



# 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  
www.auditors.nebraska.gov

September 10, 2019

Patrick Cunningham, Chairperson  
Village of South Bend  
202 Spruce Street, P.O. Box 68  
South Bend, NE 68058

Dear Chairperson Cunningham:

As you know, the Nebraska Auditor of Public Accounts (APA) has approved the fiscal year 2018 audit waiver for the Village of South Bend (Village). However, as the fiscal year 2018 audit waiver request was significantly late, and a 2018-2019 budget was not filed with our office, the Village is required to have an audit conducted by a CPA for the fiscal year ended September 30, 2019.

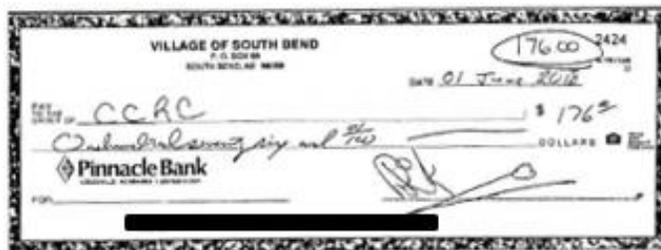
Additionally, while performing our review to determine whether to approve the audit waiver, the APA noted certain internal control or compliance matters, or other operational issues, within the Village.

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

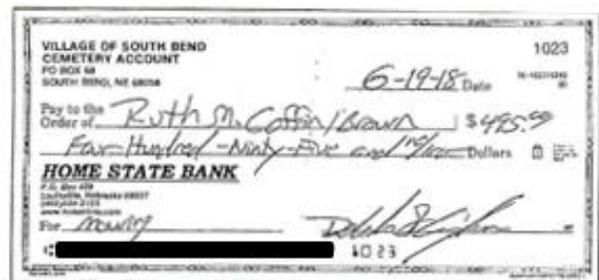
## Comments and Recommendations

### 1. Dual Signatures Required on Checks

The APA obtained the bank statements for the Village's accounts from its fiscal year 2018 audit waiver request. From these statements, the APA noted that two Village checks, totaling \$671, written during the examination period contained only one signature. Images of those two checks are shown below:



6/7/2018 2424 \$176.00



6/20/2018 1023 \$495.00

State statute requires Village checks to be signed by both the Village Board (Board) Chairperson and the Village Clerk. Specifically, Neb. Rev. Stat. § 17-711 (Cum. Supp. 2018) states 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. Other Issues

We also noted the following issues during our review of the Village's audit waiver request form:

- The Village's audit waiver request was filed with the APA on June 27, 2019, almost nine months after the fiscal year end and nearly three months after an audit or approved audit waiver must be filed with the APA, as required by State statute.
- Village property tax receipts held by the County Treasurer were not reported, along with other property taxes received by the Village, on Exhibit A of the form.

Neb. Rev. Stat. § 19-2903 (Reissue 2012) states, in relevant part, the following:

*The municipal authorities of each municipality shall cause an audit of the municipality's accounts to be made by a recognized independent and qualified accountant as expeditiously as possible following the close of the fiscal year for such municipality and to cover all financial transactions and affairs of the municipality for such preceding fiscal year . . . . Such audit shall be completed and the annual audit report made by such accountant shall be submitted within six months after the close of the fiscal year in any event . . . . A village may request a waiver of the audit requirement subject to the requirements of subdivision (4) of section 84-304.*

Furthermore, Neb. Rev. Stat. § 19-2905 (Reissue 2012) provides, in relevant part, the following:

*At least three copies of the annual audit report shall be properly signed and attested by the accountant; two copies shall be filed with the clerk of the municipality involved and one copy shall be filed with the Auditor of Public Accounts.*

(Emphasis added.) Good internal control requires procedures to ensure the following: 1) forms required to be filed with the APA are submitted within the time constraints set out by State statute; and 2) accurate balances, including County Treasurer balances, are reported on Exhibit A of the Village's audit waiver request form, and the form is completed in its entirety.

Without such procedures, there is an increased risk of not only noncompliance with State statute but also a lack of transparency with regard to the Village's financial activity. Furthermore, such deficiencies may result in the Village's audit waiver being denied.

We recommend the Village implement procedures to ensure the following: 1) forms required to be filed with the APA are submitted within the time constraints set out by State statute; and 2) accurate balances, including County Treasurer balances, are reported on the Village's audit waiver request form, and the form is completed in its entirety.

*Overall Village Response: We see and understand our mistakes and will try in the future to correct the mistakes.*

\* \* \* \* \*

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.

Draft copies of this letter were furnished to the Village to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. Any formal responses received have been incorporated into this letter. Such responses have been objectively evaluated and recognized, as appropriate, in the letter. Any response indicating that corrective action has been taken was not verified at this time.

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 regarding the above information, please contact our office.

Sincerely,

A handwritten signature in cursive script that reads "Mary Avery".

Mary Avery  
Special Audits and Finance Manager  
Phone (402) 471-3686  
mary.avery@nebraska.gov

cc: Deborah Cunningham, Village Clerk/Treasurer