



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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January 16, 2025

Albert Nielson, Chairperson
Village of Inglewood
140 Boulevard Street
Fremont, NE 68025

Dear Chairperson Nielson:

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

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.

Comments and Recommendations

1. Job and Wage Publication

The APA noted that the Village failed to publish its annual job and wage publication between July 15, 2024, and August 15, 2024, as required by State statute. No publication was made by the Village.

Neb. Rev. Stat. § 19-1102 (Reissue 2022) states, in relevant part, the following:

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.

Good internal control requires procedures to ensure that the Village's annual job and wage publication is published between July 15 and August 15 annually, as required by law.

Without such procedures, there is an increased risk of not only statutory noncompliance but also lack of transparency and loss or misuse of funds.

We recommend the Board implement procedures to ensure the Village's annual job and wage publication is published between July 15 and August 15 annually, as required by law.

2. Payroll Tax Withholding Issues

During the fiscal year ended September 30, 2024, taxes were not withheld from wages paid to Village employees and remitted to either the Internal Revenue Service (IRS) or the Nebraska Department of Revenue (Department). The Village is required to withhold Federal taxes, including income tax, Social Security tax, and Medicare tax, as well as State income tax from compensation paid to municipal employees.

The Village provided each Village Board member, the Clerk, and other part-time help with an IRS Form 1099 instead of withholding and remitting taxes through either a quarterly Form 941 or an annual Form 944, and then issuing a Form W-2 to those employees.

The requirements for withholding payroll taxes from compensation paid to public officials and employees are explained in various Federal and State publications, as described below.

For Federal income taxes, the “Tax Withholding for Government Workers” information (last updated October 2, 2024), which appears on the IRS website, states the following, as is relevant:

Internal Revenue Code section 3401(c) indicates that an “officer, employee, or elected official” of government is an employee for income tax withholding purposes.

* * * *

The courts generally define “public official” and “public officer” to mean anyone who exercises significant authority pursuant to public laws. This includes any official who administers or enforces public laws whether the public elected the individual or an office appointed them.

(Emphasis added.) Additionally, the “Frequently Asked Questions” section of IRS Publication 963 (Rev. 7-2020), “Federal-State Reference Guide,” states the following, in relevant part, about the employment status of government officials, especially with regard to not only Federal income taxes but also Social Security and Medicare tax withholdings:

For income tax purposes, elected (or elective) and most appointed officials are defined by IRC Section 3401(c) as employees of the public entity they serve (mayors, members of the legislature, county commissioners, city council members and board or commission members). In general, elected and appointed officials will meet the common-law tests to be considered employees. Regardless of the common-law tests, some positions may be defined as employment by state statute. Some fee-basis officials are by law treated as self-employed. An elected or appointed official who is an employee is subject to rules for mandatory Social Security and Medicare unless covered under a Section 218 Agreement or a qualified participant in a retirement system. All officials elected or appointed to their positions after March 31, 1986, are subject to Medicare withholding.

(Emphasis added.) Turning specifically to State income taxes, the “2024 Nebraska Circular EN,” published by the Nebraska Department of Revenue, provides the following, as is relevant:

If you have an office or conduct business in Nebraska and are considered an employer for federal purposes, you must withhold income taxes for Nebraska. This includes payments made to all employees, including nonresidents, for services performed in this state.

(Emphasis added.) Good internal controls require procedures to ensure both the correct classification of employees for tax purposes and the collection of all required Federal and State taxes from such personnel, as appropriate, and the proper remittance thereof.

Without such procedures, there is an increased risk for not only failure to comply with State statute and Federal regulations but also the resulting liability of the Village and its employees alike.

We recommend the Village implement procedures to ensure both the correct classification of employees for tax purposes and the collection of all required Federal and State taxes from such personnel, as appropriate, and the proper remittance thereof.

3. Claims Issues

During our comparison of the Village’s bank account details to claims approved by the Board, the APA noted that one Village automated clearinghouse payment made was issued before the underlying claim was approved by the Board and was made in excess of the amount approved by the Board.

The table below provides a summary of the payment:

Name/Vendor	Payment Description	Amount Approved	Amount Paid	Overpayment	Approval Date	Payment Date	Days Paid Before Approval
Column Publishing	March Legal Publication	\$ 49.04	\$ 92.10	\$ 43.06	04/01/24	03/25/24	7

Neb. Rev. Stat. § 17-614(1)(a) (Cum. Supp. 2024) 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 and all claims are made in the amounts approved by the Board.

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

We recommend the Board implement procedures to 1) 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; and 2) ensure payments are made in the amounts approved by the Board.

4. Lack of Payee Documentation

The APA obtained the monthly statements for the Village’s bank accounts from its fiscal year 2024 audit waiver request. From those statements, the APA noted that one check was written during the year with no payee, as shown below.



AM: 71.46 CK: 1495 DT: 07/15 SQ: 80600580 Paid

Per discussion with the Village and verification with the bank, this check was paid to The Fifth Season Inc, a law care service business.

Good internal controls require procedures to ensure that checks are completely filled out prior to being signed and issued. Without such procedures, there is an increased risk for the loss, misuse, or abuse of public funds.

We recommend the Board implement procedures to ensure that checks are completely filled out prior to being signed and issued.

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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