



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Angela Sullivan, Chairperson  
Village of Steele City  
PO Box 21  
Steele City, NE 68440

Dear Chairperson Sullivan:

As you may know, the Nebraska Auditor of Public Accounts (APA) has received concerns regarding the Village of Steele City (Village). Specifically, we were informed that grants applied for in the Village's name have been deposited into a privately owned checking account without any oversight from the Village. As a result, the APA began limited preliminary planning work to determine if a full financial audit or attestation would be warranted. Pursuant thereto, the APA acquired financial records and other relevant documentation in relation to the grant funds. Based on the outcome of this preliminary planning work, including an analysis of the information obtained, the APA has determined that a separate financial audit or attestation is unnecessary at this time.

Nevertheless, during the course of the preliminary planning work, the APA noted a certain issue that merits corrective action.

### **Background Information**

The Village is located in Jefferson County, Nebraska. The Board of Trustees (Board) is the governing body that exercises financial accountability and control over activities relevant to the operations of the Village. Board members are elected by the public and have broad decision-making authority, including the power to levy taxes and to designate management, the ability to exert significant influence over all Village operations, and the primary responsibility for related fiscal matters.

From September 16 - 17, 2023, the Village held a celebration to commemorate its 150 years of operation. As part of the celebration, the Village planned to host several different activities over the course of the weekend, including a car show, bake sale, and a tractor pull. In order to help pay for the event, the Village applied for, and was awarded, several different grants using the Village's Federal Tax Identification Number (FTIN) and under the names "Village of Steele City," "Steele City 150 Celebration Committee," and "Village of Steele City DBA Steele City 150<sup>th</sup> Celebration Committee."

The following comment and recommendation, which has been discussed with the appropriate members of the Village and its management, is intended to improve internal control or result in other operating efficiencies.

### **Comment and Recommendation**

#### **Public Funds not Remitted to Village Treasurer**

In response to the concerns received, the APA obtained relevant documentation for two bank accounts into which the grants paid to the Village were deposited for the period January 1, 2022, to June 30, 2024. It is important to note that neither of these accounts appear on the Village's 2023-2024 budget, nor were they accounted for on the

Village’s audit waiver request filed with our office for fiscal year 2023. Rather, both accounts appear to have been created and controlled exclusively by Angela Sullivan, who at the time was a Village Board (Board) member. The activity of these two bank accounts during the period January 1, 2022, through June 30, 2024, is summarized in the table below:

Bank Account	Beginning Balance as of 1/1/2022	Total Deposits/Other Credits	Transfers In	Total Checks/Other Debits	Transfers Out	Ending Balance as of 6/30/2024
Pinnacle Bank Checking #0232	\$0.00	\$8,519.42	\$10,541.08	\$17,619.63	\$0.00	\$1,440.87
Pinnacle Bank Checking #3509	\$0.00	\$13,612.08	\$0.00	\$3,071.00	\$10,541.08	\$0.00
<b>Totals</b>	<b>\$0.00</b>	<b>\$22,131.50</b>	<b>\$10,541.08</b>	<b>\$20,690.63</b>	<b>\$10,541.08</b>	<b>\$1,440.87</b>

The first checking account, ending in 0232, was not opened until September 2022 and remained open through our examination period ending in June 2024. The account ending in 3509 was opened in April 2023 and then closed a year later, in April 2024. Of the total \$22,131.50 in deposits and other credits entered into these two accounts, \$17,500.00, or 79%, can be attributed to grants that were awarded to the Village. The remaining \$4,631.50 was comprised of other deposits that included payments from individuals for t-shirts, donations, and other contributions. A summary of the funding sources for the two accounts is provided in the following table:

Funding Source	Amount
TransCanada Energy Payment	\$10,000.00
NextEra Energy Payment	\$3,612.08
Norris Public Power District Payment	\$2,500.00
BCom Solutions Payment	\$1,387.92
Other Deposits	\$4,631.50
<b>Total</b>	<b>\$22,131.50</b>

Each of the grant applications submitted contained the Village’s name or FTIN, and the resulting payments designated the Village as the payee. However, all of these funds were deposited into the aforementioned bank accounts – which appear to be under the exclusive control of the Board member – and not into an account belonging to the Village.

The grant funds received should have been remitted instead to the Village Treasurer, as outlined in Neb. Rev. Stat. § 17-606(1) (Reissue 2022), which contains the following:

*The treasurer of each city of the second class or village shall be the custodian of all money belonging to the city or village.*

Having been both requested by and paid to the Village, the grant funds should have been considered municipal property and treated as such.

Good internal controls require procedures to ensure that the Village Treasurer maintains custody of all municipal funds.

**Failure to Use Grant Monies for Stated Purpose**

As part of the application process for each of the grants received, the Village provided the granting entity with a description of the intended uses for the money. Those descriptions for the grants awarded by NextEra Energy (left) and TransCanada Energy (right) are shown below:

Invoice		Budget breakdown and organization's plan to spend the requested funds
Description	Amount	
150th Celebration of Steele City, Kid's Corner (Approved - ok)	\$3,612.08	All activities will be free to the public. Fireworks Display on School Grounds \$1,500 Promotion of the Entire 2 days \$3,000 Family Corner (Several Activities) \$2,000 Public Program with Live Music \$1,500 Total \$8,000

Based on these applications, the \$3,612.08 grant from NextEra Energy was supposed to fund a “Kid’s Corner,” and the TransCanada funding – although paid out for \$10,000 instead of the \$8,000 requested – was to be used for fireworks, promotion, a family corner, and a public program with live music.

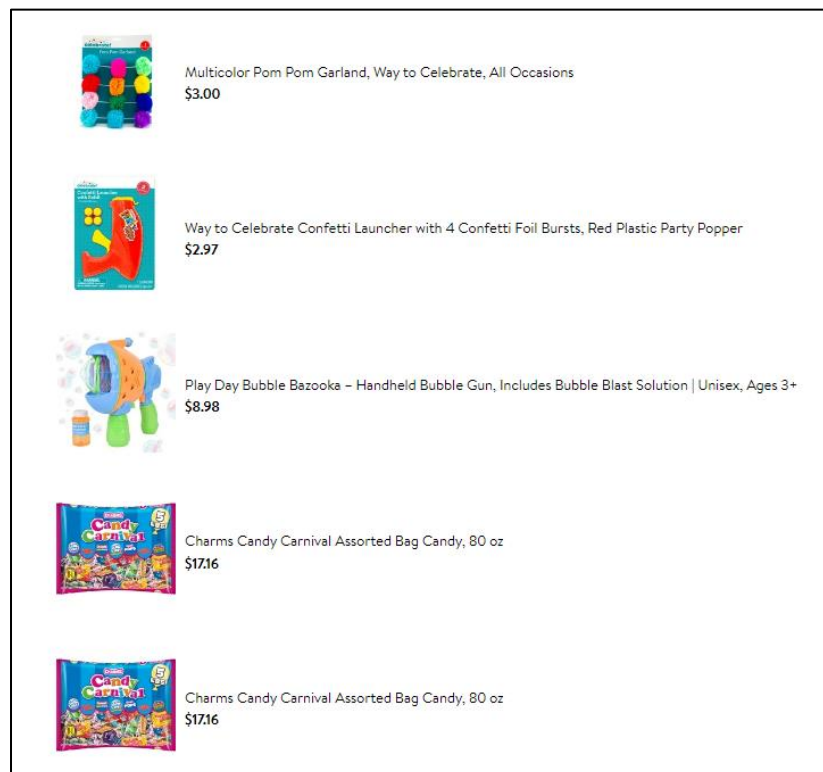
Unlike the previous two grants, which were awarded for the 150<sup>th</sup> anniversary celebration, the grant received from Norris Public Power District was requested for the purchase of playground equipment, as shown in the following excerpt from the Village’s grant application:

10. What is the purpose of your request? Include specifics of how funds will be used. The purpose of the grant is to provide safe, modern playground equipment. We have a number of community volunteers willing to help with the physical work of this project. The plan also includes landscaping the area and providing a park sign at the entrance to the park.

Prior to the conclusion of the Village’s 150<sup>th</sup> anniversary celebration event, 40 transactions were made, totaling \$12,752.68, using the funds held in the two aforementioned bank accounts, which included the money from all three of the grants. Several of these transactions were checks written to vendors to support the event itself, along with multiple debit card purchases from vendors such as Amazon.com, Dollar General, and Walmart.

The APA utilized Walmart’s “Receipt Lookup” website (<https://www.walmart.com/receipt-lookup>) to ascertain the individual items purchased from that vendor, noting that the purchases were comprised of such items as party supplies, candy, drinks, hamburger buns, etc.

An excerpt from one Walmart receipt is displayed below:



In addition to the purchases outlined above, the Village also made 27 payments to various vendors, totaling \$7,813.95, that occurred after the event had ended. The last of these payments was made in June 2024, several months after the event’s conclusion on September 17, 2023. These transactions are summarized in the following table:

<b>Vendor</b>	<b># of Transactions</b>	<b>Amount</b>
Rockit Event Pros	1	\$3,012.08
Crystal Snyder	1	\$820.00
Chone Noudaranowuang	1	\$600.00
Fairbury Journal News	1	\$600.00
Miles Partnership LLP	1	\$500.00
Other	1	\$440.00
Float Communications	1	\$400.00
KNDY Radio	1	\$357.50
McMaster-Carr Supply	1	\$356.74
Amazon	11	\$171.61
Lee Agri-media	1	\$150.00
Enterprise Publishing	1	\$137.03
The McBattas Group	1	\$82.00
Clay Center Dispatch LLC	1	\$65.60
Backroads News	1	\$61.88
Marysville Advocate	1	\$38.26
Pinnacle Bank (Checks)	1	\$21.25
<b>Totals</b>	<b>27</b>	<b>\$7,813.95</b>

While the APA did not obtain documentation to support these purchases, it would appear that, at least, a portion of these purchases fit under the descriptions that the Village provided on the grant applications to TransCanada Energy and NextEra Energy – both of which referenced the Village’s 150<sup>th</sup> anniversary celebration. However, the APA found no transactions relating to the purchase of playground equipment, as described in the grant application to Norris Public Power District. Moreover, as explained in the following section, none of the payments were properly approved by the Board.

Good internal controls require procedures to ensure that all grant monies awarded to the Village are used for their intended purpose.

***Payments Not Approved by the Board***

Because neither of the accounts opened by Angela Sullivan at Pinnacle Bank appear to have been under municipal control, none of the payments made from them – before, during, or after the 150th anniversary celebration – went through the Board’s claim approval process.

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 elected members of the city council in a city of the second class or village board of trustees.*

Good internal controls require 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.

***Negative Bank Balance***

During the period examined, the APA noted that the Pinnacle bank account ending in 0232, which was opened and controlled by Angela Sullivan, had a negative balance for 20 total days.

The table below summarizes the negative account balance for those 20 days:

<b>Date Range</b>	<b>Largest Negative Balance</b>	<b>Overdraft Fees</b>
8/14/2023-8/17/2023	\$632.04	\$64.00
9/21/2023	\$926.34	\$0.00
4/2/2024-4/16/2024	\$117.76	\$60.00
<b>Total</b>		<b>\$124.00</b>

As a result of those negative balances, \$124 in overdraft charges were paid from the account – which, containing the grant money received by the Village, would have involved the expenditure of municipal funds.

Good internal controls require procedures to ensure that Village funds are not spent on overdraft fees incurred by bank accounts not under municipal control.

Without such procedures, there is an increased risk for the improper expenditure of Village funds.

We recommend the implementation of procedures to ensure the following: 1) Village monies are properly remitted to and maintained by the Village Treasurer; 2) any funding received from grants is used for the intended purpose, as outlined in the grant application; 3) 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; and 4) Village funds are not spent on overdraft fees incurred by bank accounts not under municipal control.

*Village of Steele City Response:*

*After review, all items, and purchases, were confirmed by the celebration committee.*

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Our audit procedures are designed primarily on a test basis and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use the knowledge gained during our work to make comments and recommendations that we hope will be useful to the Village.

Draft copies of this letter were furnished to the Village to provide its management with an opportunity to review and to respond to the comment and recommendation contained herein. Any formal response received has been incorporated into this letter. Such response has been objectively evaluated and recognized, as appropriate, in the letter. A response that indicates corrective action has been taken was not verified at this time.

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 these specified parties. However, this communication is a matter of public record, and its distribution is not limited.

If you have any questions regarding the above information, please contact our office.

Audit Staff Working on this Examination:

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Sincerely,



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