



# 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  
auditors.nebraska.gov

February 25, 2021

Nels Christensen, Chairperson  
Village of Herman  
P.O. Box 196  
Herman, NE 68029-0196

Dear Chairperson Christensen:

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

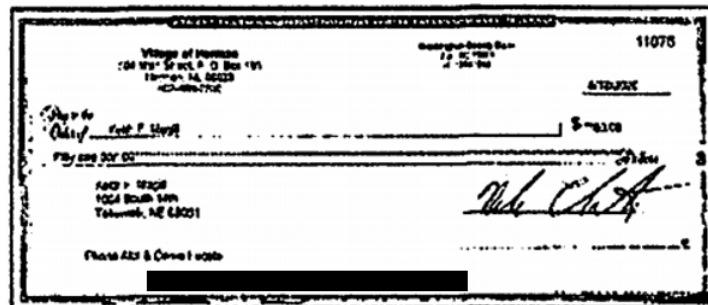
While performing, pursuant to Neb. Rev. Stat. § 84-304 (Cum. Supp. 2020), the preliminary examination necessary to determine whether the audit waiver should be allowed or further audit work would be required, the APA noted certain internal control or compliance matters, or other operational issues, within the Village.

The following information is intended to improve internal controls or result in other operational efficiencies.

## Comments and Recommendations

### 1. 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 two Village checks written during the examination period contained only one signature. An example of such checks is shown below.



Check 11076, Amount \$50.00 On 9/4/2020

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.

A similar issue was identified by the APA in a prior review and was disclosed to the Village in the APA’s letter dated July 29, 2019, which can be found on the APA’s website.

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.

**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 the following checks, totaling \$2,612.96, were issued before the underlying claims were approved by the Board.

The table below provides a summary of the premature payments:

| Approval Date | Name/Vendor   | Amount             | Check Written Date | Days Paid Before Approval |
|---------------|---------------|--------------------|--------------------|---------------------------|
| 1/7/2020      | Wash Co. Bank | \$ 2,376.66        | 1/2/2020           | 5                         |
| 1/7/2020      | Sapp Bros     | \$ 236.30          | 12/22/2019         | 16                        |
| <b>Total</b>  |               | <b>\$ 2,612.96</b> |                    |                           |

Neb. Rev. Stat. § 17-614(1) (Cum. Supp. 2020) 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.

A similar issue was identified by the APA in a prior review and was disclosed to the Village in the APA’s letter dated July 29, 2019, which can be found on the APA’s website.

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.

**3. Lack of Supporting Documentation**

The APA obtained the monthly statements for the Village’s bank accounts from its fiscal year 2020 audit waiver request. From those statements, the APA noted three payments from the Village’s bank account for petty cash to pay for various bills. For the June 2020 payment of \$150, the APA requested documentation; however, the Village failed to provide adequate supporting documentation for \$57.90 of this payment.

Sound accounting practices and good internal controls require procedures to ensure adequate supporting documentation is on file for all Village expenditures and petty cash is properly tracked and accounted for. Without such procedures, there is an increased risk for the loss, theft, or misuse of Village funds.

We recommend the Village implement procedures to ensure adequate supporting documentation is on file for all Village expenditures and petty cash is properly tracked and accounted for.

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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