



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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September 20, 2019

Victor Hanson, Chairperson  
Village of Ithaca  
530 Main St.  
Ithaca, NE 68033

Dear Chairperson Hanson:

As you know, the Nebraska Auditor of Public Accounts (APA) has approved the fiscal year 2018 audit waiver for the Village of Ithaca (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 August 22, 2018. From this listing, the APA identified a potential conflict of interest involving the actions of Board Chairman Victor Hanson, as well as Board members Lynn Hanson and Bonnie Vitale.

According to the meeting minutes, these individuals appear to have failed to abstain from voting on the following claims:

Claim Date	Name/Vendor	Description	Amount	Check #	Cleared Date
8/22/2018	Victor Hanson	Printer/Scanner	\$ 430.96	4709	8/6/2018
8/22/2018	Bonnie's Mowing		\$ 835.00	4714	8/24/2018
8/22/2018	Lynn Hanson	Reimbursement - Hall Supplies	\$ 55.35	4720	8/28/2018
8/22/2018	Victor Hanson	Reimbursement - Chairs	\$ 199.88	4721	8/27/2018
8/22/2018	Hanson Well Service	Contract Labor	\$ 100.00	1417	8/27/2018
		<b>Total</b>	<b>\$ 1,621.19</b>		

An excerpt from the August 22, 2018, Board minutes is provided below:

*Board Member Randy Rawlin moved to approve the Minutes of the July 18<sup>th</sup>, 2018 Village Board Meeting as submitted. Board Member Lynn Hanson seconded the motion. Upon roll call vote on the motion, the following Board Members voted "AYE": Bonnie Vitale, Gus Moreno, Lynn Hanson, Victor Hanson, and Randy Rawlin. The following Board Members voted "NAY": None. Motion carried 5-0.*

(Emphasis added.) The apparent failure of these individuals 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.*

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.) 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 of Ithaca will separate the claims as indicated below:*

- 1. General Claims*
- 2. Reimbursements and/or Contract Payments to Victor Hanson*
- 3. Reimbursements and/or Contract Payments to Hanson Well Service*

- 4. Reimbursements and/or Contract Payments to Lynn Hanson
- 5. Reimbursements and/or Contract Payments to Bonnie Vitale and Bonnie's Mowing

Victor and Lynn would abstain from voting on items 2-4 above leaving a majority of 3 who could vote to approve it. Bonnie would abstain from voting on #5 leaving a majority of 4 to approve it.

**2. Lack of Claim Purpose**

During our comparison of the Village's bank account details to claims approved by the Board, the APA noted that some of the claims listed in the Board's official proceedings lacked descriptions of their respective purposes.

The following is an example of the approved claims listing provided by the Village for August 22, 2018:

Name	Description	Amount
Windstream		\$ 142.94
OPPD		\$ 467.68
OPPD		\$ 487.86
Bonnie's Mowing		\$ 835.00
OPPD		\$ 145.91
OPPD		\$ 143.93
<b>Total</b>		<b>\$ 2,223.32</b>

Neb. Rev. Stat. § 19-1102 (Cum. Supp. 2018) requires publication of the Board's official proceedings, which must include, among other things, the purpose of each claim allowed, 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.) Good internal control and sound accounting practices require procedures to ensure that the Board's official proceedings describe the purpose of each claim allowed.

Without such procedures, there is an increased risk of not only failure to comply with statutory publication requirements but also a lack of transparency regarding the nature of public expenditures.

We recommend the Board implement procedures to ensure the purpose of each claim allowed is included in the Board's official proceedings and published in accordance with State statute.

*Village Response: Our Clerk, Michelle Thompson, will include a description on the claims report that is submitted to the Board, and in Quickbooks.*

**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 \$1,205.69, were issued before the underlying claims were approved by the Board.

The table below provides a summary of those premature payments:

<b>Claim Date</b>	<b>Name/Vendor</b>	<b>Amount</b>	<b>Check #</b>	<b>Cleared Date</b>	<b>Days Paid Before Approval</b>
8/22/2018	Windstream	\$ 142.94	ACH	8/16/2018	6
8/22/2018	OPPD	\$ 487.86	ACH	8/6/2018	16
8/22/2018	Victor Hanson	\$ 430.96	4709	8/6/2018	16
8/22/2018	OPPD	\$ 143.93	ACH	8/6/2018	16
<b>Total</b>		<b>\$ 1,205.69</b>			

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 city 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: Per the recommendation, Michelle Thompson will document in the meeting minutes which claims are approved. The Board only meets once a month. The Windstream and OPPD payments are paid via EFT. Typically, the Board meets on either the third or fourth Wednesday of the month. It will be difficult to approve an EFT payment in advance when we don’t receive the amount until we receive the bill.*

**4. Other Issues**

On the Village’s original submission of the its audit waiver request form, all financial activity was reported in a single fund column on Exhibit A. Furthermore, balances held by the County Treasurer for property tax receipts were not reported. As a result, the APA made revisions to the Village’s audit waiver request form and noted the Road Fund bank account was not included in the Village’s accounting system.

Good internal control requires procedures to ensure forms are completed fully and accurately before being submitted to the APA. Additionally, good internal control and sound business practice requires all bank account information to be included in the Village’s accounting system.

We recommend the Village implement procedures to ensure that all information required in the Village's audit waiver request is included and properly recorded.

*Village Response: Per the recommendation, we will ensure that all applicable information is notated on the audit waiver. We will complete the waiver in the same manner as it was indicated in May 2019. We will itemize out our bank accounts instead of totaling the amounts under one bank account.*

\* \* \* \* \*

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: Michelle Thompson, Village Clerk  
Nebraska Accountability and Disclosure Commission