



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov

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

February 27, 2025

Chris Juilfs, Chairperson
Village of Alvo
135 Main Street
Alvo, NE 68304

Dear Chairperson Juilfs:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Village of Alvo (Village) for the fiscal year ending 2024. **That request has been approved.**

While performing, pursuant to Neb. Rev. Stat. § 84-304 (Reissue 2024), 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. Payroll Process Issues

During our review of the Village's fiscal year 2024 audit waiver request, the APA examined the Village's payroll processes and tax withholdings – including the former Village Clerk's payroll for April 2024 – and noted the following issues:

- The Village was unable to provide an Internal Revenue Service (IRS) Form W-4 and Nebraska Department of Revenue (Department) Form W-4N for the former Village Clerk to support her Federal and State income tax withholdings. Consequently, the APA was unable to properly recalculate the former Clerk's April 2024 paycheck.
- During the fiscal year ended September 30, 2024, State income taxes were not withheld from wages paid to Village employees and remitted to the Department. Village representatives informed the APA that the Village is working to set up its accounting system to properly calculate and withhold State income taxes.
- During examination of the Village's bank account statements, the APA noted three untimely payments made to the IRS, totaling \$2,438.37, for Federal payroll taxes withheld in tax year 2023.

IRS Publication 15 (Circular E), 2024, "Employer's Tax Guide," outlines an employer's responsibility to withhold income taxes based on each employee's specific circumstances according to the employee's Form W-4.

Additionally, the “Frequently Asked Questions” section of IRS Publication 963 (Rev. 7-2020), “Federal-State Reference Guide,” states the following, in relevant part, about the employment status of government officials, especially with regard to not only Federal income taxes but also Social Security and Medicare tax withholdings:

For income tax purposes, elected (or elective) and most appointed officials are defined by IRC Section 3401(c) as employees of the public entity they serve (mayors, members of the legislature, county commissioners, city council members and board or commission members). In general, elected and appointed officials will meet the common-law tests to be considered employees. Regardless of the common-law tests, some positions may be defined as employment by state statute. Some fee-basis officials are by law treated as self-employed. An elected or appointed official who is an employee is subject to rules for mandatory Social Security and Medicare unless covered under a Section 218 Agreement or a qualified participant in a retirement system. All officials elected or appointed to their positions after March 31, 1986, are subject to Medicare withholding.

(Emphasis added.) The due date for remittance of Federal payroll taxes is discussed in IRS “Topic no. 757, Forms 941 and 944 – deposit requirements” (December 30, 2024). That publication states the following, in relevant part:

You must make deposits according to one of two deposit schedules—monthly or semiweekly. The schedule you use for the current calendar year depends on the amount of employment taxes you reported during your lookback period. If you’ve filed only Form 941, the lookback period is the 12 months (covering four quarters) starting July 1st of the second preceding year and ending on June 30th of the prior year. If you filed Form 944 in either of the two previous years or you’re filing Form 944 in the current year, the lookback period is the calendar year two years prior to the year for which you’re depositing (see Publication 15 (Circular E), Employer’s Tax Guide, Section 11, Depositing Taxes).

* * * *

If you reported taxes of \$50,000 or less during the lookback period, you’re a monthly schedule depositor, and you generally must deposit your employment taxes on payments made during a given month on or before the 15th day of the following month.

(Emphasis added.) Turning specifically to State income taxes, the “2024 Nebraska Circular EN,” published by the Department, provides the following, as is relevant:

If a Federal Form W-4 was completed on or after January 1, 2020, the employee must complete the Nebraska Form W-4N to determine the number of income tax withholding allowances because the Nebraska law allows individuals to claim personal exemption credits. If an employee completed a Federal Form W-4 on or after January 1, 2020 but did not complete a Nebraska Form W-4N, the employer must withhold as if the employee was single and claimed no withholding allowances regardless of marital status.

An employee may request that an additional Nebraska income tax withholding amount be withheld by the employer by completing a Nebraska Form W-4N.

(Emphasis added.) The due date for State payroll taxes is outlined in the “2024 Nebraska Circular EN,” published by the Department, as is relevant:

The amount of income taxes withheld determines the frequency of deposits.

Deposit for the first month of the quarter. *An employer must make a deposit if more than \$500 was withheld in this period.*

Deposit for the second month of the quarter. *An employer must make a deposit if more than \$500 was withheld in either this period or in the first month of the quarter.*

Deposits are required to be made on or before the 15th day of the month following the calendar month the income taxes were withheld.

Additionally, the “2024 Nebraska Circular EN,” published by the Department, provides the following, as is relevant:

If you have an office or conduct business in Nebraska and are considered an employer for federal purposes, you must withhold income taxes for Nebraska. This includes payments made to all employees, including nonresidents, for services performed in this state.

(Emphasis added.) Good internal controls require procedures to ensure the following: 1) required payroll forms, such as IRS Form W-4 and the Nebraska Form W-4N, are accurate and maintained for subsequent review; 2) payroll taxes and other deductions are withheld appropriately and calculated correctly; and 3) Federal taxes withheld from the wages of Village employees and officials are remitted timely, in accordance with IRS regulations and guidelines, to avoid incurring unnecessary late penalties and interest.

Without such procedures, there is an increased risk for not only noncompliance with applicable Federal and State requirements but also potential liability on the part of the Village or its employees if tax withholdings and other deductions are incorrect or not remitted timely.

We recommend the Village implement procedures to ensure the following: 1) required payroll forms, such as IRS Form W-4 and Department Form W-4N, are accurate and maintained for subsequent review; 2) payroll taxes and other deductions are withheld appropriately; and 3) Federal taxes withheld from the wages of Village employees and officials are remitted timely, in accordance with IRS regulations and guidelines, to avoid incurring unnecessary late penalties and interest.

2. Utility Billing Issues

During review of the Village’s fiscal year 2024 audit waiver request, the APA examined the Village’s utility billing processes during the period October 1, 2023, through September 30, 2024, and noted that the Village was not charging any of its customers late fees as required by Village ordinance.

Excerpts of Ordinance No. 20-02, Section 7 (effective February 20, 2024) are included below.

Section 7. There will be a \$30 penalty fee, an additional 10% penalty of the total balance for accounts with revolving debt balances on all accounts remaining unpaid fifteen (15) days following billing date. Partial payments on delinquent accounts shall not be accepted to continue water and/or sewer service. Provided, however, that if at the time this Ordinance is adopted there are outstanding balances for service prior to January 1, 2020, for water and sewer service to continue, each monthly bill must be

paid in full and must be accompanied by a payment of not less than 15% of the outstanding balance for the service prior to January 1, 2020.

Good internal controls require procedures to ensure that utility billings are accurately billed, and enforcement action is taken in accordance with approved ordinances.

Without such procedures, there is an increased risk for not only noncompliance with Village approved ordinances but also the loss or misuse of Village funds.

We recommend the Village implement procedures to ensure utility billings are accurately billed, and enforcement action is taken in accordance with approved ordinances.

3. Lack of Claim Purpose

During our comparison of the Village's bank account details to claims approved by the Board, the APA reviewed meeting minutes dated April 2, 2024, and noted that the claims listed therein lacked descriptions of their respective purposes. The following is an excerpt of the approved claims listing provided by the Village for the April 2, 2024, Board meeting:

• **Agenda item #12.** Village of Alvo Treasurer Report.
Discuss, consider, and vote to approve Village of Alvo payment of the claims, wages, and taxes.

\$560.18(OPPD), \$103.74(Great Plains Services Inc.), \$2,500.00(Maguire Iron), \$1,642.49(PeopleService), \$320.00(Neb. Public Health Lab.), \$50.44(Department of Revenue), \$883.68(Internal Revenue Services), \$1,543.65(Internal Revenue Services), \$141.24(Lee Advertising), \$117.98(Windstream), \$204.00(USPS), \$150.00(Payroll-Board of Trustees) , \$1198.33(Payroll-Clerk/Treasurer)

Cathina Schueth: Motioned
Larry Langer: Seconded

Vote: Yes- 4, No- 0, Absent-Roger Paul
Motion Carries

Neb. Rev. Stat. § 84-1413(1) (Reissue 2024) of the Open Meetings Act (Act), which is set out at Neb. Rev. Stat. §§ 84-1407 to 84-1414 (Reissue 2024), requires political subdivisions and other public entities to “keep minutes of all meetings showing the time, place, members present and absent, and the substance of all matters discussed.” (Emphasis added.)

Additionally, Neb. Rev. Stat. § 19-1102 (Reissue 2022) 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 meeting minutes describe the purpose of each claim allowed.

Without such procedures, there is an increased risk of not only failure to comply with statutory requirements pertaining to the keeping of proper meeting minutes and the publication of the municipality's “official proceedings” 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 both the Board's meeting minutes, and the “official proceedings” required to be published afterwards.

4. Payment of Unapproved Claims

During our comparison of the Village's bank account details to claims approved by the Board, the APA identified five payments, totaling \$643.73, which were paid but not included on the claims listing to be approved by the Board.

Details of the unapproved payments are included in the table below:

| Date | Type | Name/Vendor | Amount |
|-----------|------------------|-----------------------|-----------|
| 4/15/2024 | Debit Card | Column Public Notice | \$ 163.82 |
| 4/23/2024 | Debit Card | GoDaddy.com | 59.88 |
| 4/23/2024 | Electronic Debit | Nebraska Workforce | 11.31 |
| 4/24/2024 | Electronic Debit | Department of Revenue | 392.92 |
| 4/30/2024 | Debit Card | Column Public Notice | 15.80 |
| Total | | | \$ 643.73 |

Neb. Rev. Stat. § 17-614(1)(a) (Cum. Supp. 2024) 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 authorized 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.

A similar issue was identified by the APA in a prior review and was disclosed to the Village in the APA's letter dated February 26, 2024, which can be found on the APA's website. However, this issue does not appear to have been corrected after the APA's notification.

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

5. 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 one debit card purchase, totaling \$204, was issued before the underlying claim was approved by the Board. The table below provides a summary of the premature payment:

| Claim Date | Name/Vendor | Cleared Date | Amount |
|------------|-------------|--------------|-----------|
| 4/2/2024 | USPS | 3/27/2024 | \$ 204.00 |

Neb. Rev. Stat. § 17-614(1)(a) (Cum. Supp. 2024) 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 authorized 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.

A similar issue was identified by the APA in a prior review and was disclosed to the Village in the APA's letter dated February 26, 2024, which can be found on the APA's website. However, this issue does not appear to have been corrected after the APA's notification.

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

6. Payment of Sales Tax

During our examination of supporting documentation for the debit card purchases tested, the APA noted that the Village paid a total of \$17.25 in Nebraska sales tax.

Per Neb. Rev. Stat. § 77-2704.15(1)(a) (Cum. Supp. 2024), purchases made by the State or its political subdivisions are exempt from sales tax, as follows:

Sales and use taxes shall not be imposed on the gross receipts from the sale, lease, or rental of and the storage, use, or other consumption in this state of purchases by the state, including public educational institutions recognized or established under the provisions of Chapter 85, or by any county, township, city, village

Good internal control requires procedures to ensure that sales taxes are not paid on municipal purchases. Without such procedures, there is an increased risk for not only loss or misuse of Village funds but also noncompliance with State statute.

We recommend the Board implement procedures to ensure that the Village does not pay Nebraska sales tax.

7. Negative Bank Balance

During a review of the bank statements obtained from the Village's audit waiver request, the APA noted that the Village's Road Fund account had a negative bank balance for the following days listed in the table below:

| Date | Overdraft Charges | Largest Negative Balance |
|-----------------------|-------------------|--------------------------|
| 5/20/2024 – 6/10/2024 | \$ 62.00 | \$ 969.85 |

Good internal controls and sound business practices require procedures to ensure that the Village's bank account contains sufficient funds to pay claims. Without such procedures, there is an increased risk for not only loss, misuse, or theft of Village funds but also accumulation of overdraft fees.

We recommend the Village implement procedures to ensure the Village's bank account contains sufficient funds to pay claims.

8. Job and Wage Publication

The APA noted that the Village failed to publish its annual job and wage publication between July 15, 2024, and August 15, 2024, as required by State statute. However, the publication was done on January 24, 2025.

Neb. Rev. Stat. § 19-1102 (Reissue 2022) states, in relevant part, the following:

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.

Good internal control requires procedures to ensure that the Village's annual job and wage publication is published between July 15 and August 15 annually, as required by law. Without such procedures, there is an increased risk of not only statutory noncompliance but also lack of transparency and loss or misuse of funds.

We recommend the Board implement procedures to ensure the Village's annual job and wage publication is published between July 15 and August 15 annually, as required by law.

* * * * *

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