



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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October 13, 2021

Karen Dockweiler, Chairperson
Village of Oconto
P.O. Box 128
Oconto, NE 68860

Dear Chairperson Dockweiler:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Village of Oconto (Village) for the fiscal year ending 2020. **That request has been approved.**

As noted in **Comment and Recommendation Number 1** ("Audit Waiver Filing") below, the Village's audit waiver request was not filed within the time constraints set by the APA to allow for an adequate review. **To be considered for an audit waiver for the fiscal year ended September 30, 2021, the Village must file its audit waiver request by December 31, 2021. If the request is not filed by then, the APA will deny any requests filed thereafter.** The Village then will be required to have an audit conducted for fiscal year 2021, and that audit will be required to be filed with the APA by March 31, 2022. Costs of such audit will be the responsibility of the Village.

While performing, pursuant to Neb. Rev. Stat. § 84-304 (Cum. Supp. 2020), the preliminary examination necessary to determine whether the audit waiver should be allowed or further audit work would be required, 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. Audit Waiver Filing

The Village's audit waiver request was filed with the APA on September 20, 2021, nearly one year after the fiscal year end and nine months after the APA's deadline of December 31, 2020. To ensure adequate time to review the village waiver requests, the APA required all villages filing an audit waiver to have those filing submitted with the APA by December 31, 2020.

Good internal control requires procedures to ensure that the forms required to be filed with the APA are submitted within the time constraints set out by State statute and by the APA. Without such procedures, there is an increased risk of not only noncompliance with State statute but also an increased chance of the Village's audit waiver being denied or forfeited funds due to noncompliance of such filings.

We recommend the Village implement procedures to ensure forms required to be filed with the APA are submitted within the time constraints set out by the APA.

2. Lack of Dual Signatures

The APA obtained the bank statements for the Village's accounts from its fiscal year 2020 audit waiver request. From these statements, the APA noted that one of the Village checks written during the examination period contained only one signature, as shown below.



State statute requires Village checks to be signed by both the Board Chairperson and the Village Clerk. Specifically, Neb. Rev. Stat. § 17-711 (Cum. Supp. 2020) 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.

A similar issue was identified by the APA in a prior review and was disclosed to the Village in the APA's letter dated September 18, 2019, which can be found on the APA's website.

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.

3. 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 January 6, 2020:

Village of Oconto
Board Minutes
January 6, 2020

The Oconto Village Board met in regular session January 6, 2020, at the Oconto Library with the following members present: Chairman Dan Eggleston, Trustees Karen Dockweiler, Tim Pflaster, Jared Eggleston and Mark Rempe. Also present were Mitch Kubert and Penny Jeffrey.

At 8:05 p.m. Chairman D. Eggleston called the meeting to order to discuss, consider and take all necessary actions regarding agenda items. Reference was made the meeting was being conducted in accordance with the Open Meetings Act.

The Minutes of the December meeting were read and approved as read. Pflaster motioned and Dockweiler seconded to pay the bills. Motion carried 5 ayes, 0 nays.

BILLS: Schaben Sanitation \$1,920.91; Custer Public Power \$753.38; Mitch Kubert \$125.40; Village of Oconto \$1,600.00; Village of Oconto \$138.00; Village of Oconto \$588.00; NE Public Health \$15.00; Great Plains Communications \$61.11; Cole Electric \$180.00; Penny Jeffrey \$35.79; Postmaster \$90.00; Brrett Eggleston \$1,254.53; Callaway True Value \$14.21; Custer Public Power \$98.89; Eggleston \$10.95; Dan Eggleston \$150.00; Karen Dockweiler \$120.00; Tim Pflaster \$100.00; Jared Eggleston \$80.00; Mark Rempe \$40.00; Central Hydraulic \$196.50; Rock's Underground \$60.00; Custer Public Power \$448.70; Eggleston Oil \$66.03; Dearborn National Life Insurance Company \$350.88; Custer Public Power \$171.18; Dustie Furr \$300.00; Sandy Eggleston \$24.96; Wages \$2,585.04

Neb. Rev. Stat. § 19-1102 (Cum. Supp. 2020) 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 city clerk or village clerk in every city or village 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 city council or village board of trustees within thirty days after any meeting of the city council or village board of trustees. The publication shall be in a legal newspaper in or of general circulation in the city or village, 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.

4. 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 the following checks, totaling \$5,054.65, were issued before the underlying claims were approved by the Board.

The table below provides a summary of the premature payments:

Name	Check #	Amount	Claim Date	Date Check Written	Days Paid Before Approval
Schaben Sanitation	4447	\$1,920.91	1/6/20	12/16/19	21
Custer Public Power	4448	\$ 753.38	1/6/20	12/11/19	26
Mitch Kubert	4450	\$ 125.40	1/6/20	12/24/19	13
Brett Eggleston	1619	\$1,254.53	1/6/20	12/9/19	28
Callaway True Value	1620	\$ 14.21	1/6/20	12/16/19	21
Custer Public Power	1621	\$ 98.89	1/6/20	12/16/19	21
Eggleston Oil	1622	\$ 10.95	1/6/20	12/16/19	21
Central Hydraulic	1422	\$ 196.50	1/6/20	12/16/19	21
Rock's Underground	1423	\$ 60.00	1/6/20	12/16/19	21
Custer Public Power	1424	\$ 448.70	1/6/20	12/16/19	21
Custer Public Power	1379	\$ 171.18	1/6/20	12/16/19	21
	Total	\$5,054.65			

Neb. Rev. Stat. § 17-614(1) (Cum. Supp. 2020) 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.

5. Negative Bank Balance

During our review of the bank statements obtained from the Village's audit waiver request, it was noted that one of the Village's bank accounts had a negative balance on one occasion during the fiscal year, with the negative balance being \$135.16 during that period.

Good internal control and sound business practices require procedures to ensure sufficient funds are available in the Village's bank accounts to pay claims.

Without such procedures, there is an increased risk for not only the loss, misuse, or theft of Village funds, but also the accumulation of overdraft fees.

We recommend the Board implement procedures to ensure sufficient funds are available in the Village's bank accounts to pay claims.

6. Incorrect Ending Balance

During our review of the bank statements obtained from the Village's audit waiver request, it was noted that the ending balances of the bank accounts did not reconcile to the ending balance submitted by the Village on Exhibit A. This was due to a \$286.72 deposit in September 2020 that was not included in the ending balance on Exhibit A for one account.

Good internal control requires procedures to ensure that accurate balances are reported on Exhibit A of the Village's audit waiver request form.

Without such procedures, there is not only an increased risk for the loss or misuse of Village funds but also a lack of transparency regarding the Village's financial position and the denial of the Village's audit waiver request due to deficiencies noted in the content of the request form submitted.

We recommend the Village implement procedures to ensure accurate balances are reported on Exhibit A of the Village's audit waiver request form.

* * * * *

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.

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 contact **Dakota Christensen** at **402-499-8702** or **dakota.christensen@nebraska.gov**.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Avery", with a long, sweeping horizontal line extending to the right.

Mark Avery, CPA
Assistant Deputy Auditor