



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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September 10, 2019

Terry Keys, Chairperson
Village of Hyannis
P.O. Box 78
Hyannis, NE 69350

Dear Chairperson Keys:

As you know, the Nebraska Auditor of Public Accounts (APA) has approved the fiscal year 2018 audit waiver for the Village of Hyannis (Village). However, 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 five Village checks written during the examination period that contained only one signature. An example of such checks is shown on the left below. The APA also noted one check with no signature, as shown on the right below:

10676 \$69.27 01/09/2018

VILLAGE OF HYANNIS
P.O. Box 78
Hyannis, NE 69350

SANDHILLS STATE BANK
76 822/7041

12/1/2017

PAY TO THE ORDER OF Christopher Macy \$ 69.27 DOLLARS

MEMO -Pay Period: 11/01/2017 - 11/30/2017

10906 \$1,289.80 09/05/2018

VILLAGE OF HYANNIS
P.O. Box 78
Hyannis, NE 69350

SANDHILLS STATE BANK
76 822/7041

8/30/2018

PAY TO THE ORDER OF IRS UNITED STATES TREASURY \$ 1,289.80 DOLLARS

MEMO 47-0502578

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) 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. Payment of Unapproved Claims

During our comparison of the Village’s bank account details to claims approved by the Board, the APA identified numerous checks, totaling \$8,827.73, which were paid but not included on the claims listing to be approved by the Board.

These unapproved disbursements are summarized in the table below:

Name	Amount	Check #	Cleared Date
IRS	\$ 1,141.18	EFT	3/6/2018
Nebraska Dept of Revenue	\$ 408.77	EFT	3/7/2018
Broken Bow Flora	\$ 85.60	Credit card	3/19/2018
El Tapatio Grand Island	\$ 18.10	Credit card	3/29/2018
Kurt A Johnson	\$ 2,689.02	10750	3/2/2018
Lee Ferguson	\$ 69.27	10751	3/6/2018
Cliff L Dailey	\$ 69.26	10752	3/6/2018
Tayla M Thurston	\$ 69.27	10747	3/13/2018
Cheryl L Anderson	\$ 1,692.55	10753	3/1/2018
Christopher R Macy	\$ 69.27	10748	3/7/2018
Terry D Keys	\$ 115.44	10749	3/6/2018
Cheryl Anderson	\$ 1,200.00	10761	3/6/2018
Kurt Johnson	\$ 1,200.00	10762	3/6/2018
Total	\$ 8,827.73		

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.

3. Negative Fund Balance

On Exhibit A of the Village’s audit waiver request, the APA noted that the General and Water Bond funds had deficit fund balances of \$2,167.11 and \$18,999.78, respectively, as of September 30, 2018.

Good internal control and sound accounting practices require procedures to ensure that Village fund amounts are sufficient to cover fully all disbursements and transfers approved by the Board. Those same procedures should ensure also that the Board is aware of each Village fund status in order to resolve any deficit fund balances that might arise.

Without such procedures, there is an increased risk of Village fund balances proving insufficient to cover fully all disbursements and transfers approved by the Board.

We recommend the Village Board implement procedures to ensure Village fund amounts are sufficient to cover fully all disbursements and transfers approved by the Board. Those same procedures should ensure also that the Board is aware of each Village fund status in order to resolve any deficit fund balances that might arise.

4. Other Issues

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

- On Exhibit A, fund transfers in and out do not agree. On page 1 of Exhibit A, the Water Bond Fund shows a \$2,500 fund transfer in; however, on page 2 of Exhibit A, there is no corresponding fund transfer out. Per the Schedule of Interfund Transfers, the transfer was made out of the Enterprise Fund.
- Per the Internal Control Questionnaire attached to the audit waiver request, the Village indicated that at least one Village fund was over budget due to unexpected repairs.

If expenditures are expected to exceed budgeted amounts, the Village must amend its budget accordingly. Neb. Rev. Stat. § 13-511(1) (Cum. Supp. 2018) provides the following:

Unless otherwise provided by law, whenever during the current fiscal year or biennial period it becomes apparent to a governing body that (a) there are circumstances which could not reasonably have been anticipated at the time the budget for the current year or biennial period was adopted, (b) the budget adopted violated sections 13-518 to 13-522, such that the revenue of the current fiscal year or biennial period for any fund thereof will be insufficient, additional expenses will be necessarily incurred, or there is a need to reduce the budget requirements to comply with sections 13-518 to 13-522, or (c) the governing body has been notified by the auditor of a mathematical or accounting error or noncompliance with the Nebraska Budget Act, such governing body may propose to revise the previously adopted budget statement and shall conduct a public hearing on such proposal. The public hearing requirement shall not apply to emergency expenditures pursuant to section 81-829.51.

(Emphasis added.) Good internal control requires procedures to ensure that forms are completed in their entirety and are accurate, and actual expenditures do not exceed the budgeted expenditures.

Without such procedures, there is an increased risk of not only noncompliance with State statute but also misuse or loss of Village funds.

We recommend the Board implement procedures to ensure forms are completed in their entirety and are accurate, and actual expenditures do not exceed the budgeted expenditures. If expenditures are expected to exceed budgeted amounts, the Village must amend its budget accordingly.

Overall Village Response: The Village of Hyannis will implement procedures to be sure these findings are not overlooked and are handled correctly going forward.

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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.

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: Allison Ferguson, Village Clerk/Treasurer