



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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March 22, 2022

Village of Alvo
PO Box 408
Eagle, NE 68347

Dear Chairperson:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Village of Alvo (Village) for the fiscal year ending 2021. **That request has been approved.**

While performing, pursuant to Neb. Rev. Stat. § 84-304 (Supp. 2021), 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 2021 audit waiver request. From these statements, the APA noted that one of the Village checks written during the examination period contained only one signature, as shown below.

Village of Alvo
PO Box 408
Eagle, NE 68347
402-781-8231

AMERICAN EXCHANGE BANK
Omaha, NE
Plattsmouth, NE 68048
78-3997241

11491

5/4/2021

PAY TO THE ORDER OF Johnson Law Office \$ **2,078.15

Two Thousand Seventy-Eight and 15/100

Roger Johnson
508 Main St
Plattsmouth, NE 68048

MEMO

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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.

2. Expenditure in Excess of Budget

For the fiscal year ended September 30, 2021, actual expenditures exceeded the adopted budget by \$28,170. Per the village, this was due to unexpected expenses. No amended budget was filed with our office for these additional expenditures.

Neb. Rev. Stat. § 13-510 (Reissue 2012) states, in relevant part, the following:

No expenditure during any fiscal year or biennial period shall be made in excess of the amounts indicated in the adopted budget statement, except as authorized in section 13-511, or by state law. Any officer or officers of any governing body who obligates funds contrary to the provisions of this section shall be guilty of a Class V misdemeanor.

Neb. Rev. Stat. § 13-511 (Cum. Supp. 2020) sets out the procedures for amending the adopted budget accordingly.

When expenditures are made in excess of the amounts budgeted with no appropriate budget amendment by the Board to address those excesses, the Village is noncompliant with State statute, further increasing the risk for loss and/or misuse of funds.

We recommend the Board implement procedures for monitoring closely its budget status on an ongoing basis to avoid incurring expenditures in excess of the amount budgeted, amending the budget as necessary to accommodate any unforeseen expenses.

3. Negative Bank Balance

During a review of the bank statements obtained from the Village’s audit waiver request, it was noted that the Village’s checking account had a negative balance for four days during fiscal year 2021. The table below summarizes the negative account balances for those four days. Additionally, the Village paid \$31 in overdraft charges.

Date	Amount
11/20/2020	\$ (8,958.60)
11/21/2020	\$ (8,958.60)
11/22/2020	\$ (8,958.60)
2/17/2021	\$ (5,605.19)

Good internal controls 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 Village implement procedures to ensure sufficient funds are available in the Village's bank accounts to pay claims.

4. Village Funds

On Exhibit A of the Village's audit waiver request form, the APA noted that the Village reported nearly all the Village activity under the General Fund column. However, as certain receipts, such as highway allocation monies, are restricted for street or road purposes, the Village must report those monies under a separate restricted fund, such as the Street Fund, unless these monies are reimbursing certain street or road expenditures out of the General Fund.

During the fiscal year 2021, the Village recorded \$22,401 for highway allocation and motor vehicle fee monies; however, the Village did not report any street expenses on the Village's Exhibit A. After further discussion with the Village, they were able to support \$16,453 in expenditures during fiscal year 2021 that were for street or road purposes. This would lead to revenues during fiscal year 2021 of \$5,948 that should have been reported as a restricted balance in the Street Fund.

Good internal control requires procedures to ensure that all Village funds, along with their respective activities, are reported correctly on the Village's audit waiver request form. Without such procedures, there is an increased risk of not only loss, misuse, or theft of Village monies but also a lack of transparency regarding the financial activity and position of the Village.

We recommend the Board implement procedures to ensure all Village funds, along with their respective activities, are reported correctly on the Village's audit waiver request form.

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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