



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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July 25, 2016

Erik Garner  
Board Chairman, Village of Nickerson  
P.O. Box 7  
Nickerson, NE 68044

Dear Mr. Garner:

As you know, the Nebraska Auditor of Public Accounts (APA) received a concern recently regarding certain financial transactions at the Village of Nickerson (Village). In response, thereto, the APA began limited preliminary planning work to determine if a full financial audit or attestation would be warranted. During the course of that work, the APA requested specific financial or compliance information for the period October 2014 through April 2016.

Based upon the outcome of our preliminary planning work, the APA has determined that a separate financial audit or attestation of the Village is unnecessary at this time. Nevertheless, that work did reveal certain internal control or compliance matters, or other operational matters within the Village, that are presented below. The following information is intended to improve internal controls or result in other operational efficiencies.

### 1. Claims Processes

Our examination was based upon the accounting records and meeting minutes provided by the Village. The APA found a number of concerns with the Village's claims process, including the following: claims paid but never approved by the Board; claims approved by the Board but never paid; claims paid in amounts other than those approved by the Board; and claims paid prior to Board approval.

The following table summarizes these issues from claims included in the accounting records and meeting minutes from October 2014 through April 2016:

Description of Issue	Amount Paid from Accounting Records	Board Approved Amount	Difference	Number of Claims
Claims Paid but Never Approved by the Board (Exhibit A)	\$23,750.86	\$0.00	\$23,750.86	59
Claims Approved by the Board but Never Paid	\$0.00	\$20,290.20	\$(20,290.09)	2
Claims Paid in Unapproved Amounts	\$1,528.56	\$1,460.80	\$67.76	4
Claims Paid Prior to Board Approval	\$993.96	\$993.96	\$0.00	1
<b>Totals</b>	<b>\$26,273.38</b>	<b>\$22,744.96</b>	<b>\$3,528.42</b>	<b>66</b>

See **Exhibit A** for a listing of claims paid that were never approved by the Board.

All claims are required to be presented to the Board for approval pursuant to Neb. Rev. Stat. § 17-714 (Reissue 2012), which states the following, in relevant part:

*All liquidated and unliquidated claims and accounts payable against a city of the second class or village shall: (1) Be presented in writing; (2) state the name and address of the claimant and the amount of the claim; and (3) fully and accurately identify the items or services for which payment is claimed or the time, place, nature, and circumstances giving rise to the claim.*

Additionally, the following table includes the two claims that were approved by the Board but never paid during the period examined:

Monthly Meeting	Payee	Claim Amount
08/10/2015	Sta-Built	\$20,275.20
04/11/2016	Bauer Built	\$15.00
<b>Total</b>		<b>\$20,290.20</b>

The following table includes four claims for which the amounts paid did not agree to the amounts approved by the Board:

Vendor	Check Detail		Board Minutes		Variance
	Payment Date	Amount	Approval Date	Amount	
Sign Depot	07/13/2015	\$975.84	07/13/2015	\$975.64	<b>\$0.20</b>
Titan Machinery	09/14/2015	\$346.82	09/14/2015	\$173.41	<b>\$173.41</b>
One Call Concepts	10/12/2015	\$5.90	10/19/2015	\$1.10	<b>\$4.80</b>
Nebraska Rural Water	01/15/2016	\$200.00	01/11/2016	\$310.65	<b>\$(110.65)</b>
<b>Totals</b>		<b>\$1,528.56</b>		<b>\$1,460.80</b>	<b>\$67.76</b>

Finally, the APA obtained only one month's bank statement, October 2015, and compared the dates the checks were cashed to the dates of the Board approval of the checks. The following claim was paid prior to Board approval in October 2015:

Check Date	Date Approved	Date Cleared	Vendor	Amount Paid
10/09/2015	10/19/2015	10/14/2015	Carl Thompson	\$993.96

In an email dated June 28, 2016, the Village Clerk stated the following:

*Carl Thompson is paid every other week . . . I spoke to Don and he said that Carl is under contract and being paid every other week is in the contract so that is how he is paid. The previous clerk trained me to put the months paychecks on the list of bills so the board is aware of what is being paid.*

As indicated by the Clerk, beginning in February 2015, both payments to Mr. Thompson were included in the claims to be approved by the Board in the monthly meeting. Based on this information, it is likely that there are other months in which payments to Mr. Thompson have been made prior to the Board's approval.

Good internal control requires procedures to ensure the following: 1) all claims are approved by the Board prior to payment; 2) all approved claims are paid; and 3) claims are paid for the amount approved. Without such procedures, there is an increased risk for loss or misuse of Village funds.

We recommend the Board implement procedures to ensure the following:

- All claims are properly approved prior to payment.
- All approved claims are paid.
- Claims are paid for the approved amount.

***Check Numbers***

In addition to the various claims issues noted above, the APA identified a discrepancy between the check numbers entered into the Village’s accounting software and found on the actual checks. Those discrepancies, for October 2015 are shown in the following table:

Check Date	Check # per Accounting Records	Check # per Actual Check	Vendor	Amount
09/14/2015	13189	13190	Logan View Schools*	\$250.00
10/09/2015	13204	13175	Carl Thompson	\$993.96
10/12/2015	13205	13227	Black Hills Energy	\$22.89
10/12/2015	13206	13208	Bomgaars	\$162.73
10/12/2015	13207	13224	Century Link	\$132.12
10/12/2015	13208	13225	Deluxe Business Products	\$225.98
10/12/2015	13209	13226	Dodge County Clerk	\$50.00
10/12/2015	13210	13221	Don Schneider	\$661.75
10/12/2015	13211	13222	Fremont Tribune	\$101.41
10/12/2015	13212	13223	Gil Frey	\$45.45
10/12/2015	13213	13218	HTM Sales	\$44.94
10/12/2015	13214	13219	Jennifer Musson	\$350.00
10/12/2015	13215	13220	Menards	\$129.61
10/12/2015	13216	13215	Midwest Labs	\$636.50
10/12/2015	13217	13216	Nickerson Short Stop	\$341.37
10/12/2015	13218	13217	O'Reilly Auto Parts	\$69.21
10/12/2015	13219	13212	Oelkers & Associates	\$1,432.81
10/12/2015	13220	13213	Omni-Tech	\$34.95
10/12/2015	13221	13214	One Call Concepts	\$5.90
10/12/2015	13222	13209	OPPD	\$940.49
10/12/2015	13223	13210	Plains Equipment	\$494.53
10/12/2015	13224	13211	PollardWater	\$144.73
10/12/2015	13225	13206	Timme Welding	\$60.13
10/23/2015	13226	13228	Carl Thompson	\$146.70
10/23/2015	13228	13229	Carl Thompson	\$993.96
<b>Total</b>				<b>\$8,472.12</b>

\* Check was paid in October 2015.

Good internal control and sound business practices require the maintenance of accurate accounting records. Without such procedures, there is an increased risk for loss or misuse of Village funds.

We recommend the Village implement procedures to ensure that accurate and complete accounting records are maintained.

**2. Publication of Claims**

From November 2014 to April 2016, the Board's published meeting minutes did not include the details of the various claims submitted to and paid by the Village. The following examples illustrate the insufficient publication of the claims paid during that time frame:

**VILLAGE OF NICKERSON  
REGULAR MEETING  
NOVEMBER 10, 2014**

BALANCE IN CHECKING ACCOUNT  
 \$1385.18 Sewer Deposit  
 \$1100.00 Transfer  
 \$13000.00 Total  
 \$15485.18 Bills Total  
 \$13976.81 Balance as of 11/10/2014 \$1508.37 Roll Call: Joe Aufenkamp, Erik Gahner, Nettie Aufenkamp, JoAnn Walter were present. Rob Thurman was absent. Nettie Aufenkamp made motion to accept October meeting minutes as read, seconded by JoAnn Walter. All were in favor, motion carried. Motion to pay bills made by Nettie Aufenkamp, seconded by Erik Gahner. All were in favor, motion carried. Nettie Aufenkamp

**VILLAGE OF NICKERSON  
REGULAR MEETING  
February 8, 2016**

THE MEETING WAS OPENED BY ERIK GARNER, CHAIRMAN OF THE BOARD, AT 7:00PM. NOTICE OF THE MEETING WAS GIVEN IN ADVANCE BY POSTING IN THREE PLACES WITHIN THE VILLAGE OF NICKERSON AS SHOWN ON THE CERTIFICATE OF POSTING. ALL TRUSTEES SIGNED ACKNOWLEDGEMENT OF NOTICE. ALL PROCEEDING, HEREAFTER SHOWN WAS TAKEN WHILE THE CONVENED MEETING WAS OPENED TO THE PUBLIC.

BALANCE IN CHECKING ACCOUNT \$ 637.75  
 Sewer Deposit \$ 1,887.50  
 Transfer \$ 9,500.00  
 Total \$ 11,825.25

Bills Total \$ 11,426.58  
 Balance as of 01/11/16 \$ 398.67

Roll Call: Joe Aufenkamp, Erik Gahner, Nettie Aufenkamp, JoAnn Walter were present. Robert Thurman absent. Motion to accept January minutes as read was made by Nettie Aufenkamp, seconded by JoAnn Walter. All in favor, motion carried.

Motion to pay February bills made by Erik Gahner, seconded by JoAnn Walter. All in favor, motion carried.

Furthermore, the Board meeting minutes were not published for the months of April 2015, November 2015, December 2015, and March 2016.

Failure to publish the specifics of the claims paid or the Board meeting minutes conflicts with Neb. Rev. Stat. § 19-1102 (Reissue 2012), which requires each Village Clerk to publish the official proceedings of the governing body, including specific details about each claim approved. That statute states the following, in relevant part:

*It shall be the duty of each village or city clerk in every village or city having a population of not more than one hundred thousand to prepare and publish the official proceedings of the village or city board, council, or commission within thirty days after any meeting of the board, council, or commission. The publication shall be in a newspaper of general circulation in the village or city, 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.*

(Emphasis Added.) Neb. Rev. Stat. § 19-1104 (Reissue 2012) provides a criminal penalty for failing to abide by the publication requirements in § 19-1102, as follows:

*Any village or city clerk, or treasurer, failing or neglecting to comply with the provisions of sections 19-1101 to 19-1103 shall be deemed guilty of a misdemeanor and shall, upon conviction, be fined, not to exceed twenty-five dollars, and be liable, in addition to removal from office for such failure or neglect.*

By neglecting to publish Board meeting minutes, including a list of all claims allowed, the Village Clerk not only ran afoul of State law but also impeded public transparency and accountability, which is detrimental to the interest of local taxpayers.

We recommend the Board ensures the Village Clerk publishes both the meeting minutes and the details of allowed claims, as required by statute.

### **3. Village-Owned Equipment Policies**

The Village lacked written policies governing the use of its equipment – a fact acknowledged by the Village Attorney during an April 8, 2016, telephone call to the APA.

Neb. Rev. Stat. § 49-14,101.01(2) (Reissue 2010) of the Nebraska Political Accountability and Disclosure Act, which is set out at Neb. Rev. Stat. §§ 49-1401 to 49-14,141 (Reissue 2010, Cum. Supp. 2014), restricts the use of property under the “official care and control” of a public official or public employee, as follows:

*A public official or public employee shall not use or authorize the use of personnel, resources, property, or funds under his or her official care and control other than in accordance with prescribed constitutional, statutory, and regulatory procedures or use such items, other than compensation provided by law, for personal financial gain.*

Neb. Rev. Stat. § 49-1443 (Reissue 2010) defines a “public official” as, among other things, “an elected or appointed official” in a political subdivision of the State. Neb. Rev. Stat. § 49-1442 (Reissue 2010) defines a “public employee” as “an employee of the state or a political subdivision thereof.” The restriction in § 49-14,101.01(2) applies to all Village property.

Good internal controls require written policies that define clearly the acceptable use of the Village's equipment. A lack of such policies, as well as adequate monitoring procedures relating thereto, increases the risk for not only noncompliance with State statute but also the loss or misuse of public funds.

We recommend the Board implement written policies to govern the use of its equipment. Such procedures should be augmented by proper monitoring procedures to ensure the Village's property is used only for appropriate public purposes.

\* \* \* \* \*

Our limited procedures for this letter were designed primarily on a test basis and, therefore, may not bring to light all weaknesses in the Village's practices or policies that may exist. Nevertheless, our objective is to use the knowledge gained during the preliminary planning work to make comments and suggestions that we hope will prove useful to the Village.

Draft copies of this letter were furnished to the Village to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. Where no response has been included, the Village declined to respond.

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 regarding the above information, please contact our office.

Sincerely,



Mary Avery  
Special Audits and Finance Manager  
Phone 402-471-3686  
mary.avery@nebraska.gov

Village of Nickerson  
 Claims Included in Accounting Records as Paid,  
 but Never Approved by the Board

**Exhibit A**

<b>Claims Included in Accounting Records as Paid, but Never Approved by the Board</b>			
	<b>Check Date</b>	<b>Vendor</b>	<b>Amount</b>
1	10/17/2014	IRS Tax Payment	\$1,654.04
2	10/17/2014	Nebraska and Local Sales Tax	\$116.72
3	10/24/2014	Merlyn Pieters	\$111.62
4	10/27/2014	Negative Balance	\$33.00
5	11/19/2014	Merlyn Pieters	\$411.86
6	12/11/2014	Gene Steffys	\$223.05
7	12/11/2014	Carl Thompson	\$993.96
8	12/11/2014	Logan View Schools	\$250.00
9	12/18/2014	First State Bank	\$51.06
10	12/18/2014	Staples	\$63.26
11	12/31/2014	Post Office	\$3.81
12	01/09/2015	Embroidery Connections	\$276.06
13	01/16/2015	Post Office	\$98.00
14	01/16/2015	Carl Thompson	\$146.70
15	01/16/2015	Carl Thompson	\$993.96
16	01/30/2015	Staples	\$56.98
17	01/30/2015	Carl Thompson	\$993.96
18	01/31/2015	PakMail	\$10.61
19	01/31/2015	Jensen Tire	\$73.28
20	02/20/2015	IRS Tax Payment	\$1,560.61
21	02/27/2015	Carl Thompson	\$146.70
22	03/06/2015	Titan Machinery	\$6,000.00
23	03/06/2015	Post Office	\$98.00
24	03/09/2015	Calhoun Auto Repair	\$572.00
25	03/27/2015	Carl Thompson	\$146.70
26	04/17/2015	First State Bank	\$55.00
27	04/24/2015	Carl Thompson	\$146.70
28	04/30/2015	PakMail	\$6.07
29	05/22/2015	Carl Thompson	\$146.70
30	06/06/2015	Jennifer Hanger-Musson	\$350.00
31	06/06/2015	Nettie Aufenkamp	\$22.14
32	06/06/2015	Fastenal	\$77.77
33	06/26/2015	Carl Thompson	\$146.70
34	07/14/2015	Carl Thompson	\$174.50
35	07/31/2015	Bank Charges	\$33.00
36	07/31/2015	Post Office	\$80.88
37	08/09/2015	IRS Tax Payment	\$1,662.00
38	08/09/2015	Nebraska Dept. of Revenue	\$307.30
39	08/12/2015	Staples	\$120.98

Village of Nickerson  
 Claims Included in Accounting Records as Paid,  
 but Never Approved by the Board

**Exhibit A**

<b>Claims Included in Accounting Records as Paid, but Never Approved by the Board</b>			
	<b>Check Date</b>	<b>Vendor</b>	<b>Amount</b>
40	08/21/2015	Carl Thompson	\$146.70
41	08/21/2015	OPPD	\$755.66
42	08/31/2015	Dodge County Treasurer	\$15.00
43	09/25/2015	Carl Thompson	\$146.70
44	10/23/2015	Carl Thompson	\$146.70
45	10/31/2015	Carl Thompson	\$13.98
46	10/31/2015	Carl Thompson	\$25.00
47	12/04/2015	Carl Thompson	\$146.70
48	12/18/2015	Walmart	\$104.22
49	12/18/2015	Sawyer Car Wash	\$20.00
50	01/01/2016	Carl Thompson	\$20.09
51	01/29/2016	Carl Thompson	\$166.79
52	02/26/2016	Sawyer Car Wash	\$31.00
53	02/26/2016	Carl Thompson	\$166.79
54	03/01/2016	Carl Thompson	\$166.79
55	03/14/2016	Carl Thompson	\$993.96
56	03/18/2016	Carl Thompson	\$166.79
57	04/27/2016	Staples	\$97.99
58	04/29/2016	IRS Tax Payment	\$1,822.82
59	04/29/2016	Nebraska Dept. of Revenue	\$181.50
<b>59</b>	<b>Total</b>		<b>\$23,750.86</b>

*Note: Carl Thompson is paid \$993.96 every other week. Only one paycheck each month was approved in December 2014 and January 2015. Beginning in February 2015, a total amount of \$1,987.92 was approved each month, which equals two paychecks of \$993.96. He was paid three times in January 2015 and March 2016.*