



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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February 20, 2026

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 2025. **That request has been approved.**

While performing, pursuant to Neb. Rev. Stat. § 84-304 (Supp. 2025), 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. Inadequate Purchasing Card Policy

On March 4, 2024, the Village Board approved a policy regarding the use of a bank (debit) card. An excerpt from this meeting is copied below.

**The board discussed the policy on the use of the bank card. Motion by Steiner seconded by Schneider to approve up to \$500.00 before needing to contact Board members and to be sure to keep receipts for all transactions. All in Favor.**

During review of the bank statements obtained from the Village's audit waiver request, it was noted that there were 16 debit card transactions throughout fiscal year 2025, totaling \$2,016.

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 card 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.

Further, the purchasing card policy approved on March 4, 2024, does not outline procedures for safeguarding Village assets when using the Village card, including such allowable purchases and authorized individuals.

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. Under the direction of its governing body, any political subdivision may contract with one or more financial institutions, card-issuing banks, credit card companies, charge card companies, debit card companies, or third-party merchant banks capable of operating the purchasing card program on behalf of the political subdivision. Expenses associated with the political subdivision's purchasing card program shall be considered, for purposes of this section, as an administrative or operational expense.*

\* \* \* \*

*(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.*

Good internal control procedures require adequate controls over the Village's purchasing card, including an approved card policy that outlines procedures for the allowable use of the Village card and authorized users. Without such procedures, there is an increased risk of loss, theft, or misuse of Village funds.

We recommend the Village review the situation and determine the need for a debit card rather than a credit card. Further, we recommend the Village implement adequate controls over the Village's purchasing card, including an approved card policy that outlines procedures for the allowable use of the Village card and authorized users.

## **2. 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 checks, totaling \$11,018.74, 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:

<b>Name/Vendor</b>	<b>Check Date</b>	<b>Amount</b>	<b>Check #</b>
Sherwin Williams	4/3/25	\$ 119.74	3127
Grones	3/31/25	10,499.00	3126
Randy's Sprinklers	4/7/25	400.00	3135
<b>Total</b>		<b>\$ 11,018.74</b>	

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 elected members of 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 minutes of the meeting during which they are approved.

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

We recommend the Board implement procedures to ensure all claims are authorized by the Board prior to payment and are adequately documented in the minutes of the meeting during which they are approved.

**3. Payment of Sales Tax**

During review of the bank statements obtained from the Village’s audit waiver request, it was noted that there were 16 debit card transactions throughout fiscal year 2025, totaling \$2,016. During our review of the supporting documentation for 4 of these 16 debit card transactions, the APA noted that the Village paid a total of \$95.16 in Nebraska and Local sales tax, as shown in the table below.

<b>Name/Vendor</b>	<b>Check Date</b>	<b>Amount</b>
Menards	3/5/2025	\$ 19.04
Best Buy	4/4/2025	29.57
Wild Roots Greenhouse & Market	4/17/2025	23.62
Amazon	4/22/2025	9.18
Hydro Optimization & Automation	1/8/2025	13.75
<b>Total</b>		<b>\$ 95.16</b>

Per Neb. Rev. Stat. § 77-2704.15(1)(a) (Cum. Supp. 2024), purchases made by the State or its political subdivisions are exempt from sales tax, as follows:

*Sales and use taxes shall not be imposed on the gross receipts from the sale, lease, or rental of and the storage, use, or other consumption in this state of purchases by the state, including public educational institutions recognized or established under the provisions of Chapter 85, or by any county, township, city, village . . . .*

(Emphasis added.) Good internal control requires procedures to ensure that Nebraska and Local sales taxes are not paid on municipal purchases. Without such procedures, there is an increased risk for not only loss or misuse of Village funds but also noncompliance with State statute.

We recommend the Board implement procedures to ensure that Village funds are not expended for the payment of Nebraska and Local sales tax.

**4. 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 letters dated March 7, 2025, and 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.

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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 offer 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". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Mark Avery, CPA  
Assistant Deputy Auditor