



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Jeff Oppliger, Chairperson
Village of Duncan
906 8th Street
Duncan, NE 68634

Dear Chairperson Oppliger:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Village of Duncan (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. Audit Waiver Activity

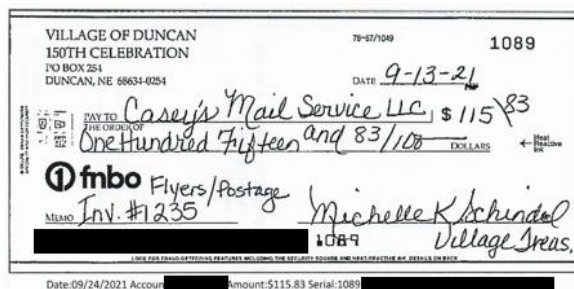
The APA obtained the monthly bank statements for the Village's bank accounts from its fiscal year 2021 audit waiver request. From those statements, the APA noted that the total receipts on the fiscal year 2021 audit waiver of \$1,338,062 did not reconcile to the bank activity deposits of \$1,280,743, resulting in a variance of \$57,319. The Village was unable to provide documentation to reconcile the two amounts or explain this variance.

Sound accounting practices and good internal controls require procedures to ensure that activity and balances reported on the audit waiver request are accurate. Without such procedures, there is an increased risk of lack of transparency.

We recommend the Village implement procedures to ensure the activity and balances reported on the audit waiver request are accurate.

2. 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 35 of the 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.

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 \$1,310.26, 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
Lakeview Small Engine	2/8/2021	19672	\$ 1,199.00
Trashbilling.com	2/9/2021	ACH	\$ 90.00
Analysis Charge	2/16/2021	ACH	\$ 21.26
Total			\$ 1,310.26

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. 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 \$1,384.34, 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
First National Bank	\$ 55.14	2/8/2021	1/15/2021	24
Employee 1	\$ 776.65	2/8/2021	2/1/2021	7
Employee 2	\$ 335.16	2/8/2021	2/1/2021	7
Employee 3	\$ 80.82	2/8/2021	2/1/2021	7
Employee 4	\$ 136.57	2/8/2021	2/1/2021	7
Total	\$ 1,384.34			

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.

5. Expenditure in Excess of Budget

For the fiscal year ended September 30, 2021, actual expenditures exceeded the adopted budget by \$263,177. 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.

6. Potentially Disallowed Purchases

During the review of the Village’s bank statements, the APA noted the following purchases that appear to be disallowed by law:

- The Village purchased eighteen rifles, totaling \$10,530, from Ski’s Pawn & Gun. The Village held a raffle for a Golden Boy Rifle. People that did not win the raffle could pay the Village for a rifle. The Village was reimbursed for seventeen rifles.
- The Village purchased alcohol, totaling \$13,158, from Premier Midwest Beverages. This alcohol was used in the beer garden at the Village’s 150th celebration. The Village was reimbursed for this purchase from the Duncan Volunteer Fire Department.

The Local Government Miscellaneous Expenditure Act (Act), which is set out at Neb. Rev. Stat. § 13-2201 (Reissue 2012) et seq., specifies various expenditures, aside from those otherwise authorized by law, that constitute allowable uses of public funds by designated political subdivisions. The provisions of the Act are made applicable to Villages, among numerous other public entities, by both subsections (2) and (3) of Neb. Rev. Stat. § 13-2202 (Cum. Supp. 2020).

Neb. Rev. Stat. § 13-2203 (Cum. Supp. 2020) of the Act enumerates the miscellaneous expenditures permitted by governing bodies of local governments. Purchases of guns – for uses other than public safety – are not found among that select statutory list of permissible expenditures. As a result, such disbursements must be considered disallowed by law.

Additionally, the purchase of alcohol with public funds is prohibited by Neb. Rev. Stat. § 13-2203(2) (Cum. Supp. 2020), which permits the governing body of a local government to purchase, among other things, only nonalcoholic beverages.

Good internal controls require procedures to ensure all Village expenditures are allowable and appropriate. When such procedures do not exist, there is not only an increased risk of noncompliance with State statute, but also an increased risk of loss, misuse, or theft of Village funds.

We recommend the Village implement procedures to ensure Village purchases are allowable under State statute.

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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