



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Shirley Higgins, Chairperson  
Village of Crab Orchard  
60838 725 Rd.  
Crab Orchard, NE 68332

Dear Chairperson Higgins:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Village of Crab Orchard (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. 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 April 20, 2020:

The following bills were submitted for payment:	
<b>From the General Fund</b> NPPD 34.21, March bill NPPD 34.21 April bill Midwest laboratories 19.80 One Call 6.92 NE Public Health Environmental 15.00 Seneca Sanitation 400.00 Johnson County Rural Water 262.00 Chris Gottula 175.00 Gary Lovitt 60.00 Kari Bolyard 25.00 Shirley Higgins 50.00 Marjorie Laffin 100.00 Dale Laffin 50.00 Linda Hager 25.00 Van Wallace 25.00 USPS 35.00 Andrew Carothers 520.00	<b>From the Highway fund</b> NPPD Street Lights 177.37 March bill NPPD Street Lights 177.37 April bill NPPD 400 Howard 61.92 March bill NPPD 400 Howard 59.70 April bill NPPD West 725 Road 46.40 March bill NPPD West 725 Road 44.44 April bill
Motion to accept the treasurer's report and to pay the bills was made by Gary Lovitt, seconded by Dale Laffin. Motion carried.	

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.

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.

**2. Payment Made in Excess of Approved Amount**

During our comparison of the Village’s bank account details to claims approved by the Board, the APA identified one check paid in excess of the amount approved by the Board.

The following table summarizes that overpayment:

Name	Claim Date	Approved Amount	Amount Paid	Overpayment
Gary Lovitt	4/13/2020	\$ 60.00	\$ 85.00	\$ 25.00

Good internal control requires procedures to ensure that all claims are made in the amount approved by the Board. Without such procedures, there is an increased risk for the loss or misuse of Village funds.

We recommend the Village implement procedures to ensure payments are made in the amount approved by the Board.

**3. Payment of Claims Prior to Board Approval**

During our comparison of the Village’s bank account details to claims approved by the Board, the APA noted that four Village checks, totaling \$319.90, were issued before the underlying claims were approved by the Board.

The table below provides a summary of the premature payments:

Approval Date	Name/Vendor	Amount	Check Written Date	Cleared Date	Days Paid Before Approval
4/20/2020	NPPD	\$ 34.21	3/15/2020	3/24/2020	27
4/20/2020	NPPD	\$ 177.37	3/15/2020	3/25/2020	26
4/20/2020	NPPD	\$ 61.92	3/15/2020	3/25/2020	26
4/20/2020	NPPD	\$ 46.40	3/15/2020	3/24/2020	27
<b>Total</b>		<b>\$ 319.90</b>			

Neb. Rev. Stat. § 17-614(1) (Cum. Supp. 2020) sets out the proper method for the appropriation or payment of money by the Village, as follows:

*All ordinances and resolutions or orders for the appropriation or payment of money shall require for their passage or adoption the concurrence of a majority of all members elected to the city council in a city of the second class or village board of trustees . . . .*

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

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

#### **4. Expenditure in Excess of Budget**

For the fiscal year ended September 30, 2020, actual expenditures exceeded the adopted budget by \$56,236.46. Per the Village, the expenditures were in excess of the budget due to a levee breaking in March 2020. This prompted the creation of the Lagoon Repair fund; however, no amended budget was filed with our office for these additional expenditures.

Neb. Rev. Stat. § 13-510 (Reissue 2012) states, in relevant part, the following:

*No expenditure during any fiscal year or biennial period shall be made in excess of the amounts indicated in the adopted budget statement, except as authorized in section 13-511, or by state law. Any officer or officers of any governing body who obligates funds contrary to the provisions of this section shall be guilty of a Class V misdemeanor.*

Neb. Rev. Stat. § 13-511 (Cum. Supp. 2020) sets out the procedures for amending the adopted budget accordingly.

When expenditures are made in excess of the amounts budgeted with no appropriate budget amendment by the Board to address those excesses, the Village is noncompliant with State statute, further increasing the risk for loss and/or misuse of funds.

We recommend the Board implement procedures for monitoring closely its budget status on an ongoing basis to avoid incurring expenditures in excess of the amount budgeted, amending the budget as necessary to accommodate any unforeseen expenses.

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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,



Mark Avery, CPA  
Assistant Deputy Auditor