

Transcript Prepared by Clerk of the Legislature Transcribers Office
Government, Military and Veterans Affairs Committee February 06, 2020

BREWER: Good afternoon, ladies and gentlemen. Welcome to the Government, Military and Veterans Affairs Committee. My name is Tom Brewer. I am the Chair for this committee. I represent the 43rd Legislative District, which is 13 counties of western Nebraska. We will start with the introduction of our committee members starting on my right with Senator Blood.

BLOOD: Good afternoon. My name is Senator Carol Blood, and I represent western Bellevue and southeastern Papillion, Nebraska.

BREWER: And actually Senator Hilgers and Senator La Grone are both out. And Senator Lowe is just AWOL.

M. HANSEN: Senator Matt Hansen, District 26, northeast Lincoln.

KOLOWSKI: Rick Kolowski, District 31, southwest Omaha.

HUNT: I'm Megan Hunt and I represent District 8 in midtown Omaha.

BREWER: To my right is Dick Clark, the committee legal counsel. To my left is Julie Condon, committee clerk. Let's see, we've got Michaela back hopefully permanently as our committee page. Today we're going to have public hearings on two bills, LB781 and LB807. We will also do an Exec today after we finish the last of the hearings. Some administrative things: Please make sure your electronic devices are muted. So everyone knows, the committee members will be using electronic devices to find out if they need to be leaving for a hearing. Do you have a hearing today?

M. HANSEN: No.

KOLOWSKI: I do.

BREWER: Senator Kolowski does. So if they come and go, it's not because they don't care. It's because they've got to go be somewhere else. This is Senator John Lowe. He's from Kearney. And we'll make sure and get you a watch at some point. [LAUGHTER] If you wish to be-- have your attendance recorded, there will be white slips in the back table. If you wish to testify, please fill out one of the green slips and give it to Julie when you come up. If you have materials to pass out, we'd ask for 12 copies. If you don't have it, please contact page and she will make copies for you. Any letters submitted need to be in by 5:00 p.m. on the day prior. And the letter must include your name, address, the bill number, and your position for, against, or neutral.

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No mass emails will be included. We ask that those that are going to speak on a given bill that is up would come to the front of the room so we have some idea how many people are going to testify. When you come up to testify, state your name, spell it. Speech-- please speak clearly into the microphone so it can be recorded properly. When the senator who has opened is done, we will go to proponents, opponents and those in the neutral capacity. The senator will be given an opportunity to close at the end. Today because we don't anticipate a lot of folks, we're going to use a five-minute rule. So you'll have your green light for four, your amber for one, and the red. And we do have the audible alarm for the five minutes in case you don't know your time is up. But that said, Senator Stinner, welcome to the Government, Military and Veterans Affairs Committee.

STINNER: Thank you very much. Good afternoon, Chairman Brewer and members of the Government, Military and Veterans Affairs Committee. For the record, my name is John, J-o-h-n, Stinner, S-t-i-n-n-e-r. I represent the 48th District, which is all of Scotts Bluff County. LB781 was brought to me by the Auditor of Public Accounts Charlie Janssen. LB781 requires all cities, villages, and county treasurers annually complete continuing education through a program approved by the Auditor of Public-- Public Accounts, and that proof of completion of such program shall be submitted to the Auditor. If the city or village clerk is acting as treasurer, they shall also comply with the requirements. LB781 does not necessarily intend to require these associations to provide more training than is already offered, but to make sure that all treasurers are taking advantage of these programs. Over the past years, the Auditor's office has seen a rise in fraudulent incidents involving city, county, and village financial officers. The Auditor's office believes that if those officers in question were required to complete continuing education every year, many of these incid-- instances could have been addressed earlier. Just to give you a couple examples, in February 2019, the village of Pilger fired its clerk after 20 years. It discovered over \$700,000 went missing over the course of a decade. That clerk is in court pending charges of felony theft. March of 2018, the village of Alvo clerk pleaded guilty to embezzling from the village. In addition to-- in addition to the village of Memphis and Ithaca. These-- this clerk was accused of taking over \$300,000 combined since 2005. In March of 2019, Harlan County Treasurer was sentenced for a felony theft after an audit showed over \$100,000 missing. And there are many more examples, but these are just a few. As you can see, there are many instances of fraud which have occurred over the past several years. I

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am by no means disparaging the good work done by the majority of our local clerks and treasurers. However, something needs to be done to head off some of the bad actors we have seen taking advantage of their positions. Senators, I have a white copy amendment for your consideration, AM2299, which is an effort to work with the Nebraska Association of County Officials and the League of Nebraska Municipalities to ensure that continuing education courses developed by the Audit-- Auditor's office are aligned with relevant issues on the ground. The amendment would simply insert language to require Auditor's office to consult with these associations when developing the continuing education program. A representative of the Auditor's office is here to give more testimony on this issue and delve more into details, but I'd be happy to answer any questions.

BREWER: All right. Thank you for your opening testimony. Questions for Senator Stinner? All right. I think we're saving our big questions for the Auditor's office.

STINNER: OK, thank you very much.

BREWER: Thank you. Uh-huh. Welcome to the Government, Military and Veterans Affairs Committee.

RUSS KARPISEK: Thank you, Senator Brewer and members of the Government, Military and Veterans Affairs Committee. For the record, my name is Russ Karpisek, R-u-s-s K-a-r-p-i-s-e-k, and I am the legislative liaison for the Nebraska Auditor of Public Accounts, Charlie Janssen. I'd like to thank Senator Stinner for introducing LB781 and for explaining why the officer-- Auditor's office is in favor of this bill. As Senator Stinner stated, there have been multiple audits by our office that have uncovered many issues ranging from treasurers just not knowing or having a good understanding of how to do their jobs to questionable practices where money is missing and are still being investigating into outright theft. As Senator Stinner also pointed out, one of these audits has found that roughly \$700,000 went missing from a village. Another county had around \$8 million in a county office that was not deposited, some of that being cash and just laying around on desks in envelopes that had been opened. I want to be very clear that most of the treasurers and clerks in Nebraska are doing a great job. And we want to make sure that they keep doing a great job and to help those that might be struggling a little. To go with some of those that may be struggling a little, there-- in the last election, there was roughly a 30 percent turnover in county treasurer positions in the state. So we want to make sure that those

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people get good training. The Auditor's office would like to see the treasurers and clerks who were treasurers doing continuing education every year through a program that is approved by the Nebraska Auditor of Public Accounts. We're not trying to reinvent the wheel because NACO and the League and others already put on great educational programs at their conventions. We just want to make sure that everyone is taking advantage of this education. The Auditor's office has someone present at all of these conventions. And again, they are very useful. The Auditor does also understand that sending people to convention costs time and money and does not want to mandate that everyone attend a convention. The office intends to fully coordinate with the organizations that represent these treasurers and hope to see distance learning or webinars set up. This brings me to the amendment that Senator Stinner brought. Again, we tend to coordinate with these organizations, but are a little concerned about what "coordinate" means. I would interpret it to mean that the Auditor still has the final authority of what will be accepted. There may be other entities that provide this training. I think UNO has something or the Auditor's office may produce their own programs. Again, I would hope that the Auditor has the final approval of what the training entails, and we just want to make sure that that we get that clear. The Auditor is also not so naive to think that this training will end all errors or theft, but does believe that more training for people can get the better job-- the more training they can get, the better job they can do. And as always, these are public funds and the Auditor's office always wants to make sure that there is no waste, abuse, or fraud. Thank you for your time and I would be happy to try to answer any questions.

BREWER: All right. Thank you for your testimony. Questions? I guess I'll ask one real quick. So in the cases of the larger amounts of money that have come up missing in a town, I think, well, Alvo was one that was mentioned. A town like that, is the elected part-time mayor the one that has oversight or how do they embezzle or whatever you want to call the term this money without having somebody catch on to it before that much of it's gone?

RUSS KARPISSEK: Well, I think that probably needs to have board members also have more training. And as being a former one, I should have had more training on that and watch closer. My own thought is it's people that are doing another job or two jobs and they're just trying to help out. Some of these, they weren't coming to the board and putting the requests in. So they didn't even show up. They just wrote a check and

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away it went. And if you're not watching the bank statement, you don't notice or I know in my home county they were getting the bank statement and changing it before the board could look at, well, before the board looked at it. So it looked OK.

BREWER: So this is more to prevent errors than really stop the theft, though, because if you're really bound and determined to steal, your-- you now know you're stealing, but you're still stealing. So it's more to try and update them on rules, regulations, policies, things that they might be not doing or doing incorrectly because they just don't know what they don't know, not because they're purposely doing it.

RUSS KARPISEK: Yes, but I think both because I think when they come to these seminars or watch it or get to know other treasurers, I think it might be a little harder in their head to when you know other people, other treasurers in your same area to to do something like that I guess so. And also the-- the League and NACO, they do a lot of the ethics training, a lot of the things that go with it. So I agree that a lot of it is just making sure that they know what they're doing, but I think also doing the right thing.

BREWER: All right. Any additional questions? All right. Thank you for your testimony.

RUSS KARPISEK: Thank you, Senators.

CHRISTY ABRAHAM: I'm just creating a mess here.

BREWER: That's all right, Christy. We're always glad to have you here.

CHRISTY ABRAHAM: Let's kind of you to say.

BREWER: Welcome to the Government, Military and Veterans Affairs Committee.

CHRISTY ABRAHAM: Thank you, Senator Brewer, members of the Government Committee. My name is Christy Abraham, C-h-r-i-s-t-y A-b-r-a-h-a-m, representing the League of Nebraska Municipalities. And like the Auditor, we want to thank Senator Stinner for bringing this bill. And we also want to thank the State Auditor for coming and meeting with us and telling us early on that they were proposing this bill and-- and letting us be part of that process. I also want to reiterate that I'm going to say 98 percent of city officials are good, decent, hardworking people that are really doing what's best for their community. Unfortunately, there are some that are not, and those are

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the ones that make the headlines. And we certainly appreciate that the Auditor wants to help them do the best job that they can. The League has training on budget and financing issues at every one of our conferences, and oftentimes it is led by someone from the Auditor's office. And in response to your question, Senator Brewer, the Auditor's office the last two times have been at our conference. They've been great because not only are we going over the good practices, they are going through a whole training on how to identify fraud. They are helping our elected officials and the other clerks and treasurers to say, look, this is an irregularity. This is something you need to be looking for. And that is really, really helpful because there are checks and balances in place already in statute. There has to be two signatures on every check. The city council has to approve every claim. So there are protections in place. And if those aren't happening, those sessions really do help those elected officials sort of identify what those are. So we-- we are supportive of the amendment. We're supportive of the bill. And we look forward to having distance learning webinars for some of our villages. Our-- sometimes our village clerk and treasurers only work four or five hours a month. So it's very hard for them to come to some of our conferences for three or four days. So we're very grateful that the Auditor is looking into some distant learning situations. And that's all I have. So thank you so much, Senator Brewer.

BREWER: Thank you for your testimony. Questions? OK, so as a quick recap, Auditor's office is great, wonderful staff.

CHRISTY ABRAHAM: Oh, so great.

BREWER: Just confirming it.

CHRISTY ABRAHAM: Particularly the three sitting behind me.

BREWER: That's what I was afraid of.

CHRISTY ABRAHAM: Really, really stellar. Yeah. Yeah. Yeah.

BREWER: All right. Thank you for your testimony.

CHRISTY ABRAHAM: Thanks so much.

BREWER: Welcome back to the Government, Military and Veterans Affairs Committee.

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JON CANNON: Thank you, Senator Brewer. Distinguished members of the Government, Military and Veterans Affairs Committee, my name is Jon Cannon, J-o-n C-a-n-n-o-n. I am the deputy director of the Nebraska Association of County Officials, otherwise known as NACO, here to testify in support of LB781. First, we'd like to thank Senator Sinner for having brought this bill on behalf of the Auditor. We have a terrific relationship with the Auditor's office. We're-- we're very pleased to continue working with them in the future. We think this is just a good government bill. And I I don't need to go into the reasons that have already been more than adequately explained by the folks that have testified before me. But to the extent we can provide that sort of training that tells people, here's what's right, here's what's wrong, provide those constant reminders, we're certainly all in favor of it. For our part with NACO, we find ourselves in the position of we want to constantly improve the ability of our elected officials to be able to discharge the duties of their office. One of the needs that we've identified over time has been education. And we do provide training, but we'd like to provide more robust training. And so we have already started working on an accreditation program, which is maybe a little more robust than we've done in the past. We just want to make sure that through the amendment that we have the opportunity to work with the Auditor's office and have that training recognized as, you know, essentially almost like we will be an approved vendor. And so for that reason, we appreciate the amendment having been placed with this bill as well. With that, I'd be happy to take any questions you might have. Thank you.

BREWER: All right. Thank you for your testimony. One more time around here. This must be a pretty good bill because nobody seems to be asking difficult, challenging questions. Are you echoing the same thing about the State Auditor's office? I didn't hear anything.

JON CANNON: I think they're a fine organization.

BREWER: Ah, yeah.

JON CANNON: And in particular, the three folks behind me could not be any better [INAUDIBLE].

BREWER: You bobbed the ball on that one. That's all right. Thank you for your testimony.

JON CANNON: Thank you, sir.

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BREWER: Welcome to the Government, Military and Veterans Affairs Committee.

BRIAN ZUGER: Good afternoon, Senators. Thank you, Mr. Chairman. Thank you for allowing us to speak today. Pretty much everything I had prepared was already stated so I've given the clerk a letter from there. I just figured I would make myself available if you have any questions for a treasurer. I am Brian Zuger, B-r-i-a-n Z-u-g-e-r. I'm the Sarpy County Treasurer.

BREWER: Very good.

BRIAN ZUGER: And we're obviously here in support of the bill. As long as it's with the amendment, then we're-- we're here in support of the bill.

BREWER: All right.

BRIAN ZUGER: I just want to make myself available for any questions you guys might have.

BREWER: Well, and thank you for coming and making yourself available. Senator Blood.

BLOOD: Thank you, Chairman Brewer. Mr. Zuger, what county would you say is the fastest growing county in Nebraska?

BRIAN ZUGER: That would be Sarpy County, Senator.

BLOOD: Thank you.

BREWER: OK. Additional questions? All right.

BRIAN ZUGER: Thank you very much.

BREWER: Well, thank you for your testimony. All right. I hate you had to come down just to go through that quick thing, but we we know you support it. So thank you.

BRIAN ZUGER: That's OK, no problem.

BREWER: All right. Any more proponents to testify? Seeing none, we will go to. Oh, sorry. Sorry.

NICOLE FOX: [INAUDIBLE]

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BREWER: You're out of my peripheral vision here. Welcome to the Government, Military and Veterans Affairs Committee.

NICOLE FOX: Thank you. Good afternoon, Chairman Brewer, members of the Government, Military and Veterans Affairs Committee. My name is Nicole Fox, N-i-c-o-l-e F-o-x, and I'm here to testify on behalf of the Platte Institute in support of LB781. And we thank Senator Stinner for bringing forth this bill, as well as Platte would like to say we are very grateful for all the assistance that Mary, Dee and then Russ give us when we approach their office with questions and like to discuss issues regarding things in our state. So anyway, there are many legitimate needs facing local governments in our state, and decisions that are made by local governments can have a significant impact on the quality of life and services received in communities across Nebraska. In order to earn a citizen's trust, officials need to know that they are prudent in making decisions that impact their constituencies. Motivations for running for public office can vary for candidates. Those in elected office come from different backgrounds, have different levels of education, as well as have different levels of experience. A Pew Research Center 2019 report revealed that only 17 percent of Americans trust the government in Washington to do what is right most of the time. But by contrast, 67 percent of citizens reported confidence and trust in their local government. That may be the case because local governments are much closer to the problems that constituents face. Also constituents may feel a greater sense of personal connection and accessibility to their local officials. Despite this increased level of trust in government at the local level, our local government officials sometimes fail to meet the expectations of its citizens. In recent years, local governments in Nebraska have experienced unfortunate and costly issues due to the actions of their elected officials. And I have examples that have already been mentioned in Harlan County and in Pilger. LB781 is an attempt to address potential-- potential knowledge gaps. LB781 requires that city, village, and county treasurers annually complete continuing education through a program approved by the Auditor of Public Accounts. While many of Nebraska's elected officials are dedicated to serving the public with integrity and they maintain high standards of professionalism, hardworking Nebraskans deserve to know that those elected to manage public finances are doing so in a manner that is in accordance with the standards set forth by the Auditor of Public Accounts. Again, the Platte Institute thanks Senator Stinner

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for introducing LB781 and we hope the committee considers moving this bill forward. And that's all I have.

BREWER: All right. Thank you for your testimony. Let's see. Any questions from senators? All right, seeing none, thank you. Any additional to testify in support of LB781? Seeing none, anyone in opposition? Anybody in the neutral? All right, Senator Stinner, would you--

STINNER: I'll pass.

BREWER: OK, he's waiving the closing.

STINNER: Thank you.

BREWER: Thank you. That will-- we have no letters to read into the record on LB781. So then we will close on LB781 and transition to LB807. And in lieu of Senator La Grone, we will have a substitute today. Senator La Grone did talk to me. He is going to help pick up his mother from the hospital this afternoon. So he has asked to have his LA go ahead and introduce in his place. Going with policy, we won't ask him questions or ask him to close. With that, you may open.

DAYTON MURTY: Thank you, Chairman. Good afternoon, members of the committee. My name is Dayton Murty, D-a-y-t-o-n M-u-r-t-y. As Chairman Brewer mentioned, Senator La Grone is not here today. He apologizes for that. I'm his legislative aide and will be introducing LB807 on his behalf. LB807 changes Section 84-304 of the Nebraska Revised Statutes to allow for the transition from the 2011 Revision of Government Auditing Standards published by the Comptroller General of the United States, Government Accountability-- United States, Government Accountability Office to the 2018 Revision. Russ from the Auditor's office is here to answer any questions. Thank you.

BREWER: Thank you. All right. Russ, welcome back to Government, Military and Veterans Affairs Committee.

RUSS KARPISEK: Thank you, Senator Brewer and members of the Government, Military and Veterans Affairs Committee. Again, for the record, my name is Russ Karpisek, R-u-s-s K-a-r-p-i-s-e-k, and I am the legislative liaison for the Auditor of Public Accounts, Charlie Janssen. As Mr. Murty did such a great job of explaining the generally accepted government auditing standards, also known as the Yellow Book, is published by the U.S. Government Accountability Office for the GAO.

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The yellow book is used by auditors of government entities, entities that receive government awards, and other organizations performing Yellow Book audits, which seems to make sense. It outlines the requirements for audit reports, professional qualifications for auditors and audit organization quality control. Auditors of federal, state, and local government programs use these standards to perform their audits and produce their reports. The 2018 Revision of the Yellow Book is effective for-- for financial audits, attestation engagements, and reviews of financial statements for periods ending on or after June 30, 2020. Early implementation is not permitted. So as you can see, the Auditor's office needs to change these dates in statutes to be able to use the new versions of the Yellow Book. Thank you for your time and I'd be glad to answer any questions. I guess one question that I had is why can't we just put in statute to say when a new one comes out that it would just roll over? As I understand, there was a Supreme Court case that says that that is not accepted. And Senator Chambers I'm sure will be glad to to tell you all about that. But with that, I would be glad to answer any questions.

BREWER: So literally, the underlined part about changing the dates is really the only issue we're talking about.

RUSS KARPISEK: Absolutely only thing. Well, of course, there are some changes in the Yellow Book standards that, as Mary has told me, really are more of reorganization of the book and not so much new standards. But it is what everyone goes off of in the country that does audits. So obviously, we need to do what everyone else does and have that as our handbook.

BREWER: All right. Wow, you have some pretty boring bills.

RUSS KARPISEK: Yes, sir.

BREWER: OK. Any questions? All right. Thank you.

RUSS KARPISEK: Thank you.

BREWER: All right. Additional testifiers as proponents for LB807. Seeing none, any in opposition? Any in the neutral capacity? Seeing none, you can't close so we will go ahead. We don't have any letters to read into the record on this one either. So we will close on LB807 and take a short break here and transition into our Exec Session.