



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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February 26, 2024

Devon Sullivan, Chairperson  
Village of Alvo  
PO Box 408  
Eagle, NE 68347

Dear Chairperson Sullivan:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Village of Alvo (Village) for the fiscal year ending 2023. **That request has been approved.**

While performing, pursuant to Neb. Rev. Stat. § 84-304 (Supp. 2023), 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. Payment of Unapproved Claims

During our comparison of the Village's bank account details to claims approved by the Board, the APA identified three payments, totaling \$708.91, which were paid but not included on the claims listing to be approved by the Board.

Details of the unapproved payment are included in the table below:

Name/Vendor	Check Date	Amount	Check #
USPS	3/16/23	\$ 11.15	POS
Ashland Auto	3/30/23	529.17	POS
Nebraska Department of Revenue	3/30/23	168.59	POS
<b>Total</b>		<b>\$ 708.91</b>	

Neb. Rev. Stat. § 17-614(1)(a) (Supp. 2023) 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 authorized 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 authorized by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved.

**2. 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 \$5,433.99, were issued before the underlying claims were approved by the Board. This appears to be caused by the Village approving claims the month following their payment.

The table below provides a summary of the premature payments:

<b>Name/Vendor</b>	<b>Amount</b>	<b>Approval Date</b>	<b>Check Date</b>	<b>Days Paid Before Approval</b>
Office Depot	\$ 172.57	4/4/23	2/13/23	50
Post Office	5.10	4/4/23	2/24/23	39
Devon Sullivan	46.17	4/4/23	3/1/23	34
Payroll Clerk	1,352.07	4/4/23	3/1/23	34
Intuit QuickBooks	32.10	4/4/23	3/7/23	28
People Service	1,059.45	4/4/23	3/9/23	26
OPPD	594.44	4/4/23	3/9/23	26
Windstream	116.12	4/4/23	3/9/23	26
Neb Public Health Lab	341.00	4/4/23	3/9/23	26
Great Plains Service	134.68	4/4/23	3/9/23	26
Maguire Iron	1,500.00	4/4/23	3/20/23	15
Lee Advertising	74.24	4/4/23	3/24/23	11
<b>Total</b>	<b>\$ 5,427.94</b>			

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(Emphasis added.) Good internal control requires procedures to ensure that all claims are authorized 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 authorized by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved.

**3. Expenditure in Excess of Budget**

For the fiscal year ended September 30, 2023, actual Village expenditures exceeded the adopted budget by \$19,867, which was due to the Street and the Fire funds exceeding their respective budgets. No amended budget was filed with our office for these additional expenditures.

Neb. Rev. Stat. § 13-510 (Reissue 2022) 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 (Reissue 2022) 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.

#### **4. Lack of Purchasing Card Policy**

During review of the bank statements obtained from the Village's audit waiver request, it was noted that there were multiple debit card transactions throughout fiscal year 2023, totaling \$5,131. After further inquiry with the Village, the APA was informed that the Village utilizes a debit card for small general Village expenses.

With the use of a debit card, the Village increases its risk of unrecoverable loss of funds due to fraud because debit cards do not provide as much fraud protection as a credit card or other purchasing cards. The Village also increases its risk of payments being made without Board approval because the debit card does not require dual signatures. It was noted during the review that the Village did not have a formal purchasing card policy outlining procedures for safeguarding Village assets when using the Village card, including such allowable purchases and authorized individuals.

Neb. Rev. Stat. § 13-610 (Reissue 2022) provides, in relevant part, the following requirements regarding a purchasing card program:

*(1) A political subdivision, through its governing body, may create its own purchasing card program. The governing body shall determine the type of purchasing card or cards utilized in the purchasing card program and shall approve or disapprove those persons who will be assigned a purchasing card. Under the direction of its governing body, any political subdivision may contract with one or more financial institutions, card-issuing banks, credit card companies, charge card companies, debit card companies, or third-party merchant banks capable of operating the purchasing card program on behalf of the political subdivision. Expenses associated with the political subdivision's purchasing card program shall be considered, for purposes of this section, as an administrative or operational expense.*

\* \* \* \*

*(4) 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.*

\* \* \* \*

*(6) No officer or employee of a political subdivision shall use a political subdivision purchasing card for any unauthorized use as determined by the governing body.*

Good internal control procedures require adequate controls over the Village's purchasing card, including an approved card policy that outlines procedures for the allowable use of the Village card and authorized users. Without such procedures, there is an increased risk of loss, theft, or misuse of Village funds.

We recommend the Village implement adequate controls over the Village's purchasing card, including an approved card policy that outlines procedures for the allowable use of the Village card and authorized users.

\* \* \* \* \*

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](mailto:dakota.christensen@nebraska.gov)**.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Avery", with a long horizontal flourish extending to the right.

Mark Avery, CPA  
Assistant Deputy Auditor