



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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March 4, 2021

William Reynolds, Chairperson
Village of Winslow
PO Box 157
Winslow, NE 68072

Dear Chairperson Reynolds:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Village of Winslow (Village) for the fiscal year ending 2020. **That request has been approved.**

While performing, pursuant to Neb. Rev. Stat. § 84-304 (Cum. Supp. 2020), the preliminary examination necessary to determine whether the audit waiver should be allowed or further audit work would be required, the APA noted certain internal control or compliance matters, or other operational issues, within the Village.

The following information is intended to improve internal controls or result in other operational efficiencies.

Comments and Recommendations

1. Negative Bank Balances and Operating Line of Credit

During our review of the bank statements obtained from the Village's audit waiver request, it was noted that the Village's general bank account had a negative balance on several separate occasions during the fiscal year, with the largest negative balance being \$8,744.10 during that period. The following table summarizes the negative balances noted.

Date Range	Largest Negative Balance	Overdraft Fees
11/19/19 to 12/17/19	\$ (9,874.26)	
12/19/19 to 1/28/20	\$ (3,070.27)	
2/5/2020	\$ (1,020.98)	
2/11/20 to 5/19/20	\$ (8,744.10)	\$ 50.00
6/5/2020	\$ (298.27)	
6/16/2020	\$ (100.46)	
Total		\$ 50.00

It appears the Village has multiple lines of credit with its bank that were used multiple times during the fiscal year to cover these negative bank balances. Total loan advances during fiscal year 2020 totaled \$20,000.

Neb. Rev. Stat. § 18-201 (Cum. Supp. 2020), which sets out the direct borrowing requirements for a Village, states, in relevant part, the following:

(1) The mayor and the council of any city or board of trustees of any village, in addition to other powers granted by law, may by ordinance or resolution provide for direct borrowing from a financial institution for the purposes outlined in this section. Loans made under this section shall not be restricted to a single year and may be repaid in installment payments for a term not to exceed seven years.

(2) The mayor and the council of any city or board of trustees of any village may borrow directly from a financial institution for the (a) purchase of real or personal property, (b) construction of improvements, (c) repair or reconstruction of real or personal property, improvements, or infrastructure damaged as a result of a calamity, (d) provision of public services temporarily disrupted or suspended as a result of a calamity, or (e) refinancing of existing indebtedness upon a certification in the ordinance or resolution authorizing the direct borrowing that:

(i) Financing the (A) purchase of real or personal property, (B) construction of improvements, (C) repair or reconstruction of real or personal property, improvements, or infrastructure damaged as a result of a calamity, (D) provision of public services temporarily disrupted or suspended as a result of a calamity, or (E) refinancing of existing indebtedness through traditional bond financing would be impractical;

(ii) Financing the (A) purchase of real or personal property, (B) construction of improvements, (C) repair or reconstruction of real or personal property, improvements, or infrastructure damaged as a result of a calamity, (D) provision of public services temporarily disrupted or suspended as a result of a calamity, or (E) refinancing of existing indebtedness through traditional bond financing could not be completed within the time restraints facing the city or village; or

(iii) Financing the (A) purchase of real or personal property, (B) construction of improvements, (C) repair or reconstruction of real or personal property, improvements, or infrastructure damaged as a result of a calamity, (D) provision of public services temporarily disrupted or suspended as a result of a calamity, or (E) refinancing of existing indebtedness through direct borrowing would generate taxpayer savings over traditional bond financing.

Good internal control and sound business practices require procedures to ensure sufficient funds are available in the Village's bank accounts to pay claims, and the Village adheres to statutory mandates when borrowing directly from a financial institution.

Without such procedures, there is an increased risk for not only the loss, misuse, or theft of Village funds, but also the accumulation of overdraft fees.

We recommend the Board implement procedures to ensure sufficient funds are available in the Village's bank accounts to pay claims, and the Village adheres to statutory mandates when borrowing directly from a financial institution.

2. Utility Procedures

During our review of the bank statements obtained from the Village's audit waiver request, we noted the following issues with the Village's procedures over utilities collections, as described below.

- Utility billings are made monthly; however, the Village has not implement procedures to ensure bills are paid timely or delinquent accounts are adequately followed up on.
- For one customer, only one payment was made during the fiscal year. Upon further inquiry, the APA was informed the customer made a payment for an amount less than what was due, but no late fee was assessed.
- For one Board member, regular utilities are not paid, but rather the Village offsets the account due with the Board members Board wages.
- The APA noted a gap in payments after March 2020, and upon further inquiry, the APA was informed by the Village Treasurer that statements were not sent for a few months.

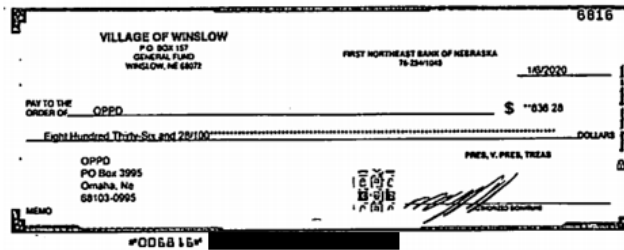
Good internal controls and sound business practices require procedures to ensure the following: 1) payments are made timely, delinquent accounts are followed up on, and any late fees are assessed; 2) all customers, including Village Board members and employees, are billed and all payments are accounted for; and 3) bills are processed and sent in a timely manner.

When such procedures do not exist, there is an increased risk of loss, misuse, or theft of Village funds.

We recommend the Village implement procedures to ensure the following: 1) payments are made timely, delinquent accounts are followed up on, and any late fees are assessed; 2) all customers, including Village Board members and employees, are billed and all payments are accounted for; and 3) bills are processed and sent in a timely manner.

3. Lack of Dual Signatures

The APA obtained the bank statements for the Village’s accounts from its fiscal year 2020 audit waiver request. From these statements, the APA noted that two Village checks written during the examination period contained only one signature. An example of such checks is shown below.



6816 1/15/2020 Paid 836.28

State statute requires Village checks to be signed by both the Board Chairperson and the Village Clerk. Specifically, Neb. Rev. Stat. § 17-711 (Cum. Supp. 2020) provides the following:

All warrants drawn upon the city treasurer of a city of the second class or village treasurer must be signed by the mayor or chairperson of the village board of trustees and countersigned by the city clerk or village clerk, stating the particular fund to which the same is chargeable, the person to whom payable, and for what particular object. No money shall be otherwise paid than upon such warrants so drawn. Each warrant shall specify the amount included in the adopted budget statement for such fund upon which it is drawn and the amount already expended of such fund.

Good internal control and sound accounting practices require procedures to ensure that Village checks contain the statutorily required endorsements. Without such procedures, there is an increased risk of not only failure to comply with State statute but also the loss and/or misuse of Village funds.

A similar issue was identified by the APA in a prior review and was disclosed to the Village in the APA’s letter dated August 9, 2019, which can be found on the APA’s website.

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

4. Lack of Claim Purpose

During our comparison of the Village’s bank account details to claims approved by the Board, the APA noted that most claims listed in the Board’s official proceedings lacked descriptions of their respective purposes.

The following is an example of the approved claims listing provided by the Village for January 6, 2020:

DISBURSEMENTS	4580.29
RUSTLER	50.43
JEO	600.00
ONE CALL	4.74
WINNELSON	722.98
SHELL	49.00
LERW	549.94
OPPD	1103.20
OELKERS	500.00
SWANSON INS	500.00
MDS INVESTMENTS	400.00
HOOVER POST OFFICE (STAMPS)	100.00
A motion was made by S. Kotik and 2 nd by R. Bechtel to pay the bills. All in favor. The motion was passed.	

Neb. Rev. Stat. § 19-1102 (Cum. Supp. 2020) requires publication of the Board’s official proceedings, which must include, among other things, the purpose of each claim allowed, as follows:

It shall be the duty of each 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.) Good internal control and sound accounting practices require procedures to ensure that the Board’s official proceedings describe the purpose of each claim allowed. Without such procedures, there is an increased risk of not only failure to comply with statutory publication requirements but also a lack of transparency regarding the nature of public expenditures.

A similar issue was identified by the APA in a prior review and was disclosed to the Village in the APA’s letter dated August 9, 2019, which can be found on the APA’s website.

We recommend the Board implement procedures to ensure the purpose of each claim allowed is included in the Board’s official proceedings and published in accordance with State statute.

5. Payment of Unapproved Claims

During our comparison of the Village’s bank account details to claims approved by the Board, the APA identified the following checks, totaling \$378.58, which were paid but not included on the claims listing to be approved by the Board.

Details of the unapproved payments are included in the table below:

Check Date	Name/Vendor	Amount	Check #	Cleared Date
1/6/2020	DM Plumbing	\$ 275.00	6823	1/16/2020
1/6/2020	TXP	\$ 42.38	EFT	1/6/2020
1/31/2020	IRS	\$ 61.20	EFT	1/31/2020
Total		\$ 378.58		

Good internal control requires procedures to ensure that all claims are approved by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved. Without such procedures, there is an increased risk for the loss or misuse of Village funds.

We recommend the Board implement procedures to ensure all claims are approved by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved.

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The preliminary planning work that resulted in this letter was designed primarily on a test basis and, therefore, may not bring to light all existing weaknesses in the Village's policies or procedures. Nevertheless, our objective is to use the knowledge gained during the performance of that preliminary planning work to make comments and suggestions that we hope will prove useful to the Village.

This communication is intended solely for the information and use of the Village and its management. It is not intended to be, and should not be, used by anyone other than those specified parties. However, this letter is a matter of public record, and its distribution is not limited.

If you have any questions, please contact **Dakota Christensen** at **402-499-8702** or **dakota.christensen@nebraska.gov**.

Sincerely,

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

Mark Avery, CPA
Assistant Deputy Auditor