



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

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Kimberle Primavera, Chairperson
Village of Hayes Center
P.O. Box 403
Hayes Center, NE 69032

Dear Chairperson Primavera:

As you know, the Nebraska Auditor of Public Accounts (APA) has approved the fiscal year 2018 audit waiver for the Village of Hayes Center (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. Payment of Claims Prior to Board Approval

During our comparison of the Village's bank account details to claims approved by the Village Board (Board), the APA noted that multiple Village checks, totaling \$3,721.14, were issued before the underlying claims were approved by the Board. The table below provides a summary of those premature payments:

Name	Claim Date	Check #	Cleared Date	Amount	Days Paid Before Approval
Chuck Pierce	9/4/2018	10317	8/15/2018	\$ 1,144.67	20
Chuck Pierce	9/4/2018	10319	8/29/2018	\$ 1,197.94	6
Jan Singleton	9/4/2018	10318	8/16/2018	\$ 542.94	19
Jan Singleton	9/4/2018	10320	8/30/2018	\$ 575.08	5
Deb Lawson	9/4/2018	1866	8/16/2018	\$ 150.30	19
Deb Lawson	9/4/2018	1867	8/30/2018	\$ 110.21	5
Total				\$ 3,721.14	

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: Employee payroll checks are issued every-other Wednesday so cannot always be pre-approved on the monthly claims. Two signatures are required on all checks so board chair or vice chair are aware of all payroll checks issued and this reduces the risk of any misuse of Village funds.

2. Negative Fund Balance

On Exhibit A of the Village's audit waiver request form, the APA noted that the Water Fund had a deficit fund balance of \$2,473 as of September 30, 2018.

Good internal control and sound accounting practices require procedures to ensure that Village fund balances are sufficient to cover fully all disbursements and transfers approved by the Board. Those same procedures should ensure also that the Board is apprised regularly of each Village fund balance and, therefore, placed in a position to take any action needed to resolve deficits therein.

Without such procedures, there is an increased risk of not only insufficient Village fund balances but also the resultant inability to cover fully all disbursements and transfers approved by the Board.

We recommend the Village Board implement procedures to ensure the Board is apprised regularly of each Village fund balance and, therefore, placed in a position to take any action needed to resolve deficits therein.

Village Response: The negative balance in the Water Fund was an unusual situation and balances in the other utilities funds were adequate to compensate for this.

The Board is provided with complete financials each month so they are apprised of these types of situations. All disbursements and transfers were fully covered.

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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,

A handwritten signature in black ink that reads "Mary Avery". The signature is written in a cursive style with a large, looping initial "M" and a long, sweeping tail on the "y".

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

cc: Jan Singleton, Village Clerk