



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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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 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. Lack of Timesheets

Upon inquiry by the APA, the Village Clerk stated that the Village does not maintain detailed timesheets, logs, and/or similar evidence of the number of hours she works.

Good internal controls require procedures to ensure 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.

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 20, 2024, which can be found on the APA's website. However, this issue does not appear to have been corrected after the APA's notification.

We recommend the Board implement procedures to ensure 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 Claim Purpose

During our comparison of the Village's bank account details to claims approved by the Board, the APA reviewed meeting minutes dated May 7, 2024, 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 May 7, 2024:

Bills			
Southern Power	\$1513.06	Grones	\$589.77
NDEE	\$12,485.39	Black Hills	\$174.58
Chapman	\$ 123.30	Great Plains	\$198.35
Payroll	\$3248.23	Miller & Associates	\$375.00
VPG	\$ 250.00	Eberel Plumbing	\$674.13
RHD	\$ 133.95	Layne Christensen	\$2,222.06
Merrick Co. Hwy	\$ 47.97		

Neb. Rev. Stat. § 84-1413(1) (Reissue 2024) of the Open Meetings Act (Act), which is set out at Neb. Rev. Stat. §§ 84-1407 to 84-1414 (Reissue 2024), 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 20, 2024, which can be found on the APA’s website. However, this issue does not appear to have been 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.

3. Payment in Excess of Approved Amount

During our comparison of the Village’s bank account details to claims approved by the Board, the APA identified one payment, totaling \$3,290.02, was paid in excess of the amount approved by the Board. The following table summarizes this overpayment:

Name	Claim Date	Approved Amount	Amount Paid	Overpayment
Payroll	5/7/24	\$ 3,248.23	\$ 3,290.02	\$ 41.79

Good internal control requires procedures to ensure that all claims are made in the amount approved by the Board. Without such procedures, there is an increased risk for the loss or misuse of Village funds.

We recommend the Village implement procedures to ensure payments are made in the amount approved by the Board.

4. 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.

5. Debit Card Issues

During examination of the Village’s bank statements, the APA noted 14 transactions, totaling \$1,124.27, made with a Village debit card throughout fiscal year 2024 for items including supplies, vehicle maintenance, and fuel. 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 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.

The APA 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 a transaction to Pump & Pantry, a gas and convenience store, totaling \$100.47.

Neb. Rev. Stat § 13-610 (Reissue 2022) provides, in relevant part, the following requirements regarding a 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.

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 20, 2024, which can be found on the APA's website. However, this issue does not appear to have been corrected after the APA's notification.

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.

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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