



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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March 14, 2024

Gailund Valentine, Chairperson
Village of Merriman
P.O. Box 63
Merriman, NE 69218

Dear Chairperson Valentine:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Village of Merriman (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. Petty Cash Procedures

During our review, we noted that the Village lacked adequate procedures for properly administering and safeguarding its petty cash funds. To start, the Village does not reconcile the petty cash balance to an approved amount set by the Village Board. Reimbursements to replenish the petty cash balance are not based, moreover, on actual petty cash expenses. Further details are provided below.

While reviewing the municipal bank statements submitted with the Village's audit waiver request, the APA noted that the Village wrote 12 checks, in the amount of \$350 each, that were made out to "Cash," totaling \$4,200, for fiscal year 2023. The memo line for each check contained only the word "Postage."

The following is an image of one of those checks:



Similar checks were issued in both fiscal year 2021 and fiscal year 2022, totaling \$3,000 and \$3,100, respectively.

Due to the high risk of cash withdraws, the APA requested documentation from the Village Clerk to support each check issued to the order of “Cash” during fiscal year 2023. Responding that such checks were issued to replenish the Village’s petty cash account, which is used primarily to pay the postage expenses for water samples, the Village Clerk provided only the following petty cash log, as shown below:

Cash Log

October	162.70	28.65	9.65	25.66	132.00	
November	154.16	28.65	58.75	132.00		
December	162.70	29.80	9.65			
January	171.24	29.80	17.12			
February	162.70	29.80	218.00	29.80	9.65	
March	147.08	29.80	17.12	58.75	132.00	
April	134.54	29.80	48.70	66.00		
May	145.62	29.80	9.65	9.65	66.00	
June	147.08	29.80	29.80	9.65	132.00	
July	154.16	29.80	132.00	29.80	9.65	
August	162.70	29.80	9.65	25.66	9.65	
September	171.24	29.80	92.75	132.00		

At that time, the Village Clerk provided no other documentation, such as invoices or itemized receipts, to support these petty cash expenses.

The APA then inquired with the post office located in Merriman, Nebraska, to obtain a better understanding of the Village’s postage needs. According to a post office representative, the Village usually sends two or three water samples a month. The Village also mails correspondence to legal representation via certified mail and utility bills (gas, water, sewer, electric) to local residents.

On February 15, 2024, the APA inquired again with the Village Clerk about the petty cash expenses. This time, supporting documentation was provided, which the APA used to ensure that those expenses were appropriate and agreed to the petty cash log.

Based upon receipts obtained from the Village, the following table contains details of the municipal postage expenses for fiscal year 2023:

Month	Certified Mail including Postage/Stamps	Water Samples	Priority Mail	Stamps	Total	Total Per Log	Variance
October 2022	\$ 162.70	\$ 54.31	\$ 9.65	\$ 132.00	\$ 358.66	\$ 358.66	\$ -
November 2022	154.16	87.40	-	132.00	373.56	373.56	-
December 2022	162.70	29.80	9.65	-	202.15	202.15	-
January 2023	188.36	29.90	-	-	218.26	218.16	(0.10)
February 2023	162.70	277.80	9.65	-	450.15	449.95	(0.20)
March 2023	164.20	88.65	-	132.00	384.85	384.75	(0.10)
April 2023	134.54	78.60	-	66.00	279.14	279.04	(0.10)
May 2023	145.62	29.90	19.30	66.00	260.82	260.72	(0.10)
June 2023	147.08	59.80	9.65	132.00	348.53	348.33	(0.20)
July 2023	154.16	59.80	9.65	132.00	355.61	355.41	(0.20)
August 2023	188.36	29.90	19.30	-	237.56	237.46	(0.10)
September 2023	171.24	122.65	-	132.00	425.89	425.79	(0.10)
Totals	\$ 1,935.82	\$ 948.51	\$ 86.85	\$ 924.00	\$ 3,895.18	\$ 3,893.98	\$ (1.20)
Amount Written To “Cash”					\$ 4,200.00		
Amount Remaining					\$ 304.82		

As shown above, the APA noted a total variance of \$1.20 between the amounts listed on the Village’s cash log and the amounts from the actual postage receipts for the fiscal year 2023. Because the petty cash fund was not replenished based on actual expenses, moreover, \$306.02 was left unused as of September 30, 2023, based on the Village’s cash log. Per the Village Clerk, as of February 15, 2024, the petty cash balance was \$134.04.

Good internal controls and sound accounting practices require adequate procedures for fully administering and safeguarding the Village’s petty cash funds. Those procedures should include a reconciliation of the petty cash balance to an approved amount set by the Village Board and periodic, at least monthly, reimbursements to replenish that balance based on actual petty cash expenses.

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

We recommend the Village implement adequate procedures for properly administering and safeguarding the Village’s petty cash funds. Those procedures should include a reconciliation of the petty cash balance to an approved amount set by the Village Board and periodic, at least monthly, reimbursements to replenish that balance based on actual petty cash expenses.

2. 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 payments, totaling \$1,400.44, 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	Amount	Check #
One Call Concepts	4/11/23	\$ 6.40	5630
Intuit Payroll	4/17/23	15.83	ACH
State of Nebraska Unemployment Tax	4/27/23	10.82	ACH
NE Dept of Revenue	4/28/23	61.33	ACH
IRS	4/28/23	395.06	ACH
IRS	4/28/23	439.44	ACH
IRS	4/28/23	471.56	ACH
Total		\$ 1,400.44	

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.

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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, appearing to read "Mark Avery", with a long horizontal flourish extending to the right.

Mark Avery, CPA
Assistant Deputy Auditor