



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Patrick Anderson, Chairperson  
Village of Meadow Grove  
P.O. Box 258  
Meadow Grove, NE 68752

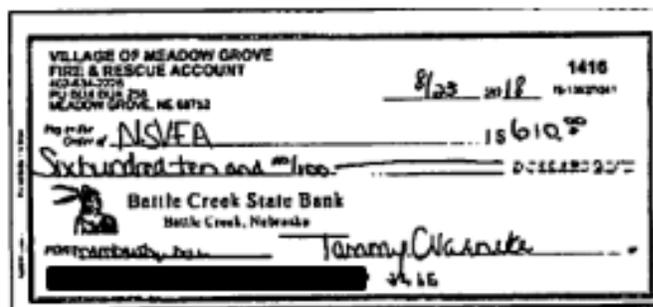
Dear Chairperson Anderson:

As you know, the Nebraska Auditor of Public Accounts (APA) has approved the fiscal year 2018 audit waiver for the Village of Meadow Grove (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 all of the Village's checks written out of the Library and Fire & Rescue bank accounts during the examination period contained only one signature. An example of such checks is shown below:



Ck#:1416, Amount:\$610.00, Date:9/5/2018

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 mandated endorsements.

Without such procedures, there is an increased risk of not only failure to comply with State statute but also loss 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 mandated by law.

*Village Response: As it pertains to the 2 specialty funds, the Library and Fire & Rescue accounts; the Village Clerk will implement procedures similar to those followed for dual signatures on all other village accounts to also obtain the Chairperson’s signature on all claims paid from these accounts.*

**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 a majority of 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:

<b>Name</b>	<b>Description</b>	<b>Amount</b>
Battle Creek State Bank	Transfers	\$ 3,950.00
Black Hills Energy	Gas	\$ 151.90
Central Sand & Gravel		\$ 410.27
City of Norfolk	Lab Fees	\$ 159.75
Complete Pest Elimination		\$ 600.00
D&M Machinery		\$ 82.62
E. Nebr. Telephone		\$ 98.58
Howard Construction		\$ 110.00
JEO Consulting		\$ 113.75
Jesse’s Sanitation		\$ 1,575.00
Jewell & Collins	Retainer	\$ 160.00
Josh’s Service		\$ 326.10
MCI	Long Distance	\$ 34.63
Menards		\$ 136.17
Northeast Nebraska Economic Development		\$ 60.00
NE Envir. Health Lab	Water Testing	\$ 463.00
NE Dept. of Rev		\$ 556.38
NPPD		\$ 418.84
One Call Concepts	Diggers Hotline	\$ 2.25
Payoll		\$ 5,957.79
Sanne Repair		\$ 547.72
T Bone North		\$ 214.80
The Tilden Citizen		\$ 78.23
USPS		\$ 29.70
US Treasury		\$ 1,230.92
Amazon		\$ 70.47
Appeara		\$ 23.56
E Nebraska Telephone		\$ 53.73
Southwestern Advantage		\$ 214.80

Name	Description	Amount
Walmart		\$ 92.69
Coast Biomedical Equipment		\$ 9,200.00
EMS Services		\$ 90.67
Rick Smutny	Reimburse for supply	\$ 430.01
<b>Total</b>		<b>\$ 27,644.33</b>

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: After further review, the purpose is presented on the report given to the board in addition to a copy of the claim for review at each meeting for approval. However, the claim purpose is not consistently being transferred to and reported in the minutes. The clerk will modify the information routinely included in the board’s record of official proceedings and the publications of such to include the purpose of each claim.*

### **3. Payment of Claims Prior to Board Approval**

During our comparison of the Village’s bank account details to claims approved by the Board, the APA noted that two Village checks, totaling \$4,101.90, were issued before the underlying claims were approved by the Board.

The table below provides a summary of those premature payments:

Name	Check #	Claim Date	Cleared Date	Amount	Days Paid Before Approval
Battle Creek State Bank	Various	9/11/2018	9/5/2018	\$ 3,950.00	6
Black Hills Energy	10997	9/11/2018	9/5/2018	\$ 151.90	6
<b>Total</b>				<b>\$ 4,101.90</b>	

Neb. Rev. Stat. § 17-614(1) (Cum. Supp. 2018) 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 members elected to 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 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: Upon review, the board has authorized automatic withdraws for monthly transfer to various funds. The clerk will discuss changing the date of these automatic withdraws from the 5<sup>th</sup> to the 15<sup>th</sup> of each month to allow for the official claim of transfer to be approved by the board at their regular monthly meetings.*

*The clerk will also review the timing of payments for routine monthly claims such as utility bills and contract payments to ensure these payments can still be made timely or request a change in due dates from the companies. The board will review the implementation of a policy to pay claims only once a month after the board’s regular meeting to ensure no claim is paid prior to board approval.*

#### **4. Payment of Unapproved Claims**

During our comparison of the Village’s bank account details to claims approved by the Board, the APA identified multiple payments, totaling \$4,744.71, which were paid but not included on the claims listing to be approved by the Board.

Details of those unapproved payments are presented in the table below:

<b>Name</b>	<b>Check #</b>	<b>Check Date</b>	<b>Amount</b>
The Literary Guild	3602	9/24/2018	\$ 30.98
Dairy Queen	EFT	9/13/2018	\$ 31.25
USA Blue Book	EFT	9/20/2018	\$ 296.47
IRS	EFT	9/14/2018	\$ 1,374.88
USPS	EFT	9/21/2018	\$ 100.00
Neb Dept Revenue	EFT	9/21/2018	\$ 624.97
Menards	EFT	9/25/2018	\$ 24.42
USPS	EFT	9/27/2018	\$ 24.70
Menards	10993	8/20/2018	\$ 20.97
Menards	11010	9/4/2018	\$ 24.92
D&M Machinery	11022	9/17/2018	\$ 116.68
Black Hills Energy	11029	9/17/2018	\$ 108.19
NE Public Health Environmental Lab	11034	9/17/2018	\$ 15.00
NPPD	11035	9/17/2018	\$ 1,774.01
T-Bone North	11036	9/17/2018	\$ 177.27
<b>Total</b>			<b>\$ 4,744.71</b>

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: The Village CPA, Clerk and the Chairperson are reviewing the details of the unapproved claims. Most on the sample list appear to be claims paid interim between meeting dates. As such, they are included on the approved claims the following month. Please see response to Item # 3 for village proposed corrective action. There may also be a deficiency in the accounting software generated report that is prepared listing all claims for payment presented for board approval. In this case, the report will be modified to ensure all claims are included in the generated report. It is also purposed that the claims and the approval listing will be easier to data match to ensure all are accounted for on the board report once the village adopts a once a month claims payment policy.*

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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 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,



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

cc: Tammy Warneke, Village Clerk