



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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July 29, 2019

Terry Brown, Chairperson
Village of Raymond
P.O. Box 248
Raymond, NE 68428

Dear Chairperson Brown:

As you know, the Nebraska Auditor of Public Accounts (APA) has approved the fiscal year 2018 audit waiver for the Village of Raymond (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 checks written during the examination period contained only one signature. An example of such checks is shown below:

VILLAGE OF RAYMOND
P.O. BOX 248
RAYMOND, NE 68428

10787

DATE 8/8/18 78-7821019

PAY TO THE ORDER OF ALABAMA USN \$ 341.19

Three hundred forty one + 19/100 DOLLARS

CORNHUSKER BANK
L-000-ALP-PAN-001

FOR [REDACTED] Harry K. Brown, CLERK

#10787

08/14/18

\$341.19

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 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.

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.

Village Response: The Village will require two signatures on checks beginning immediately. The bank will be contacted with the new requirement and a new check order will be placed with lines for both signatures.

2. 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 \$46.18, 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
Terry Brown	10780	9/4/2018	8/20/2018	\$ 23.09	15
Zach Brown	10750	9/4/2018	8/16/2018	\$ 23.09	19
Total				\$ 46.18	

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: The Village will implement procedures for pre-approval of all claims prior to payment.

3. Payment of Unapproved Claims

During our comparison of the Village’s bank account details to claims approved by the Board, the APA identified two checks, totaling \$277.51, which were paid but not included on the claims listing to be approved by the Board.

As summarized in the table below, those unapproved disbursements were for payments to Board members:

Name	Check #	Cleared Date	Amount
Terry Brown	10800	9/5/2018	\$ 147.57
Rick Robinson	10802	9/6/2018	\$ 129.94
Total			\$ 277.51

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 will implement procedures for pre-approval of all claims prior to payment.

4. Negative Fund Balance

On Exhibit A of the Village’s audit waiver request, the APA noted that the Wastewater Fund had a deficit fund balance of \$9,705.64 as of September 30, 2018.

Good internal control and sound accounting practices require procedures to ensure that Village fund amounts are sufficient to cover fully all disbursements and transfers approved by the Board. Those same procedures should ensure also that the Board is aware of each Village fund status in order to resolve any deficit fund balances that might arise.

Without such procedures, there is an increased risk of Village fund balances proving insufficient to cover fully all disbursements and transfers approved by the Board.

We recommend the Village Board implement procedures to ensure Village fund amounts are sufficient to cover fully all disbursements and transfers approved by the Board. Those same procedures should ensure also that the Board is aware of each Village fund status in order to resolve any deficit fund balances that might arise.

Village Response: The negative fund balance of the Wastewater Fund is due to preliminary expenses of a major improvement project that will be funded by increased rates, grant funding and loans. All expenses up to this point will be included in the overall funding of the project which will reimburse the funding which necessitated the negative fund balance.

The Board will review internal control procedures and implement or update policies as needed to avoid loss and/or misuse of Village funds.

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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 cursive script that reads "Mary Avery".

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

cc: Nancy Niemann, Village Clerk