



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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October 10, 2018

Nettie Aufenkamp, Board Chairperson  
Village of Nickerson  
PO Box 7  
Nickerson, NE 68044

Dear Ms. Aufenkamp:

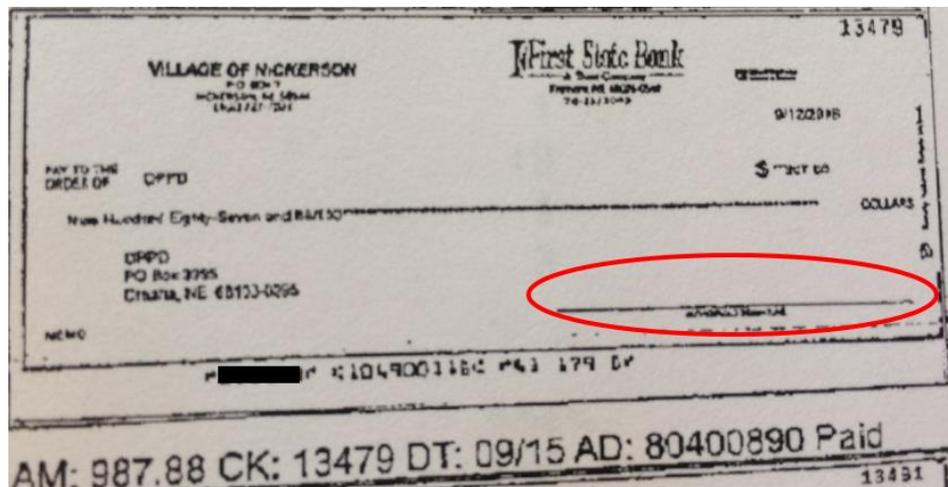
As you may know, the Nebraska Auditor of Public Accounts (APA) has received concerns regarding the Village of Nickerson's (Village) financial records and proceedings. As a result, the APA began limited preliminary planning work to determine if a full financial audit or attestation would be warranted. Pursuant thereto, the APA requested certain financial information from the Village. Based upon the outcome of the preliminary planning work, the APA has determined that it is unnecessary for this office to perform a separate financial audit or attestation at this time.

During the course of the preliminary planning work, we noted certain internal control or compliance matters, or other operational matters, that are presented below. The following information is intended to improve internal controls or result in other operational efficiencies.

## Comments and Recommendations

### 1. Dual Signatures Required on Checks

The APA obtained the bank statements for the Village's bank accounts from July 2016 through June 2018. During the APA's analysis of these bank statements, we noted that all checks written did not contain dual signatures, as required by State statute. One check for \$987.88, which cleared the bank in September 2016, had no signature at all, as included below.



Neb. Rev. Stat. § 17-711 (Supp. 2017) states the following:

*All warrants drawn upon the city treasurer of a city of the second class or village treasurer must be signed by the mayor or chairperson of the village board of trustees and countersigned by the city clerk or village clerk, stating the particular fund to which the same is chargeable, the person to whom payable, and for what particular object. No money shall be otherwise paid than upon such warrants so drawn. Each warrant shall specify the amount included in the adopted budget statement for such fund upon which it is drawn and the amount already expended of such fund.*

Per minutes of the Village Board’s (Board) May 14, 2018, meeting, there was discussion about requiring two signatures on municipal accounts. No action was taken at that meeting, however. At its next meeting, on June 11, 2018, the Board passed the “Banking Resolution,” requiring “two signatures on ALL accounts. . . .” Though required by § 17-711 to sign Village checks, the Board Chairperson was not among those specifically designated under the “Banking Resolution” to serve as a signatory.

The failure of Village checks to contain the required signatures constitutes a violation of State statute. Additionally, permitting only a single signature increases the risk for loss and/or misuse of Village funds.

We recommend the Village ensures the Board Chairperson is a signer on the Village’s bank accounts, and all Village checks contain the dual signatures of the Board Chairperson and the Clerk, as required by State statute.

*Village Response: The village of Nickerson has required 2 signatures on all checks since our June meeting. At that meeting the chairperson was nominated to be the interim clerk/treasurer. With that being said we assigned 2 board members to sign checks until a new clerk is hired. There’s a ordinance for that in place & is relinquished after a new clerk hire. Ordinance 2018-1.*

**2. Negative Bank Balance and Insufficient Funds Checks**

While examining the municipal bank statements, the APA noted that the Village’s general checking account had a negative account balance for multiple days. The negative account balances were due to insufficient funds checks clearing the bank. The following table summarizes insufficient funds checks and the negative bank balances.

Date	Check #	Check Amount	Bank Balance
10/6/2016	13464	\$1,455.00	(\$687.82)
1/17/2017	13548	\$2,684.00	(\$1,498.67)
1/17/2017	13572	\$66.54	(\$1,498.67)
1/17/2017	13574	\$75.00	(\$1,691.50)
1/17/2017	13575	\$117.83	(\$1,691.50)
1/17/2017	13579	\$993.96	(\$2,710.46)
1/17/2017	13580	\$25.00	(\$2,710.46)
1/18/2017	13547	\$19.70	(\$2,922.44)
1/18/2017	13573	\$192.28	(\$2,922.44)
1/19/2017	13577	\$159.02	(\$3,081.46)

Date	Check #	Check Amount	Bank Balance
6/22/2017	13693	\$5,500.00	(\$3,001.98)
7/12/2017	13697	\$350.00	(\$244.60)
8/21/2017	13738	\$24,440.00	(\$16,029.46)
8/22/2017	13739	\$23.01	(\$16,076.66)
8/22/2017	13741	\$24.19	(\$16,076.66)
8/22/2017	13742	\$306.00	(\$16,382.66)
8/23/2017	13729	\$1.61	(\$11,392.22)
8/23/2017	13734	\$7.95	(\$11,392.22)
8/24/2017	13732	\$146.36	(\$11,644.08)
<b>Total</b>		<b>\$36,587.45</b>	

*Note 1: For the days where the bank balance is the same, the bank statements list two checks on the same line and show only the ending balance after both checks cleared the bank.*

No service or overdraft fees were incurred as a result of these insufficient funds checks. After each overdraft was discovered, funds from the Village’s other bank accounts appear to have been transferred to the general checking account to ensure the overdraft was covered.

Good internal control and sound business practices require procedures to ensure that funds are available in the Village's bank account prior to payment. Without such procedures, additional fees can occur.

We recommend the Board implement procedures to ensure funds are available in the bank account prior to payment.

*Village Response: The board going forward knows we must review bank statements ahead of the meeting & be more proactive and seeing that the proper steps are followed. The automated withdrawal of funds to the Nebraska & Local Sales & Use Tax for the quarter of May~June 2018 was not included in the September claims. This will be included in all future monthly claims.*

### **3. Claim Not Approved**

The APA identified one claim, totaling \$411.08, made from the Village's general bank account without Board approval. The APA observed this check on the March 2018 bank statement, noting that it did not have a payee. The APA inquired with the bank about the check and was informed the check was, in fact, paid to a legitimate vendor.

Neb. Rev. Stat. § 17-614(1) (Neb. Laws. 2018, LB 865, § 4) sets out the proper method for the appropriation or payment of money by the Village. That statute states, in relevant part, the following:

*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 members elected to the city council in a city of the second class or village board of trustees.*

Furthermore, good internal control requires procedures to ensure the Board approves all Village claims prior to payment, and such approval is reflected in the meeting minutes. Without such procedures, there is an increased risk for loss or misuse of Village funds.

We recommend the Village implement procedures to ensure, as reflected in the meeting minutes, all claims are approved by the Board prior to payment.

*Village Response: The board going forward knows we must review bank statements ahead of the meeting & be more proactive and seeing that the proper steps are followed. The automated withdrawal of funds to the Nebraska & Local Sales & Use Tax for the quarter of May~June 2018 was not included in the September claims. This will be included in all future monthly claims.*

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The preliminary planning work that resulted in this letter was designed primarily on a test basis; therefore, it may not bring to light all existing weaknesses in the Village's policies or procedures. Nevertheless, our objective is to use the knowledge of the entity to make comments and recommendations 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. All formal responses received have been incorporated into the letter.

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,

A handwritten signature in cursive script that reads "Mary Avery". The signature is fluid and elegant, with a large initial 'M' and a decorative flourish at the end.

Mary Avery  
Special Audits and Finance Manager  
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