



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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March 19, 2021

Kalla Sawyer, Chairperson
Village of Mason City
PO Box 46
Mason City, NE 68855

Dear Chairperson Sawyer:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Village of Mason City (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. Utility Revenues, Petty Cash Payments, and Reimbursement Concerns

The APA was made aware of possible fraud concerns related to the former Village Clerk, and as a result, the Village entered into an agreement with a private CPA firm to have agreed-upon procedures completed to review areas of concern covering the period October 1, 2017, through January 31, 2019. As part of the APA's review of the fiscal year 2020 audit waiver request for the Village, the APA requested a copy of the results of these agreed-upon procedures. On March 14, 2021, the APA received a copy of this report (dated March 10, 2021).

Per the current Village Clerk, the report is being provided the Nebraska State Patrol for further investigation. Based on the concerns by the Village and the conclusions noted in the agreed-upon procedures report (described below), the APA has determined that it is unnecessary for this office to perform a separate financial audit or attestation of the Village at this time and the fiscal year 2020 audit waiver request has been approved.

Utility Revenues

The following is brief summary of the utility issues identified in the agreed-upon procedures report.

- Utility payments that could not be traced to a deposit slip totaled \$3,485.38.
- Beginning on July 25, 2018, there were no longer any cash deposits listed on the deposit slips even though the utility billing register noted several customers were paying by cash.
- No payments from the former Clerk were made from October 12, 2018, to January 2019 for an accrued balance of \$261.04.
- Six utility payments made in cash could not be traced to a deposit slip and the bank statement.

- Two payments, totaling \$200, for the former Clerk's utilities could not be traced to the deposit slip and the bank statement. These payments were noted as cash payments per the utility billing register.

Petty Cash Payments

The following is a brief summary of the petty cash payment issues identified in the agreed-upon procedures report.

- Eight petty cash checks had no receipts for review, totaling \$2,300.
- Eleven petty cash checks were missing one or more receipts for review.
- Nineteen petty cash checks did not have a dual signature, totaling \$4,574. See **Comment and Recommendation #2** (“Lack of Dual Signatures”) regarding dual signatures.
- No petty cash expenditure was presented to the Board as a claim for approval. See **Comment and Recommendation #3** (“Payment of Unapproved Claims”) regarding claim approval.

Reimbursement Checks

The following is a brief summary of the reimbursement checks identified in the agreed-upon procedures report.

- Nine reimbursement checks for mileage had no miles presented or other documentation to verify the correct mileage reimbursement amount, totaling \$1,614.14.
- Six reimbursement checks for trainings, meetings, or meals had no support, totaling \$1,447.87.

Good internal controls and sound business practices require procedures to ensure the following: 1) all utility revenues are recorded in the Village records, deposited into the Village bank accounts, and utility records tie to the bank statement; 2) all customers, including Village employees, are billed for utilities; and 3) all claims against the Village are adequately documented and such documentation is retained.

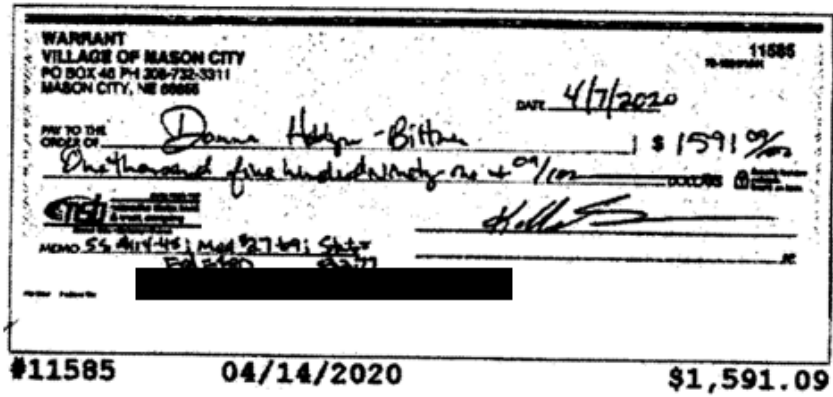
Without such procedures there is an increased risk of theft, loss, or misuse of Village funds.

We recommend the Village implement procedures to ensure the following: 1) all utility revenues are recorded in the Village records, deposited into the Village bank accounts, and utility records tie to the bank statement; 2) all customers, including Village employees, are billed for utilities; and 3) all claims against the Village are adequately documented and such documentation is retained.

We also recommend the Village work with the Nebraska State Patrol to ensure resolution of any investigation related to these issues.

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 Village check 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.

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. 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 \$115.13, 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:

Ck Date	Name/Vendor	Amount	Ck #	Cleared Date
2/4/2020	Custer Co. Chief	\$ 90.17	11547	2/11/2020
2/4/2020	Lamp Barn RC3D Council	\$ 25.00	11548	2/11/2020
2/4/2020	Ansley Lumber Yard	\$ 39.96	11549	2/11/2020
	Total	\$ 155.13		

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,

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

Mark Avery, CPA
Assistant Deputy Auditor