



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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February 11, 2025

Jerad Little, Chairperson
Village of Malcolm
PO Box 228
Malcolm, NE 68402

Dear Chairperson Little:

The Nebraska Auditor of Public Accounts (APA) has reviewed the audit waiver request received from the Village of Malcolm (Village) for the fiscal year ending 2024. **That request has been approved.**

However, the Village's amount of disbursements for the fiscal year ending September 30, 2024, exceeded our normal threshold (\$500,000) for granting a waiver of the audit requirement. Disbursements for the fiscal year ended 2024, totaled \$996,214, which exceeds the normal audit waiver threshold. Due to the Village's submission of supporting documentation for one-time, low risk expenditures, that accounted for a significant percentage of the current year's expenditures, and the completion of the agreed-upon procedures engagement conducted by HBE, LLP, for the year ended September 30, 2024, we were able to consider for this year, the Village's activity to be low enough to grant the audit waiver request.

However, if the September 30, 2025, fiscal year end disbursements are similar to or greater than the fiscal year 2024's expenditures, or near the budgeted disbursements for fiscal year 2025, an audit of fiscal year end September 30, 2025, may be required. This information is only for your consideration of planning for fiscal year 2025 and forward.

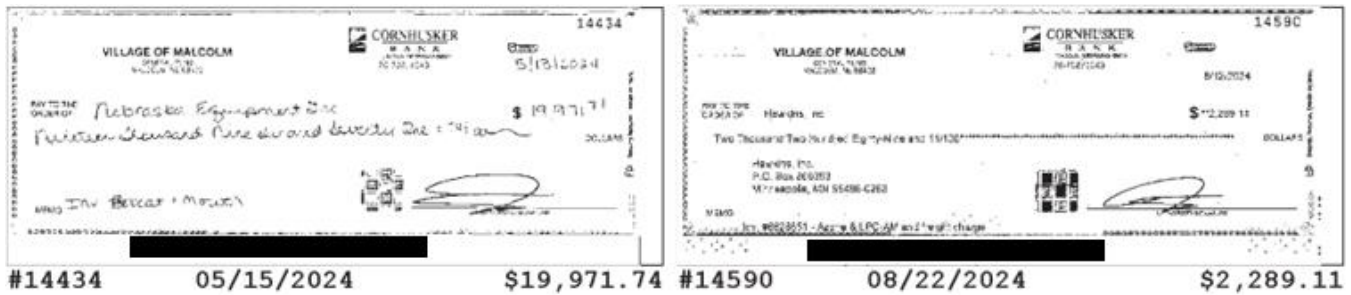
While performing, pursuant to Neb. Rev. Stat. § 84-304 (Reissue 2024), the preliminary examination necessary to determine whether the audit waiver should be allowed or further audit work would be required, the APA noted certain internal control or compliance matters, or other operational issues, within 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 2024 audit waiver request. From these statements, the APA noted that 13 of the Village checks written during the examination period, totaling \$30,240, contained only one signature. Examples of such checks are shown below.



State statute requires Village checks to be signed by both the Chairperson of the Board of Trustees (Board) and the Village Clerk. Specifically, Neb. Rev. Stat. § 17-711 (Reissue 2022) 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.

(Emphasis added.) 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 for not only failure to comply with State statute but also 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. 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 the April 2024 claims, totaling \$23,717, were paid before Board approval. Per the Village Clerk, the Village’s practice is that the Board Chairperson reviews and approves the claims the Monday before the claims are sent out to the rest of the Board. The rest of the Board then reviews all claims for the prior month at the next meeting.

Neb. Rev. Stat. § 17-614(1)(a) (Cum. Supp. 2024) 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 authorized 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 authorized by the Board prior to payment and are adequately documented in the meeting minutes of the month in which they are approved.

3. Job and Wage Publication

The APA noted that the Village failed to publish its annual job and wage publication between July 15, 2024, and August 15, 2024, as required by State statute. No publication was made by the Village in a legal newspaper; however, it was only posted at the Village Hall, United States Post Office, and local fire station.

Neb. Rev. Stat. § 19-1102 (Reissue 2022) states, in relevant part, the following:

Between July 15 and August 15 of each year, the employee job titles and the current annual, monthly, or hourly salaries corresponding to such job titles shall be published. Each job title published shall be descriptive and indicative of the duties and functions of the position.

Neb. Rev. Stat. § 19-1103 (Reissue 2022) states the following:

Publication under sections 19-1101 and 19-1102 shall be made in one legal newspaper in or of general circulation in such city or village. If no legal newspaper in or of general circulation is published in the city or village, then such publication shall be made in one legal newspaper published in or of general circulation within the county in which such city or village is located. The cost of publication shall be paid out of the general funds of such city or village.

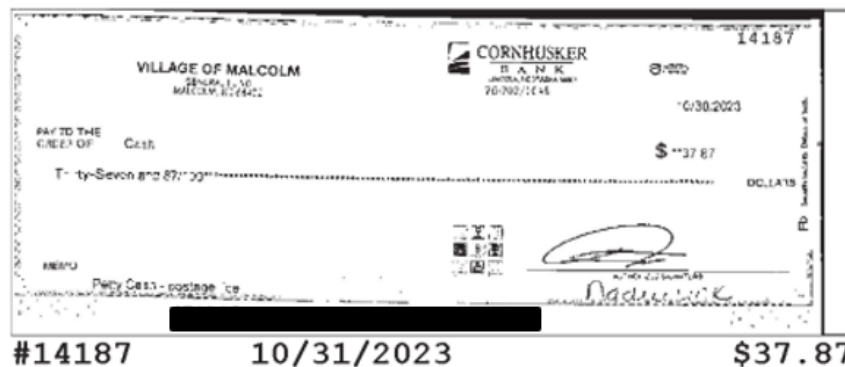
Good internal control requires procedures to ensure that the Village’s annual job and wage publication is published between July 15 and August 15 annually, as required by law.

Without such procedures, there is an increased risk of not only statutory noncompliance but also lack of transparency and loss or misuse of funds.

We recommend the Board implement procedures to ensure the Village’s annual job and wage publication is published between July 15 and August 15 annually, as required by law.

4. Lack of Supporting Documentation

Our review of the Village’s bank statements obtained from the Village’s audit waiver request revealed a check written out to “Cash” for \$37.87 for petty cash expenses, as shown below. The APA requested supporting documentation for these expenses; however, the Village did not provide documentation to support \$9.31 to ensure the funds disbursed pursuant thereto were indeed allowable and reasonable.



Sound business practices and good internal controls require procedures to ensure all disbursements have adequate supporting documentation on file. When such procedures do not exist, there is an increased risk of loss, misuse, or theft of Village funds.

We recommend the Village implement procedures to ensure all disbursements have adequate supporting documentation on file.

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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