



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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February 24, 2022

Dennis Hansen, Chairperson
Village of Ong
1631 Highway 74
Edgar, NE 68935

Dear Chairperson Hansen:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Village of Ong (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. Brokerage Account Investments

The APA obtained the monthly statements for the Village's bank and investment accounts from its fiscal year 2021 audit waiver request. From those statements, the APA noted one brokerage account, with a balance of \$46,382 as of September 30, 2021, held at LPL Financial. Because these accounts include stock ownership in multiple private corporations, the Village's investments therein appear to conflict with the following constitutional and statutory provisions.

To start, Article XI, § 1, of the Nebraska State Constitution provides, in relevant part, the following:

No city, county, town, precinct, municipality, or other subdivision of the state shall ever become a subscriber to the capital stock, or owner of such stock, or any portion or interest therein of any railroad, or private corporation, or association

Furthermore, Neb. Rev. Stat. § 77-2341(1) (Reissue 2018) reads as follows:

Whenever any county, city, village, or other governmental subdivision, other than a school district, of the State of Nebraska has accumulated a surplus of any fund in excess of its current needs or has accumulated a sinking fund for the payment of its bonds and the money in such sinking fund exceeds the amount necessary to pay the principal and interest of any such bonds which become due during the current year, the governing body of such county, city, village, or other governmental subdivision may invest any such surplus in excess of current needs or such excess in its sinking fund in certificates of deposit, in time deposits, and in any securities in which the state investment officer is authorized to invest pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act and as provided in the authorized investment guidelines of the Nebraska Investment Council in effect on the date the investment is made. The state investment officer shall upon request furnish a copy of current authorized investment guidelines of the Nebraska Investment Council.

The Nebraska Attorney General has stated, in an Attorney General opinion, the following regarding investments held by political subdivisions:

Section 77-2341 allows state political subdivisions to invest securities which the Nebraska Investment Council's investment guidelines authorize. The Investment Council's guidelines authorize direct investment in U.S. Government obligations

* * * *

The Constitution's language [Article XI, § 1] certainly prohibits a county from investing in a mutual fund when the portfolio includes stock, but it does not specifically address the issue of mutual funds solely comprise of U.S. Government obligations.

Op. Att'y Gen. No. 95041 (May 15, 1995). Though addressing county hospital investments, the opinion's reference to Article XI, § 1, is applicable also to other political subdivisions, including Districts.

The Nebraska Investment Council does not have a policy or any other guidelines that outline the types of investments political subdivisions are allowed to invest in. As a result, political subdivisions would be restricted to investments strictly permitted by Nebraska law.

Good internal controls require procedures to ensure that District funds are not invested in stocks but held instead in accounts or assets permitted by law. Without such procedures, there is an increased risk of not only failure to comply with applicable constitutional and statutory provisions but also loss of District funds due to decreases in stock values.

We recommend the implementation of procedures to ensure all balances held by the District are in accounts or assets permitted by Nebraska 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 5, 2021, and noted that the claims listed in the Board's official proceedings lacked descriptions of their respective purposes. The APA also observed the meeting minutes dated November 9, 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 5, 2021:

The claims as presented are as follows: SCPPD \$357.90, Chris Gregory \$440.39, Romans Wiemer & Assoc \$465.00, NE Dept of Revenue \$27.75, IRS \$168.17, SCPPD \$167.59, R & M Disposal \$515.50, City of Edgar \$36.25, Dennis Hansen \$23.09, NE Dept of Revenue \$1297.35, One Call Concepts \$8.85, IRS \$3.83, and All Seasons Fence \$12930.50

Boettcher made a motion, seconded by Musgrave to approve the claims. Upon vote, Boettcher, Musgrave, and Fisher voted aye, no one voted nay. Hansen and Schweitzer absent. Motion carried.

The following is an example of the approved claims listing provided by the Village for November 9, 2021:

The claims as presented are as follows: SCPPD \$346.81, Clay County News \$55.22, Chris Gregory \$407.04, NE Dept of Ag \$245.00, Aurora Coop \$27.04, NE Dept of Revenue \$27.75, IRS \$188.72, SCPPD \$199.60, R & M Disposal \$525.50, NE Public Health Env Lab \$19.00, Aurora Coop \$13.00, City of Edgar \$307.35, Central District Health Dept \$51.00, V & M Lawn Spraying \$773.50, Tammy Musgrave \$714.10, Tammy Musgrave \$108.02 and Tuttle Locksmith \$50.00.

Schweitzer made a motion, seconded by Weese to approve the claims. Upon vote, Weese, Musgrave, Fisher, Schweitzer and Hansen voted aye, no one voted nay. 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.

A similar issue was identified by the APA in a prior review and was disclosed to the Village in the APA’s letter dated February 24, 2021, which can be found on the APA’s website. However, it does not appear this issue was corrected after the APA’s notification.

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. Negative Fund Balance

On Exhibit A of the Village’s audit waiver request form, the APA noted that the General fund had a deficit balance of \$19,967.41 as of September 30, 2021.

Good internal control and sound accounting practices require procedures to ensure that Village fund balances are sufficient to cover fully all disbursements and transfers approved by the Board. Those same procedures should ensure also that the Board is apprised regularly of each Village fund balance and, therefore placed in a position to take any action needed to resolve deficits therein.

Without such procedures, there is an increased risk of not only insufficient Village fund balances, but also the resultant inability to cover fully all disbursements and transfers approved by the Board.

We recommend the Village board implement procedures to ensure the Board is apprised regularly of each Village fund balance and, therefore, placed in a position to take any action needed to resolve the deficits therein.

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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