



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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October 6, 2020

Joel M. Bergman, Mayor
City of St. Paul
704 6th Street
St. Paul, Nebraska 68873

Dear Mayor Bergman:

As you know, the Nebraska Auditor of Public Accounts (APA) received some concerns regarding the City of St. Paul, Nebraska (City), including whether all claims are properly published and presented to the City Council (Council). As a result, the APA began limited preliminary planning work to determine if a full financial audit or attestation would be warranted. In doing so, the APA requested certain information from the City. Based upon the outcome of this preliminary planning work, the APA has determined that it is unnecessary for this office to perform a separate financial audit or attestation of the City at this time.

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

1. Publishing of Claims

Contrary to State statute, the City is not publishing all claims allowed by the Council. According to the City Clerk (Clerk), “The only disbursements that go into the meeting minutes are those of the General Fund”

To start, Neb. Rev. Stat. § 84-1413(1) (Cum. Supp. 2018) of the “Open Meetings Act” requires the following:

Each public body shall keep minutes of all meetings showing the time, place, members present and absent, and the substance of all matters discussed.

(Emphasis added.) Furthermore, Neb. Rev. Stat. § 19-1102 (Supp. 2019) directs the Clerk to publish the “official proceedings” of Council meetings, 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.) The above statutory language requires the amount of each claim allowed by the Council to be included in the published proceedings.

In addition to not including the allowed claims in the required publications, the Clerk is not publishing the “official” proceedings of the Council, as required by the aforementioned statute. The Clerk stated the following:

Respectfully, these are not the ‘official’ minutes that are in the City of St. Paul Sparq-Data program or the St. Paul Phonograph Herald, they are merely for the citizens of St. Paul to review what agenda items that will go before the Mayor & Council at that particular meeting.

Once the meeting is over then the unofficial minutes get published in the Phonograph Herald; then at the following Council meeting, this is when the Council approves the minutes (1st meeting of the month). The City of St. Paul’s ‘official’ minutes are kept securely at the City Office where all patrons can view at any time . . .

Good internal controls require procedures to ensure compliance with State law mandating publication of the “official” proceedings of Council meetings, including all claims allowed at those assemblies.

Without such procedures, there is an increased risk of both noncompliance with Nebraska statute and lack of transparency regarding the expenditure of public funds.

We recommend the City implement procedures to ensure compliance with State statute requiring publication of the “official” proceedings of Council meetings, including all claims allowed at those assemblies.

City Response: The City of St. Paul will adjust the previous procedure to include all claims, inclusive of claimant/vendor name, amount, and purpose of claim. This “Official Record” will be published according to State Statute within 30 days and a copy will be made available as Public Record within 10 days.

2. Claims Paid Prior to Council Approval

The City pays a number of claims in the middle of the month, prior to the Council’s approval of those expenditures. The Clerk provided the following explanation:

*The “**ADDITION**” list is the Mid-Month invoices that need to be PAID from Checking Account [number excluded] from the 1st of the Month to the 10th of the Month, so that the City can avoid paying a late/penalty fee on those particular vendors.*

Neb. Rev. Stat. § 17-708 (Cum. Supp. 2018) states the following:

The mayor and city council of a city of the second class or village board of trustees shall have no power to appropriate or to issue or draw any order or warrant on the city treasurer or village treasurer for money, unless the same has been appropriated or ordered by ordinance, or the claim for the payment of which such order or warrant is issued has been allowed according to the provisions of sections 17-714 and 17-715, and funds for the class or object out of which such claim is payable have been included in the adopted budget statement or transferred according to law.

Neb. Rev. Stat. § 17-715 (Cum. Supp. 2018) provides, as set out in relevant part below, the appropriate method for approving and paying municipal claims:

Upon the allowance of claims by the city council of a city of the second class or village board of trustees, the order for their payment shall specify the particular fund or appropriation out of which they are payable as specified in the adopted budget statement . . .

(Emphasis added.) The above statutory provision requires the Council’s allowance, or approval, of claims prior to the order for their payment.

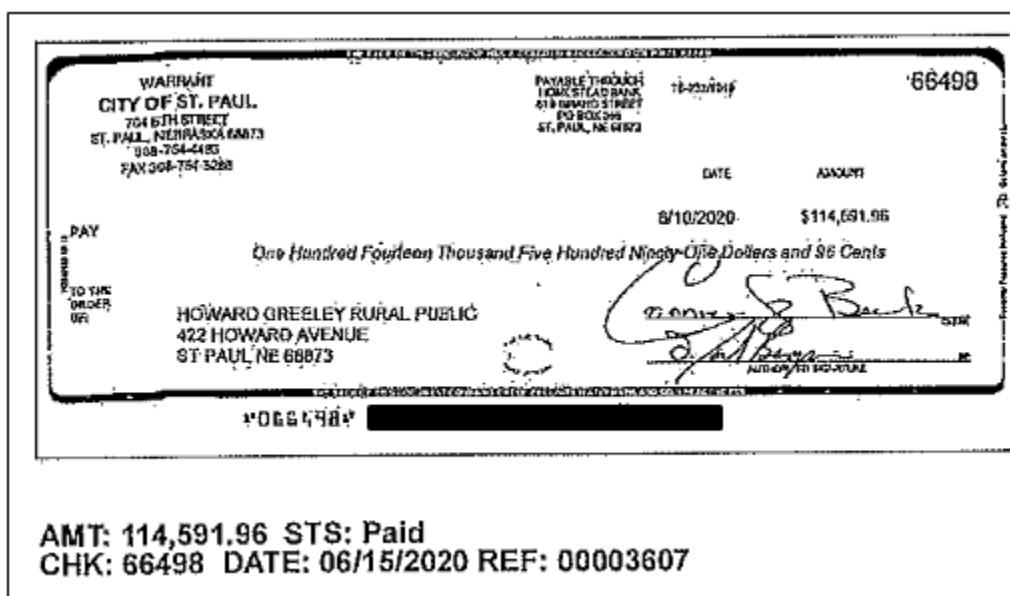
The “mid-month” payments addressed by the Clerk typically appear on a list of claims presented to the Council at the subsequent meeting. The following is an example of such a disbursement listing, which was provided to the Council at its July 6, 2020, meeting:

Account Disbursements other than the Checking #100027			Date/ Notes
Vendor	Check No.	Amount	
July 6, 2020 Disbursements #100027		\$ 166,149.11	July 6, 2020
Charter Spectrum	66486	\$ 194.97	Checking 100027
Aurora Co-op	66484	\$ 653.17	Gas
Black Hills Energy	66485	\$ 469.96	Natural Gas
City of St. Paul Light	66487	\$ 7,726.08	Utilities
Clearly	66488	\$ 144.57	
Heartland Disposal	66489	\$ 5,545.99	Sanitation hauling
Homestead Bank ACH Payroll Fee	66490	\$ 29.60	
Jims Champlin	66492	\$ 1,443.68	Gas
Mid-Nebraska Disposal Inc.	66494	\$ 3,631.16	Sanitation hauling
Loup Valley Supply	66493	\$ 37.70	Street NW Berm Dura Turf
Phonograph Herald	66495	\$ 445.74	Legal Notices
NE Dept of Revenue (June 2020 Sales & Use Tax)	1029E	\$ 12,229.02	Checking 100027
Howard Greeley REA Public (Pole)	66491	\$ 297.11	Checking 100027
Howard Greeley REA Public Utilities	66498	\$ 114,591.96	Checking 100027
Computer Management (COR)	10258E	\$ 800.00	Checking 100027
Payroll (June 2020)			Checking 100027
City of Gretna: Virtual Workshop on Liquor Licenses	66483	\$ 50.00	Checking 100027
for Laura Berthelsen			
St Paul Swimming Pool Startup Funds	66499	\$ 150.00	Checking 100027
Aurora Embroidery - Firefighter shirts	66503	\$ 2,566.00	Checking 100027
TOTAL		\$ 317,155.82	
ADDITIONS: Accounts other than Checking 100027			
Sale Tax: St. Paul Development Corp 19-20 Oper Budg	378	\$ 19,000.00	Sales Tax 504420
Civic: Tyson Ondracek: Wedding Proceeds	1349	\$ 600.00	Civic Center 300749
Civic: Utility Bill	1350	\$ 489.79	Civic Center 300749
Transfer from Sales Tax 504420 to 300277	380	\$ 40,000.00	To Sales Tax 300277

to Pay Sales Tax Disbursements				
Tri-City Sign Co. (3 Prop. Improve: County Cage; Wroblewski Law; & Brick Street Mall)	381	\$	8,500.00	Sales Tax 504420
Civic: Cardmember Service: Dividers, Pencil Sharp, Index Cards	1351	\$	9.21	Civic 300749
Sales Tax: Check Order 504420	151E	\$	12.27	Sales Tax 504420
S. Squared Enterprises - TIF Proceeds - M. Sok	145	\$	644.43	TIF 505036
Total		\$	69,255.70	

The claims highlighted in yellow on the above image are presented to the Council in the form of a “Check Detail Register” from the City’s accounting system. Those are unpaid claims that are awaiting Council approval.

The claims highlighted by the red boxes in the above image are those that have already been paid but have not yet been approved by the Council. For example, check number 66498 (Howard Greeley REA Public Utilities for \$114,591.96) is shown below:



The check was written on June 10, 2020, cashed on June 15, 2020, and presented to the Board on July 6, 2020.

The APA reviewed the disbursement activity from the City’s accounting system for May 2020 through July 2020, noting that the following claims were paid prior to Council approval:

Vendor	Check #	Check Date	Amount	APA Added Notes
DIAMOND ENGINEERING CO.	1016	5/4/2020	\$ 17,030.00	Cashed 5/8/2020 (25% sales tax fund)
COR MANAGED SERVICES	001010E	5/5/2020	\$ 800.00	Electronic payment on 5/5/2020
S SQUARED ENTERPRISES	139	5/14/2020	\$ 2,878.89	Cashed 6/2/2020 (TIF) (check dated 5/14/2020)
STATE OF NE DEPT. REVENUE	001014E	5/6/2020	\$ 12,778.07	Electronic payment on 5/8/2020
AURORA CO-OP ELEVATOR CO.	66409	5/7/2020	\$ 1,071.92	Cashed 5/12/2020
BLACK HILLS ENERGY	66410	5/7/2020	\$ 966.64	Cashed 5/12/2020
CHARTER/SPECTRUM	66411	5/7/2020	\$ 194.97	Cashed 5/15/2020

Vendor	Check #	Check Date	Amount	APA Added Notes
CLEARFLY	66412	5/7/2020	\$ 144.57	Cashed 5/15/2020
HEARTLAND DISPOSAL INC.	66413	5/7/2020	\$ 5,319.34	Cashed 5/12/2020
HOWARD GREELEY RURAL PUBLIC	66419	5/12/2020	\$ 128,520.48	Cashed 5/14/2020
ISLAND GLASS CO	66414	5/7/2020	\$ 2,550.00	Cashed 5/18/2020
JIMS CHAMPLIN INC	66415	5/7/2020	\$ 1,109.33	Cashed 5/12/2020
MID-NEBRASKA DISPOSAL INC	66416	5/7/2020	\$ 3,625.50	Cashed 5/14/2020
PHONOGRAPH-HERALD	66417	5/7/2020	\$ 508.93	Cashed 5/15/2020
CITY OF ST PAUL LIGHT	66418	5/7/2020	\$ 7,980.20	Cashed 5/8/2020 (City's electricity costs)
CLEARFLY	001024E	5/11/2020	\$ 144.57	Electronic payment on 5/11/2020
GERHOLD CONCRETE CO.	66422	5/20/2020	\$ 1,870.96	Cashed 5/26/2020
MAD DEVELOPMENT LLC	141	5/15/2020	\$ 5,884.36	Cashed 5/27/2020 (TIF)
ST PAUL DEVELOPMENT CORP INC	378	5/28/2020	\$ 19,000.00	Cashed 5/28/2020 (City Sales Tax Account)
CITY OF ST PAUL	140	5/14/2020	\$ 5,884.37	Cashed 5/18/2020 (TIF Fund- moving TIF proceeds received to City accounts for water and sewer)
CITY OF ST PAUL	1017	5/12/2020	\$ 64,000.00	Cashed 5/12/2020 (25% Sales Tax Infrastructure – the City opened an ICS account to earn more interest on its 25% sales tax infrastructure monies. This check moving money to ICS account.)
CITY OF ST PAUL	1345	5/21/2020	\$ 789.86	Cashed 5/21/2020 (Civic – payment for utilities)
TISDALL, TAMMY	66483	6/1/2020	\$ 50.00	Outstanding as of July 2020
COR MANAGED SERVICES	001028E	6/4/2020	\$ 800.00	Electronic Payment Posted 6/5/2020
STATE OF NE DEPT. REVENUE	001029E	6/6/2020	\$ 12,229.02	Electronic Payment on 6/9/2020
ONDRACEK, TYSON	1349	6/8/2020	\$ 600.00	Cashed 6/18/2020 (Civic)
CITY OF ST PAUL	1350	6/8/2020	\$ 489.79	Cashed 6/9/2020 (Civic – civic center utility costs)
AURORA CO-OP ELEVATOR CO.	66484	6/8/2020	\$ 653.17	Cashed 6/12/2020
BLACK HILLS ENERGY	66485	6/8/2020	\$ 469.96	Cashed 6/15/2020
CHARTER/SPECTRUM	66486	6/8/2020	\$ 99.99	Cashed 6/18/2020
CHARTER/SPECTRUM	66486	6/8/2020	\$ 94.98	Cashed 6/18/2020
CITY OF ST PAUL LIGHT	66487	6/8/2020	\$ 7,726.08	Cashed 6/9/2020 (City's electricity costs)
CLEARFLY	66488	6/8/2020	\$ 144.57	Cashed 6/16/2020
HEARTLAND DISPOSAL INC.	66489	6/8/2020	\$ 5,545.99	Cashed 6/12/20020
HOMESTEAD BANK	66490	6/8/2020	\$ 29.60	Cashed 6/9/2020
HOWARD GREELEY RURAL PUBLIC	66491	6/8/2020	\$ 297.11	Cashed 6/11/2020
JIMS CHAMPLIN INC	66492	6/8/2020	\$ 1,443.68	Cashed 6/16/2020
LOUP VALLEY SUPPLY, INC.	66493	6/8/2020	\$ 37.70	Cashed 6/16/2020
MID-NEBRASKA DISPOSAL INC	66494	6/8/2020	\$ 3,631.16	Cashed 6/12/2020
PHONOGRAPH-HERALD	66495	6/8/2020	\$ 445.74	Cashed 6/12/2020
CITY OF ST PAUL	380	6/10/2020	\$ 40,000.00	Cashed 6/11/2020 (Moved from City Sales Tax Premium Investment Account xx504420 to City Sales Tax Account checking account xx300277 to replenish balance in the fund to pay bills)
HOWARD GREELEY RURAL PUBLIC	66498	6/10/2020	\$ 114,591.96	Cashed 6/15/2020
ST PAUL SWIMMING POOL	66499	6/10/2020	\$ 150.00	Cashed 6/11/2020
AURORA EMBROIDERY	66503	6/16/2020	\$ 2,566.00	Cashed 6/25/2020
TRI CITY SIGN COMPANY	381	6/17/2020	\$ 8,500.00	Cashed 6/23/2020 (City Sales Tax 300277)
CARDMEMBER SERVICE	1351	6/18/2020	\$ 9.21	Cashed 6/25/2020 (Civic)
S SQUARED ENTERPRISES	145	6/22/2020	\$ 644.43	Cashed 7/10/2020, written 6/22/2020 (TIF)
HOMESTEAD BANK	000151E	6/22/2020	\$ 12.27	Automatic Debit for Check Charges 6/22/2020 (City Sales Tax Account)
CHARTER/SPECTRUM	000012E	7/1/2020	\$ 166.96	Electronic Payment on 7/1/2020 (Civic)
JERRYS SHEET METAL HEATING	29484	7/2/2020	\$ 45,459.53	Cashier's Check dated 7/2/2020 (Water ICS account)

Vendor	Check #	Check Date	Amount	APA Added Notes
COR MANAGED SERVICES	001037E	7/6/2020	\$ 800.00	ACH 7/6/2020
AURORA CO-OP ELEVATOR CO.	66581	7/8/2020	\$ 701.97	Cashed 7/15/2020
BLACK HILLS ENERGY	66582	7/8/2020	\$ 292.45	Cashed 7/17/2020
CHARTER/SPECTRUM	66583	7/8/2020	\$ 194.97	Cashed 7/17/2020
CITY OF ST PAUL LIGHT	66584	7/8/2020	\$ 9,925.40	Cashed 7/13/2020 (City's electricity costs)
CLEARFLY	66585	7/8/2020	\$ 147.04	Cashed 7/16/2020
HEARTLAND DISPOSAL INC.	66586	7/8/2020	\$ 5,342.74	Cashed 7/14/2020
JIMS CHAMPLIN INC	66587	7/8/2020	\$ 1,706.71	Cashed 7/14/2020
MID-NEBRASKA DISPOSAL INC	66588	7/8/2020	\$ 3,651.58	Cashed 7/15/2020
NWEA	66589	7/8/2020	\$ 20.00	Outstanding at 7/31/2020
OPEN CARET	66590	7/8/2020	\$ 200.00	Cashed 7/21/2020
STATE OF NE DEPT. REVENUE	001039E	7/9/2020	\$ 16,875.93	Electronic Payment on 7/13/2020
HOMESTEAD BANK	382	7/10/2020	\$ 155,209.00	Cashed 7/10/2020 (Sales Tax Account)
SHINDLE, NANCY	1356	7/14/2020	\$ 150.00	Cashed 7/23/2020 (Civic)
CITY OF ST PAUL	1357	7/14/2020	\$ 773.35	Cashed 7/16/2020 (Civic – civic center utility costs)
STATE OF NE DEPT. REVENUE	259	7/16/2020	\$ 1,608.00	Cashed 7/21/2020 (Keno)
INTERNAL REVENUE SERVICE	66592	7/16/2020	\$ 33.02	Outstanding at 7/31/2020
CITY OF ST PAUL	1018	7/20/2020	\$ 19,000.00	Cashed 7/21/2020 (25% sales tax infrastructure account – moved money to general fund to help pay for a piece of sewer equipment)
CITY OF ST PAUL	21689	7/20/2020	\$ 40,353.00	Electronic Debit 7/17/2020 (REDLG Rev Loan Fund) (To transfer funds deposited on 7/17/2020 to ICS account)
HOWARD GREELEY RURAL PUBLIC	66594	7/21/2020	\$ 175,851.40	Cashed 7/23/2020
LARM	105	7/27/2020	\$ 1,257.00	Outstanding at 7/31/2020 (REDLG Rev Loan Fund)
HERITAGE BANK	000970E	7/30/2020	\$ 25.00	Electronic Payment for I Net Fee dated 7/30/2020 (Utility ACH Account)
Total			\$ 964,060.42	

Note: Payments were made from the City's General Fund unless otherwise noted in parenthesis.

Good internal controls require procedures to ensure that the Council approves all City claims prior to payment, as specified in State statute.

Without such procedures, there is an increased risk of both noncompliance with Nebraska laws and loss or misuse of City funds.

We recommend the City implement procedures to ensure the Council approves all municipal claims prior to payment, as specified in State statute.

City Response: All claims, including previous "Mid-Month" claims will be approved by St. Paul City Council prior to being paid by the City of St. Paul. All funds transferred will also be approved by St. Paul City Council prior to occurring. This will eliminate the process of "Mid-Month" disbursements and only those items so approved will be paid. Listing of claims and disbursements will be handled as one listing.

3. Payments Not Approved by Council

While reviewing the City's disbursements for May 2020 to July 2020, the APA found a number of payments that appear to have been paid without any approval by the Council.

The transactions detailed in the table below do not appear to have been presented to the Council during the period reviewed – meaning that the Council would not have approved these disbursements:

Vendor	Check #	Check Date	Amount	APA Added Notes
FOLK LLC	258	5/29/2020	\$ 10,100.00	Cashed 6/5/2020 (Keno)
HERITAGE BANK	000968E	5/29/2020	\$ 25.00	Auto Debit for I-Net Fees 5/29/2020 (Utility ACH fund)
HOMESTEAD BANK	000150E	5/20/2020	\$ 12.27	Electronic charge for checks 5/20/2020 (TIF)
HOMESTEAD BANK	001011E	5/1/2020	\$ 8.00	Electronic wire fee 5/1/2020
HOWARD CO REGISTER OF DEEDS	104	5/4/2020	\$ 28.00	Cashed 5/11/2020 (REDLG rev loan fund)
SALES TAX 25% INFRASTRUCTURE	1162	5/20/2020	\$ 6,356.49	Cashed 5/22/2020 (Sales Tax Fund)
STREET FUND- MOTOR VEHICLE TAX	1161	5/21/2020	\$ 5,957.50	Cashed 5/21/2020 (Sales Tax)
STARKEY CONSTRUCTION	66392	5/4/2020	\$ 1,500.00	Cashed 5/14/2020 (Cemetery)
CITY OF ST PAUL	66334	5/1/2020	\$ 30,000.00	Cashed 5/4/2020 (this is to move the receipt of bond monies to an ICS account for the purpose of earning more interest)
CITY OF ST PAUL	66334	5/1/2020	\$ 60,000.00	Cashed 5/4/2020 (this is to move the receipt of bond monies to an ICS account for the purpose of earning more interest)
CITY OF ST PAUL	66334	5/1/2020	\$ 410,000.00	Cashed 5/4/2020 (this is to move the receipt of bond monies to an ICS account for the purpose of earning more interest)
JERABEK, TESS	1348	6/1/2020	\$ 1,200.00	Cashed 7/15/2020 (Civic)
CHARTER/SPECTRUM	000011E	6/1/2020	\$ 166.96	Electronic Payment Posted 6/3/2020 (Civic)
CITY OF ST PAUL	66501	6/12/2020	\$ 1,150.17	Cashed 6/15/2020 (Money was paid from the wrong account so this entry is correcting that)
CITY OF ST PAUL	1116	6/15/2020	\$ 150,000.00	Cashed 6/17/2020 (ACH Utility Account) (This account is to collect utility ACH payments from customers. This money was moved to the General fund in anticipation of some bond payments coming due (pool, street, water, and sewer) and to cover other expenses in the General fund.)
CONSUMER DEPOSIT ACCOUNT	66500	6/12/2020	\$ 250.00	Cashed 6/15/2020
HEARTLAND DISPOSAL INC.	1346	6/1/2020	\$ 80.00	Cashed 6/9/2020 (Civic)
HERITAGE BANK	000969E	6/30/2020	\$ 25.00	Automatic Debit on 6/30/2020 for I Net Fees (Utility ACH Account)
HOMESTEAD BANK	001031E	6/15/2020	\$ 8.00	\$16 fee on 6/12/2020
HOMESTEAD BANK	001031E	6/15/2020	\$ 8.00	
SALES TAX 25% INFRASTRUCTURE	1164	6/22/2020	\$ 7,059.46	Cashed 6/23/2020 (City Sales Tax 300277)
STREET FUND- MOTOR VEHICLE TAX	1163	6/22/2020	\$ 2,711.62	Cashed 6/22/2020 (City Sales Tax 300277)
SUMMER SEWING PROGRAM	1347	6/1/2020	\$ 300.00	Cashed 6/10/2020 (Civic)
ADVANCED CLIMATE CONTROL INC	16838	7/1/2020	\$ 8,800.00	Money Order on 7/1/2020 (General Equip Sinking Fund)
CARDMEMBER SERVICE	000013E	7/29/2020	\$ 31.41	Electronic Payment on 7/23/2020 (Civic)
CEI SECURITY SOUND	1353	7/6/2020	\$ 249.00	Cashed on 7/16/2020 (Civic)
HAWKINS INC	66529	7/6/2020	\$ 3,062.98	Cashed 7/13/2020
CHARTER/SPECTRUM	000014E	7/30/2020	\$ 166.96	Electronic Payment on 7/31/2020 (Civic)
CITY OF ST PAUL	1117	7/1/2020	\$ 210,000.00	Cashed 7/2/2020 (ACH Utility Account) (This account is used to collect ACH payments from customers. The money was transferred to the General ICS fund, where it will eventually be used for utility related expenses.)
CITY OF ST PAUL	29523	7/28/2020	\$ 180,582.24	Withdrawal on 7/28/2020 (Street ICS Account) (This entry was to move money from the street ICS account to pay Diamond Engineering.)
CLEARFLY	001040E	7/13/2020	\$ 2.47	Electronic Payment on 7/13/2020
CONSUMER DEPOSIT ACCOUNT	66578	7/6/2020	\$ 250.00	Cashed on 7/7/2020

Vendor	Check #	Check Date	Amount	APA Added Notes
CONSUMER DEPOSIT ACCOUNT	66657	7/31/2020	\$ 250.00	Outstanding at 7/31/2020
HEARTLAND DISPOSAL INC.	1354	7/6/2020	\$ 80.00	Cashed 7/14/2020 (Civic)
HEARTLAND DISPOSAL INC.	1359	7/29/2020	\$ 80.00	Outstanding at 7/31/2020 (Civic)
KASSON, SANDRA	1355	7/6/2020	\$ 275.00	Cashed 7/15/2020 (Civic)
KASSON, SANDRA	1358	7/29/2020	\$ 285.00	Outstanding at 7/31/2020 (Civic)
MIDWEST ALARM SERVICE	1352	7/6/2020	\$ 69.23	Cashed 7/14/2020 (Civic)
S E SMITH AND SONS	66593	7/17/2020	\$ 494.94	Cashed 7/24/2020
SALES TAX 25% INFRASTRUCTURE	1166	7/21/2020	\$ 6,801.02	Cashed 7/23/2020 (City Sales Tax)
STREET FUND- MOTOR VEHICLE TAX	1165	7/21/2020	\$ 4,367.25	Cashed 7/22/2020 (City Sales Tax)
Total			\$ 1,102,793.97	

As pointed out in Comment 2 (“Claims Paid Prior to Council Approval”) herein, Neb. Rev. Stat. § 17-715 (Cum. Supp. 2018) prescribes the Council’s allowance, or approval, of claims prior to the order for their payment.

Additionally, the APA found a transaction that appears to conflict with State statutes regarding the use of utility funds. That transaction is shaded in the table above.

Neb. Rev. Stat. § 17-609 (Cum Supp. 2018) authorizes the disposition of surplus utility funds as follows:

The mayor and city council of a city of the second class or village board of trustees may, by resolution, direct and authorize the city treasurer or village treasurer to dispose of the surplus electric light, water, or gas funds, or the funds arising from the sale of electric light, water, or natural gas distribution properties, by the payment of outstanding electric light, water, or gas distribution bonds or water warrants then due. The excess, if any, after such payments may be transferred to the general fund of such city or village.

The aforementioned statutes require an evaluation of the utility funds to determine if an excess exists after the payment of any bonds or warrants due. If an excess exists, the Council and Mayor are required to approve, by resolution, the transfer of utility funds to the general fund. There is no evidence this evaluation was completed, and the APA is unaware of a resolution or ordinance that is required.

Good internal controls require procedures to ensure that the Council approves all City claims prior to payment, as specified in State statute.

Without such procedures, there is an increased risk of both noncompliance with Nebraska laws and loss or misuse of City funds.

We recommend the City implement procedures to ensure the Council approves all municipal claims prior to payment, as specified in State statute. We also recommend the City ensure utility funds are used in accordance with their prescribed purpose and that excess funds are transferred to the General fund only after an evaluation of the utility funds to determine the surplus amount and then upon approval of a resolution by the Council.

City Response: This item has been resolved through overall procedure changes and all Items (i.e. Payments) will be approved by Council according to recommendations and Nebraska State Statute. This was addressed in previous responses.

* * * * *

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 City’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 City.

Draft copies of this letter were furnished to the City 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 that indicates corrective action has been taken was not verified at this time.

This communication is intended solely for the information and use of the City 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.

Audit Staff Working on this Examination:

Cindy Janssen, Audit Manager

Sincerely,

A handwritten signature in cursive script that reads "Mary Avery". The signature is written in black ink and is positioned to the left of the typed name and title.

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