



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Ruby Skidmore, Chairperson  
Village of Marquette  
P.O. Box 154  
Marquette, NE 68854

Dear Chairperson Skidmore:

As you may know, the Nebraska Auditor of Public Accounts (APA) has received concerns regarding the Village of Marquette (Village) and the Village Maintenance Supervisor (Supervisor), which included payment of hours not worked and personal use of Village equipment.

In response to these concerns, the APA began preliminary planning work to determine if a full financial audit or attestation by the APA would be warranted. The APA first reviewed the fiscal year 2018 audit report of the Village, completed by Almquist, Maltzahn, Galloway & Luth, P.C., for any findings applicable to the concerns received by the APA. The following finding was reported in that fiscal year 2018 audit report.

*During our audit, we noted that the hours worked are not verified. We recommend that someone other than the employee is reviewing and approving the hours for each employee.*

As a result, the APA requested certain financial documents and records from the Village. Based upon a review of the information provided, the APA has determined that a financial audit or attestation of the Village by our office is not required at this time.

Nevertheless, during the course of the preliminary planning work, we noted certain internal control and compliance matters within the Village. The following information is intended to improve internal controls or result in other operational efficiencies.

## **Comments and Recommendations**

### **1. Compensation Ordinance**

The APA received Board meeting minutes that contained discussion and/or approval of compensation for Village officials and employees; however, the Village was unable to provide an ordinance related to such compensation, as required by State statute.

Neb. Rev. Stat. § 17-209 (Cum. Supp. 2018) states the following:

*The appointive officials and other employees of the village shall receive such compensation as the chairperson and village board of trustees shall designate by ordinance; and the annual salary of the chairperson and other members of the village board of trustees shall be fixed by ordinance.*

Good internal control requires procedures to ensure that compensation for Village officials and employees is set by ordinance.

Without such procedures, there is an increased risk of the Village failing to comply with State statute.

We recommend the Village Board implement procedures to ensure wages and salaries for Village officials and employees are set by ordinance, as required by State statute.

*Village Response: We are in the process of preparing an ordinance for the employee wages and hours to be presented at the August 14<sup>th</sup>, 2019 meeting.*

## **2. Publication of Board Proceedings and Compensation**

The APA questions whether certain items, such as a listing of claims allowed and current wages or salaries by Village job position, were published, as these items were not included in the copies of the Board meeting minutes provided. The APA noted details of claims, including the name of the claimant, purpose, and amount, were not included in the minutes. As these elements in the minutes were often missing, it is possible that the Board's published proceedings are insufficient to ensure full compliance with State statute.

In addition, the Village failed to provide a copy of the annual publication of municipal job positions, including the compensation provided for each such assignment.

Neb. Rev. Stat. § 19-1102 (Cum. Supp. 2018) requires the following:

*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.) Good internal control requires procedures to ensure that the published Board proceedings include the required information regarding claims, and an annual publication is made for municipal job positions and their respective compensation.

Without such procedures there is an increased risk of not only the Village failing to comply with State statute, but also the loss, misuse, or theft of Village funds.

We recommend the Village implement procedures to ensure the Board's published proceedings include the statutorily required items related to approved claims. Those same procedures should ensure also that the municipal job positions and their respective compensation are published annually, as required by State statute.

*Village Response: The wages/salaries are published every year. For the last fiscal, there was an oversight on our part and publication request was not submitted to the News Register. To insure this does not happen again, we have created a wall calendar to record tasks for the fiscal year.*

### **3. Verification of Employee Hours**

When the APA requested copies of the Supervisor's timesheets, the Village was able to provide only copies of his timesheets dating back to January 14, 2019, as the Village had implemented a new ordinance requiring timesheets to be maintained starting that month and year. Prior to January 2019, no verification of the Supervisor's hours was possible. However, based on the timesheets provided, the APA noted that there is no indication that the timesheets are being reviewed and approved by someone other than the Supervisor.

Good internal control requires procedures to ensure that all Village employee hours are recorded by the employee and verified and approved by another employee or the Village Board.

Without such procedures, there is an increased risk for the loss or misuse of Village funds.

We recommend the Board implement procedures to ensure Village employee hours are verified by a third party.

*Village Response: Efforts are being made to verify the hours being worked and the time involved in performing duties. Richard Archer has been advised in executive session at the July 10<sup>th</sup>, 2019 meeting that he must comply with all new regulations concerning working hours and job performance. He was given a sixty day period in which to show improvement. This will be addressed at the September 11<sup>th</sup>, 2019 meeting to determine if further action is required.*

### **4. Personal Use of Village Equipment**

The Supervisor has been alleged to be using municipal vehicles and equipment for personal purposes. In conversations with the Village Clerk, it was confirmed that the Supervisor had access to, as well as unrestricted use of, the Village pickup, tractor, mower, weed eater, and all other hand tools and power tools owned by the municipality.

According to the Subsection titled "Use and Operation of Village Vehicles," under Chapter 6, "Compensation and Personnel Action," of the Village's Policy Manual (Manual), personal use of Village property is prohibited.

The Manual states the following:

*The use of any Village-owned vehicle for personal use is prohibited. Only Village employees and/or Board members are allowed to drive Village owned vehicle [sic].*

Additionally, Neb. Rev. Stat. § 49-14,101.01(2) (Reissue 2010) of the Nebraska Political Accountability and Disclosure Act, which is set out at Neb. Rev. Stat. § 49-1401 (Cum. Supp. 2018) et seq., restricts the use of property under the "official care and control" of a public official or public employee, as follows:

*A public official or public employee shall not use or authorize the use of personnel, resources, property, or funds under his or her official care and control other than in accordance with prescribed constitutional, statutory, and regulatory procedures or use such items, other than compensation provided by law, for personal financial gain.*

Per subsection (7) of that same statute, "[A]ny person violating this section shall be guilty of a Class III misdemeanor . . . ."

Neb. Rev. Stat. § 49-1443 (Reissue 2010) defines a "public official" as, among other things, "an elected or appointed official" in a political subdivision of the State. Neb. Rev. Stat. § 49-1442 (Reissue 2010) defines a "public employee" as "an employee of the state or a political subdivision thereof."

While the relevant Manual provision addresses only “any Village-owned vehicle,” the prohibition in § 49-14,101.01(2) applies to all public property. Thus, the personal use of not only the Village pickup but also municipal equipment, including a tractor, mower, weed eater, and other hand tools and power tools, is strictly prohibited.

Good internal control requires procedures to ensure that Village vehicles and equipment are not used for personal purposes.

Without such procedures, there is an increased risk for not only the loss of or damage to Village vehicles and equipment but also noncompliance with prohibitions against such use in both the Manual and State statute.

We recommend the Village implement procedures to ensure municipal vehicles and equipment are not used for personal purposes.

*Village Response: Plans are being made to keep maintenance logs with hours/mileage on equipment and to keep the keys and equipment on site after working hours. Richard Archer has been advised in executive session at the July 10<sup>th</sup>, 2019 meeting that he must comply with all new regulations concerning the use of equipment and record keeping. He was given a sixty day period in which to show improvement. This will be addressed at the September 11<sup>th</sup>, 2019 meeting to determine if further action is required.*

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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,



Mary Avery  
Special Audits and Finance Manager  
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cc: Lisa Archer, Village Clerk