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September 4, 2019

Jeffrey Hartung, Chairperson
Village of Dixon
P.O. Box 64
Dixon, NE 68732

Dear Chairperson Hartung:

As you know, the Nebraska Auditor of Public Accounts (APA) has approved the fiscal year 2018 audit waiver for the Village of Dixon (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. Possible Conflict of Interest

The APA received Village Board (Board) meeting minutes and the accompanying claims listing for April 9, 2018. From this listing, the APA identified a potential conflict of interest involving the actions of Board Chairperson and acting Village Clerk, Jeffrey Hartung.

According to the meeting minutes, it is unclear whether Mr. Hartung abstained from voting on the following claims:

Claim Date	Name/Vendor	Amount	Check #	Cleared Date
4/9/2018	Julie Hartung	\$ 423.34	7189	4/11/2018
4/9/2018	Julie Hartung	\$ 150.00	7197	4/11/2018
Total		\$ 573.34		

Julie Hartung is the spouse of Chairperson Hartung.

An excerpt from the April 9, 2018, Board minutes is provided below:

Bills presented for Board approval . . . Motion Carried. Bills Approved. Chip 1st Trica 2nd.

The possible failure of Chairperson Jeffrey Hartung to abstain from voting on the motion above gives rise to concerns regarding possible violations of the Nebraska Political Accountability and Disclosure Act (Act), which is set out at Neb. Rev. Stat. § 49-1401 (Cum. Supp. 2018) et seq.

To start, Neb. Rev. Stat. § 49-14,101.01(1) (Reissue 2010) states the following:

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.

(Emphasis added.) The penalty for violating the above-cited conflict of interest statute is set out in subsection (7) thereof, as follows:

[A]ny person violating this section shall be guilty of a Class III misdemeanor, except that no vote by any member of the Legislature shall subject such member to any criminal sanction under this section.

Furthermore, Neb. Rev. Stat. § 49-1499.03(2) (Reissue 2010) provides the following:

(a) Any person holding an elective office of a city or village not designated in section 49-1493 and any person holding an elective office of a school district who would be required to take any action or make any decision in the discharge of his or her official duties that may cause financial benefit or detriment to him or her, a member of his or her immediate family, or a business with which he or she is associated, which is distinguishable from the effects of such action on the public generally or a broad segment of the public, shall take the following actions as soon as he or she is aware of such potential conflict or should reasonably be aware of such potential conflict, whichever is sooner:

(i) Prepare a written statement describing the matter requiring action or decision and the nature of the potential conflict;

(ii) Deliver a copy of the statement to the person in charge of keeping records for the city, village, or school district who shall enter the statement onto the public records of the city, village, or school district; and

(iii) Abstain from participating or voting on the matter in which the person holding elective office has a conflict of interest.

(b) The person holding elective office may apply to the commission for an opinion as to whether the person has a conflict of interest.

(Emphasis added.) Neb. Rev. Stat. § 49-1425 (Reissue 2010) of the Act defines “immediate family” as follows:

Immediate family shall mean a child residing in an individual’s household, a spouse of an individual, or an individual claimed by that individual or that individual’s spouse as a dependent for federal income tax purposes.

(Emphasis added.) Good internal control requires procedures to ensure compliance with the applicable provisions of the Act.

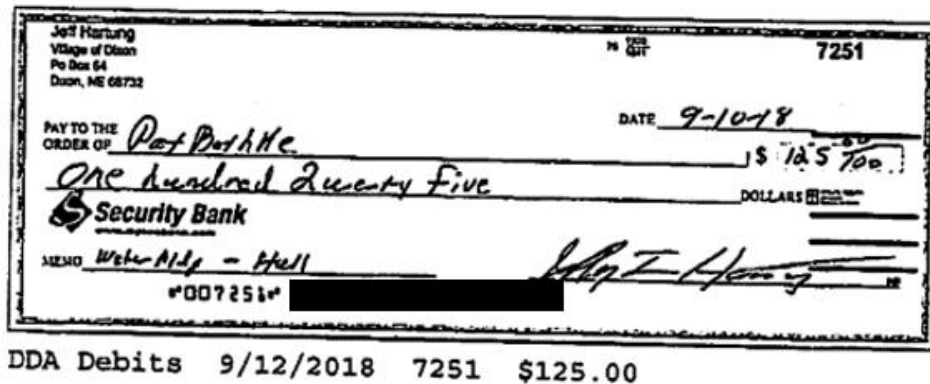
Without such procedures, there is an increased risk for both statutory violations and the loss of Village funds.

We recommend the Board implement procedures to ensure compliance with the applicable provisions of the Act. Because the issue addressed herein constitutes a possible violation of the Act, we are forwarding this information to the Nebraska Accountability and Disclosure Commission.

Village Response: The Village will adopt a resolution that any board member shall abstain on an expenditure to a member of his or her immediate family and or business.

2. 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 all of the Village's checks written during the examination period contained only one signature. An example of such checks is shown below:



State statute requires Village checks to be signed by both the 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.

Village Response: I have been Chairman and acting Clerk since our last Clerk retired. We can adopt a dual signature system using an acting Board member to also sign checks.

3. Payment of Claims Prior to Board Approval

During our comparison of the Village's bank account details to claims approved by the Board, the APA noted that multiple Village checks, totaling \$546.70, were issued before the underlying claims were approved by the Board.

The table below provides a summary of those premature payments:

Name	Claim Date	Check #	Cleared Date	Amount	Days Paid Before Approval
Leroy Bathke	4/9/2018	7183	3/22/2018	\$ 6.70	18
Madonna Tanderup	4/9/2018	7184	3/27/2018	\$ 60.00	13
Pat Bathke	4/9/2018	7185	3/22/2018	\$ 80.00	18
Grossenburg	4/9/2018	7186	4/6/2018	\$ 400.00	3
Total				\$ 546.70	

Neb. Rev. Stat. § 17-614(1) (Cum. Supp. 2018) sets out the proper method for the appropriation or payment of money by the Village, as follows:

All ordinances and resolutions or orders for the appropriation or payment of money shall require for their passage or adoption the concurrence of a majority of all members elected to the c i t y council in a city of the second class or village board of trustees

(Emphasis added.) Good internal control requires procedures to ensure that all claims are 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.

Village Response: Claims were sometimes paid ahead of Board meeting to pay for postage for water samples or cleaning supplies. The payment to Grossenberg was on a Board approved tractor lease agreement but to simplify we will approve all payments at our monthly board meeting.

* * * * *

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,



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Special Audits and Finance Manager
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cc: Nebraska Accountability and Disclosure Commission