



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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August 9, 2019

Sonya Rasmussen, Chairperson
Village of Hazard
301 Minden Street
Hazard, NE 68844

Dear Chairperson Rasmussen:

As you know, the Nebraska Auditor of Public Accounts (APA) has approved the fiscal year 2018 audit waiver for the Village of Hazard (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. Lack of Claim Purpose

During our comparison of the Village's bank account details to claims approved by the Village Board (Board), the APA noted that roughly a third 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 7, 2018:

Name/Vendor	Description	Amount
Custer PPD		\$ 53.42
Black Hills Energy		\$ 34.01
Custer PPD		\$ 241.86
Black Hills Energy		\$ 45.74
Custer PPD		\$ 53.29
Black Hills Energy		\$ 12.50
Custer PPD		\$ 241.86
Black Hills Energy		\$ 24.23
Total		\$ 706.91

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: It is the Villages practice to be fully descriptive of the claims to be paid each month. The utility claims to Custer Public Power District and Black Hills Energy now have a full description added and continue to be a part of the minutes of each meeting.

Additionally, the Village is not without concern regarding the requirement that meeting information be published in the newspaper. Those concerns include the question as to whether publication will provide more access to Village meeting information than does the current public posting. The Village is sensitive to costs that are passed on to Hazard taxpayers, many of whom live on limited incomes. The Village has demonstrated this concern by carefully overseeing operational costs and, thus, minimizing the amount of its tax levy. The newspaper publication requirement will add significant cost to the Village, (estimated to be approximately 1/5 of the Village’s budget) while there is no cost for public posting. With newspaper publication, meeting information may actually reach fewer residents of Hazard, as a limited number of citizens now subscribe to the newspaper. This is due to the increased subscription costs, the decreased size of the newspaper and delivery difficulties. Additionally many Hazard citizens do not have online subscription access. Please advise us if there may be an exception to the newspaper publication requirement.

2. 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 \$1,344.43, were issued before the underlying claims were approved by the Board.

The table below provides a summary of those premature payments:

Name	Check #	Claim Date	Cleared Date	Amount	Days Paid Before Approval
Custer PPD	3161	8/7/2018	7/17/2018	\$ 53.42	21
Black Hills Energy	EFT	8/7/2018	7/17/2018	\$ 34.01	21
Judy Hughes	3163	8/7/2018	7/13/2018	\$ 55.41	27
Custer PPD	2752	8/7/2018	7/17/2018	\$ 241.86	21
Black Hills Energy	EFT	8/7/2018	7/17/2018	\$ 45.74	21
Judy Hughes	2754	8/7/2018	7/13/2018	\$ 258.58	25
Chase Nilsen	2755	8/7/2018	7/16/2018	\$ 600.00	22
Judy Hughes	3512	8/7/2018	7/13/2018	\$ 55.41	25
Total				\$ 1,344.43	

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: It is the Villages practice to not pay claims until they are approved by the Board of Trustees. July 2019 was a rare occurrence as quorum was not possible. As we told Craig Kubicek during one of our phone conversations, the Chairwoman did contact the Trustees electronically, and the Trustees all agreed to approve and pay the claims at that time, and then formally approve them at the next meeting, which was completed.

The Village has procedures in place to ensure all claims are approved by the Board prior to payment and all claims are adequately documented in the meeting minutes each month.

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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,



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cc: Judy Hughes, Village Clerk