



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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December 18, 2012

Richard Quick, Board Chair
Village of Crookston Board of Trustees
P.O. Box 77
Crookston, NE 69212

Dear Mr. Quick:

As you know, the Auditor of Public Accounts (APA) maintains a hotline and an email address through which citizens can report suspected issues of waste, abuse, or fraud within government. In connection with this, we help to provide accurate information to taxpayers and attempt to correct misperceptions about government. We feel this is a valuable service to the State's taxpayers.

The APA has received a concern regarding the financial activity of the Village of Crookston (Village) and has obtained some basic background information relating to the Village. The following individuals are listed as Board Trustees in recent Village Board (Board) meeting minutes:

Richard Quick, Chair
Shirley Schuman
Phyllis Daniels

Linda Quick
Jennifer Janssen

The APA reviewed the audit waivers and budget submissions made to our office over the last few years and accumulated the following information on the Village's expenditures:

Village of Crookston	Village Expenditures		
	Per Audit Waiver		Per Budget
	Fiscal year 2010	Fiscal year 2011	Fiscal year 2012
General Government	\$ 9,455.68	\$ 25,690.27	\$ 11,237.84
Public Works - Streets	\$ 6,564.47	\$ 4,914.59	\$ 5,778.21
Other Capital Outlay	\$ 2,053.26	\$ 300.00	\$ -
Solid Waste	\$ 2,235.40	\$ 5,231.16	\$ 2,080.00
Water	\$ 4,662.16	\$ 21,192.93	\$ 8,824.91
Total	\$ 24,970.97	\$ 57,328.95	\$ 27,920.96

Additionally, we noted the Village has a significant net cash balance, as follows:

Village of Crookston	FY 2010	FY 2011	FY 2012 *
Net Cash Balance	\$ 131,575.70	\$ 122,025.36	\$ 138,344.69

*The APA has calculated the FY 2012 net cash balance as of August 20, 2012, based on financial information provided by the Village.

Because the fiscal year 2011 expenditures were more than double the expenditures reported in 2010 and 2012, the APA contacted the Village and asked for the detailed accounting information for fiscal years 2011 and 2012, covering the period October 1, 2010, through the current date in fiscal year 2012, which was August 20, 2012. On August 28, 2012, Joni Titus, from the accounting firm L & B Johnson PC, provided us with the financial information requested. The APA reviewed this financial activity and, on August 31, 2012, sent to the current Village Clerk, Phyllis Daniels, several questions and requests for documentation to support certain expenditures.

On October 12, 2012, the APA received some information from the Village regarding that request for documentation.

The APA identified the following concerns related to the documentation provided by the Village to support its expenditures:

1) Documentation Not Provided

The Village did not provide documentation to support \$5,359.60 and \$4,188.10 in expenditures from fiscal years 2011 and 2012, respectively. The fiscal year 2011 and 2012 payments, for which no documentation was provided, are as follows:

Date	Name	Memo	Paid Amount	Description
11/10/2010	Steve Miller	well house	\$ 4,500.00	Handwritten note stated the original receipt was turned in to the State for a grant and a copy was not obtained, as the Village does not have a copy machine. The note indicated that the payment was for a fence to go around the well house and that Steve Miller was the only one who bid on the project. The Village did receive \$4,050 from the State.
01/11/2011	Gale Tinant		\$ 38.32	Handwritten note dated 1/11/2011 indicating payment was for 6 hours of snow removal for a total of \$60.00, less water bill, for \$38.32. The rate paid was \$10 per hour. The note does not appear to be from Gale Tinant; rather, it looks as though it was prepared by the Village.
02/08/2011	Gale Tinant		\$ 70.00	No documentation provided.
03/08/2011	Gale Tinant	snow removal	\$ 95.00	No documentation provided.
04/12/2011	Richard D Quick	file cab, copies, well	\$ 130.69	No documentation provided.
06/13/2011	Jack F Flynn	Maintenance	\$ 80.00	No documentation provided.
07/12/2011	Gale Tinant	Mowing	\$ 130.00	No documentation provided.
07/12/2011	Green Acres Auto Sales	street work	\$ 100.00	No documentation provided.
07/12/2011	Jack F Flynn	Maintenance	\$ 110.00	No documentation provided.
07/12/2011	Shirley E. Schuman	supplies reimbursement	\$ 5.59	No documentation provided.
08/31/2011	Green Acres Auto Sales	street work	\$ 100.00	No documentation provided.
Fiscal Year 2011 Total			\$ 5,359.60	

Date	Name	Memo	Paid Amount	Description
10/07/2011	Dustin Z McNaught		\$ 100.00	No documentation provided.
11/08/2011	Dustin Z McNaught		\$ 176.95	No documentation provided.
01/06/2012	Dustin Z McNaught		\$ 90.00	No documentation provided.
10/11/2011	Green Acres Auto Sales	street mowing	\$ 110.00	No documentation provided.
04/09/2012	Green Acres Auto Sales	street work	\$ 200.00	No documentation provided.
05/08/2012	Green Acres Auto Sales		\$ 356.49	No documentation provided.
07/10/2012	Green Acres Auto Sales		\$ 484.31	No documentation provided.
08/14/2012	Green Acres Auto Sales	H2O,well maintenance	\$ 70.00	No documentation provided.
10/07/2011	Hometown Lumber		\$ 1,057.62	No documentation provided.
05/08/2012	Jack F Flynn		\$ 571.59	No documentation provided.
07/10/2012	Jack Flynn - Water Intern	water meters, mowing, trash	\$ 252.15	No documentation provided.
02/06/2012	Janine's		\$ 28.89	No documentation provided.
02/28/2012	Janine's		\$ 29.96	No documentation provided.
03/13/2012	Janine's		\$ 29.96	No documentation provided.
10/07/2011	Jennifer Ruth Janssen		\$ 44.00	No documentation provided.
02/13/2012	Phyllis Daniels		\$ 30.00	No documentation provided.

Date	Name	Memo	Paid Amount	Description
07/10/2012	Phyllis Daniels {Treasurer}		\$ 236.18	No documentation provided.
08/14/2012	Phyllis Daniels {Treasurer}		\$ 200.00	No documentation provided.
08/14/2012	Phyllis Daniels {Treasurer}	postage stamps	\$ 45.00	No documentation provided.
04/10/2012	Phyllis L. Daniels		\$ 75.00	No documentation provided.
Fiscal Year 2012 Total			\$ 4,188.10	

Neb. Rev. Stat. § 17-714 (Reissue 2012) requires the following for claims and accounts payable:

"All liquidated and unliquidated claims and accounts payable against a city of the second class or village shall: (1) Be presented in writing; (2) state the name and address of the claimant and the amount of the claim; and (3) fully and accurately identify the items or services for which payment is claimed or the time, place, nature, and circumstances giving rise to the claim."

Because the Village did not provide the documentation requested, it appears the requirements contained in this statute were not met when the claims were paid by the Village.

Additionally, pursuant to Neb. Rev. Stat. § 84-1207(2) (Reissue 2008) the Village is required to:

"Make and maintain records containing adequate and proper documentation of the organization, functions, policies, decisions, procedures, and essential transactions of the agency, designed to furnish information to protect the legal and financial rights of the state, and of persons directly affected by the agency's activities[.]"

Specifically, pursuant to Neb. Rev. Stat. § 84-1212.02 (Reissue 2008), which authorizes State agencies and political subdivisions to "dispose of [their] records . . . in accordance with records retention and disposition schedules which are applicable to their agencies," the Village must abide by the Local Agencies General Records Retention Schedule 24 (July 26, 2011). That schedule provides the length of time documentation is to be maintained by the Village. Section 024-002 of the schedule defines accounts payable records as:

"Any supporting document received or generated by the agency that provides support for payments made to vendors for goods and services, employee for reimbursement of expenses and any other situation where a warrant or electronic payment is issued. This may include, but is not limited to invoices, reports, disbursement documents, purchase orders, packing slips, requisitions, employee expense reimbursement forms, etc."

The retention period for those documents is 5 years or maximum of 10 years if no audit has been performed. Clearly, the Village is not in compliance with the mandatory records retention policy if the requested documentation has not been maintained.

We recommend the Village obtain adequate documentation to support all expenditures and ensure such documentation is maintained in accordance with the appropriate record retention schedules.

2) Adequate Documentation for Payment of Claims

The Village did not obtain adequate documentation to support the payment of claims. As revealed by the fiscal year 2011 and fiscal year 2012 documents obtained by the APA, the Village did not provide adequate documentation for \$9,594.42 and \$2,310.24, respectively, in claims paid.

Date	Name	Memo	Paid Amount	Description and APA notes
01/31/2011	Farmers Ranchers Coop		\$ 474.60	Invoice from Farmers Ranchers Coop dated 1/19/2011 for 140 gallons of non-taxable diesel at \$3.39 per gallon, for a total of \$474.60. There was no indication as to the nature and circumstances giving rise to the claim.
06/13/2011	Farmers Ranchers Coop		\$ 68.47	Statement from Farmers Ranchers Coop dated 5/20/2011 for a \$33.00 tire repair, a \$33.15 tube, and \$2.32 in sales tax, for a total of \$68.47. The top of the statement was not provided, and there was no indication as to whose tire was repaired.

Date	Name	Memo	Paid Amount	Description and APA notes
02/08/2011	Green Acres Auto Sales		\$ 152.50	Handwritten invoice from Green Acres dated February 2011 stated, "Water pit Daniels Allan - freeze up. [unreadable] order meters insulation" for a total of \$152.50. It appears \$100 was charged for labor and \$52.54 for insulation materials originally purchased from Hometown Lumber on 2/7/2011. The invoice from Hometown Lumber was attached, but not entirely readable. There was no indication of when the service was performed or how many hours were charged for labor. It is unclear why payment was made to Green Acres Auto Sales.
04/30/2011	Green Acres Auto Sales		\$ 500.00	Handwritten invoice from Green Acres dated 5/8/2011 stated, "May - 6 & 7th 9th cemetery [sic]" for \$350 and "3 hours remove dirt piles around town from snow removal - bobcat" for \$150, with a total of \$500. The invoice also had services that were not charged, such as "dumpster (3)" and "greese [sic] well every 3 days." The claim did not fully identify the service, such as how many hours were worked at the cemetery. The hourly rate paid appears to be \$50 per hour for 3 hours of work. It is unclear why payment was made to Green Acres Auto Sales.
06/13/2011	Green Acres Auto Sales	repairs	\$ 445.07	Handwritten invoice from Green Acres dated June 2011 stated, "[S]ervice town tractor May 9th" for \$50 plus \$15.07 for parts, "service small tractor May 25" for \$30, and "June 6 & 7 mow cemetery town hall - well house" for \$350, with a total of \$445.07. Also provided an itemized invoice from Mathis Equipment for the \$15.07 in parts. The claim did not fully identify the services provided, as the number of hours worked and hourly rate charged was not included. It is unclear why payment was made to Green Acres Auto Sales.
07/12/2011	Green Acres Auto Sales	maintenance	\$ 438.75	Handwritten invoice from Green Acres dated 7/9/2011 stated, "May 20-21 2 hours bobcat street work" for \$100, "1 hour - bobcat fix wash out by elevator" for \$50, and "heater for office" for \$238.75, for a total of \$388.75. Additional services, such as "June 26 clean town hall, mop, wash windows, clean up mold" or "July 4th - paint town hall," were also noted at no charge. Also provided an order confirmation email for the heater originally purchased from Pro Supply with a cost of \$238.75. An additional \$50 was included in the payment, which is not supported and appears to have been overpaid. It appears the hourly rate paid was \$50 per hour. It is unclear why payment was made to Green Acres Auto Sales.
08/09/2011	Green Acres Auto Sales	street work	\$ 50.00	Handwritten invoice from Green Acres dated August 2011 stated, "Aug 7th storm - bobcat - remove trees off streets" for \$50. It is unclear why payment was made to Green Acres Auto Sales.
08/09/2011	Green Acres Auto Sales	mow, spray weeds, water	\$ 390.00	Handwritten invoice from Green Acres dated August 2011 stated, "[O]pen dumpster July 12th July 26th Aug 9th mow cemetery 2 times town hall and well house open tree dump June 29 July 8 July 12 Aug 7th" for \$350, and "spray weeds (town) 4 hrs July 25th Kevin & Richard check meters" for \$40, for a total of \$390. The number of hours for some of the services performed was not provided. Additionally, the dates that some of the services were performed was not provided. It is unclear why payment was made to Green Acres Auto Sales.
08/31/2011	Green Acres Auto Sales	mowing & dumpster	\$ 350.00	Handwritten invoice from Green Acres dated August 2011 stated, "[W]ater trees - mow town hall weedeat [sic] mow well house pick up trash clean cemetery pick-up tree limbs mow cemetery" for \$350, and "open dumpsters July - 2 times Aug 2 times spray weeds around fire hydrants spray weeds all over town fix well house pump [unreadable] for water service" for \$40, with a total of \$390. However, only \$350 was paid. There was no indication of when the majority of these services were provided or how many hours were billed to the Village. It is unclear why payment was made to Green Acres.

Date	Name	Memo	Paid Amount	Description and APA notes
04/12/2011	Heart City Plumbing & Heating, LLC		\$ 336.50	Statement from Heart City Plumbing & Heating dated 4/4/2011 included a summary of two invoices for a total of \$366.50. One invoice included "Supplies, 1 @ \$5.00 - Mileage, 11 @ \$3.00 = \$33.00 - Labor, 1.5 @ \$55.00 = \$82.50" for a total of \$120.50. The second invoice included "Materials \$158.00 - Mileage \$33.00 - Labor \$55.00" for a total of \$246.00. The two invoices were not provided; therefore, the actual services provided could not be determined. Payment was made via two separate checks with the first on 4/12/2011 for \$336.50 and the second on 4/30/2011 for \$30.00.
04/30/2011	Heart City Plumbing & Heating, LLC		\$ 30.00	Statement from Heart City Plumbing & Heating dated 4/4/2011 included a summary of two invoices for a total of \$366.50. One invoice included "Supplies, 1 @ \$5.00 - Mileage, 11 @ \$3.00 = \$33.00 - Labor, 1.5 @ \$55.00 = \$82.50" for a total of \$120.50. The second invoice included "Materials \$158.00 - Mileage \$33.00 - Labor \$55.00" for a total of \$246.00. The two invoices were not provided; therefore, the actual services provided could not be determined. Payment was made via two separate checks with the first on 4/12/2011 for \$336.50 and the second on 4/30/2011 for \$30.00.
08/31/2011	Jack F Flynn	repairs	\$ 63.23	Handwritten note from Jack Flynn dated August stated, "Wendsday [sic] air up tires blew hydro hose went to town to get new one took off old put on new one. Filled fluid again picked up trees/pushed up dump" from 11am to 6pm for 7 total hours, and "Thursday: went to town, got floor dry swept up shop finished tree pick up finished pushing up tree dump" from 2pm to 6pm for 4 total hours. Rate was \$10 per hour for a total of \$110. A water bill of \$46.77 was deducted from the \$110, for a total payment of \$63.23. There was no indication of the actual dates the services were provided.
12/13/2010	Jennifer Ruth Janssen	quick books program	\$ 200.00	Handwritten statement from Jen Janssen dated 12/1/2010 indicated a QuickBooks program was purchased for \$200. An invoice for the actual purchase of the QuickBooks software was not provided.
07/11/2011	Jennifer Ruth Janssen		\$ 251.12	Invoice from Office Products Center dated 6/2/2011 that was billed to Advanced Pet Care for ink cartridges totaling \$51.12. Jennifer was asking for reimbursement for these print cartridges. In addition, there was a handwritten note which stated "+ \$200.00 Bookkeeping" for a total of \$251.12. There was no indication of when the bookkeeping services were provided.
10/12/2010	Kevin J. Murray	change meters	\$ 547.70	Handwritten note from Kevin Murray dated September 28 stated, "Read out Robert Brown \$20 Shut off Robert Brown \$20 30 hours town-hall paint – etc – file \$450 3 new meters \$60 2 hours [unreadable service] \$20" with a total of \$570. A water bill of \$22.30 was deducted from the \$570, for a total payment of \$547.70. There was no indication of the actual dates the service was provided. It appears the 30 hours was paid at \$15 per hour, and the 2 hours was paid at \$10 per hour.
08/31/2011	Kevin J. Murray	repairs	\$ 562.89	Handwritten note from Kevin Murray indicated that services provided were related to the north and south well houses, with 24 hours to the north well house and 14 hours for the south well house, for a total of 38 hours. Rate was \$15 per hour for a total of \$570. A water bill of \$7.11 was deducted from the \$570 for a total payment of \$562.89. There was no indication of the actual dates the services were provided.
06/13/2011	Mathis Equipment		\$ 1,340.86	Invoice from Mathis Equipment dated 5/31/2011, which stated, "One time ticket," with a handwritten note on the invoice "Crookston tractor repairs," for total of \$1,340.86. There was not enough information provided to determine the service provided.
12/13/2010	Municipal Supply, Inc. of Nebraska		\$ 1,777.86	Statement from Municipal Supply dated 12/6/2010, which included two separate invoices totaling \$1,777.86. One invoice was dated 11/8/2010 for \$1,718.41, and the second invoice was dated 11/11/2010 for \$59.45. The actual invoices were not provided; therefore, there was no documentation to indicate the item purchased or service provided.

Date	Name	Memo	Paid Amount	Description and APA notes
06/13/2011	Murray, Kevin	maintenance	\$ 484.37	Handwritten note from Kevin Murray stated, "Labor on south well house 30.5 hours at \$15 = \$457.50 Insulating two man holes \$20.00 Change a meter \$20.00 Too Readouts \$20.00 Total \$507.50 pay." A water bill of \$23.13 was deducted from the \$507.50, for a total payment of \$484.37. The total of these services is actually \$517.50, resulting in an underpayment. In addition, there was no indication of the actual dates the services were provided.
06/13/2011	Rodney Murry	maintenance	\$ 560.50	Handwritten note from Rodney Murray stated, "Labor 30.5 hours @ \$15.00 = \$457.50 1 2"x4"x12" = \$3.00 Surround (wallcover) = \$100.00 1 cupboard = free" for a total of \$560.50. The top of the note indicates that the services were related to the south well house. There was no indication of the dates these services were provided, nor an explanation of the nature of the service provided.
08/31/2011	Rodney Murry	repairs	\$ 570.00	Handwritten notes from Rodney Murray totaling \$570.00. The first note stated, "Finish inside of north well house Labor 24 hrs @ \$15.00 = \$360.00[.]" The second note stated, "[R]eroof south wellhouse (tin) Labor 14 hours @ \$15.00 = \$210.00[.]" There was no indication of the dates these services were provided, nor an explanation of the nature of the service provided.
Fiscal Year 2011 Total			\$ 9,594.42	

Fiscal year 2012 payments without adequate documentation:

Date	Name	Memo	Paid Amount	Description and APA notes
12/13/2011	Green Acres Auto Sales	meetings	\$ 390.00	The APA assumes this payment was to Richard Quick, who was paid for 13 meetings at \$30 per meeting. The Board meeting minutes provided to the APA indicated he attended 12 meetings during calendar year 2011. It is unclear why payment was made to Green Acres Auto Sales.
01/10/2012	Green Acres Auto Sales		\$ 166.29	Handwritten invoice provided to the APA was not readable, with the exception of charges of \$50, \$30, \$20, \$60, and \$6.29, for a total of \$166.29. Because the invoice provided was unreadable, the APA was unable to determine the services provided.
02/13/2012	Green Acres Auto Sales		\$ 100.15	Handwritten invoice dated Jan./Feb. 2012 stated, "30 copy for water Dec" and "30 copy for water pumping[.]". Sixty copies x \$.25 is \$15.00. Invoice also stated: "Jan - 12 - 15 - 19 Marty test & Jack Flynn check well every 3 days"; "Jan 23-Marty Jack-water test"; "Feb 2 send papers in to State on water test"; and "Feb 6 th -Marty-water test 3 hours[.]" The total charged for these services was \$100. The invoice also included services that were provided free of charge, including "Feb-9 th -water test 3 hours" and "open dumpster 10-24 - Feb 7[.]" There is a lack of documentation to indicate when all of the services were provided and how many hours of services were performed. Additionally, although the invoice contained \$115 in charges, only \$100.15 was paid. It is unclear why payment was made to Green Acres Auto Sales.
03/13/2012	Green Acres Auto Sales		\$ 25.00	Handwritten invoice dated March 2012 stated, "Marty Feb. 20th - check well every 3 days take chlorine [sic] test sent in state on March 1st." Total amount was \$25. There was not adequate documentation to determine how many hours were worked or the rate paid. It is unclear why payment was made to Green Acres Auto Sales.
03/13/2012	Green Acres Auto Sales		\$ 250.00	Handwritten invoice dated March 2012 stated, "Feb. 29 clean streets bocat [sic] 3 1/2" and "March 1st - clear streets of snow 2 hours." Total amount paid was \$250. Based on the information provided, the APA was not sure how many hours were billed or the rate charged. It is unclear why payment was made to Green Acres Auto Sales.

Date	Name	Memo	Paid Amount	Description and APA notes
04/09/2012	Green Acres Auto Sales		\$ 70.00	Handwritten invoice dated March 2012 indicated the following: "Check well every 3 days"; "get Reimers fix leak"; and "take chlorine [sic] test daily[.]" Total charged for these services was \$50. Invoice also stated: "Dumpster Feb 21 - March - 6 & 20 - 24"; "open for Fays - 24th"; "Meet with Don P."; "26th Richard & Jack read water meters 2 hrs"; and "27 Jack & Richard fill out paper-work class-for certification[.]" Total charged for these services was \$20. There was not adequate documentation to determine how many hours were worked or the rate paid. It is unclear why payment was made to Green Acres Auto Sales.
06/01/2012	Green Acres Auto Sales		\$ 440.00	Handwritten invoice dated June 2012 included several services, such as: "May 9th Marty & Richard fix leak on well #1-3 hours[.]" Total charged was \$30, \$10 per hour. "May 9 contact County Commissioners [sic] Road Crew. 2 hours[.]" Total charged was \$20, \$10 per hour. Invoice also included: "May 10 & 11 collect on water bills shut off [removed name] [removed name] 2 hours." Total charged was \$20, \$10 per hour. Invoice included: "[O]pen dumpster May 8-15-29-(11th for Rodney)"; "deposit water money"; "make new keys"; "shut off [removed name] again"; "meet Jack & Marty for water test & training for Jack. 2hrs"; and "open tree dump 3 times for church[.]" Total charged was \$20, 10 per hour. Finally invoice included, "[M]ow cemetery - June 2 & 3 - mow well house May 7th & June 4th mow town hall May 7th June 12th[.]" Total charged was \$350. Because of the lack of adequate documentation, such as the number of hours worked, the APA was unable to determine the rate paid for the mowing services. It is unclear why payment was made to Green Acres Auto Sales.
12/13/2011	Quick, Linda	meetings	\$ 390.00	Paid for 13 meetings at \$30 per meeting. The Board meeting minutes provided to the APA indicated she attended 12 meetings during calendar year 2011.
12/13/2011	Richard D Quick		\$ 88.80	Handwritten invoice dated 12-2011 indicated, "[R]eimburse - remove meter put back." Total charge was \$20. "Phone calls 3 mos to Lincoln on water-" Total charge was \$18.80. "Collect water bills check wells - clean tank chlorinate [sic][.]" Total charge was \$50. Total invoice was \$88.80. There was not adequate documentation to determine how many hours were worked or the rate paid.
12/13/2011	Shirley E. Schuman	meetings	\$ 390.00	Paid for 13 meetings at \$30 per meeting. The Board meeting minutes provided to the APA indicated she attended 12 meetings during calendar year 2011.
Fiscal Year 2012 Total			\$ 2,310.24	

The following is an example of a claim submitted for payment and paid by the Village:

Customer Order Form

NAME: Green Acres Auto

ADDRESS:

CITY, STATE, ZIP:

SOLD BY:

QTY	DESCRIPTION	PRICE	AMOUNT
1			
2	May - 6 & 20 - 24 cemetery		350.00
3			
4			
5			
6	remove dirt pellets around town from snow removal - 150.00		150.00
7			
8			
9	dumpster (3) grease wells every 3 days - free		
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

Ad total 88.80 5/10/11

J. Schuman

KEEP THIS SLIP FOR REFERENCE

As noted previously, § 17-714 requires each claim presented to the Village to “fully and accurately identify the items or services for which payment is claimed or the time, place, nature, and circumstances giving rise to the claim.” The payments listed above lacked the detailed information needed in order to be in compliance with the statute.

We recommend the Village implement procedures to ensure all claims presented for payment contain sufficient detail to comply with statute.

3) Payment of Claims to Trustees

During fiscal years 2011 and 2012, the Village paid Green Acres Auto Sales \$2,526.32 and \$2,662.24, respectively, for various maintenance and related services provided. Richard and Linda Quick, both Trustees on the Board, own and operate Green Acre Auto Sales in Crookston. It is unclear to the APA why payments were made to the Quicks’ company, when Richard and Linda Quick appear to have been personally performing the services for which they were being paid – services which, it should be noted, had no connection whatsoever with auto sales.

The payments made by the Village to Green Acre Auto Sales appear legally problematic in light of certain provisions found in the Nebraska Political Accountability and Disclosure Act (Act), which is set out at Neb. Rev. Stat. §§ 49-1401 to 49-14,141 (Reissue 2010, Supp. 2011). Specifically, § 49-14,103.01(2) of the Act, says:

"Except as provided in section 49-1499.04 or 70-624.04, no officer may have an interest in any contract to which his or her governing body, or anyone for its benefit, is a party. The existence of such an interest in any contract shall render the contract voidable by decree of a court of competent jurisdiction as to any person who entered into the contract or took assignment of such contract with actual knowledge of the prohibited conflict." (Emphasis added.)

Subsection (1) of that same statute defines an "officer" as follows:

"For purposes of sections 49-14,103.01 to 49-14,103.06, unless the context otherwise requires, officer means (a) a member of the board of directors of a natural resources district, (b) a member of any board or commission of any county, school district, city, or village which spends and administers its own funds, who is dealing with a contract made by such board or commission, (c) any elected county, school district, educational service unit, city, or village official, and (d) a member of any board of directors or trustees of a hospital district as provided by the Nebraska Local Hospital District Act or a county hospital as provided by sections 23-3501 to 23-3519. Officer does not mean volunteer firefighters or ambulance drivers with respect to their duties as firefighters or ambulance drivers." (Emphasis added.)

Additionally, subsection (4) of the statute says:

"The prohibition in this section shall apply only when the officer or his or her parent, spouse, or child (a) has a business association as defined in section 49-1408 with the business involved in the contract or (b) will receive a direct pecuniary fee or commission as a result of the contract." (Emphasis added.)

Neb. Rev. Stat. § 49-1408 (Reissue 2010) provides:

"Business with which the individual is associated or business association shall mean a business: (1) In which the individual is a partner, limited liability company member, director, or officer; or (2) in which the individual or a member of the individual's immediate family is a stockholder of closed corporation stock worth one thousand dollars or more at fair market value or which represents more than a five percent equity interest or is a stockholder of publicly traded stock worth ten thousand dollars or more at fair market value or which represents more than ten percent equity interest. An individual who occupies a confidential professional relationship protected by law shall be exempt from this section. This section shall not apply to publicly traded stock under a trading account if the filer reports the name and address of the stockbroker." (Emphasis added.)

It should be noted that § 49-14,103.01(5) provides the following exception to the prohibition against public officers having an interest in contracts with their governing bodies:

"The prohibition in this section does not apply if the contract is an agenda item approved at a board meeting and the interested officer:
 (a) Makes a declaration on the record to the governing body responsible for approving the contract regarding the nature and extent of his or her interest prior to official consideration of the contract;
 (b) Does not vote on the matters of granting the contract, making payments pursuant to the contract, or accepting performance of work under the contract, or similar matters relating to the contract, except that if the number of members of the governing body declaring an interest in the contract would prevent the body with all members present from securing a quorum on the issue, then all members may vote on the matters; and
 (c) Does not act for the governing body which is party to the contract as to inspection or performance under the contract in which he or she has an interest." (Emphasis added.)

A review of the Board's meeting minutes offers no indication that the Quicks ever made "a declaration on the record . . . regarding the nature and extent" of their interest in the contract with Green Acre Auto Sales, as required by § 49-14,103.01(5)(a). It appears the Quick's had previously performed a number of services for the Village and had been compensated for that work through Green Acre Auto Sales. It is likely, therefore, that the Board was already well aware of the Quick's ownership of that company, as well as their personal interest in any contractual agreement with it. This could explain why the Board's meeting minutes reflect no formal declaration of interest by the Quick's. Nevertheless, despite any such prior knowledge, § 49-14,103.01(5)(a) requires a formal declaration "on the record" to be made.

In light of the above, the arrangement between the Village Board and Green Acre Auto Sales, appears to be in violation of § 49-14,103.01(2).

We recommend the Village Board consult with its County Attorney regarding the legality of the arrangement between itself and Green Acre Auto Sales. Additionally, because this comment addresses a possible violation of the Act, we are referring this matter to the Accountability and Disclosure Commission for further review.

4) Water Services Late Fees

Fees for the late payment of water bills are not being properly assessed for Board members and other individuals who received compensation from the Village. According to the December 14, 2010, Board meeting minutes:

"The amount due [for water service] must be paid within 15 days of receipt of bill or water will be shut off. There will be a \$20 fine for late payment and \$50 fine to reconnect."

The Board reaffirmed this policy in its August 8, 2011, Board meeting minutes:

"We will stick to our policy of shutting off the water when payments are in arrears."

The APA requested and received several water billing statements from the Village for fiscal years 2011 and 2012. The following was found:

Name	Billing Period	Billing Date	Description
Phyllis Daniels	Quarter ending 9/30/2011	9/29/2011	Water meter broken; no water usage charged.
	Quarter ending 12/31/2011	12/30/2011	Water meter broken; no water usage charged.

Name	Billing Period	Billing Date	Description
Phyllis Daniels: Shop	Quarter ending 3/31/2011	3/30/2011	No water usage in shop. According to the Village, Phyllis does not use water at the shop water pit during certain months of the year. Between January 2011 and March 31, 2012, no water usage was charged or paid by Phyllis Daniels at this location.
	Quarter ending 6/30/2011	7/12/2011	No water usage in shop. According to the Village, Phyllis does not use water at the shop water pit during certain months of the year. Between January 2011 and March 31, 2012, no water usage was charged or paid by Phyllis Daniels at this location.
	Quarter ending 9/30/2011	9/29/2011	No water usage in shop. According to the Village, Phyllis does not use water at the shop water pit during certain months of the year. Between January 2011 and March 31, 2012, no water usage was charged or paid by Phyllis Daniels at this location.
	Quarter ending 12/31/2011	12/30/2011	No water usage in shop. According to the Village, Phyllis does not use water at the shop water pit during certain months of the year. Between January 2011 and March 31, 2012, no water usage was charged or paid by Phyllis Daniels at this location.
	Quarter ending 3/31/2012	3/31/2012	No water usage in shop. According to the Village, Phyllis does not use water at the shop water pit during certain months of the year. Between January 2011 and March 31, 2012, no water usage was charged or paid by Phyllis Daniels at this location.
	Quarter ending 6/30/2012	6/30/2012	Water usage 8,000 @ \$.00075 = \$6.00
Jack Flynn	Quarter ending 9/30/2011	9/29/2011	Balance of \$42.73 paid on 1/9/2012, 87 days after due date. Late fee of \$20 charged. No \$50 reconnect fee charged.
	Quarter ending 12/31/2011	12/30/2011	Balance of \$41.86 paid on 3/27/2012, 73 days after due date. No \$20 late fee or \$50 reconnect fee charged.
	Quarter ending 3/31/2012	3/29/2012	Balance of \$40.51 paid on 5/8/2012, 25 days after the due date. No \$20 late fee or \$50 reconnect fee charged.
Jennifer Janssen	Quarter ending 3/31/2011	3/30/2011	Balance of \$57.60 paid on 12/13/2011, 243 days after the due date. No \$20 late fee or \$50 reconnect fee charged.
	Quarter ending 6/30/2011	7/6/2011	Balance of \$42.73 paid on 12/13/2011, 145 days after the due date. No \$20 late fee or \$50 reconnect fee charged.
	Quarter ending 9/30/2011	9/29/2011	Balance of \$44.15 paid on 12/13/2011, 60 days after the due date. No \$20 late fee or \$50 reconnect fee charged.
	Quarter ending 12/31/2011	12/30/2011	Balance of \$46.37 paid on 2/10/2012, 27 days after the due date. No \$20 late fee or \$50 reconnect fee charged.
	Quarter ending 3/31/2012	3/29/2012	Balance of \$48.11 paid on 6/1/2012, 49 days after the due date. No \$20 late fee or \$50 reconnect fee charged.
Linda Quick	Quarter ending 12/31/2011	12/30/2011	No water usage was charged. Total invoice was \$34.82, with no water usage charge. Linda Quick explained that the meter was not working, so she paid an estimate of \$45 and later gave the meter reading. However, the usage for that month does not appear to have been entered in the billings, so water usage for that quarter was not paid. Instead, the extra payment was applied to future bills.
Shirley Schuman	Quarter ending 6/30/2011	7/6/2011	Balance of \$57.53 paid on 8/9/2011, 19 days after the due date. No \$20 late fee or \$50 reconnect fee charged.
	Quarter ending 9/30/2011	9/29/2011	Balance of \$72.56 paid on 10/19/2011, 5 days after the due date. No \$20 late fee or \$50 reconnect fee charged.
Shirley Schuman: 2nd house	Quarter ending 6/30/2011	7/12/2011	Balance of \$18.99 paid on 8/9/2011, 13 days after the due date. No \$20 late fee or \$50 reconnect fee charged. Additionally, this was the first time water was charged for the 2nd house during the year, and no water usage was charged. According to the Village, water is shut off at the second house part of the time.
	Quarter ending 9/30/2011	9/29/2011	Balance of \$56.26 paid on 10/19/2011, 5 days after the due date. No \$20 late fee or \$50 reconnect fee charged.
Dustin McNaught	Quarter ending 3/30/2011	3/30/2011	Balance of \$41.66 paid on 5/10/11, 26 days after the due date. No \$20 late fee or \$50 reconnect fee charged.

Note: Dustin McNaught was employed by the Village until January 10, 2012. He sampled the water supply and sent it to the State for testing. In May 2012, Jack Flynn became qualified to perform the water tests and was hired by the Village.

Neb. Rev. Stat. § 17-611 (Reissue 2012) provides, in relevant part:

"No officer shall receive any pay or perquisites from the city other than his or her salary. . ."

Additionally, § 49-14,101.01(1) (Reissue 2010) of the Act prohibits a public official from using his or her public office for personal gain, as follows:

"A public official or public employee shall not use or authorize the use of his or her public office or any confidential information received through the holding of a public office to obtain financial gain, other than compensation provided by law, for himself or herself, a member of his or her immediate family, or a business with which the individual is associated."

By not paying the same late and reconnect fees charged to other Village residents for water usage, the members of the Village Board appear, at the very least, to be taking unfair advantage of their status as public officials. In addition to this appearance of impropriety is the very real concern that such special treatment, which necessarily results in a financial benefit to the Village Board members, violates the statutory provisions referenced above.

We recommend the Village implement procedures to ensure its policy for late payment of water bills is followed, especially by its Board members and employees. Additionally, the Board should ensure water usage amounts are estimated and paid when meters are broken or unreadable. The Board should consider documenting in its meeting minutes the instances in which properties of its Board members are not charged for water to ensure the non-payment of the fees is appropriate. Finally, because this comment addresses a possible violation of the Act, we are referring this matter to the Accountability and Disclosure Commission for further review.

5) Other Issues

The APA also found other miscellaneous issues, as follows:

Rate Paid for Services not Approved by Board

The Village paid individuals for services provided; however, no standard rate appears to have been established for payment of those services. Additionally, the meeting minutes from October 2010 through August 2012 offer no indication that the Board ever approved the rates paid.

In its response to our inquiries, the Village stated, "Hourly payment to individuals was set at \$12/hr at the beginning of this year by the Village Trustees." However, again, the APA could find nothing in the Board's meeting minutes to document that such an hourly rate of pay was ever formally approved.

The following payments made during fiscal years 2011 and 2012 included rates that were both inconsistent and appear not to have been approved by the Board:

Date	Name	Memo	Paid Amount	APA Notes
01/11/2011	Gale Tinant		\$ 38.32	Handwritten note dated 1/11/2011 indicating payment was for 6 hours of snow removal for a total of \$60.00, less water bill, for \$38.32. The rate paid was \$10 per hour. The note does not appear to be from Gale Tinant; rather, it looks as though it was prepared by the Village.
04/30/2011	Green Acres Auto Sales		\$ 500.00	Handwritten invoice from Green Acres dated 5/8/2011 stated, "May - 6 & 7th 9th cemetery [sic]" for \$350 and "3 hours remove dirt piles around town from snow removal - bobcat" for \$150, with a total of \$500. The invoice also had services that were not charged, such as "dumpster (3)" and "grease [sic] well every 3 days." The claim did not fully identify the service, such as how many hours were worked at the cemetery. The hourly rate paid appears to be \$50 per hour for 3 hours of work. It is unclear why payment was made to Green Acres Auto Sales.

Date	Name	Memo	Paid Amount	APA Notes
07/12/2011	Green Acres Auto Sales	maintenance	\$ 438.75	Handwritten invoice from Green Acres dated 7/9/2011 stated, "May 20-21 2 hours bobcat street work" for \$100, "1 hour - bobcat fix wash out by elevator" for \$50, and "heater for office" for \$238.75, for a total of \$388.75. Additional services, such as "June 26 clean town hall, mop, wash windows, clean up mold" or "July 4th - paint town hall," were also noted at no charge. Also provided an order confirmation email for the heater originally purchased from Pro Supply with a cost of \$238.75. An additional \$50 was included in the payment, which is not supported and appears to have been overpaid. It appears the hourly rate paid was \$50 per hour. It is unclear why payment was made to Green Acres Auto Sales.
01/11/2011	Jack F Flynn	tree site	\$ 150.00	Handwritten note from Jack Flynn dated 1/6/2011 stated, "Burn dump" on January 5th for 6.5 hours and January 6th for 8.5 hours for a total of 15 hours. Rate was \$10 per hour for a total of \$150.
08/31/2011	Jack F Flynn	repairs	\$ 63.23	Handwritten note from Jack Flynn dated August stated, "Wendsday [sic] air up tires blew hydro hose went to town to get new one took off old put on new one. Filled fluid again picked up trees/pushed up dump" from 11am to 6pm for 7 total hours, and "Thursday: went to town, got floor dry swept up shop finished tree pick up finished pushing up tree dump" from 2pm to 6pm for 4 total hours. Rate was \$10 per hour for a total of \$110. A water bill of \$46.77 was deducted from the \$110, for a total payment of \$63.23. There was no indication of the actual dates the services were provided.
10/12/2010	Kevin J. Murray	change meters	\$ 547.70	Handwritten note from Kevin Murray dated September 28 stated, "Read out Robert Brown \$20 Shut off Robert Brown \$20 30 hours town-hall paint - etc - file \$450 3 new meters \$60 2 hours [unreadable service] \$20" with a total of \$570. A water bill of \$22.30 was deducted from the \$570, for a total payment of \$547.70. There was no indication of the actual dates the service was provided. It appears the 30 hours was paid at \$15 per hour, and the 2 hours was paid at \$10 per hour.
06/13/2011	Murray, Kevin	maintenance	\$ 484.37	Handwritten note from Kevin Murray stated, "Labor on south well house 30.5 hours at \$15 = \$457.50 Insulating two man holes \$20.00 Change a meter \$20.00 Too [unreadable] \$20.00 Total \$507.50 pay." A water bill of \$23.13 was deducted from the \$507.50, for a total payment of \$484.37. The total of these services is actually \$517.50, resulting in an underpayment. In addition, there was no indication of the actual dates the services were provided.
09/13/2011	Phyllis Daniels		\$ 75.00	Handwritten note from Phyllis Daniels dated 9/13/2011 stated, "Input water meter readings into the computer for Jennifer Janssen 6 hrs. \$75.00[.]" Rate paid was \$12.50 per hour.
06/13/2011	Rodney Murry	maintenance	\$ 560.50	Handwritten note from Rodney Murray stated, " Labor 30.5 hours @ \$15.00 = \$457.50 1 2"x4"x12" = \$3.00 Surround (wallcover) = \$100.00 1 cupboard = free" for a total of \$560.50. The top of the note indicates that the services were related to the south well house. There was no indication of the dates these services were provided, nor an explanation of the nature of the service provided.
08/31/2011	Rodney Murry	repairs	\$ 570.00	Handwritten notes from Rodney Murray totaling \$570.00. The first note stated, "Finish inside of north well house Labor 24 hrs @ \$15.00 = \$360.00[.]" The second note stated, "[R]eroof south wellhouse (tin) Labor 14 hours @ \$15.00 = \$210.00[.]" There was no indication of the dates these services were provided, nor an explanation of the nature of the service provided.

Date	Name	Memo	Paid Amount	APA Notes
06/01/2012	Green Acres Auto Sales		\$ 440.00	Handwritten invoice dated June 2012 included several services, such as: "May 9th Marty & Richard fix leak on well #1-3 hours[.]" Total charged was \$30, \$10 per hour. "May 9 contact County County Commisioners [sic] Road Crew. 2 hours[.]" Total charged was \$20, \$10 per hour. Invoice also included, "May 10 & 11 collect on water bills shut off [removed name] [removed name] 2 hours." Total charged was \$20, \$10 per hour. Invoice included: "[O]pen dumpster May 8-15-29-(11th for Rodney)"; "deposit water money"; "make new keys"; "shut off [removed name] again"; "meet Jack & Marty for water test & training for Jack. 2hrs"; and "open tree dump 3 times for church[.]" Total charged was \$20, 10 per hour. Finally invoice included, "[M]ow cemetery - June 2 & 3 - mow well house May 7th & June 4th mow town hall May 7th June 12 th [.]" Total charged was \$350. Because of the lack of adequate documentation, such as the number of hours worked, the APA was unable to determine the rate paid for the mowing services. It is unclear why payment was made to Green Acre Auto Sales.

We recommend the Board formally establish, on the record as reflected in its meeting minutes, the rate to be paid to individuals for providing services to the Village.

Village Purchase of Flowers

In fiscal year 2011, the Village paid for the purchase of flowers, which is prohibited by statute:

Date	Name	Paid Amount	APA Notes
04/12/2011	Janine's	\$ 28.89	Invoice from Janine's dated 3/30/2011 for a flower/plant for Larry Ostrander service for \$27.00, plus sales tax of \$1.89, for a total of \$28.89.
04/30/2011	Janine's	\$ 29.96	Invoice from Janine's dated 4/25/2011 for flower/plant for Schaff for \$28.00, plus sales tax of \$1.96, for a total of \$29.96.

The Local Government Miscellaneous Expenditure Act (Act), which is set out at Neb. Rev. Stat. §§ 13-2201 through 13-2204 (Reissue 2012), specifies various expenditures, aside from those otherwise authorized by law, that constitute allowable uses of public funds by designated political subdivisions. The provisions of the Act are made applicable to villages, among numerous other entities, by both subsections (2) and (3) of § 13-2202.

On September 17, 1993, the Nebraska Accountability and Disclosure Commission (NADC) issued "A Guideline to the Use of Public Funds by Cities and Villages" (Guideline). This document attempts to answer some commonly asked questions regarding the appropriate use of public funds.

One of the issues addressed in the Guideline is the purchase of flowers, as follows:

"Question #6 – May municipal funds be expended for flowers and memorials for deceased elected officials, employees, or their families?"

Response – No."

The above conclusion is based upon the fact that § 13-2203 enumerates specifically all allowable expenditures of public funds under the Act. Buying flowers for a funeral – or for any other purpose not in strict accordance with the provisions of subsection (3) of that statute – is not included among such permissible purchases.

We recommend the Board ensure compliance with applicable statutory guidelines by discontinuing the public fund purchase of flowers for funerals and other unallowable purposes or occasions.

Sales Tax Paid

During fiscal year 2011, sales tax was paid on several purchases made with Village funds:

Date	Name	Sales Tax Paid	APA Notes
12/14/2010	Reimers Well Drilling	\$ 304.98	Two statements from Reimers Well Drilling totaling \$7,992.81. The first statement was dated 12/13/10 and included labor of \$885.00 and parts of \$4,335.87 for service on a well from 3/16/2010 to 9/29/2010. Statement included sales tax of \$229.56, for total of \$5,450.43. The second statement was also dated 12/13/2010 and included labor of \$550 and parts of \$1,916.96 for what appears to be service on a well from 1/13/2009 to 12/3/2010. Statement included sales tax of \$75.42, for a total of \$2,542.38. Some of the charges occurred more than 90 days from the billing.
06/13/2011	Farmers Ranchers Coop	\$ 2.32	Statement from Farmers Ranchers Coop dated 5/20/2011 for a \$33.00 tire repair, a \$33.15 tube, and \$2.32 in sales tax, for a total of \$68.47. The top of the statement was not provided, and there was no indication as to whose tire was repaired.
06/13/2011	Hometown Lumber	\$ 24.64	Four separate invoices from Hometown Lumber dated 6/6/2011, 6/7/2011, 6/9/2011, and 6/10/2011, totaling \$376.53. Items purchased included 8' white FRP caps, silicone, "Through the Roof," quickwall, sheet rock, "Kraft Faced Batts," staples, mesh tape, joint compound, drywall screws, and bits. In addition, a total of \$24.64 in sales tax was paid among the four invoices.
09/13/2011	Hometown Lumber	\$ 20.25	Two separate invoices from Hometown Lumber dated 8/11/2011 and 8/13/2011 that totaled \$309.43. Items purchased included fiberglass insulation, sheet rock, drywall screws, bits, joint compound, plates and a bulb. A total of \$20.25 in sales tax was paid between the two invoices.
04/12/2011	Janine's	\$ 1.89	Invoice from Janine's dated 3/30/2011 for a flower/plant for Larry Ostrander service for \$27.00, plus sales tax of \$1.89, for a total of \$28.89.
04/30/2011	Janine's	\$ 1.96	Invoice from Janine's dated 4/25/2011 for flower/plant for Schaff for \$28.00, plus sales tax of \$1.96, for a total of \$29.96.
Total Sales Tax Paid in FY 2011		\$ 356.04	

Title 316 NAC 1-093.04, which was promulgated by the Nebraska Department of Revenue, exempts Nebraska villages (093.04I), among other public entities, from paying sales tax.

We recommend the Board work to ensure that Nebraska sales tax is not paid on any purchase made by the Village.

6) Election of Officers of Village Board

The APA did not find evidence that the Village was electing a chairperson as required by law.

Neb. Rev. Stat. § 17-204 (Reissue 2012) states:

"Every trustee, before entering upon the duties of his or her office, shall take an oath to support the Constitution of the United States and the Constitution of Nebraska and faithfully and impartially to discharge the duties of his or her office. Every board of trustees appointed by the county board shall meet within twenty days, organize, and appoint the officers required by law. All trustees elected to office shall qualify and meet on the first regular meeting of the board in December thereafter, organize, elect a chairperson of the board, and appoint the officers required by law. The board of trustees shall, by ordinance, fix the time and place of holding its stated meetings and may be convened at any time by the chairperson." (Emphasis added.)

Additionally, Neb. Rev. Stat. § 17-206 (Reissue 2012) requires:

"The board of trustees shall keep a journal of their proceedings, and at the desire of any member shall cause the yeas and nays to be taken and entered on the journal on any question or ordinance, and the proceedings shall be public." (Emphasis added.)

A review of the Board's meeting minutes from October 2010 through August 2012 provides no indication that a chairperson has been elected, as required by § 17-204. If such an election has occurred, it has not been duly recorded, as mandated under § 17-206.

We recommend the Board elect a chairperson, if needed, as required by statute. Moreover, such election should be documented in accordance with applicable law.

The Board should take, in a timely fashion, any action necessary to address and resolve the issues presented in this letter – thereby, both protecting the finances of Village and ensuring compliance with applicable Nebraska laws. The APA will follow-up with the Village in the future to determine if appropriate corrective action has been taken.

The Village of Crookston Board of Trustees was provided a draft copy of this letter; they responded, on December 17, 2012, indicating contact has been made with the Cherry County Attorney, Eric Scott. Currently, they are in the process of negotiations with Mr. Scott to assist them with implementing the appropriate protocol to resolve the issues noted.

If you have any questions regarding the above information, please contact our office.

Sincerely,

SIGNED ORIGINAL ON FILE

Mike Foley
State Auditor

cc: Eric Scott, Cherry County Attorney
Accountability and Disclosure Commission
Village Board Members