



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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December 14, 2018

Mike Gillott, Chairman
Village of Murray Board of Trustees
106 W Main Street
Murray, NE 68409

Dear Mr. Gillott:

As you may know, the Nebraska Auditor of Public Accounts (APA) has received concerns regarding the Village of Murray's (Village) financial records and proceedings. As a result, the APA began limited preliminary planning work to determine if a full financial audit or attestation would be warranted. Pursuant thereto, the APA requested certain financial information from the Village. Based upon the outcome of the preliminary planning work, the APA has determined that it is unnecessary for this office to perform a separate financial audit or attestation at this time.

During the course of the preliminary planning work, we noted certain internal control or compliance matters, or other operational matters, that are presented below. The following information is intended to improve internal controls or result in other operational efficiencies.

Comments and Recommendations

1. Tyson Park Restroom Remodel Expenses

The Village recently restored the Tyson Park restroom. On May 9, 2017, the Village Board's (Board) meeting minutes included a review of that restoration work. A budget of \$10,000, plus 10% overage, was approved for improvements to the Tyson Park restroom. According to the Clerk, there has been no modification of this budget by the Board.

The expenses of the Tyson Park restroom remodel project were not properly tracked and appear to have exceeded the Board-approved budget. The APA identified the following expenses related to the work on the park bathroom per review of the Village's general ledger and invoices.

| Date | Check # | Name | Memo | Class | Paid Amount |
|-----------|---------|---------------------------------|------------------------------------|-------|-------------|
| 5/11/2017 | 17401 | Jack Gorton, Masonry Contractor | | Parks | \$ 1,690.00 |
| 5/24/2017 | 17407 | Jack Gorton, Masonry Contractor | block work on bathrooms Tyson Park | Parks | \$ 2,140.00 |
| 1/9/2018 | 17671 | Day Electric Service Inc. | bathroom lights, Tyson | Parks | \$ 1,578.50 |
| 6/12/2018 | 17855 | Day Electric Service Inc. | hook-up door Tyson, pavilion elec | Parks | \$ 1,005.72 |
| 2/13/2018 | 17705 | Impact Manufacturing | 7459 | Parks | \$ 366.97 |

| Date | Check # | Name | Memo | Class | Paid Amount |
|---------------|---------|-----------------------------|---|-------|---------------------|
| 7/10/2018 | 17913 | Savage Plumbing, Inc. | Repair broken water line Tyson Park bathroom | Parks | \$ 4,402.00 |
| 8/14/2018 | 17941 | Stanley D Flak | Locksmith work on door RR | Parks | \$ 187.50 |
| 8/14/2018 | 17941 | Stanley D Flak | Reimburse Tyson Park | Parks | \$ 25.75 |
| 6/13/2017 | 17437 | Murray Building & Supply | | Parks | \$ 1,760.93 |
| 10/10/2017 | 17560 | Stanley D Flak | Reimburse paint for Tyson RR | Parks | \$ 73.83 |
| 4/10/2018 | 17796 | Stanley D Flak | paint for RR | Parks | \$ 81.28 |
| 6/14/2018 | 17888 | Stanley D Flak | paint Tyson RR | Parks | \$ 92.24 |
| Totals | | | | | \$ 13,404.72 |

According to the Village Clerk, the \$4,402 payment to Savage Plumbing on July 10, 2018, as listed above, was not considered part of the renovation project, even though the Tyson Park restroom's broken water line needed repair.

The APA also found the following two expenditures. A portion of the work performed for those payments was noted on the invoices as being for Tyson Park. However, the specific costs related to the park renovation were not identified:

| Date | Num | Name | Memo | Class | Paid Amount |
|---------------|-------|------------------------------|--------|-------|--------------------|
| 12/12/2017 | 17628 | Bohl Plumbing & Heating Inc. | 230041 | Parks | \$ 1,789.00 |
| 7/11/2017 | 17470 | Murray Building & Supply | 6427 | Parks | \$ 1,355.88 |
| Totals | | | | | \$ 3,144.88 |

According to the expenses tabulated above, the cost of renovating the Tyson Park restroom has exceeded the amount budgeted for that work by more than \$2,000 – and probably quite a bit over that, although an accurate figure is not possible due to the Village's poor record keeping.

Without procedures for properly tracking and reporting project expenditures, there is an increased risk for not only exceeding authorized budgets amounts but also losing or misusing Village funds.

We recommend the Board implement procedures to ensure project expenses are appropriately identified on all invoices and tracked and specifically reported to the Board. The Board should also ensure that it formally approves expenses that exceed the budgeted amounts for each project.

2. Late Payment Penalties

Late fees for Village water and sewage services appear not to be properly assessed each month.

In May 2007, the Board amended its Code of Ordinances, Title V, Chapter 50, Section 50.01, as follows:

Charges for water and sewer service shall be billed jointly on a monthly basis. The customer shall read, or cause to be read, water and electric meters on or around the 20th day of each month. Utility bills shall be mailed during the last week of each month and shall be due upon receipt and payable by the 10th day of each month. Bills paid after the 10th day of each month shall have a penalty charge added thereto in an amount set by resolution of the governing body and on file in the office of the Municipal Clerk. Bills not paid by the 10th of each month shall be deemed to be delinquent. Upon being deemed to be delinquent, as herein defined, the utility department may discontinue service pursuant to Section 50.02 of this code. Once discontinued, service shall not be recommenced except upon payment in

full of all delinquent charges and upon further payment of a reconnection fee in the amount set by resolution of the governing body. The municipality may also take any action authorized by law to effect collection of the delinquent charges. If a disconnection is made, reconnection may be made during regular working hours, upon payment of the account in full, plus a reconnection charge of \$80. Any payments made to the governing body which are returned by a bank for insufficient funds shall immediately place the account of the customer in delinquency and a \$20 charge will be assessed to the customer for the returned item.

The Clerk manually assesses the late payment in the Village’s utility billing system. All payments received by the date the late fee is assessed are considered on-time. For example, if the Clerk processed the late fees on the 12th of the month, and a walk-in customer provided payment on that date, that customer’s payment would not be considered late. The note below from the Clerk explains the situation for payments she processed on December 12, 2017.

11/26/2018 8:26:45 AM
UB - Payments
Page 5

| Cust Nr | Route-AcctNr | Name | Service | Charge | Penalty | Tax | Total |
|---------|--------------|------|---------|--------|---------|-----|-------|
|---------|--------------|------|---------|--------|---------|-----|-------|

Report Setup Information:

| | |
|-----------------|----------------------|
| Report Design | Payment Service Type |
| Output Type | Graphics |
| Start Date | 12/12/2017 |
| End Date | 12/12/2017 |
| Sort By | Entry Order |
| Batch Nr | 0 |
| Type of Payment | All payment types |

Dec 12, 2017

The 10th of Dec. was a Sunday, I did not work until Tuesday Dec 12th. All payments received in drop box, mail and in office AM were considered on-time. late penalties were run that day after these payments were processed.

According to the Board’s policy, payments received “after the 10th day of each month” – which would necessarily include those paid on December 12 – should be considered late and have a penalty assessed. For payments received in the drop box, the board should consider addressing in its policy the Clerk’s work schedule and the fact that payments are not receipted daily.

By not assessing the late fee in accordance with the approved Village ordinance, there is a risk for loss of Village funds and inconsistent treatment of utility customers.

We recommend the Board ensure all fees are properly assessed in accordance with the approved ordinances. The Board should also consider implementing a method to document the actual date the payment was received if the payment is not entered into the billing system daily or should address its date due policy to consider the Clerk's work hours.

3. Board Meeting Minutes

The APA identified the following concerns related to the periodic publishing of the Board's official proceedings.

Purpose of the Claim

The description of the claims listed in the Board's published proceedings may be insufficient to ensure full compliance with the language of the State statute requiring such publication.

The following is an example of the claims accompanying the Board's published statement of proceedings:

| SUPPLIER | DESC | AMOUNT |
|---------------------------------|------|------------------|
| Anton Yost | rf | 200.00 |
| Beaver Lake Assn | swr | 4,011.41 |
| Canon Solutions America | ct | 32.96 |
| Canon Financial Svcs., Inc. | ct | 54.80 |
| CCRW #1 | cnt | 4,813.05 |
| Cornerston Bank | su | 115.03 |
| EFTPS | tx | 1,773.98 |
| It's Your Call | cl | 210.00 |
| JEO Consulting Group Inc. | pf | 10,945.00 |
| JEO Consulting Group Inc. | pf | 253.75 |
| Jason Ahrens | rf | 200.00 |
| Jeff or Amanda Anderson | rf | 200.00 |
| Kristopher Rowan | rf | 200.00 |
| Lincoln Journal Star | adv | 212.56 |
| Mullenax Auto Supply | su | 26.98 |
| Morten Law | lgl | 104.50 |
| EFTPS | wh | 1,773.98 |
| Murray Bldg & Supply | su | 92.04 |
| Midwest Farmers Coop | fl | 220.21 |
| NE Public Health Environ Lab | tsts | 15.00 |
| Ne Dept Rev | stx | 1,209.77 |
| Ne State Treasurer | fee | 72.50 |
| NPPD | ut | 1,609.16 |
| One Call Concepts | lo | 7.92 |
| Office Depot | su | 42.87 |
| Premier Waste Solutions | cnt | 2,582.44 |
| PO | ptg | 120.00 |
| Pulverente Monument Co. | sv | 50.00 |
| Sensus Metering Systems | spt | 1,715.95 |
| Tim Maine | rf | 200.00 |
| Utility Equipment Co. | su | 48.00 |
| Wirebuilt Co./Neb Comm Websites | cnt | 0.00 |
| Verizon Wireless | ph | 120.34 |
| Voss Lighting | su | 262.73 |
| Windstream | ph | 291.39 |
| 75 Mart | fl | 347.95 |
| 75 Mart | fl | 288.75 |
| Payroll | pr | 4,938.31 |
| Claims Total | | 39,363.33 |

Neb. Rev. Stat. § 19-1102 (Supp. 2017) requires the publication to include the purpose of the claim, as follows:

It shall be the duty of each village or city clerk in every village or city having a population of not more than one hundred thousand inhabitants as determined by the most recent federal decennial census or the most recent revised certified count by the United States Bureau of the Census to prepare and publish the official proceedings of the village or city board, council, or commission within thirty days after any meeting of the board, council, or commission. The publication shall be in a newspaper in or of general circulation in the village or city, shall set forth a statement of the proceedings of the meeting, and shall also include the amount of each claim allowed, the purpose of the claim, and the name of the claimant. except that the aggregate amount of all payroll claims may be included as one item. 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. The charge for the publication shall not exceed the rates provided for in section 23-122.

(Emphasis added.) The descriptions of the expenses in the above table do not appear to identify adequately the purpose of the claim. Consequently, there is a risk not only of failure to comply fully with State statute but also a lack of transparency regarding the nature of those expenses.

Summary Meeting Minutes

The Clerk publishes the meeting minutes in only a summary form, as described below:

I, the undersigned Village Clerk of the Village of Murray, Nebraska, hereby certify that the foregoing is a true and correct copy of proceedings had and done by the Chairperson and the Board of Trustees of the Village of Murray to the best of my knowledge; that the agenda was kept continually current and available for public inspection at the office of the Village Clerk; that the minutes were in written form and available for public inspection within (10) working days and prior to the next convened meeting of said body; the minutes are published in summary form, upon request a complete copy is available at the Village Office.

When providing information regarding certain contracts or other activities involving the expenditure of Village funds, the published summary does not always include the amounts of the actual or anticipated costs. This appears inconsistent with the purpose of the publication requirement in § 19-1102.

According to the Nebraska Attorney General, the purpose of statutory publication requirements is “to keep the public informed.” Op. Att’y Gen. No. 162 (Dec. 24, 1981). The Iowa Attorney General has offered this similar, though more detailed, observation:

The general objective of the publication requirement of county business in an official newspaper is to furnish the public a convenient method of ascertaining what business is being transacted by the board of supervisors and how it is being transacted, as well as to furnish a check upon extravagance and to prevent the presentation and allowance of trumped up or padded claims against the county.

Op. Iowa Att’y Gen. No. 90-2-1(L) (February 2, 1990). To ensure full compliance with the intent of the publication requirement in § 19-1102, as well as to allow for a sufficient level of public transparency, we encourage the Board to provide, when possible, the actual cost amounts of any contracts or other activities mentioned in its published proceedings.

Formal Review of Invoices

Invoices are not formally reviewed by a member of the Board prior to the approval of claims. Instead, the Clerk makes the invoices available to the Board at each meeting, and a list of claims is included in the Board members’ meeting packet.

To illustrate the problem with failing to have a Board member review invoices prior to claims being presented for Board approval, our examination of the expenses for the Tyson Park restroom project revealed that one \$1,690 payment to Jack Gorton, Masonry Contractor, lacked any supporting documentation. The Clerk stated that she believed the contractor required half of the payment prior to services being provided, but no invoice was available for that initial payment. Nevertheless, being apparently unaware of this serious concern, the Board voted to approve the claim.

The fact that the Village's clerical staff consists of only one Clerk increases the necessity of having at least one Board member review invoices prior to the approval of claims. In addition to alleviating some of the burden on the Clerk, such a system would be a positive step toward implementing a proper segregation of duties by preventing one person from being in a position both to perpetrate and to conceal errors or irregularities.

Good internal controls require procedures and records designed to safeguard assets, provide reliable financial information, and ensure compliance with State statutes. Without such procedures and records, there is an increased risk for noncompliance with statute, loss or misuse of Village funds, and a lack of transparency for the expenditure of public funds.

We recommend the Board implement the following procedures:

- Properly identify the purpose of each claim in its published meeting minutes.
- Publish an adequate account of its official proceedings by including, when possible, the actual or anticipated costs of all contracts or other activities mentioned therein.
- Ensure an adequate review of invoices by at least one Board member prior to the approval of claims.

4. Other Internal Control and Compliance Issues

The APA identified a number of other internal control or compliance issues, as set out below.

Approval of Clerk's Timesheets

The Board failed to review and approve the Clerk's timesheets to ensure the wages paid agreed to the time records and were calculated correctly.

The Clerk completes and prints out a timesheet each month. Like the regular claims, the timesheet is brought to each Board meeting but is not formally reviewed prior to payment.

Only the Clerk is able to process Village checks; therefore, without adequate monitoring of amounts paid to her – or, for that matter, to others – there is a risk for the loss or misuse of Village funds.

Insurance Stipend

The Village Clerk may not have received the correct insurance stipend amount during fiscal year 2018.

In November 2011, the Board adopted Board Resolution 11-04, which set salaries and other benefits for Village employees, as follows:

Clerk/Treasurer: \$15.00 per hour, New Years Day, Memorial Day, Fourth of July, Labor Day, Thanksgiving Day and Christmas Day off with pay; two weeks paid vacation; monthly insurance stipend of 14.15% of salary; and \$25.00 per week as Grade 4 Certified Water Operator.

In July 2015, the Board voted to increase the insurance stipend by two percent, to 16.15%.

The following table details the APA’s calculation of the insurance stipend, based on gross pay, compared to that actually paid to the Clerk.

| Pay Period | Hrs Worked | Hrly Rate | Gross Wages | 16.15% of wages | Insurance Stipend Paid | Difference |
|---------------|-----------------|-----------|---------------------|--------------------|------------------------|------------------|
| 8/2018 | 149.00 | \$ 17.85 | \$ 2,659.65 | \$ 429.53 | \$ 391.91 | \$ 37.62 |
| 7/2018 | 136.00 | \$ 17.85 | \$ 2,427.60 | \$ 392.06 | \$ 391.91 | \$ 0.15 |
| 6/2018 | 132.25 | \$ 17.85 | \$ 2,360.66 | \$ 381.25 | \$ 391.91 | \$ (10.66) |
| 5/2018 | 164.50 | \$ 17.85 | \$ 2,936.33 | \$ 474.22 | \$ 391.91 | \$ 82.31 |
| 4/2018 | 135.50 | \$ 17.85 | \$ 2,418.68 | \$ 390.62 | \$ 391.91 | \$ (1.29) |
| 3/2018 | 146.25 | \$ 17.85 | \$ 2,610.56 | \$ 421.61 | \$ 391.91 | \$ 29.70 |
| 2/2018 | 135.50 | \$ 17.85 | \$ 2,418.68 | \$ 390.62 | \$ 391.91 | \$ (1.29) |
| 1/2018 | 159.00 | \$ 17.85 | \$ 2,838.15 | \$ 458.36 | \$ 391.91 | \$ 66.45 |
| 12/2017 | 142.25 | \$ 17.85 | \$ 2,539.16 | \$ 410.07 | \$ 391.91 | \$ 18.16 |
| 11/2017 | 145.00 | \$ 17.85 | \$ 2,588.25 | \$ 418.00 | \$ 391.91 | \$ 26.09 |
| 10/2017 | 139.00 | \$ 17.85 | \$ 2,481.15 | \$ 400.71 | \$ 391.91 | \$ 8.80 |
| 9/2017 | 143.00 | \$ 17.50 | \$ 2,502.50 | \$ 404.15 | \$ 391.91 | \$ 12.24 |
| Totals | 1,727.25 | | \$ 30,781.37 | \$ 4,971.20 | \$ 4,702.92 | \$ 268.28 |

The APA-calculated insurance stipend is based on the actual gross pay received for hours worked, including hours worked in excess of 32 hours per week. The regular number of annual hours for the Clerk is 1,664 hours (52 weeks times 32 hours per week). As shown in the table above, the Clerk was actually paid for a total of 1,727.25 hours worked – an additional 63.25 hours above what would have been earned for standard 32-hour work weeks alone.

The insurance stipend actually paid was determined by using the Clerk’s regular weekly hours worked (32) times her rate of pay (\$17.50) to obtain to a total weekly amount (\$560). That amount was multiplied by 52 weeks to arrive at the annual salary (\$29,120). Using the approved stipend amount of 16.15%, the yearly stipend was \$4,702.88, which equated to a monthly total of \$391.91.

This calculation of the stipend actually paid did not take into consideration the 63.25 extra hours worked by the Clerk or her pay increase to \$17.85 per hour. Consequently, that stipend actually paid was short by \$268.28.

Flower policy

The Board’s Flower Program appears to conflict with provisions of the Local Government Miscellaneous Expenditure Act (Act), which is set out at Neb. Rev. Stat. §§ 13-2201 through 13-2204 (Reissue 2012; 2018 Neb. Laws, LB 1036, § 1).

Article XIII, Section 4, of the Village’s 2014 Personnel Manual states the following:

Flower Program. The Village will maintain a fund to provide flowers to the immediate family of an Employee, Chairperson, or Board member in the event of a funeral or hospitalization. Immediate family is defined as Parents, Husband, Wife, Brother, Sister, and Children. Flower expense for a funeral shall not exceed \$50.00 and for hospitalization \$25.00.

In “A Guideline to the Use of Public Funds by Cities and Villages – Revised” (Guideline), issued on September 11, 1992, the Nebraska Accountability and Disclosure Commission explained that the Act disallows the purchase of flowers for funerals, as follows:

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

Response – No.

Although issued more than two decades ago, the Guideline remains relevant with regard to the present issue, as the Act has not been amended since then so as to alter its applicability thereto.

Good internal controls require procedures and records designed to safeguard assets, provide reliable financial information, and ensure compliance with State statutes. Without such procedures and records, there is an increased risk for noncompliance with statute and the loss or misuse of Village funds.

We recommend the Village implement the following procedures:

- Document a review of the Clerk’s time records prior to payment.
- Ensure the insurance stipend paid to employees complies with the terms of the Board resolution, and pay employees any additional amounts owed. If the Board’s intention is to offer a flat monthly rate that rate should be approved accordingly.
- Revise its Personnel Policy to comply with the Guidelines issued by the Nebraska Accountability and Disclosure Commission regarding the Local Government Miscellaneous Expenditures Act.
- Ensure all action taken on behalf of the Village is adequately documented and approved by the entire Board.

Overall Village Response: I have no dispute with any of your findings from your audit, except for your accounting of the expenses for the renovation of the Tyson Park bathroom. I respectfully disagree with the addition of billings that were clearly for other projects (park pavilion and basketball court) or were simply for general maintenance of the park. The bill for the repair of the water line, for example, was maintenance. The water line had frozen over the winter and broken, and was discovered when we opened the bathroom in the spring. This was simply the result of improper winterization the prior fall and needed to be repaired. I do agree, however, that perhaps some of the expenses were unclear (Murray Building & Supply statements) and going forward, we will ensure that those are more specifically defined.

The Village of Murray Board of Trustees is taking all your recommendations seriously and will be moving toward rectifying concerns in your findings in the next few months.

APA Response: The APA clearly identified the water line repair issue in the comment above. Without the water line repair, the expenses still exceeded \$9,000. As noted previously, there were other expenses for the project that were not clearly identified that likely pushed the total over \$10,000. As noted in our recommendation, the Board should ensure all project expenses are properly identified or tracked so they can determine if the project was within budget.

* * * * *

The preliminary planning work that resulted in this letter was designed primarily on a test basis; therefore, it may not bring to light all existing weaknesses in the Village’s policies or procedures. Nevertheless, our objective is to use the knowledge of the entity to make comments and recommendations 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. All formal responses received have been incorporated into the letter.

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". The signature is written in black ink and is positioned to the left of the typed name and contact information.

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