



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Dalton Dunklau, Chairperson
Village of Carroll
PO Box 66
Carroll, NE 68723

Dear Chairperson Dunklau:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Village of Carroll (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. Nonpayment of Federal Tax Payments

During the fiscal year ended September 30, 2024, taxes were withheld from wages paid to Village employees but were not remitted to either the Internal Revenue Service (IRS) or the Nebraska Department of Revenue (Department). Per discussion with the Village Clerk, the Village intends to enroll in electronic fund transfer payments for remitting quarterly Federal tax withholdings to the IRS but has not made timely remittances. 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 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).

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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.) Similarly, the due date for State payroll taxes is outlined in the “2024 Nebraska Circular EN,” published by the Department, as is relevant:

The amount of income taxes withheld determines the frequency of deposits.

Deposit for the first month of the quarter. *An employer must make a deposit if more than \$500 was withheld in this period.*

Deposit for the second month of the quarter. *An employer must make a deposit if more than \$500 was withheld in either this period or in the first month of the quarter.*

Deposits are required to be made on or before the 15th day of the month following the calendar month the income taxes were withheld.

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.

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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.) The State payroll tax return filing deadlines are explained in the “2024 Nebraska Circular EN,” published by the Department, as is relevant:

Every employer maintaining an office or transacting business in Nebraska, and making payments to employees, is required to file the Nebraska Income Tax Withholding Return, Form 941N, unless licensed as an annual filer.

Form 941N is filed whether or not there were payments made during the quarter that were subject to Nebraska income tax withholding. The Form 941N is due on or before the last day of the month following the end of the quarter. The Form 941N may be e-filed using DOR’s free Form 941N filing program.

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*Employers who have been licensed to file on an annual basis will file a single Form 941N for the entire calendar year. This return is due on or before January 31 of the following year. **The Form 941N may be e-filed using DOR’s Form 941N free filing program.** Quarterly returns will not be sent for the first three quarters of the year.*

Good internal controls require procedures to ensure that Federal and State taxes withheld from compensation paid to municipal employees are remitted timely, within Department and 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 funds but also the potential for incurring additional late penalties and interest.

We recommend the Board implement procedures to ensure State and Federal taxes withheld from municipal employee compensation are timely remitted to the Department and IRS.

2. 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.

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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