



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
auditors.nebraska.gov

March 21, 2022

Joyce Napier, Chairperson
Village of Bellwood
P.O. Box 188
Bellwood, NE 68624

Dear Chairperson Napier:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Village of Bellwood (Village) for the fiscal year ending 2021. **That request has been approved.**

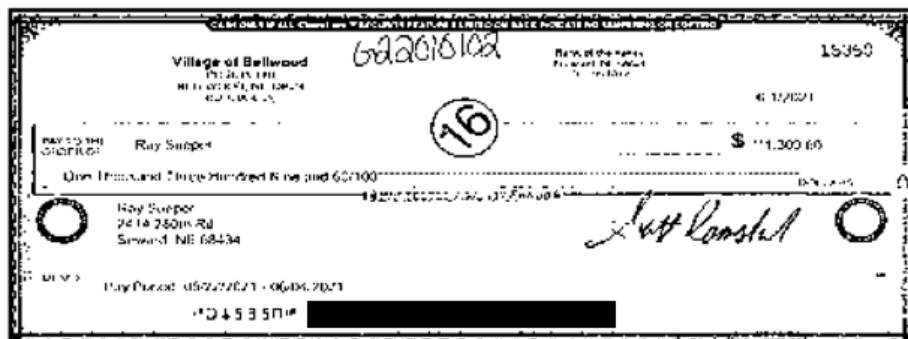
While performing, pursuant to Neb. Rev. Stat. § 84-304 (Supp. 2021), the preliminary examination necessary to determine whether the audit waiver should be allowed or further audit work would be required, the APA noted certain internal control or compliance matters, or other operational issues, within the Village.

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

Comments and Recommendations

1. Lack of Dual Signatures

The APA obtained the bank statements for the Village's accounts from its fiscal year 2021 audit waiver request. From these statements, the APA noted that one of the Village checks written during the examination period contained only one signature, as shown below.



Check 15350 Amount \$1,309.60 Date 6/1/2021

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.

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.

2. Lack of Claim Purpose

During our comparison of the Village’s bank account details to claims approved by the Board, the APA observed meeting minutes dated January 4, 2021, and noted that the 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 4, 2021:

Vendor	Amount	Check #
Unites States Treasurer - Payroll Liabilities	\$1,731.80	E-Pay
City Truck Payment	\$525.93	E-Pay
Loan Transfer	\$696.95	E-Pay
Banner Press	\$218.34	15219
Ampride	\$454.25	15220
Butler Co. Treasurer	\$1,000.00	15221
BPPD	\$2,775.02	15222
Card Services	\$199.62	15223
Connecting Point	\$245.58	15224
Jackson Services	\$348.72	15225
Ken Ekeler	\$130.00	15226
Laurie Schmid	\$170.00	15227
Midwest Labratories	\$85.88	15228
Napa	\$43.43	15229
Ne. Public Health Lab	\$15.00	15230
One Call Concepts	\$13.04	15231
Pinnacle Agency	\$100.00	15232
Radio Time Billing	\$267.00	15233
Verizon	\$165.08	15234
Windstream	\$344.79	15235
Principal Life Insurance	\$150.00	15236
	\$9,680.43	

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.

3. 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 \$7,965.45, 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:

Name/Vendor	Check Date	Check #	Amount
NE Child Support	1/4/2021	ACH	\$ 600.00
Internal Revenue Service	1/20/2021	ACH	\$ 2,658.80
Christopher Nelson	1/4/2021	15215	\$ 54.02
Jennifer Brown	1/4/2021	15216	\$ 516.68
Justin Rupp	1/4/2021	15217	\$ 33.25
Paul Nickolite	1/4/2021	15218	\$ 1,849.86
Jennifer Brown	1/18/2021	15245	\$ 558.07
Paul Nickolite	1/18/2021	15246	\$ 1,694.77
Total			\$ 7,965.45

Neb. Rev. Stat. § 17-614(1) (Supp. 2021) 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. Lack of Adequate Documentation

The Village lacked sufficient documentation for the following purchases, including missing invoices and credit card receipts. The following was noted:

- For four credit card purchases from Intuit, totaling \$503, the Village did not have adequate documentation on file.
- For two credit card purchases from Menards, totaling \$711, the Village did not have adequate documentation on file.

- For two credit card purchases from the United States Postal Service, totaling \$385, the Village did not have itemized receipts on file.
- For one credit card purchase at Chances R Restaurant, totaling \$22, the Village did not have an itemized receipt on file.

Neb. Rev. Stat. § 13-610(4) (Reissue 2012) requires all purchases with a political subdivision’s purchasing card to be supported by an itemized receipt, as follows:

An itemized receipt for purposes of tracking expenditures shall accompany all purchasing card purchases. In the event that a receipt does not accompany such a purchase, purchasing card privileges shall be temporarily or permanently suspended in accordance with rules and regulations adopted and promulgated by the political subdivision.

(Emphasis added.) Good internal control requires procedures to ensure proper documentation is maintained for all disbursement transactions, including purchases made with the Village’s purchasing card.

Without such procedures, there is an increased risk for not only loss or misuse of public funds but also noncompliance with State statute.

We recommend the Village implement procedures to ensure proper documentation is maintained for all disbursement transactions, including purchases made with the Village’s purchasing card.

5. Improper Payment of Sales Tax

The APA noted that the Village made improper payments of Nebraska sales taxes, totaling \$148, on municipal purchases. Nebraska sales taxes were paid at Menards, Walmart, Ace Hardware, Bomgaars, Earl May, the UPS Store, Connecting Point, Fairfield Inn & Suites, Vistaprint, Great Plains Building Supply, and Verizon.

Per Neb. Rev. Stat. § 77-2704.15(1)(a) (Reissue 2018), purchases made by the State or its political subdivisions are exempt from sales tax, as follows:

Sales and use taxes shall not be imposed on the gross receipts from the sale, lease, or rental of and the storage, use, or other consumption in this state of purchases by the state, including public educational institutions recognized or established under the provisions of Chapter 85, or by any county, township, city, village

Good internal controls require procedures to ensure sales taxes are not paid on municipal purchases. Without such procedures, there is an increased risk for the loss of public funds.

We recommend the Village implement procedures to ensure sales taxes are not paid on municipal purchases.

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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 that reads "Mark Avery". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Mark Avery, CPA
Assistant Deputy Auditor