gansemer	Payment	3/5/2019	\$ 67.81
Allen Gansemer	Payment	8/10/2019	\$ 135.65
Total Payments			\$ 541.16

At a minimum, the Gansemers should have paid \$1,620.96 (\$67.54 times 24 months) during the period, for a difference of \$1,079.80 when compared to what they actually paid according to QuickBooks.

The following factors could increase substantially this unpaid amount:

- The base monthly charge of \$67.54 assumes that the Gansemers never used more than the minimum amount of 3,000 gallons per month during the period, as there are additional water and sewer charges for usage in excess of that minimum. For each additional 1,000 gallons, there is a \$6 water charge and a \$1 sewer charge per month.
- This unpaid balance also does not take into consideration the \$50 per month water bill late fee or the \$25 fee for not providing an accurate meter reading. No penalties or late fees appear to have been applied to the Gansemers' account during the period tested.

It is possible that Ms. Gansemer did not record all of her or her husband's payments into QuickBooks during the period. Therefore, on February 5, 2020, the APA requested personal bank information, including cancelled checks, from Ms. Gansemer to substantiate that they had actually paid their utilities and did so on time. The APA emailed her on both February 14 and February 21, 2020, asking to be provided with the requested bank information; otherwise, it was explained, we would assume that they did not pay.

On February 27, 2020, the APA received the Gansemers' calendar year 2017 bank statements, which actually included only three months of the period tested and no cancelled checks. Between October 2017 and December 2017, the APA noted only one payment out of their account for \$67.54, which agrees to the QuickBooks summary above.

For comparison purposes, the APA has included below a similar "Customer QuickReport" for utility payments from the Village's maintenance man, which is more in line with what would be expected to be recorded for City staff:

VILLAGE OF NEHAWKA

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Non-Payment of Utilities by Clerk and Board Chair (Continued)

Type	Date	Amount	Type	Date	Amount
Payment	10/22/2017	\$ 67.54	Payment	10/30/2018	\$ 67.54
Payment	12/10/2017	\$ 67.54	Payment	12/9/2018	\$ 67.54
Payment	1/8/2018	\$ 67.54	Payment	1/6/2019	\$ 67.54
Payment	1/10/2018	\$ 67.54	Payment	2/3/2019	\$ 67.54
Payment	2/28/2018	\$ 67.54	Payment	3/5/2019	\$ 67.53
Payment	4/3/2018	\$ 67.54	Payment	4/20/2019	\$ 67.55
Payment	5/1/2018	\$ 67.54	Payment	5/15/2019	\$ 67.54
Payment	6/15/2018	\$ 67.54	Payment	6/20/2019	\$ 68.10
Payment	7/10/2018	\$ 67.54	Payment	7/14/2019	\$ 67.82
Payment	8/5/2018	\$ 67.54	Payment	7/29/2019	\$ 29.17
Payment	10/13/2018	\$ 67.54	Payment	8/10/2019	\$ 38.65
Total					\$ 1,419.46

The Village maintained no other records for the meter readings or utility payments made by the Clerk/Treasurer or her husband as the Board Chair. That, combined with the failure of the Gansemers to provide the APA with any supporting documentation for such payments, appears to indicate that they did not pay the required utility fees.

A control environment conducive to fair and complete financial reporting includes an adequate segregation of duties, so no one individual can process an accounting transaction from beginning to end. When limited personnel makes an adequate segregation of duties impossible, the control environment should include an effective monitoring process of the policies, procedures, and accounting functions of the Village.

Furthermore, Neb. Rev. Stat. § 28-515(1) (Reissue 2016) provides, as is relevant, the following:

A person commits theft if he or she obtains services, which he or she knows are available only for compensation, by deception or threat or by false token or other means to avoid payment for the service. Services include labor, professional service, telephone service, electric service, cable television service, or other public service, accommodation in hotels, restaurants, or elsewhere, admission to exhibitions, and use of vehicles or other movable property. When compensation for service is ordinarily paid immediately upon the rendering of such service, as in the case of hotels and restaurants, refusal to pay or absconding without payment or offer to pay gives rise to a presumption that the service was obtained by deception as to intention to pay.

Per Neb. Rev. Stat. § 28-518(3) (Reissue 2016), “Theft constitutes a Class I misdemeanor when the value of the thing involved is more than five hundred dollars but less than one thousand five hundred dollars.”

Subsection (2) of that same statute says, “Theft constitutes a Class IV felony when the value of the thing involved is one thousand five hundred dollars or more but less than five thousand dollars.”

Additionally, Neb. Rev. Stat. § 49-14,101.01 (Reissue 2010), which is found in the Nebraska Political Accountability and Disclosure Act (Act), states, in relevant part, the following:

(1) 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.

(2) A public official or public employee shall not use or authorize the use of personnel, resources, property, or funds under his or her official care and control other than in accordance with prescribed constitutional, statutory, and regulatory procedures or use such items, other than compensation provided by law, for personal financial gain.

VILLAGE OF NEHAWKA

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Non-Payment of Utilities by Clerk and Board Chair** (Continued)

* * * *

(7) Except as provided in section 23-3113, any 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.

Finally, Neb. Rev. Stat. § 28-924 (Reissue 2016) states the following:

(1) A public servant commits official misconduct if he knowingly violates any statute or lawfully adopted rule or regulation relating to his official duties.

(2) Official misconduct is a Class II misdemeanor.

According to Neb. Rev. Stat. § 17-606(1) (Cum. Supp. 2018), the duties of a treasurer for a city of the second class or a village include the following:

He or she shall keep a separate account of each fund or appropriation and the debts and credits belonging thereto. He or she shall give every person paying money into the treasury a receipt for such money, specifying the date of payment and on what account paid. He or she shall also file copies of such receipts with his or her monthly reports, and he or she shall, at the end of every month, and as often as may be required, render an account to the city council or village board of trustees, under oath, showing the state of the treasury at the date of such account and the balance of money in the treasury. He or she shall also accompany such accounts with a statement of all receipts and disbursements, together with all warrants redeemed and paid by him or her, which warrants, with any and all vouchers held by him or her, shall be filed with his or her account in the clerk's office.

Under the above statutory language, the Treasurer is duty bound to ensure that any payments made by the Village's utility customers – including the Gansemers – are supported by the appropriate documentation, including receipts that are reflected on the monthly accounts submitted to the Board.

We recommend the Village implement procedures to prevent one person from being in a position both to perpetrate and to conceal financial errors or irregularities. We recommend, moreover, the Village take immediate action to recover or otherwise account for any missing utility funds. Finally, because this comment addresses possible violations of State statute, including at least one provision of the Act, we are forwarding the information herein to the Nebraska Attorney General, the Nebraska Accountability and Disclosure Commission, and the Cass County Attorney for further review. The APA will also refer this matter to the Nebraska Department of Revenue and the Internal Revenue Service.

Village Response: Not all utility billings and payments were recorded appropriately. The Gansemers did in fact pay for utility service. Enclosed herewith is additional supporting documentation consisting of checks evidencing additional payments made by the Gansemers. Procedures have been put in place for all Village utility billing to improve accountability and transparency.

APA Response: While the Clerk claimed in the response above, “The Gansemers did in fact pay for utility service,” the evidence examined by the APA, including the additional documentation that the Clerk provided with her response on March 20th, does not support that assertion. In fact, the available evidence leads to an entirely different conclusion, as portions of those supplemental records proved to be decidedly inaccurate. Included therein was false documentation from the Gansemers’ personal bank account offered in what appears to have been an attempt to mislead the APA into believing wrongly that the utility bills in question had been paid.

VILLAGE OF NEHAWKA

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Non-Payment of Utilities by Clerk and Board Chair (Continued)

As detailed on page 6 of the Attestation Report, the APA made three separate requests to the Clerk during the month of February 2020 for specific documentation to support the Gansemers' alleged utility payments. Not until the end of the month, after our third request, did the Clerk finally provide the APA with a portion of the documentation sought. The inadequacy of those personal banking records was supposedly remedied by the additional supporting documentation, including copies of highlighted pages from the Gansemers' bank statements, that the Clerk made available on March 20.

The Clerk submitted to the APA certain portions of the Gansemers' banking records as supposed proof of 11 utility payments having been made from October 1, 2017, through September 30, 2019. Of course, this is less than half of the 24 monthly utility payments expected for that two-year period. The table below summarizes the 11 utility payments tied to the questionable supporting documentation provided by the Clerk:

Date	Check/ Item #	Amount	APA Notes
12/3/2017	4451	\$ 67.54	Check payment was already included in detail from QuickBooks, as check cleared the bank on 12/5/2017.
2/1/2018	4485	\$ 67.54	Check payment was already included in detail from QuickBooks, as check cleared the bank on 3/7/2018.
4/17/2018	4536	\$ 60.00	See below.
5/3/2018	4549	\$ 67.54	Check payment was already included in detail from QuickBooks, as check cleared the bank on 5/3/2018.
7/25/2018	4574	\$ 60.00	See below.
12/21/2018	4655	\$ 63.00	See below.
1/8/2019	4662	\$ 67.83	Check payment was already included in detail from QuickBooks, as check cleared the bank on 1/8/2019; however, \$135.08 had been recorded in QuickBooks.
3/8/2019	4628	\$ 67.81	Check payment was already included in detail from QuickBooks, as check cleared the bank on 3/8/2019.
4/24/2019	4645	\$ 67.81	Cleared check paid to Village of Nehawka.
5/22/2019	4636	\$ 63.14	See below.
8/15/2019	4674	\$ 135.65	Check payment was already included in detail from QuickBooks, as check cleared the bank on 8/15/2019.
Total Payments		\$ 787.86	

Upon reviewing the additional documentation provided by the Clerk, the APA immediately questioned several of the utility payments highlighted therein, which were lower than the minimum amounts due for the corresponding months. As a result, the APA subpoenaed from the Family Focus Federal Credit Union in Omaha, NE, images of seven checks listed in the supporting documentation. The APA hoped to verify that those checks were indeed utility payments from the Gansemers to the Village. Unfortunately, that turned out not to be the case.

The subpoenaed check images were received on March 24, 2020. Four of the checks that the Clerk listed as supposed proof of the Gansemers' claimed utility payments to the Village turned out to have been written to different payees for totally unrelated purchases, including such items as cookbooks and baseball gear.

The following is a comparison of the erroneous information provided by the Clerk to four of the checks listed therein, including the images of those actual instruments, which were subpoenaed from the Gansemers' bank account:

VILLAGE OF NEHAWKA

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Non-Payment of Utilities by Clerk and Board Chair (Continued)

1. Check 4636 – \$63.14

The Clerk provided the following information from the Gansemers' bank statements, including her own notation thereon, falsely indicating that a \$63.14 utility payment had been made.

May 22	-63.14	631.41	Item# - 4636
May 22	150.00	481.41	Item# - 4630

However, below is the subpoenaed image of that actual check, which shows clearly that the payment was not to the Village for the Gansemers' utilities.

Check 4636

ALLEN L. GANSEMER
JENNIFER L. GANSEMER
402-227-5161
216 MAPLE AVENUE BOX 172
NEHAWKA, NE 68413

Date: March 19, 2019

Pay to the order of: EMN Nationals

\$63.14

Sixty Three & 14/100 Dollars

FAMILY FOCUS FEDERAL CREDIT UNION
OMAHA, NEBRASKA 68106

For: baseball gear

3040834801

4636

2. Check 4655 – \$63.00

The Clerk provided the following information from the Gansemers' bank statements, including her own notation thereon, falsely indicating that a \$63.00 utility payment had been made.

Dec 21	-63.00	2,758.05	Item# - 4655
Dec 22	122.78	2,635.27	ATM Point of

VILLAGE OF NEHAWKA

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Non-Payment of Utilities by Clerk and Board Chair (Continued)

However, below is the subpoenaed image of that actual check, which shows clearly that the payment was not to the Village for the Gansemers' utilities.

ALLEN L. GANSEMER
JENNIFER L. GANSEMER
402-227-5161
216 MAPLE AVENUE BOX 172
NEHAWKA, NE 68413

27-8348/3040 4655

Date 11-29-18

Pay to the order of Destiny Voelker \$ 63.00

Sixty Three + 00/100 Dollars

FAMILY FOCUS FEDERAL CREDIT UNION
OMAHA, NEBRASKA 68106

For [Signature] MP

⑆304083480⑆ ⑆4655

3. Check 4574 – \$60.00

The Clerk provided the following information from the Gansemers' bank statements, including her own notation thereon, falsely indicating that a \$60.00 utility payment had been made.

Jul 25	-60.00	268.05	Item# - 4574
Jul 25	2,500.00	2,768.05	DEPOSIT D

However, below is the subpoenaed image of that actual check, which shows clearly that the payment was not to the Village for the Gansemers' utilities.

ALLEN L. GANSEMER
JENNIFER L. GANSEMER
402-227-5161
216 MAPLE AVENUE BOX 172
NEHAWKA, NE 68413

27-8348/3040 4574

Date 7-20-18

Pay to the order of UMC \$ 60.00

Sixty Dollars

FAMILY FOCUS FEDERAL CREDIT UNION
OMAHA, NEBRASKA 68106

For Cookbooks [Signature] MP

⑆304083480⑆ ⑆4574

VILLAGE OF NEHAWKA

COMMENTS AND RECOMMENDATIONS

(Continued)

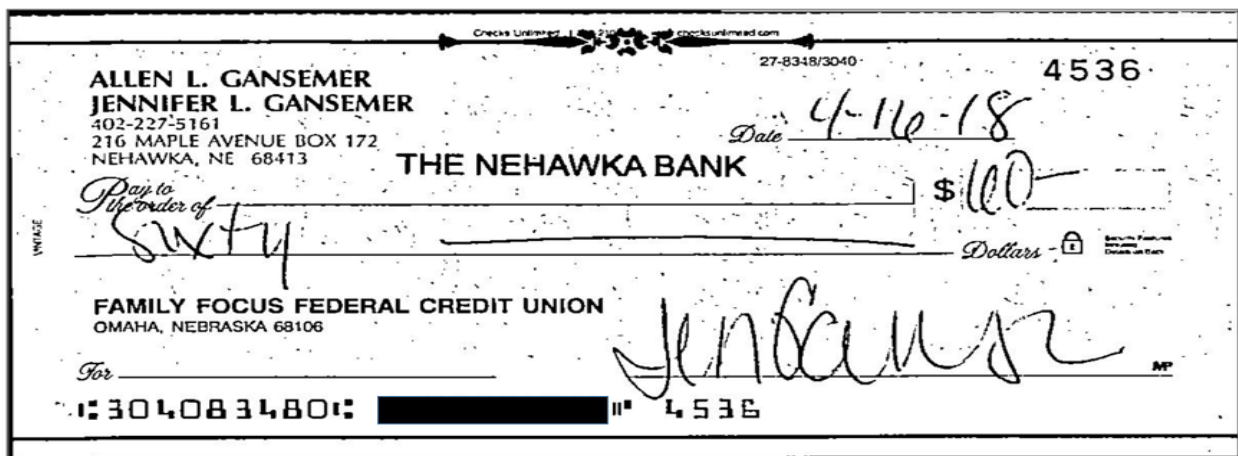
2. Non-Payment of Utilities by Clerk and Board Chair (Concluded)

4. Check 4536 - \$60.00

The Clerk provided the following information from the Gansemers' bank statements, including her own notation thereon, falsely indicating that a \$60.00 utility payment had been made.

Apr 17	-60.00	1,351.84	Item# - 4536
Apr 17	21.01	1,320.83	ATM Point of S

However, below is the subpoenaed image of that actual check, which shows clearly that the payment was not to the Village for the Gansemers' utilities.



More than half of the seven check images that the APA subpoenaed from the Gansemers' bank account turned out to support, despite to the Clerk's misleading assertions to the contrary, payments for something other than Village utility billings. This pattern of repeated misrepresentation seems to indicate an intent on the part of the Clerk to deceive the APA with regard to the true nature of the payments at issue.

The Attestation Report notes various statutory provisions pertaining to theft of services, improper financial gain by a public official or employee, and official misconduct. In addition thereto, Neb. Rev. Stat. § 84-305.01 (Cum. Supp. 2018) provides the following:

Any person who willfully fails to comply with the provisions of section 84-305 or who otherwise willfully obstructs or hinders the conduct of an audit, examination, or related activity by the Auditor of Public Accounts or who willfully misleads or attempts to mislead any person charged with the duty of conducting such audit, examination, or related activity shall be guilty of a Class II misdemeanor.

Based upon the documentation obtained, the Clerk and the Board Chair appear to have failed to pay over \$1,000 for their usage of Village utilities. Worse yet, in response to recurrent request for records pertaining to that amount, the Clerk may well have attempted to engage in purposeful obfuscation by providing the APA with false and misleading information.

The Attestation Report notes that information regarding the apparent failure of the Gansemers to make their Village utility payments is being forward to the appropriate State and local officials for further review. In addition, the APA will make a separate request that both the Cass County Attorney and the Nebraska Attorney General investigate – and, if warranted, prosecute – the Clerk's possible violation of § 84-305.01.

VILLAGE OF NEHAWKA

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Non-Payment of Federal Taxes

The Internal Revenue Service (IRS) Form 941 is the Employer's Quarterly Federal Tax Return used for reporting and paying employee-related taxes to the United States Government. The Village is required to withhold Federal taxes, including Income Tax, Social Security Tax, and Medicare Tax, from compensation paid to municipal employees. Despite withholding the Federal taxes from employees' compensation, the Village Clerk (Clerk) has not remitted those amounts to the IRS, nor has she filed the required quarterly Form 941s.

The Clerk was unsure if she had ever remitted the Federal taxes withheld since she started working for the Village in 2012. The Village made no payments to the IRS during the period October 1, 2017, through February 5, 2020.

Based on the records available, the APA estimates that the Village owes over \$28,000 in unpaid Federal taxes for calendar years 2017, 2018, and 2019, without taking possible interest and penalties into consideration.

The following table summarizes the Village's unpaid Federal taxes from 2017 to 2019:

Internal Revenue Service	CY 2017	CY 2018	CY 2019	Totals
Federal Income Tax Withheld	\$ 2,868.00	\$ 2,868.00	\$ 4,068.00	\$ 9,804.00
Social Security Withheld	\$ 2,478.72	\$ 2,478.72	\$ 2,478.72	\$ 7,436.16
Social Security Employer Share	\$ 2,478.72	\$ 2,478.72	\$ 2,478.72	\$ 7,436.16
Medicare Withheld	\$ 579.72	\$ 579.72	\$ 579.72	\$ 1,739.16
Medicare Employer Share	\$ 579.72	\$ 579.72	\$ 579.72	\$ 1,739.16
Totals	\$ 8,984.88	\$ 8,984.88	\$ 10,184.88	\$ 28,154.64

Note: The source was the Form W-2s on file.

It should be noted that the Clerk had been filing and paying taxes on the quarterly Form 941N, which is the Nebraska Income Tax Withholding Return. The Nebraska Department of Revenue sends the Village the quarterly forms to fill out. The Clerk did not maintain a copy of the Form 941N after filing. According to the Clerk, she did not realize she also had to file the Federal 941 and remit the corresponding taxes being withheld.

On February 5, 2020, the Clerk explained that she intended to call the IRS to see what procedures were necessary to rectify this issue. The APA contacted the IRS about this matter; however, due to confidentiality concerns, that agency could not provide details regarding the last time the Village had submitted the required forms or deposits.

IRS Publication 15 (Circular E), "Employer's Tax Guide," states the following:

Form 941. *If you paid wages subject to income tax withholding (including withholding on sick pay and supplemental unemployment benefits) or social security and Medicare taxes, you must file Form 941 quarterly even if you have no taxes to report, unless you filed a final return, you receive an IRS notification that you're eligible to file Form 944, or the exceptions discussed later apply.*

That same document also details penalties and interest for failure to make the required filings.

Good internal control requires procedures to ensure that Federal taxes withheld from compensation paid to Villages employees are submitted timely, along with the corresponding Form 941s, to the IRS, as required by Federal law.

Without such procedures, there is an increased risk for not only loss or misuse of Village funds but also violation of Federal law.

VILLAGE OF NEHAWKA

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Non-Payment of Federal Taxes (Concluded)

We recommend the Village implement procedures to ensure municipal employee taxes withheld are remitted timely, along with the corresponding Form 941s, to the IRS, as required by Federal law.

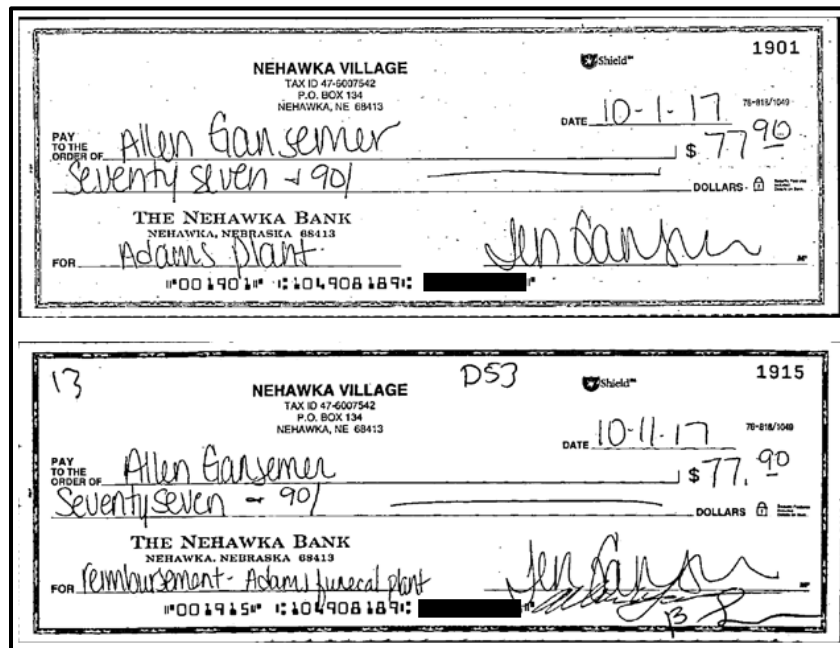
Village Response: The IRS has been contacted by the Village Clerk who self-reported the non-payment. Arrangements are being made for payment. Taxes are being withheld and remitted properly moving forward.

4. Duplicate Payment

Allen Gansemer, the Chairman of the Village's Board of Trustees (Board), was reimbursed twice for the same expense, as summarized below:

Check Date	Name	Memo	Clear Date	Amount
10/1/2017	Allen Gansemer	Adams plant	10/2/2017	\$ 77.90
10/11/2017	Allen Gansemer	reimbursement - Adams funeral plant	10/16/2017	\$ 77.90

The following are images of the Village checks written for the duplicate payment at issue:



In addition to being a duplicate reimbursement, other issues were noted with these payments.

To start, the Village lacked documentation to support one of the reimbursement payments.

When questioned about the payment, moreover, the Clerk responded that the Village had purchased a plant for the funeral of a former Board member. This is not authorized under the Local Government Miscellaneous Expenditure Act (Act), as set out at Neb. Rev. Stat. §§ 13-2201 through 13-2204 (Reissue 2012, 2019 Neb. Laws, LB 492, § 31, 2019 Neb. Laws, LB 609, § 1).

VILLAGE OF NEHAWKA

COMMENTS AND RECOMMENDATIONS

(Continued)

4. **Duplicate Payment** (Concluded)

In “A Guideline to the Use of Public Funds by Cities and Villages – Revised” (Guideline), adopted on September 17, 1993, the Nebraska Accountability and Disclosure Commission (NADC) explained that the Act disallows the purchase of flowers for funerals, as follows:

Question #6 – May municipal funds be expended for flowers and memorials for deceased elected officials, employees or their families?

Response – No.

Although issued almost three decades ago, the Guideline remains relevant, as the Act has not been amended in a way that would invalidate the NADC’s conclusion.

Good internal control requires procedures for not only preventing duplicate payments but also recouping them promptly when they occur. Those same procedures should ensure also that proper supporting documentation is obtained for all expenditures of municipal funds, and all such expenditures are for permissible purposes under the Act.

We recommend the Board implement procedures for not only preventing duplicate payments but also recouping them promptly when they occur. Those same procedures should ensure also that proper supporting documentation is obtained for all expenditures of municipal funds, and all such expenditures are for permissible purposes under the Act.

Village Response: This payment was a reimbursement for plants purchased for a funeral of a town employee, this issue was brought to the Village Board’s attention during a previous review by the State Auditor, the Board of Trustees is aware that this was an unauthorized purchase and will not make any future purchases of a similar nature. The funds are being reimbursed to the Village.

5. **Control Environment**

Due to the limited number of Village staff, an adequate segregation of duties was not possible. Jen Gansemer, the Clerk, performed all financial activities of the municipality and had the ability to process transactions from beginning to end. The Village also lacked several key internal controls during the audit period, as follows:

- The APA noted 78 Village checks, totaling \$75,601.91, written during the examination period that contained only one signature, which is not compliant with State law.
- The Clerk did not include approved claims in the Board’s published minutes.
- Several weaknesses were noted with the Village’s controls over its receipt and disbursement processes, including the following: 1) receipts were not issued for all cash received by the Village during the period; 2) no reconciliation was performed between all receipts issued during the day to the total deposit by someone independent of the process; 3) bank accounts were not reconciled by someone other than employees who participate in the receipt or disbursement of cash or the signing of checks; 4) all accounting transactions were not recorded into QuickBooks; 5) the practice of holding checks, if requested, was not prohibited; 6) the Board had not approved depositories or investments; 7) outstanding checks were not followed up on; 8) accounting system backups were not completed; 9) no review of billings was performed; and 10) monies specifically received for street (State Highway Allocation) were not tracked.

VILLAGE OF NEHAWKA

COMMENTS AND RECOMMENDATIONS

(Continued)

5. Control Environment (Continued)

- As noted in an APA's January 31, 2018, letter to the Village, the municipal Water Department bank account had a significant negative account balance of \$29,781, as of September 30, 2017. The negative balance was not remedied until November 29, 2017, resulting in the Village paying an additional \$512.50 in overdraft fees between October 1, 2017, and November 29, 2017.
- The Village was unable to provide its fixed asset policy and lacked knowledge of any fixed asset procedures, including an annual inventory. The Village did maintain a listing of assets for insurance purposes.

Neb. Rev. Stat. § 19-1102 (2019 Neb. Laws, LB 193, § 100) requires publication of the Board's official proceedings, which must include, among other things, the approved claims, as follows:

It shall be the duty of each city clerk or village clerk in every city or village 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 city council or village board of trustees within thirty days after any meeting of the city council or village board of trustees. The publication shall be in a legal newspaper in or of general circulation in the city or village, 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.) Additionally, Neb. Rev. Stat. § 17-606(1) (Cum. Supp. 2018) sets out the duties of the Village Treasurer – which, in this case, are handled by the Clerk. Those duties include the issuing of receipts, as follows:

The treasurer of each city of the second class or village shall be the custodian of all money belonging to the city or village. He or she shall keep a separate account of each fund or appropriation and the debts and credits belonging thereto. He or she shall give every person paying money into the treasury a receipt for such money, specifying the date of payment and on what account paid. He or she shall also file copies of such receipts with his or her monthly reports, and he or she shall, at the end of every month, and as often as may be required, render an account to the city council or village board of trustees, under oath, showing the state of the treasury at the date of such account and the balance of money in the treasury. He or she shall also accompany such accounts with a statement of all receipts and disbursements, together with all warrants redeemed and paid by him or her, which warrants, with any and all vouchers held by him or her, shall be filed with his or her account in the clerk's office . . .

(Emphasis added.) Neb. Rev. Stat. § 17-711 (Cum. Supp. 2018) requires Village checks to be signed, moreover, by both the Board Chairperson and the Clerk, as follows:

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.

(Emphasis added.) A control environment conducive to fair and complete financial reporting requires procedures to ensure an adequate segregation of duties, so no one individual can process a transaction from beginning to end. Those same procedures should ensure also that other accounting and record-keeping concerns addressed in this comment are resolved appropriately.

Without such procedures, there is an increased risk for loss, misuse, or theft of Village funds.

VILLAGE OF NEHAWKA

COMMENTS AND RECOMMENDATIONS

(Continued)

5. **Control Environment** (Concluded)

We recommend the Board be aware of and review this situation. As always, the cost of hiring additional personnel versus the benefit of a proper segregation of duties must be weighed. In the continued absence of a proper segregation of duties, we recommend the Village implement enhanced procedures to ensure an adequate review and monitoring of its policies, procedures, and accounting functions. This would include the Board ensuring the following:

- Both the Board Chair and the Clerk sign all Village checks, as required by State law.
- Receipts are written for all cash payments received.
- A fixed asset policy is established, including a dollar threshold for items to be added to the asset listing. The policy should require an annual inventory of assets.
- The Village formalizes a comprehensive accounting system in which all financial transactions of the municipality are recorded.
- A Board member, or a separately designated individual, reviews the monthly bank statements, obtained directly from the financial institution, for any discrepancies with approved claims. (This may be done via electronic access to bank statements online.)

Village Response: Dual signature protocol was brought to the attention of the board previously and all warrants/checks are signed by the Village Clerk, Chairman and the pro tem of the board (3 signatures) since the time that this was brought to the Board's attention. Additionally, new procedures are in place that will require all receipts to be recorded, all billing, payments and reconciliation sheets will be printed as to daily activity and presented to the board of trustees for review monthly along with copies of bank statements. No checks will be held by Village for the benefit of any customer. Procedures have been put in place that all accounting will be done through QuickBooks with reconciliation sheets of all accounts presented to the board of trustees for monthly review. Resolutions have been passed approving all depositories and will be reviewed yearly; all outstanding checks will be listed separately in accounting docs and will be reviewed monthly and procedures are in place to handle all outstanding checks via State Statute. Procedures are in place and all highway allocation funds will be separated into a separate village back account within QuickBooks so that the use of the restricted funds can be tracked. Fixed assets have been listed and will be reviewed on a yearly basis.

6. **Utility Receipt Procedures**

On February 5, 2020, the APA traveled to the Village to obtain documentation for, as well as inquire about procedures governing, the Village's utilities.

Per the Clerk, the Village has approximately 100 billable properties for water and sewer services. However, there were no procedures to ensure that all customers were billed appropriately every month. The Village allows approximately 65 customers, including the Clerk and a municipal maintenance man, to self-report their monthly utility usage. As noted in Comment and Recommendation Number 2, no log/spreadsheet is maintained to track the monthly reporting by these customers, and the Clerk stated that some customers will simply write the meter readings on their utility checks.

In addition, the Village does not perform an occasional verification of these readings or follow up on red flags, such as a reported reading being appreciably less than those of prior months or reflecting unusually low (or even no) usage. In addition, the Clerk admitted that she does not consistently enter all customer payments into QuickBooks, and no other receipts or records are kept by the Village to document the utility payments received.

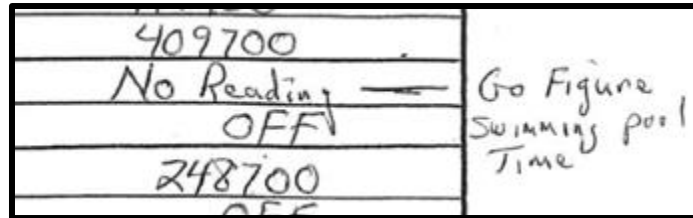
VILLAGE OF NEHAWKA

COMMENTS AND RECOMMENDATIONS

(Continued)

6. Utility Receipt Procedures (Concluded)

For the remaining 35 or so customers, the Village uses an electronic reader. The APA noted issues with this process, as at least one customer had “no reading.” This property had had multiple months with “no reading” and had “Go Figure swimming pool Time” on the June 2018 log, as shown below:



According to the Clerk, some electronic meters will provide an inaccurate reading (e.g., usage of 750,000 gallons) or give no reading. When that happens, the Village’s maintenance man will try to obtain the reading again or look for any leaks. If an error is still noted, no further manual readings will be attempted for the meter; however, the Village has no other procedures for ensuring that future readings can be obtained for that property.

The APA also inquired with the Clerk regarding how sale taxes collected on utility payments are remitted to the State, and if the Nebraska and Local Sales and Use Tax Return Form 10s are maintained. None of those forms could be located. Furthermore, because she considers it to be inaccurate, the Clerk does not use QuickBooks; instead, she reviews the receipts for the period and simply estimates the total sales taxes collected. The Clerk has also not been charging sales tax on sewer related charges.

Good internal control and sound business practices require procedures to ensure the following: 1) all customers are billed appropriately for utility usage; 2) the Village’s billing procedures for utility usage are consistent with those outlined in a formal municipal ordinance; and 3) an accurate record of incoming receipts is maintained to ensure that all customers are billed appropriately, and those amounts are collected in a timely manner.

Without such procedures, there is an increased risk for loss and/or misuse of Village funds.

We recommend the Village implement procedures to ensure the following: 1) all customers are billed appropriately for utility usage; 2) the Village’s billing procedures for utility usage are consistent with those outlined in a formal municipal ordinance; and 3) an accurate record of incoming receipts is maintained to ensure that all customers are billed appropriately, and those amounts are collected in a timely manner.

Village Response: Procedures are in place that all meter reads whether self-reporting or village read will be listed in a spreadsheet, readings, usage, billings and payments will be reviewed monthly by the board of trustees. The board has instructed the Village maintenance employee to conduct random meter readings to verify self-reported readings.

7. Payroll Procedures

The APA identified a number of significant internal control issues with the Village’s payroll process, as follows:

- The tax deductions for Village employees did not agree to the amounts that should have been withheld per the 2019 tax tables and the IRS Form W-4s (Employees Withholding Certificate) completed.

VILLAGE OF NEHAWKA

COMMENTS AND RECOMMENDATIONS

(Continued)

7. **Payroll Procedures** (Concluded)

- The Board approved all payroll claims; however, no support could be found in either the Board's meeting minutes or any municipal ordinance for the amounts paid to the Clerk or the Village's maintenance man. Furthermore, the Village did not maintain personnel files for its employees.
- The Village failed to maintain the federally required "Employment Eligibility Verification" (I-9) form for its employees. Form I-9 is completed by employees in order to verify the identity and employment authorization of individuals hired for employment in the United States.
- The Village's maintenance man drives a municipal truck to and from his residence; however, the Village does not report this as a taxable fringe benefit.

IRS Publication 15-B, "Employer's Tax Guide to Fringe Benefits," states the following:

Under this rule, you determine the value of a vehicle you provide to an employee for commuting use by multiplying each one-way commute (that is, from home to work or from work to home) by \$1.50.

Good internal control requires procedures to ensure the following: 1) payroll taxes are withheld at the correct rate; 2) employee pay is formally approved on an annual basis; and 3) an employee's use of a Village-owned vehicle is included as a taxable benefit.

Without such procedures, there is an increased risk for not only loss or misuse of Village funds but also failure to report accurate tax information to the IRS.

We recommend the Village implement procedures to ensure the following: 1) payroll taxes are withheld at the correct rate; 2) employee pay is formally approved on an annual basis; and 3) an employee's use of a Village-owned vehicle is included as a taxable benefit.

Village Response: Procedures are in place for payroll to be done via QuickBooks, all tax tables, W4s and payroll costs are updated. The Village vehicle will be kept at the Village office when not in use for village operation.

8. **Disbursement Procedures**

The APA identified certain issues pertaining to the Village's disbursement process, including insufficient documentation and other questioned transactions.

Insufficient Supporting Documentation

The following four items tested lacked adequate supporting documentation:

Check Date	Name	Memo	Clear Date	Amount
10/11/2017	Allen Gansemer		10/16/2017	\$ 336.00
10/11/2017	Allen Gansemer	4 mtg & 1 sp mtg	2/9/2018	\$ 150.00
10/11/2017	Jesse Keene	Aug - \$540; Sept \$600 regular Sept - \$25	10/16/2017	\$ 1,165.00
2/13/2019	Allen Gansemer	Snow removal	2/15/2019	\$ 240.00

The Board approved all of the above items for payment; however, the Clerk was unable to provide adequate supporting documentation for any of those Village expenditures.

VILLAGE OF NEHAWKA

COMMENTS AND RECOMMENDATIONS

(Continued)

8. **Disbursement Procedures** (Concluded)

Questioned Transactions

The APA tested a payment to Midwest Farmers Cooperative for fuel used to refill a Village truck and some smaller municipal equipment, such as a lawnmower. The Village uses a charge card to make such purchases, for which it is invoiced monthly.

On the invoice tested, the APA noted that a number of fuel purchases were made over a short period, which gives rise to concerns about the necessity of some of those expenditures. Details of that invoice are provided in the table below:

Date	Day of Week	Fuel Type	Quantity	Price	Amount
2/1/2019	Friday	Unleaded	25.013	1.999	\$ 50.00
2/8/2019	Friday	Diesel	19.275	2.789	\$ 53.76
2/10/2019	Sunday	Unleaded	22.651	2.119	\$ 48.00
2/13/2019	Wednesday	Unleaded	10.383	2.119	\$ 22.00
2/15/2019	Friday	Unleaded	20.528	2.119	\$ 43.50
2/20/2019	Wednesday	Unleaded	22.985	2.219	\$ 51.00
2/23/2019	Saturday	Unleaded	23.346	2.219	\$ 51.80

Because of the frequency of the fuel charges on the invoice, the APA questions whether all of those purchases were for Village use. Discussions with the Clerk revealed that the Village lacks any formal oversight to prevent misuse of the municipal charge card.

Good internal control requires procedures to ensure proper oversight of purchases with Village funds on account, such as procurements with a municipal charge card. Those same procedures should ensure also that all such purchases are for a valid Village purpose.

Without such procedures, there is an increased risk for the loss or misuse of Village funds.

We recommend the Village implement procedures to ensure the following: 1) all expenditures of Village funds are supported by adequate documentation; 2) purchases with Village funds on account, such as procurements with a municipal charge card, are subject to proper oversight; and 3) all expenditures of municipal funds are for a valid Village purpose.

Village Response: Procedures are in place to require documentation for each and every purchase before a payment is issued. Mile logs are being kept by the village maintenance employee and receipts are required for and all fuel purchases will require documentation of mileage and use.

9. **Conflicts of Interest**

During disbursement testing, the APA noted three Village transactions – two during the October 11, 2017, Board meeting and one during the February 13, 2019, Board meeting – that may have involved a possible conflict of interest on the part of the Board Chairperson, Allen Gansemer.

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

VILLAGE OF NEHAWKA

COMMENTS AND RECOMMENDATIONS

(Continued)

9. Conflicts of Interest (Continued)

Claim Date	Name/Vendor	Amount	Check #	Cleared Date
10/11/2017	Allen Gansemer	\$ 77.90	1915	10/16/2017
10/11/2017	Allen Gansemer	\$ 336.00	1963	10/16/2017
2/13/2019	Allen Gansemer	\$ 240.00	2247	2/15/2019
Total		\$ 653.90		

An excerpt from the October 11, 2017, Board minutes is provided below:

Claims were presented separately for payments. Motion was made by Heneger, seconded by Adams to approve claims as submitted. With Heneger, Adams, Henderson, Sorenson and Gansemer voting yes. Motion carried.

The APA noted also that Mr. Gansemer did not abstain from approving payments to the Clerk's pay, who is his spouse.

The February 13, 2019, Board minutes contain similar language, with no abstention noted. The apparent failure of the Board Chairman to abstain from voting on the motions noted 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, for transaction involving contracts with the Village, Neb. Rev. Stat. § 49-14,103.01 (Reissue 2010) provides, in relevant part, the following:

(1) For purposes of sections 49-14,103.01 to 49-14,103.06, unless the context otherwise requires, officer means . . . (c) any elected county, school district, educational service unit, city, or village official

(2) Except as provided in section 49-1499.04 or 70-624.04, no officer may have an interest in any contract to which his or her governing body, or anyone for its benefit, is a party. The existence of such an interest in any contract shall render the contract voidable by decree of a court of competent jurisdiction as to any person who entered into the contract or took assignment of such contract with actual knowledge of the prohibited conflict.

* * * *

(4) The prohibition in this section shall apply only when the officer or his or her parent, spouse, or child (a) has a business association as defined in section 49-1408 with the business involved in the contract or (b) will receive a direct pecuniary fee or commission as a result of the contract.

(5) The prohibition in this section does not apply if the contract is an agenda item approved at a board meeting and the interested officer:

VILLAGE OF NEHAWKA

COMMENTS AND RECOMMENDATIONS

(Continued)

9. **Conflicts of Interest** (Continued)

(a) *Makes a declaration on the record to the governing body responsible for approving the contract regarding the nature and extent of his or her interest prior to official consideration of the contract;*

(b) *Does not vote on the matters of granting the contract, making payments pursuant to the contract, or accepting performance of work under the contract, or similar matters relating to the contract, except that if the number of members of the governing body declaring an interest in the contract would prevent the body with all members present from securing a quorum on the issue, then all members may vote on the matters; and*

(c) *Does not act for the governing body which is party to the contract as to inspection or performance under the contract in which he or she has an interest.*

(6) *An officer who (a) has no business association as defined in section 49-1408 with the business involved in the contract or (b) will not receive a direct pecuniary fee or commission as a result of the contract shall not be deemed to have an interest within the meaning of this section.*

* * * *

(8) *If an officer's parent, spouse, or child is an employee of his or her governing body, the officer may vote on all issues of the contract which are generally applicable to (a) all employees or (b) all employees within a classification and do not single out his or her parent, spouse, or child for special action.*

(9) *Section 49-14,102 does not apply to contracts covered by sections 49-14,103.01 to 49-14,103.06.*

For transactions not involving contracts, Neb. Rev. Stat. § 49-1499.03(2) (2019 Neb. Laws, LB 411, § 66) provides, as is relevant, 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) *Except as otherwise provided in subsection (3) of this section, 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.*

(3)(a) *This section does not prevent a person holding an elective office of any city, village, or school district from making or participating in the making of a governmental decision:*

(i) *To the extent that the individual's participation is legally required for the action or decision to be made; or*

(ii) *If the potential conflict of interest is based on a business association and (A) such business association is an association of cities and villages or school districts, (B) the city, village, or school district is a member of such association, and (C) the business association exists only as the result of such person holding elective office.*

VILLAGE OF NEHAWKA

COMMENTS AND RECOMMENDATIONS

(Concluded)

9. Conflicts of Interest (Concluded)

(b) A person holding elective office of any city subject to subsection (1) of this section who is acting pursuant to this subsection shall report the occurrence as provided in subdivisions (1)(a)(i) and (ii) of this section.

(c) A person subject to subsection (2) of this section who is acting pursuant to this subsection shall report the occurrence as provided in subdivisions (2)(a)(i) and (ii) of this section.

(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 for further review.

Village Response: Procedures are in place regarding a conflict of interest in regard to the board chairperson and abstaining from voting on claims in which he has a financial interest.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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VILLAGE OF NEHAWKA

INDEPENDENT ACCOUNTANT'S REPORT

Village of Nehawka
Nehawka, Nebraska

We have examined the accompanying Schedule of Bank Activity of the Village of Nehawka (Village) for the period October 1, 2017, through September 30, 2019. The Village's management is responsible for the Schedule of Bank Activity based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule of Bank Activity based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedule of Bank Activity is based on the accounting system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule of Bank Activity. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule of Bank Activity, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedule of Bank Activity for the period October 1, 2017, through September 30, 2019, is based on the accounting system and procedures prescribed by the Village, as set forth in Note 1, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Schedule of Bank Activity; noncompliance with provisions of contracts or grant agreements; abuse that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement; and any other instances that warrant the attention of those charged with governance. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions.

We performed our examination to express an opinion on whether the Schedule of Bank Activity is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule of Bank Activity or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards*, and those findings, along with the views of management, are described in the Comments Section of the report.

The purpose of this report is to express an opinion on the Schedule of Bank Activity, as described in paragraph one above. Accordingly, this report is not suitable for any other purpose. This report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "C. Janssen", with a long horizontal flourish extending to the right.

March 19, 2020

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

VILLAGE OF NEHAWKA
SCHEDULE OF BANK ACTIVITY
For the Period October 1, 2017, through September 30, 2019

Financial Institution	Account Owner per Bank	Account Type per Bank	Beginning Balance at 10/1/2017	Interest Earned	Deposits	Withdrawals	Ending Balance at 9/30/2018	Interest Earned	Deposits	Withdrawals	Ending Balance at 9/30/2019
First State Bank Nebraska	Nehawka Village General	NOW Account	\$ 42,244.58	\$ 25.50	\$ 115,788.33	\$ 110,777.64	\$ 47,280.77	\$ 66.72	\$ 115,549.84	\$ 116,074.44	\$ 46,822.89
First State Bank Nebraska	Nehawka Village Ambulance Fund	NOW Account	\$ 56,469.68	\$ 39.22	\$ 7,820.84	\$ 22,343.03	\$ 41,986.71	\$ 43.52	\$ 5,263.58	\$ 15,412.37	\$ 31,881.44
First State Bank Nebraska	Nehawka Ambulance Special Reserve	Savings Account	\$ 1,200.06	\$ 1.59	\$ -	\$ -	\$ 1,201.65	\$ 0.31	\$ -	\$ -	\$ 1,201.96
First State Bank Nebraska	Nehawka Village Keno Account	Business Basic Account	\$ 6,689.84	\$ -	\$ -	\$ -	\$ 6,689.84	\$ -	\$ -	\$ -	\$ 6,689.84
First State Bank Nebraska	Nehawka Library	Savings Account	\$ 2,307.56	\$ 3.07	\$ -	\$ -	\$ 2,310.63	\$ 4.23	\$ -	\$ -	\$ 2,314.86
First State Bank Nebraska	Nehawka Village Sewer Account	NOW Account	\$ 12,424.12	\$ 13.22	\$ 44,898.00	\$ 27,053.73	\$ 30,281.61	\$ 52.91	\$ 35,358.00	\$ 14,932.21	\$ 50,760.31
First State Bank Nebraska	Nehawka Village Water Department	NOW Account	\$ (29,780.74)	\$ 14.43	\$ 93,411.83	\$ 39,581.30	\$ 24,064.22	\$ 23.35	\$ 41,462.23	\$ 51,763.75	\$ 13,786.05
First State Bank Nebraska	Nehawka Village Investment	Certificate of Deposit	\$ 9,796.34	\$ 113.17	\$ -	\$ -	\$ 9,909.51	\$ 114.45	\$ -	\$ -	\$ 10,023.96
First State Bank Nebraska	Nehawka Village Investment	Certificate of Deposit	\$ -	\$ -	\$ -	\$ -	\$ 9,136.52	\$ 68.52	\$ -	\$ -	\$ 9,205.04
Totals			\$ 101,351.44	\$ 210.20	\$ 261,919.00	\$ 199,755.70	\$ 172,861.46	\$ 374.01	\$ 197,633.65	\$ 198,182.77	\$ 172,686.35

The accompanying notes are an integral part of the Schedule.

VILLAGE OF NEHAWKA

NOTES TO THE SCHEDULE

For the Period October 1, 2017, through September 30, 2019

1. **Criteria**

The financial information used to prepare the Schedule of Bank Activity (Schedule) for the Village of Nehawka (Village), Nebraska, was obtained from the Village bank statements. Interest and deposits are shown as additions while deductions are shown as withdrawals on the Schedule.

2. **Reporting Entity**

Located in Cass County, Nebraska, the Village is a governmental entity established under and governed by the laws of the State of Nebraska. The Village is managed by a Board of Trustees that exercises control over activities that are relevant to the operations of the Village. Board members are elected by the public and have broad decision-making authority, including the power to levy taxes and to designate management, and primary responsibility for related fiscal matters.

As a political subdivision of the State, the Village is exempt from State and Federal income taxes. The Schedule includes all bank activity of the Village. The Schedule does not include those transactions that did not post to the bank that may have been dated within the period tested. The APA was provided with the Village bank accounts from the banks listed in the Schedule.

3. **Funding and Deposits**

The Village receives funding from State and local government sources and must comply with the requirements of these funding sources. In addition to these funding sources, the Village also receives resident utility fees on a regular basis. Other occasional funding is received from donations and rental of Village facilities.

The Village has invested monies on deposit in certain Demand and Savings accounts. The interest earned on these funds is recorded in the bank activity of the Village. As of September 30, 2019, the Village's bank deposits totaled \$172,686.

All of the deposits were covered by Federal Deposit Insurance Corporation (FDIC) insurance.

4. **Outstanding Village Loans**

The Village had the following outstanding loan as of September 30, 2019, per the amortization schedule:

Debt	Date of Issuance	Loan Amount	Interest Rate	Final Maturity Date	Principal Balance 9/30/2019
Street & Sewer Improvements	11/28/2017	\$ 55,000	3%	12/15/2020	\$ 36,613.27

5. **Subsequent Events**

Subsequent events have been evaluated through the audit report date, when the financial statements were available to be issued.