



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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February 11, 2025

Jason Reuter, Chairperson
Village of Martinsburg
5109 Lockwood Street
Ponca, NE 68770

Dear Chairperson Reuter:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Village of Martinsburg (Village) for the fiscal year ending 2024. **That request has been approved.**

However, the Village's amount of disbursements for the fiscal year ending September 30, 2024, exceeded our normal threshold (\$500,000) for granting a waiver of the audit requirement. Disbursements for the fiscal year ended 2024, totaled \$820,683, which exceeds the normal audit waiver threshold. Due to the Village's submission of supporting documentation for one-time, low risk expenditures, that accounted for a significant percentage of the current year's expenditures, we were able to consider for this year, the Village's activity to be low enough to grant the audit waiver request.

However, if the September 30, 2025, fiscal year end disbursements are similar to or greater than the fiscal year 2024's expenditures, or near the budgeted disbursements for fiscal year 2025, an audit of fiscal year end September 30, 2025, may be required. This information is only for your consideration of planning for fiscal year 2025 and forward.

While performing, pursuant to Neb. Rev. Stat. § 84-304 (Reissue 2024), 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.

Comment and Recommendation

Untimely Federal Tax Payments

In response to our communication about payroll tax withholdings in the APA's letter dated February 20, 2024, the Village began withholding payroll taxes and completing both an Internal Revenue Service (IRS) Form 941 and the Nebraska Department of Revenue (Department) Form 941N for municipal employees and Board of Trustees (Board) members receiving wages.

Per discussion with the Village Clerk, the Village intended to enroll in electronic fund transfer payments for remitting quarterly Federal tax withholdings to the IRS. Due to awaiting IRS confirmation, however, the Village failed to make timely remittance of payroll taxes collected for 2024.

From January to September 2024, the Village collected \$2,003.58 in Federal payroll taxes for remittance to the IRS. The Board Chairman and Village Clerk created and signed the necessary checks on September 30, 2024, but the Village still had possession of the checks on December 31, 2024.

The table below summarizes the delinquent payroll taxes at issue:

Timeframe	Amount Due	Due Date	End of CY	# Days Late
January through March 2024	\$ 874.96	2/15/2024	12/31/2024	320
		3/15/2024	12/31/2024	291
		4/15/2024	12/31/2024	260
April through June 2024	605.48	5/15/2024	12/31/2024	230
		6/15/2024	12/31/2024	199
		7/15/2024	12/31/2024	169
July through September 2024	523.14	8/15/2024	12/31/2024	138
		9/15/2024	12/31/2024	107
		10/15/2024	12/31/2024	77
Total Fiscal Year Federal Income Taxes Due	\$ 2,003.58			

The APA was unable to break out the monthly payroll withholding liabilities, as they were not reported on the Village’s Form 941s. As a result, the above table shows only the total payroll withholding liabilities for each quarter.

Upon request, the Village provided copies of the following checks, which were made payable to the United States Treasury and dated September 30, 2024, for Federal payroll tax withholdings. As noted already, none of these checks had been remitted as of the end of calendar year 2024.



The due date for remittance of Federal payroll taxes is discussed in IRS “Topic no. 757, Forms 941 and 944 – deposit requirements” (December 30, 2024). That publication states the following, in relevant part:

You must make deposits according to one of two deposit schedules—monthly or semiweekly. The schedule you use for the current calendar year depends on the amount of employment taxes you reported during your lookback period. If you’ve filed only Form 941, the lookback period is the 12 months (covering four quarters) starting July 1st of the second preceding year and ending on June 30th of the prior year. If you filed Form 944 in either of the two previous years or you’re filing Form 944 in the current year, the lookback period is the calendar year two years prior to the year for which you’re depositing (see Publication 15 (Circular E), Employer’s Tax Guide, Section 11, Depositing Taxes).

* * * *

If you reported taxes of \$50,000 or less during the lookback period, you're a monthly schedule depositor, and you generally must deposit your employment taxes on payments made during a given month on or before the 15th day of the following month.

(Emphasis added.) The due date for filing quarterly Federal payroll tax returns is outlined in IRS “Topic no. 758, Form 941, Employers Quarterly Federal Tax Return and Form 944, Employers Annual Federal Tax Return” (December 30, 2024). That publication states the following, in relevant part:

You're required to file a separate Form 941 for each quarter (first quarter - January through March, second quarter - April through June, third quarter - July through September, fourth quarter - October through December). Form 941 is generally due by the last day of the month following the end of the quarter.

* * * *

If the due date for filing a return falls on a Saturday, Sunday, or legal holiday, you may file the return on the next business day.

(Emphasis added.) Good internal control requires procedures to ensure that Federal taxes withheld from the wages of Village employees and officials are remitted timely, in accordance with IRS regulations and guidelines, to avoid incurring unnecessary late penalties and interest.

Without such procedures, there is an increased risk for not only the loss or misuse of Village funds but also the potential incurrence of additional late penalties and interest.

We recommend the Village implement procedures to ensure Federal taxes withheld from municipal employee compensation are remitted timely to the IRS.

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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