



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Ryan Schurr, Chairperson
Village of Farnam
315 Main Street
Farnam, NE 69029

Dear Chairperson Schurr:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Village of Farnam (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. Possible Conflict of Interest

The APA received Village Board (Board) meeting minutes and the accompanying claims listing for July 13, 2021. From this listing, the APA identified a potential conflict of interest involving the actions of Board member Darla Lungrin.

According to the meeting minutes, Ms. Lungrin appears to have failed to abstain from voting on the following claims to herself:

Name	Check Date	Check #	Description	Amount
Darla Lungrin	7/7/2021	5125	Painting	\$ 700.00

An excerpt from the July 13, 2021, Board minutes is provided below:

Village Chairman, Ryan Schurr, called the Meeting to order at 7:00 p.m. Board of Trustees answering roll call were Ryan Schurr, Tracy Adkisson, Mike Russman, Darla Lungrin and Dan Widick.

Motion moved by Adkisson, second by Russman, to approve the June 2021 bills. Roll vote showed – Yes: Widick, Lungrin, Schurr, Russman, Adkisson; five approved, motion carried. Bills are as follows: Dawson County Treasurer (Law Enforcement) \$608.34, Rod Klein (Insurance) \$1,375.00, Rod Klein (Cell Phone) \$35.00, Schaben Sanitation (Garbage Collection) \$2,062.31, ATC Communication (Utility Service) \$138.47, DPPD (Utility Service) \$1, 801.38, Dearborn National (Firemen Insurance) \$\$154.80, Black Hills Energy (Utility Service) \$72.27, Intuit (Payroll Services) \$6.39, One Call Concepts (Digger’s Hotline) \$13.86, Great Plains Tire and Service (Fuel) \$391.77, Malcom, Nelson and Windrum (Legal Fees) \$1,194.04, CAMAS Publishing (Newspaper) \$89.38, Payroll \$3,211.80, American Ag Lab (Water Testing) \$19.50, Darla Lungrin (Painting) \$700.00, Post Office (Postage) \$179.15, Staples (Office Supplies) \$172.58, Mike’s Motorcycle and ATV (Lawnmower) \$5,100.00, NE Public Health Lab (Water Testing) \$432.00, Country Partners (Chemicals) \$317.48, NE Rural Water Association (Annual Membership) \$100.00, US Treasury (Federal Unemployment) \$38.53, US Treasury (Federal Withholding) \$1884.32, Norton 360 (Anti-virus software) \$479.99, NE Dept of Revenue (Sales Tax) \$2,043.93, NE Dept of Revenue (State Withholding) \$152.31, NE U.C. Fund (State Unemployment) \$55.77, Taylor Maden (Utility Deposit Refund) \$143.44, Country Partners (TIF) \$13,479.88

The apparent failure of Board member Darla Lungrin to abstain from voting on the motion above gives rise to concerns regarding possible violations of the Nebraska Political Accountability and Disclosure Act (Act), which is set out at Neb. Rev. Stat. § 49-1401 (Cum. Supp. 2020) et seq.

To start, Neb. Rev. Stat. § 49-14,101.01(1) (Reissue 2021) states the following:

A public official or public employee shall not use or authorize the use of his or her public office or any confidential information received through the holding of a public office to obtain financial gain, other than compensation provided by law, for himself or herself, a member of his or her immediate family, or a business with which the individual is associated.

The penalty for violating the above-cited conflict of interest statute is set out in subsection (7) thereof, as follows:

[A]ny person violating this section shall be guilty of a Class III misdemeanor, except that no vote by any member of the Legislature shall subject such member to any criminal sanction under this section.

Furthermore, Neb. Rev. Stat. § 49-14,103.01 (Supp. 2021) provides the following, in relevant part:

(1) For purposes of sections 49-14,103.01 to 49-14,103.06, unless the context otherwise requires, officer means . . . (c) a member of any board or commission of any county, school district, city, or village which spends and administers its own funds, who is dealing with a contract made by such board or commission, (d) any elected county, school district, educational service unit, city, or village official . . .

(2) Except as provided in section 49-1499.04 or 70-624.04, no officer may have an interest in any contract to which his or her governing body, or anyone for its benefit, is a party. . . .

* * * *

(4) The prohibition in this section shall apply only when the officer or his or her parent, spouse, or child (a) has a business association as defined in section 49-1408 with the business involved in the contract or (b) will receive a direct pecuniary fee or commission as a result of the contract.

(5) The prohibition in this section does not apply if the contract is an agenda item approved at a board meeting and the interested officer:

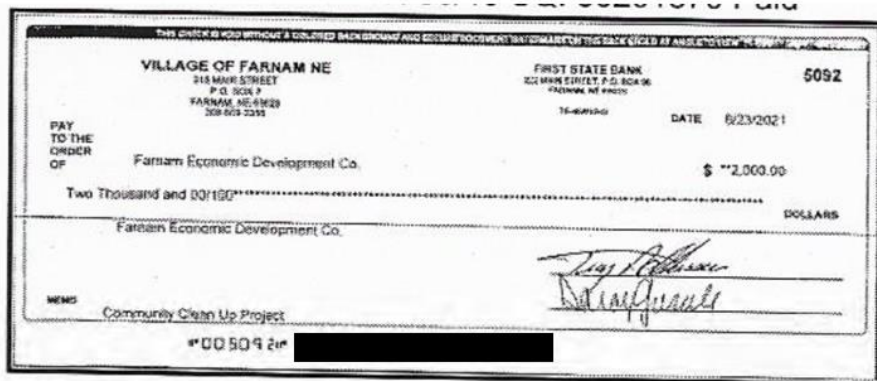
- (a) *Makes a declaration on the record to the governing body responsible for approving the contract regarding the nature and extent of his or her interest prior to official consideration of the contract;*
- (b) *Does not vote on the matters of granting the contract, making payments pursuant to the contract, or accepting performance of work under the contract, or similar matters relating to the contract, except that if the number of members of the governing body declaring an interest in the contract would prevent the body with all members present from securing a quorum on the issue, then all members may vote on the matters; and*
- (c) *Does not act for the governing body which is party to the contract as to inspection or performance under the contract in which he or she has an interest.*

(Emphasis added.) Good internal control requires procedures to ensure compliance with the applicable provisions of the Act. Without such procedures, there is an increased risk for both statutory violations and the loss of Village funds.

We recommend the Board implement procedures to ensure compliance with the applicable provisions of the Act. Because the issue addressed herein constitutes a possible violation of the Act, we are forwarding this information to the Nebraska Accountability and Disclosure Commission.

2. Lack of Supporting Documentation

During our review, we noted that the Village made a payment to the Farnam Economic Development Corporation for “community clean up project,” as shown below. The Village was unable to provide documentation to support that the funds were used appropriately by the Farnam Economic Development Corporation for community clean up.



AM: 2,000.00 CK: 5092 DT: 06/24 SQ: 60500350 Paid

Good internal controls require adequate supporting documentation to be maintained for all claims paid by the Village. Furthermore, good internal controls and sound business practice require procedures to ensure that all Village grant awards or loans are supported by documentation showing how those funds were spent.

Without such procedures, there is an increased risk of loss, theft, or misuse of funds.

We recommend the Board implement policies and procedures to ensure that adequate supporting documentation is kept for all claims paid by the Village, and grant awards or loans are supported by documentation that shows whether those funds were spent appropriately.

3. 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 three Village checks written during the examination period contained only one signature. An example of such checks is shown below.



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.

4. 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 \$717.93, 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
USPS	7/20/21	ACH	\$ 90.20
USPS	7/28/21	ACH	\$ 110.75
Safe Deposit Box Rental	7/30/21	ACH	\$ 16.00
Darcy Gurdle	7/7/21	5117	\$ 435.00
Carrot Top Industries	8/9/21	ACH	\$ 65.98
Total			\$ 717.93

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.

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 25, 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 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.

5. 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 the following checks, totaling \$35,195.69, were issued before the underlying claims were approved by the Board.

The table below provides a summary of the premature payments:

Name/Vendor	Amount	Approval Date	Check Date	Days Paid Before Approval
Dawson County Treasurer	\$ 608.34	7/13/21	7/7/21	6
Rod Klein	\$ 1,375.00	7/13/21	7/7/21	6
Rod Klein	\$ 35.00	7/13/21	7/7/21	6
Schaben Sanitation	\$ 2,062.31	7/13/21	7/7/21	6
ATC Communication	\$ 138.47	7/13/21	7/6/21	7
DPPD	\$ 1,801.38	7/13/21	7/6/21	7
Intuit	\$ 6.39	7/13/21	7/6/21	7
One Call Concepts	\$ 13.86	7/13/21	7/7/21	6
Great Plains Tire and Service	\$ 391.77	7/13/21	7/6/21	7
Malcom, Nelson, and Windrum	\$ 1,194.04	7/13/21	7/7/21	6
CAMAS Publishing	\$ 89.38	7/13/21	7/7/21	6
American Ag Lab	\$ 19.50	7/13/21	7/7/21	6
Darla Lungrin	\$ 700.00	7/13/21	7/7/21	6
Mike’s Motorcycle and ATV	\$ 5,100.00	7/13/21	7/7/21	6
NE Public Health Lab	\$ 432.00	7/13/21	7/7/21	6
Country Partners	\$ 317.48	7/13/21	7/7/21	6
NE Rural Water Association	\$ 100.00	7/13/21	7/7/21	6
Darcy Gurdle	\$ 38.53	7/13/21	6/21/21	22
Radney Klein	\$ 1,884.32	7/13/21	6/21/21	22
Charity Jones	\$ 2,043.93	7/13/21	7/12/21	1
NE Dept. of Rev.	\$ 152.31	7/13/21	6/17/21	26
Country Partners	\$ 13,479.88	7/13/21	7/7/21	6
Darcy Gurdle	\$ 917.06	7/13/21	7/7/21	6
Radney Klein	\$ 1,920.72	7/13/21	7/7/21	6
Charity Jones	\$ 374.02	7/13/21	7/7/21	6
Total	\$ 35,195.69			

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.

6. Payment 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 in excess of the amount approved by the Board.

The following table summarizes the overpayment:

Name	Claim Date	Approved Amount	Amount Paid	Overpayment
Great Plains Tire and Service	7/13/21	\$ 391.77	\$ 621.28	\$ 229.51

Good internal control requires procedures to ensure that all claims are made in the amounts 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 amounts approved by the Board.

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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