



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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February 20, 2024

Christopher Killin, Chairperson  
Village of Chapman  
PO Box 141  
Chapman, NE 68827

Dear Chairperson Killin:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Village of Chapman (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. Payroll Procedures**

In addition to her regular clerical duties, the Village Clerk (Clerk) serves as the Water Operator, Sewer Lagoon Operator, and Utilities Superintendent for the Village. Until August 2023, the Village paid her \$475 per month in gross wages for her responsibilities as Clerk, along with weekly payments of \$600 in gross wages for her other duties. During a meeting held on August 1, 2023, the Village Board of Trustees (Board) voted to combine all of the Clerk's job duties and pay her \$25 per hour for a 40-hour work week.

The APA noted certain issues with the Village payroll procedures relating to the Clerk's pay, as described in further detail below.

#### ***Payroll Claims Not Approved***

In examining the Board's meeting minutes and the Village's bank statements, the APA noted that the Board did not approve any payroll claims from October 1, 2022, through April 31, 2023. The Clerk received a total of \$15,298.87 in net wages during this period.

The Board appears to have failed also to approve the Clerk's monthly payroll for her clerical duties in May 2023. The Clerk received \$438.66 in net wages for this month.

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.*

### ***Lack of Timesheets***

In addition, the Clerk informed the APA that the Village does not maintain detailed timesheets, logs, and/or similar evidence of the actual number of hours she works.

Good internal controls require procedures to ensure the following: 1) all claims, including payroll, are authorized by the Board prior to payment and documented in the minutes of the meeting during which they were approved; and 2) payroll expenditures are adequately documented and supported by timesheets or other evidence of the actual hours worked each day and the total hours worked each pay period.

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

We recommend the Board implement procedures to ensure the following: 1) all claims, including payroll, are authorized by the Board prior to payment and documented in the minutes of the meeting during which they were approved; and 2) payroll expenditures are adequately documented and supported by timesheets or other evidence of the actual hours worked each day and the total hours worked each pay period.

## **2. Lack of Purchasing Card Policy and Adequate Documentation**

The APA's review of the bank statements obtained from the Village's audit waiver request revealed multiple debit card transactions, totaling \$1,019.23, throughout fiscal year 2023. Upon further inquiry, the APA learned that the Village utilizes a debit card for gas and supplies. The following issues were noted.

### ***Lack of Purchasing Card Policy***

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 cards 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 also that the Village lacks a formal purchasing card policy outlining procedures for safeguarding Village assets when using the Village card, including the designation of allowable purchases and authorized users.

### ***Lack of Adequate Documentation***

The Village lacked sufficient documentation for the following purchases, including missing invoices and debit card receipts:

Vendor	Amount
Pump & Pantry	\$ 203.82
Bomgaars	94.66
The Home Depot	140.03
Chris's Carwash	81.00
<b>Total</b>	<b>\$ 519.51</b>

Neb. Rev. Stat. § 13-610 (Reissue 2022) provides, in relevant part, the following regarding a political subdivision's 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.*

\* \* \* \*

*(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.*

(Emphasis added.) Good internal controls require adequate controls over the proper handling of the Village's purchasing card, including a formal policy specifying both the allowable uses of the Village card and the authorized users thereof. Additionally, as mandated by State statute, itemized receipts should be maintained for all transactions made with the purchasing card.

Without such procedures, there is an increased risk for not only loss, theft, or misuse of Village funds but also statutory noncompliance.

We recommend the Village implement adequate controls over the proper handling of the Village's purchasing card, including a formal policy specifying both the allowable uses of the Village card and the authorized users thereof. Additionally, as mandated by State statute, itemized receipts should be maintained for all transactions made with the purchasing card.

### **3. Expenditure in Excess of Budget**

For the fiscal year ended September 30, 2023, actual Village expenditures exceeded the adopted budget by \$19,250, which was due to the General Fund and the Park Fund 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 Claim Purpose**

During our comparison of the Village's bank account details to claims approved by the Board, the APA observed meeting minutes dated March 7, 2023, and noted that the claims listed therein lacked descriptions of their respective purposes. The following is an example of the approved claims listing provided by the Village for March 7, 2023:

<b>Bills</b> \$ 66,340.28
Village \$123.30 Great Plains 192.81 S Power 2,102.72 (School cost 459.30)
Black Hills \$3,807.24 (school = 3,199.18) Pioneer (photo eyes) \$48.00 Health Dept. \$60.00
Randys Sprinklers \$270.00 HOA Solutions \$59,736.21

Neb. Rev. Stat. § 84-1413(1) (Cum. Supp. 2022) of the Open Meetings Act (Act), which is set out at Neb. Rev. Stat. §§ 84-1407 to 84-1414 (Reissue 2014, Cum. Supp. 2022), requires political subdivisions and other public entities to “keep minutes of all meetings showing the time, place, members present and absent, and the substance of all matters discussed.” (Emphasis added.)

Additionally, Neb. Rev. Stat. § 19-1102 (Reissue 2022) requires publication of the Board’s official proceedings, which must include, among other things, the purpose of each claim allowed, as follows:

*It shall be the duty of each city clerk or village clerk in every city or village having a population of not more than one hundred thousand inhabitants as determined by the most recent federal decennial census or the most recent revised certified count by the United States Bureau of the Census to prepare and publish the official proceedings of the city council or village board of trustees within thirty days after any meeting of the city council or village board of trustees. The publication shall be in a legal newspaper in or of general circulation in the city or village, shall set forth a statement of the proceedings of the meeting, and shall also include the amount of each claim allowed, the purpose of the claim, and the name of the claimant, except that the aggregate amount of all payroll claims may be included as one item. Between July 15 and August 15 of each year, the employee job titles and the current annual, monthly, or hourly salaries corresponding to such job titles shall be published. Each job title published shall be descriptive and indicative of the duties and functions of the position. The charge for the publication shall not exceed the rates provided for in section 23-122.*

(Emphasis added.) Good internal control and sound accounting practices require procedures to ensure that the Board’s meeting minutes describe the purpose of each claim allowed.

Without such procedures, there is an increased risk of not only failure to comply with statutory requirements pertaining to the keeping of proper meeting minutes and the publication of the municipality’s “official proceedings” but also a lack of transparency regarding the nature of public expenditures.

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 23, 2023, 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 the purpose of each claim allowed is included in both the Board’s meeting minutes and the “official proceedings” required to be published afterwards.

## **5. 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 \$105.82, 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
Unemployment Tax Web Payment	3/7/23	\$ 25.00
POS Pump & Pantry	3/14/23	80.82
<b>Total</b>		<b>\$ 105.82</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.

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 23, 2023, 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 authorized by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved.

\* \* \* \* \*

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