



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Steve Hankla, Chairperson  
Village of Clearwater  
P.O. Box 116  
Clearwater, NE 68726

Dear Chairperson Hankla:

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

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. 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 four separate occasions during the fiscal year, with the largest negative balance being \$308,836.40 during that period. The following table summarizes the negative balances noted.

Date	Amount
5/4/2020	\$ (635.23)
10/24/2019	\$ (308,836.40)
2/4/2020	\$ (21,392.73)
7/23/2020	\$ (23,993.71)
<b>Total</b>	<b>\$ (354,858.07)</b>

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.

**2. Payment of Unapproved Claims**

During our comparison of the Village’s bank account details to claims approved by the Board, the APA identified the following checks, totaling \$449,949.12, 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:

Check Date	Name/Vendor	Amount	Check #	Cleared Date
10/23/2019	McNally Law Trust Account	\$ 448,870.86	1026	10/24/2019
10/23/2019	McNally Law Trust Account	\$ 1,000.00	1027	10/24/2019
10/14/2019	Island Supply	\$ 78.26	1092	10/24/2019
<b>Total</b>		<b>\$ 449,949.12</b>		

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.

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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.

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,



Mark Avery, CPA  
Assistant Deputy Auditor