



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

September 12, 2019

Don LaPointe, Sr., Chairperson
Village of Santee
425 Frazier Avenue, N. Ste. 2
Niobrara, NE 68760

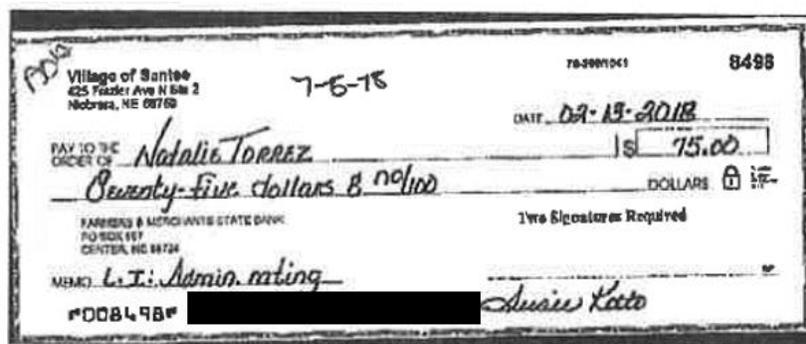
Dear Chairperson LaPointe:

As you know, the Nebraska Auditor of Public Accounts (APA) has approved the fiscal year 2018 audit waiver for the Village of Santee (Village). However, while performing our review to determine whether to approve the audit waiver, 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. Dual Signatures Required on Checks

The APA obtained the bank statements for the Village's accounts from its fiscal year 2018 audit waiver request. From these statements, the APA noted that three Village checks, totaling \$508.41, written during the examination period contained only one signature. An example of such checks is shown below:



Check 8498, Amount \$75.00 On 2/20/2018

State statute requires Village checks to be signed by both the Village Board (Board) Chairperson and the Village Clerk. Specifically, Neb. Rev. Stat. § 17-711 (Cum. Supp. 2018) provides 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.

Good internal control and sound accounting practices require procedures to ensure that Village checks contain the statutorily required endorsements.

Without such procedures, there is an increased risk of not only failure to comply with State statute but also the loss and/or misuse of Village funds.

We recommend the Board implement procedures to require dual signatures, from the Board Chairperson and the Village Clerk, on all Village checks, as required by law.

Village Response: Effective immediately all checks will have the appropriate signatures on them before being distributed.

2. Lack of Claim Purpose

During our comparison of the Village's bank account details to claims approved by the Board, the APA noted that the claims listed in the Board's official proceedings lacked descriptions of their respective purposes.

The following is an example of the approved claims listing provided by the Village for September 11, 2018:

Name/Vendor	Description	Amount
Other (RM)		\$ 425.00
Other (Hearing)		\$ 425.00
Other (SP)		\$ 425.00
Other (ML)		\$ 57.16
North Central Public Power District		\$ 2,345.31
Total		\$ 3,677.47

Neb. Rev. Stat. § 19-1102 (Cum. Supp. 2018) requires publication of the Board's official proceedings, which must include, among other things, the purpose of each claim allowed, as follows:

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 inhabitants as determined by the most recent federal decennial census or the most recent revised certified count by the United States Bureau of the Census 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 in or 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. 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. The charge for the publication shall not exceed the rates provided for in section 23-122.

(Emphasis added.) Good internal control and sound accounting practices require procedures to ensure that the Board's official proceedings describe the purpose of each claim allowed.

Without such procedures, there is an increased risk of not only failure to comply with statutory publication requirements but also a lack of transparency regarding the nature of public expenditures.

We recommend the Board implement procedures to ensure the purpose of each claim allowed is included in the Board's official proceedings and published in accordance with State statute.

Village Response: Effective immediately all claims will be approved at monthly board meetings.

3. Payment of Unapproved Claims

During our comparison of the Village’s bank account details to claims approved by the Board, the APA identified numerous checks, totaling \$1,379.28, which were paid but not included on the claims listing to be approved by the Board.

As summarized in the table below, the disbursements at issue were for payments to Board members and the Village Clerk:

Name/Vendor	Check #	Cleared Date	Amount
Diane LaPointe	8666	9/14/2018	\$ 75.00
Sherri Derby	8668	9/13/2018	\$ 75.00
Sherri Derby	8671	9/7/2018	\$ 75.00
Natalie Torrez	8672	9/11/2018	\$ 75.00
Don LaPointe, Sr.	8674	9/7/2018	\$ 125.00
Diane LaPointe	8677	9/14/2018	\$ 75.00
Sherri Derby	8682	9/13/2018	\$ 75.00
Don LaPointe Sr.	8673	9/12/2018	\$ 125.00
Diane LaPointe	8675	9/7/2018	\$ 75.00
Susie Kitto	8678	9/13/2018	\$ 75.00
Natalie Torrez	8681	9/13/2018	\$ 75.00
Susie Kitto	8676	10/4/2018	\$ 75.00
Susie Kitto	8683	9/28/2018	\$ 379.28
Total			\$ 1,379.28

Good internal control requires procedures to ensure that all claims are approved by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved.

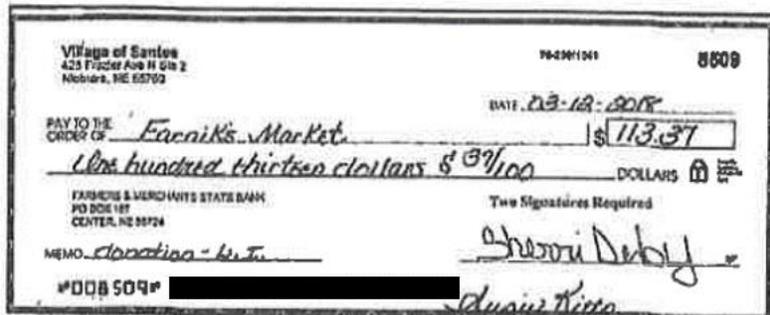
Without such procedures, there is an increased risk for the loss or misuse of Village funds.

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

Village Response: Effective immediately all claims will get approval at monthly meeting.

4. Donation

The APA noted that one check, totaling \$113.37, appears to have been for a “donation,” as shown below:



Check 8509, Amount \$113.37 On 3/13/2018

Neb. Rev. Stat. § 13-604(1) (Reissue 2012) authorizes a municipality “to spend its own revenue and other available resources” for any lawful purpose, including the following:

Ordinary and necessary maintenance and operating expenses for (a) public safety, including law enforcement, fire protection, and building code enforcement; (b) environmental protection, including sewage disposal, sanitation and pollution abatement; (c) public transportation, including transit systems for streets and roads; (d) health; (e) recreation; (f) libraries; (g) social services as defined in section 68-1202; and (h) financial administration[.]

Likewise, the Local Government Miscellaneous Expenditure Act (Act), which is set out at Neb. Rev. Stat. §§ 13-2201 to 13-2204 (Reissue 2012, Cum. Supp. 2018), specifies various expenditures, aside from those otherwise authorized by law, that constitute allowable uses of public funds by designated political subdivisions. The provisions of the Act are made applicable to villages, among numerous other entities, by both subsections (2) and (3) of § 13-2202. Nowhere in the Act is provision made for the donation of public funds.

Additionally, the APA’s examination of other statutes applicable to the Village failed to identify any specific legislative grant of authority for making the type of donation addressed herein.

Good internal control requires procedures to ensure that Village disbursements are reasonable, necessary, and allowable by law.

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

We recommend the Village implement procedures to ensure that disbursements made by the Board are reasonable, necessary, and allowable by law.

Village Response: Effective immediately village will ensure all disbursements are reasonable, necessary and allowable.

5. Other Issues

During review of the Village’s audit waiver request form, the APA noted the following issues:

- On the original submission, Exhibit A of the Village’s audit waiver request form was completed using budgeted rather than actual amounts, resulting in the Exhibit A being revised and resubmitted.
- Also on Exhibit A, rows titled “Net Cash Balance” (line 26) and “Investments” (line 27) were not completed.
- County Treasurer balances were not reported.

Good internal controls require procedures to ensure that the Village’s audit waiver request form is filled out completely and correctly in order to reflect accurately the financial position of the Village.

When not filled out completely or correctly, there is an increased risk that the audit waiver request form will not reflect accurately the financial position of the Village, which could result in the audit waiver request being denied.

We recommend the Village implement procedures to ensure any future audit waiver request forms are filled out completely and correctly.

Village Response: Board will ensure all Audit Waiver forms will be completed correctly when submitting future Audit Wavier forms.

* * * * *

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.

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. Any formal responses received have been incorporated into this letter. Such responses have been objectively evaluated and recognized, as appropriate, in the letter. Any response indicating that corrective action has been taken was not verified at this time.

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

cc: Susie Kitto, Village Clerk