



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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February 27, 2017

Dale Rynerson, Chairman  
Village of Mason City  
Board of Trustees  
P.O. Box 46  
Mason City, NE 68855

Dear Mr. Rynerson:

As you may know, the Nebraska Auditor of Public Accounts (APA) has an anonymous hotline number and email for Nebraskans to raise issues about possible waste, mismanagement, or fraud within government. In connection with this, we help to provide accurate information to taxpayers and attempt to correct misperceptions about government. We try to do so in a timely manner, believing this to be a valuable service to the State's citizens.

Recently, the APA received a concern regarding certain financial transactions at the Village of Mason City (Village). On December 15, 2016, the APA requested specific financial or compliance records, including the Village Board of Trustees' (Board) meeting minutes from September through November 2016, a listing of claims paid, the Treasurer's monthly financial reports, a listing of delinquent utility accounts, and Village ordinances relating thereto.

After receiving no response to our request for the above documents, the APA contacted the Village office again on January 3, 2017, and spoke with Fannie Poff, who identified herself as the new Village Clerk, hired in October 2016. Because Ms. Poff had not received the original request for information, the APA forwarded it directly to her. At that point, she provided the information requested by the APA.

Based upon the outcome of our preliminary work, the APA has determined that a separate financial audit or attestation of the Village by the APA may be unnecessary at this time. However, our preliminary work did reveal certain internal control or compliance matters, or other operational concerns, that are presented below. The following presentation of those matters, along with the related recommendations, will provide the Village with an opportunity to improve overall financial operations.

Our consideration of internal control was for the limited purpose described above, and it was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, material weaknesses or significant deficiencies may exist that were not identified.

## Comment and Recommendation

Upon review of the information provided by the present Village Clerk, as well as additional details gleaned from our discussions with her, the APA determined that the Board's meeting minutes had not been published from June 2016 through September 2016, as required by Neb. Rev. Stat. § 19-1102 (Reissue 2012), which provides, in relevant part, the following:

*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.*

Neb. Rev. Stat. § 19-1104 (Reissue 2012) provides a criminal penalty for failure to carry out the above statutory mandate.

The APA also learned that a monthly financial account had not been presented at each meeting since October 2016, as required by Neb. Rev. Stat. § 17-606(1) (Cum. Supp. 2016), which states the following:

*The treasurer of each city and village shall be the custodian of all money belonging to the corporation. He or she shall keep a separate account of each fund or appropriation and the debts and credits belonging thereto. He or she shall give every person paying money into the treasury a receipt therefor, specifying the date of payment and on what account paid. He or she shall also file copies of such receipts with his or her monthly reports, and he or she shall, at the end of every month, and as often as may be required, render an account to the city council or board of trustees, under oath, showing the state of the treasury at the date of such account and the balance of money in the treasury. He or she shall also accompany such accounts with a statement of all receipts and disbursements, together with all warrants redeemed and paid by him or her, which warrants, with any and all vouchers held by him or her, shall be filed with his or her account in the clerk's office. If the treasurer fails to render his or her account within twenty days after the end of the month, or by a later date established by the governing body, the mayor in a city of the second class or the chairperson of the village board with the advice and consent of the trustees may use this failure as cause to remove the treasurer from office.*

(Emphasis added.) Furthermore, the Board's meeting minutes for January 2017 fail to indicate that the Village Clerk, who serves also as the municipality's Treasurer, presented the monthly account at that particular session, raising concerns as to possible continuing noncompliance with § 17-606(1).

Aside from statutory compliance concerns, sound financial management and effective internal control require the consistent presentation of the Treasurer's monthly account. Without that routine presentation, along with a proper review of the information made available through it, the Board's ability to make informed and sensible decisions with regard to pending claims and other fiscal matters involving the expenditure of taxpayer dollars would be significantly impaired.

Another concern about apparent statutory noncompliance pertains to an alleged failure by the previous Village Clerk to issue receipts for payments made to the municipality. According to the present Village Clerk, her predecessor did not maintain such documentation. In addition to hampering the ability of the Village to keep track of cash payments received from its utility customers, such an omission would constitute a further violation of § 17-606(1), as referenced

above, which requires, “He or she [the Treasurer] shall give every person paying money into the treasury a receipt therefor, specifying the date of payment and on what account paid.” That same statute also directs “copies of such receipts” to be filed with the Treasurer’s monthly reports.

In addition to the above issues, the APA understands that the previous Village Clerk failed to submit payroll taxes and the payroll returns accurately or in a timely manner. The following table illustrates that payroll taxes were not properly paid dating back to the 3<sup>rd</sup> quarter of 2015.

Quarter	Time Period	Date Paid	Amount Paid	Notes
2015 3rd	July - September 2015	11/17/2016	\$244.78	\$1,577.25 in taxes was paid, but no 941 form was filed. Remaining balance owed of \$244.78 was paid.
2015 4th	October - December 2015	11/17/2016	\$525.15	\$770.14 in taxes was paid, but no 941 form filed. Remaining balance owed of \$525.15 was paid.
2016 1st	January - March 2016	11/17/2016	\$1,006.94	No tax amounts were paid, and no 941 form was filed.
2016 2nd	April - June 2016	11/18/2016	\$1,230.52	No tax amounts were paid, and an incorrect 941 form was filed.
2016 3rd	July - September 2016	10/31/2016	\$1,419.92	Tax amount and 941 form filed timely.
2016 4th	October - December 2016	1/25/2017	\$1,385.06	Tax amount and 941 form filed timely.

The APA has determined that these issues, along with some other monthly balancing matters discussed with the present Village Clerk, warrant the Board’s immediate attention.

Due to the possible violation of the statutes addressed herein, this letter is being forwarded to the Custer County Attorney for further review.

We recommend the Board take action to ensure future compliance with all applicable statutory provisions. Such compliance is crucial not only to ensure sound financial management and effective internal control for the Village but also to avoid allegations of “official misconduct,” which Neb. Rev. Stat. § 28-924 (Reissue 2016) defines as a public servant’s knowing violation of “any statute or lawfully adopted rule or regulation relating to his official duties.” Such an offense is punishable as a Class II misdemeanor.

Finally, we wish to remind you of the audit requirement contained in Neb. Rev. Stat. § 19-2903 (Reissue 2012), which states, in part, the following:

*The municipal authorities of each municipality shall cause an audit of the municipality's accounts to be made by a recognized independent and qualified accountant as expeditiously as possible following the close of the fiscal year for such municipality and to cover all financial transactions and affairs of the municipality for such preceding fiscal year. Such audit shall be made on a cash or accrual method at the discretion of the municipality. Such audit shall be completed and the annual audit report made by such accountant shall be submitted within six months after the close of the fiscal year in any event, unless an extension of time shall be granted by a written resolution adopted by the municipal authorities. A village may request a waiver of the audit requirement subject to the requirements of subdivision (4) of section 84-304.*

As of February 6, 2017, the Village has not filed an audit or waiver for fiscal year 2016 with the APA.

We recommend that the Village advise the APA, as soon as possible, whether it intends to submit an audit for fiscal year 2016 or request an audit waiver. If one is not received, the APA may have to take action to perform an audit at the expense of the Village.

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Our limited procedures for this letter were designed primarily on a test basis and, therefore, may not bring to light all weaknesses in policies or procedures 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 be 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. 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, please do not hesitate to contact us.

Sincerely,



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Special Audits and Finance Manager  
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cc: Steven Bowers, Custer County Attorney