



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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January 10, 2018

Scott Nelson, Board Chair
Village of Wolbach
P.O. Box 97
Wolbach, NE 68882

Dear Mr. Nelson:

As you may know, the Nebraska Auditor of Public Accounts (APA) has received concerns relating to the financial activity of the Village of Wolbach (Village). Responding thereto, the APA began limited preliminary planning work to determine if a full financial audit or attestation of the Village would be warranted. In doing so, the APA obtained certain information regarding the Village's financial transactions or compliance matters.

Based upon the outcome of our preliminary planning work, the APA has determined that a separate financial audit or attestation conducted by the APA of the Village is unnecessary at this time. However, the Village will still need to provide the APA with an official audit or request an audit waiver for the fiscal year ended September 30, 2017.

During the course of our work, we noted 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. Board Meeting Compliance Issues

The APA compared the Village's bank account details to the claims approved by the Village Board (Board). Despite examining only four months of activity (June 2017 through September 2017), the APA identified a number of issues, including claims paid but not approved, claims approved after the payments were made, and claims paid for amounts different than those approved. These concerns are addressed in greater detail below.

- Numerous payments, totaling over \$15,500, were made but not included on the claims listing to be approved by the Board. The checks issued as payment for those claims are summarized in the following table:

Name	Check #	Cleared Bank Date	Cleared Amount
Bond Interest	EFT	06/01/2017	\$915.00
Postmaster	13714	06/02/2017	\$23.75
Postmaster	13715	06/05/2017	\$34.35
Howard Greeley RR PPD	13739	06/13/2017	\$2,834.30
Tommy-Rene Printers	13740	06/14/2017	\$119.95
Great Plains Communication	13753	06/27/2017	\$102.62
Postmaster (Note)	13754	06/29/2017	\$68.05
Postmaster	13755	07/03/2017	\$34.35
NE Workforce Dev. Tax Payment	EFT	07/19/2017	\$41.57
NE Dept. of Revenue	EFT	07/28/2017	\$385.30
Postmaster	13801	08/03/2017	\$46.35
Tricia Rother	13833	08/25/2017	\$39.28
Great Plains Communication	13834	08/24/2017	\$229.10
Postmaster	13671	09/01/2017	\$23.75
Postmaster	13862	09/22/2017	\$30.40
Premium	TXFR	09/26/2017	\$10,000.00
Miller & Associates	13865	09/27/2017	\$600.00
Total			\$15,528.12

Note: The check image on the bank statement is blank for the payee; however, the check register provided shows the payee as "Postmaster."

- Multiple Village payments, totaling \$757, were issued before the underlying claims were approved by the Board. The table below provides a summary of those premature payments:

Claim Date	Name	Check #	Cleared Bank Date	Cleared Amount
07/06/2017	NE Dept. of Revenue	EFT	06/21/2017	\$254.46
08/03/2017	NE Dept. of Revenue	EFT	07/19/2017	\$252.42
09/07/2017	NE Dept. of Revenue	EFT	08/18/2017	\$250.38
Total				\$757.26

- The APA noted instances of claim amounts not matching the amounts of the corresponding Village checks that cleared the bank. For example, on July 6, 2017, the Board approved a \$178 claim to Great Plains Communication. However, check number 13788, which was issued as payment for that claim, cleared the bank on July 21, 2017, at \$229, a variance of \$51.
- The APA also noted one check in May 2017, totaling \$359, which was signed only by the Clerk. Neb. Rev. Stat. § 17-711 (Supp. 2017) directs the Village's warrants to be authorized by two signatures, as follows:

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 requires procedures to ensure that all claims are approved by the Board prior to payment and are paid in the approved amounts. Without such procedures, there is an increased risk for the loss or misuse of Village funds. Absent adequate procedures to ensure that Village checks are properly signed by the individuals specified in statute, moreover, there is also a risk of noncompliance with the law.

We recommend the Board implement procedures to ensure all claims are approved by the Board prior to payment and are paid in the approved amounts. We recommend also the Board ensure Village checks are signed by the appropriate parties in accordance with State statute.

Village Response: Bills were paid after meeting as didn't know how much they were going to be at time of meeting. They were the bills that we receive each month and I just went ahead and paid. As of this time will put in an close estimate of what the billing might be.

2. Utility Payments

The APA examined certain Village utility customer accounts for the period January 2017 through September 2017. In doing so, the APA noted that the Village Clerk paid her utility bill late for six out of the nine months tested; however, no late fees were assessed for any of those overdue payments.

The Village's municipal code requires a late fee to be assessed if the customer's payment is not made by the 20th day of each month, and a higher late fee is to be assessed if the payment is not made by the last day of the month.

The following table details the Clerk's late utility payments:

Month	Year	Date Due	Date Deposited	Days Late	Total Due	Late Fee	Total Due	Clerk Payments	Variance
January	2017	01/20/2017	02/23/2017	34	\$57.00	\$10.00	\$67.00	\$57.00	\$(10.00)
February	2017	02/20/2017	02/23/2017	3	\$57.00	\$1.00	\$58.00	\$57.00	\$(1.00)
March	2017	03/20/2017	03/21/2017	1	\$57.00	\$1.00	\$58.00	\$57.00	\$(1.00)
April	2017	04/20/2017	03/21/2017	N/A	\$57.00	\$0.00	\$57.00	\$57.00	\$0.00
May	2017	05/20/2017	05/09/2017	N/A	\$57.00	\$0.00	\$57.00	\$57.00	\$0.00
June	2017	06/20/2017	07/24/2017	34	\$57.00	\$10.00	\$67.00	\$57.00	\$(10.00)
July	2017	07/20/2017	07/24/2017	4	\$57.00	\$1.00	\$58.00	\$57.00	\$(1.00)
August	2017	08/20/2017	08/29/2017	9	\$57.00	\$1.00	\$58.00	\$57.00	\$(1.00)
September	2017	09/20/2017	08/29/2017	N/A	\$57.00	\$0.00	\$57.00	\$57.00	\$0.00
Totals					\$513.00	\$24.00	\$537.00	\$513.00	\$(24.00)

In examining the utility accounts of various other Village residents, the APA found that late fees were also not charged for some of those overdue payments. For example, in May 2017, one resident owed \$129.27 for three months' worth of utilities. When the payment was made on May 9, 2017, no late fees were charged for the March 2017 payment, which was 50 days late, or the April 2017 payment, which was 19 days late. Late fees of \$20 should have been charged since both payments were made after the last day of the month in which the bill was due.

Section 7-105, "Billing and Collections; Delinquency," of the Village's municipal code provides, in relevant part, the following:

Joint bills for water, sewer, and garbage pickup shall be due and payable monthly at the office of the village clerk. Bills shall be due on the first day of the month and shall be deemed delinquent on the 20th day of the same month. Bills deemed delinquent shall have a late charge of \$1.00 assessed to the account. A late charge of \$10.00 shall be added to said bill in the event the payment is not made by the last day of the month.

The failure of the Clerk to assess a late fee to her own utility account, as well as to those of some other Village residents for late payments, gives rise to potential concerns regarding certain State statutes. To start, Neb. Rev. Stat. § 49-14,101.01 (Reissue 2010) states, in part, the following:

(1) A public official or public employee shall not use or authorize the use of his or her public office or any confidential information received through the holding of a public office to obtain financial gain, other than compensation provided by law, for himself or herself, a member of his or her immediate family, or a business with which the individual is associated.

(2) 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.

* * * *

(7) Except as provided in section 23-3113, any person violating this section shall be guilty of a Class III misdemeanor, except that no vote by any member of the Legislature shall subject such member to any criminal sanction under this section.

Furthermore, Neb. Rev. Stat. § 28-924 (Reissue 2016) states the following:

(1) A public servant commits official misconduct if he knowingly violates any statute or lawfully adopted rule or regulation relating to his official duties.

(2) Official misconduct is a Class II misdemeanor.

In addition to these potential statutory concerns, good internal control requires procedures to ensure that all Village employees and Board members, as well as other residents, pay their utility bills timely or are assessed the required late fee for failure to do so. Without such procedures, there is an increased risk for the loss of Village funds.

We recommend the Board implement procedures to ensure a proper monitoring of Village utility customer accounts, including those of Village employees and Board members. We also recommend the Board verify the total late fees owed by the Clerk and take action to collect that amount.

Village Response: The board discussed rather to keep the late fees or drop them in the future. They decided to keep billing late fees in the future. The clerk will write a letter if late fees are not paid with future billings. There are some people that are just having a hard time getting bills paid. I have mentioned to customers that they can pay part of it at a time if it would make it easier. The clerk doesn't bill herself and has forgotten and she does sometimes pay them 2 months in advance also. They also learned about automatic payments which some didn't realize could be done.

3. Clerk Pay

At a meeting held on January 5, 2015, the Board approved a 10% increase to the current Village Clerk's monthly salary. Each month since then, however, the Clerk has been paid almost \$8 more than the approved amount – which would result in a total overpayment of \$252.80 for the 32 months from February 2015 through September 2017, as illustrated below:

Previous Pay	Raise %	Raise	New Pay	Amount Paid	Variance	Overpayment for 32 Months
\$1,197.36	10%	\$119.74	\$1,317.10	\$1,325.00	\$(7.90)	\$252.80

The Board's meeting minutes show only that a 10% raise was approved; a specific amount for neither the previous nor the new salary was stated. Consequently, the APA obtained the previous salary amount from the Clerk.

When the APA asked for documentation, the Clerk responded with the following:

*My salary then was $\$1197.36 \times 10\% = \$119.74 = \$1317.10$
Salary now \$1325 difference of \$7.90. I honestly can't give an answer of why the difference unless I hit a wrong number at the time.*

Section 84-1413(1) (Reissue 2014) of the Open Meetings Act, which is set out at Neb. Rev. Stat. §§ 84-1407 to 84-1414 (Reissue 2014, Cum. Supp. 2016, Supp. 2017), requires public bodies to keep meeting minutes that show "the substance of all matters discussed." Failure to include in the meeting minutes the specific amount of an approved salary increase – assuming that such amount was stated on the record – conflicts with this statutory mandate. Neglecting to specify that amount during the Board meeting, on the other hand, could lead, at best, to a misunderstanding as to the actual amount to be paid and, at worst, an opportunity to take improper advantage of that omission.

Good internal control requires procedures to ensure that all payroll expenses are properly reviewed and approved by the Board, as well as supported by adequate documentation. Without such procedures, there is an increased risk for fraud or abuse.

We recommend the Board implement procedures to ensure all payroll expenses are properly reviewed and approved by the Board. We also recommend the Board ensure its meeting minutes reflect fully all approved salary adjustments, specifying the actual amounts to be paid.

Village Response: The clerk will pay the \$252.80 back on her own accord and go back to original pay. The board talked about giving her a raise. It was just an error on her part, with no explanation why. The clerk stated that she didn't need a raise, and maybe in the future.

* * * * *

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. All formal responses received have been incorporated into this letter. Responses have been objectively evaluated and recognized, as appropriate, in the letter. Responses that indicated corrective action has been taken were 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,

A handwritten signature in cursive script that reads "Mary Avery". The signature is fluid and elegant, with a large, stylized initial "M" and a long, sweeping underline.

Mary Avery
Special Audits and Finance Manager
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