



# NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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Phillip D. Juilfs, Chairman  
Tecumseh Airport Authority  
P.O. Box 837  
Tecumseh, NE 68450-0837

Dear Mr. Juilfs:

As you may know, the Nebraska Auditor of Public Accounts (APA) received some financial concerns regarding the Tecumseh Airport Authority (Authority). Consequently, the APA began limited preliminary planning work to determine if a full financial audit or attestation would be warranted. As a result, the APA requested certain financial information from the Authority. Based upon the outcome of the preliminary planning work, the APA has determined that it is unnecessary for this office to perform a separate financial audit or attestation of the Authority at this time.

During the course of the preliminary planning work, we noted certain internal control or compliance matters, or other operational matters, that are presented below. The following information is intended to improve internal controls or result in other operational efficiencies.

## Comments and Recommendations

### **1. IRS Form 1099s Not Provided**

The Authority did not provide Internal Revenue Service (IRS) Form 1099s to individuals who were paid at least \$600 in 2017. Had the APA not contacted the Authority about this matter, it is unlikely that the required Form 1099s would have been provided for 2018.

The APA identified the following recipients of at least \$600 from the Authority for calendar year 2017 that may have needed a Form 1099 from the Authority:

Name	2017 Amount Paid
Nancy Thies	\$ 4,238.20
Pam Eisenhauer	\$ 1,440.00
Morrissey, Morrissey & Dalluge	\$ 1,037.06
Mike Wendt	\$ 724.83
Lyle Eisenhauer	\$ 631.33

The following individuals received at least \$600 from the Authority during calendar year 2018:

Name	2018 Amount Paid (through November)
Nancy Thies	\$ 3,894.26
Pam Eisenhauer	\$ 1,320.00
Chad Kessler	\$ 624.81

The IRS requires a Form 1099-MISC to be filed whenever a payment of at least \$600 is made, in the course of one's trade or business, for, among other things: 1) services performed by someone who is not employed by the payer; and 2) attorney fees. All of the payees listed above for 2017 and 2018 fall within these categories.

According to the Authority Board, no Form 1099s were issued in 2017 because of the mistaken belief that such issuance was not required. After notification by the APA, however, the Authority prepared Form 1099s for 2018 for the three individuals identified above.

Good internal control requires procedures to ensure compliance with applicable IRS requirements. Without such procedures, there is an increased risk for the type of noncompliance evidenced by this finding.

We recommend the Authority implement procedures to ensure future compliance with all IRS requirements, including the mandatory filing of Form 1099s. Additionally, we recommend the Authority consider whether the neglected Form 1099s should be issued for 2017.

*Authority Response: The Tecumseh Airport Authority would have issued 1099 forms for 2018 since I advised such were necessary.*

*You listed two (2) parties for 2017, namely Mike Wendt and Lyle Eisenhauer, who did not receive payments for services or any other reportable item, and so no 1099s were required for these persons since they were reimbursements for items supplied to the airport.*

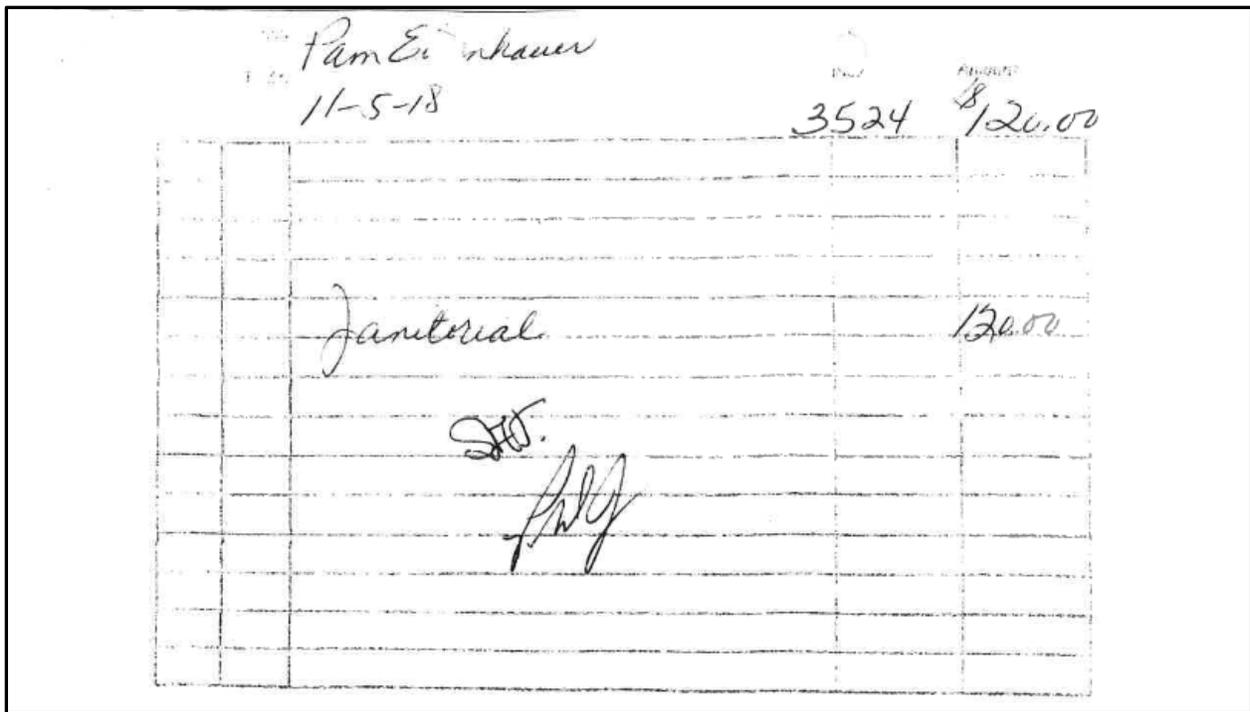
**APA Response: Since the IRS Form 1009s were not prepared in 2017, it seems unlikely that the Authority would have issued the forms for 2018 had the APA not contacted the Authority with questions about them.**

**The APA was not provided with the documentation to support each payment. Therefore, these were identified as recipients of at least \$600 who may need a Form 1099.**

## **2. Lack of Documentation**

The Authority lacked adequate documentation to support payments to an independent contractor, Pam Eisenhauer, who provided cleaning services for \$120 per month. In particular, the Authority failed to memorialize in a written contract with Ms. Eisenhauer the agreed-upon wages or the work to be performed.

The following is an example of a monthly invoice by the Authority for Ms. Eisenhauer's services:



Prepared by the Authority’s secretary, such a generic invoice alone is insufficient to support the actual terms of the agreement with Ms. Eisenhauer, much less any payments made pursuant to the agreement.

Good internal control requires procedures to ensure that any payment by the Authority for services is supported by adequate documentation, including a written contract that sets out the definite terms of the agreement between the parties and detailed invoices that specify the services provided. Without such procedures, there is an increased risk for the loss or misuse of funds.

We recommend the Authority implement procedures to ensure that any payment for services is supported by adequate documentation, including a written contract and detailed invoices.

*Authority Response: The Tecumseh Airport Authority has taken appropriate action to assure a contract is in effect for Pam Eisenhauer. Since her monthly pay does not vary, we find it highly unlikely there is a risk of loss or misuse of funds as a consequence of her services or monthly payments.*

**APA Response: A system of proper internal controls includes procedures to ensure documentation to support all expenses is on file prior to payment. Without these important procedures, there is an increased risk for loss or misuse of funds – not only for this payment but for all other expenditures made by the Authority.**

**3. Purpose of Expense Not Identified**

The purpose of each payment is not included in the list of expenses or checks provided to the Authority Board for approval.

The following is an example of a typical financial report provided to the Authority Board:

TECUMSEH AIRPORT AUTHORITY		
FINANCIAL REPORT SEPTEMBER 2018		
<b>Beginning Balance:</b>		\$ 132,652.74
<b>INCOME:</b>		
Multi-Service	\$ 154.48	
Multi-Service	\$ 184.46	
Multi-Service	\$ 415.24	
Multi-Service	\$ 485.59	
Multi-Service	\$ 857.02	
	\$ 2,096.79	
<b>TOTAL INCOME:</b>		\$ 2,096.79
<b>EXPENSES:</b>		
3500 Pam Eisenhower	\$ 120.00	
3501 VOID	\$ -	
City of Tecumseh	\$ 27.00	
O.P.P.D.	\$ 139.39	
3502 Seneca Sanitation	\$ 30.00	
3503 Morrissey, M. & Dalluge	\$ 350.00	
3504 G & G Oil Co.	\$ 9,367.00	
3505 Nancy Thies	\$ 370.90	
3506 VOID	\$ -	
3507 Kerner True Value	\$ 65.46	
3508 VOID	\$ -	
3509 Olsson Associates	\$ 23,585.88	
3510 U.S.P.S.	\$ 116.00	
3511 Lyle Eisenhower	\$ 188.69	
3512 VOID	\$ -	
3513 Windstream	\$ 60.82	
3514 Heartland Sales	\$ 49.00	
3515 Auto Owners Insurance	\$ 6,771.00	
<b>TOTAL EXPENSES</b>		<b>(\$41,241.14)</b>
<b>ENDING BALANCE</b>		<b>\$ 93,508.39</b>

This next image is an example of the check register provided to the Authority Board:

Pg 1			
TECUMSEH AIRPORT AUTHORITY			
CHECK REGISTER			
08/01/18--07/01/19			
ck #	3492	WINDSTREAM	\$ 60.91
	3493	HEARTLAND SALES	\$ 49.00
	3494	PAM EISENHAUER	\$ 120.00
	3495	NANCY THIES	\$ 350.00
	3496	U.S.P.S.	\$ 10.00
	3497	VOID	\$ -
	3498	VOID	\$ -
	3499	SENECA SANITATION	\$ 30.00
	3500	PAM EISENHAUER	\$ 120.00
	3501	VOID	\$ -
	3502	SENECA SANITATION	\$ 30.00
	3503	MORRISSEY M & DALLUGE	\$ 350.00
	3504	G & G OIL COMPANY	\$ 9,367.00
	3505	NANCY THIES	\$ 370.90
	3506	VOID	\$ -
	3507	KERNER TRUE VALUE	\$ 65.46
	3508	VOID	\$ -
	3509	OLSSON ASSOCIATES	\$ 23,585.88
	3510	U.S.P.S.	\$ 116.00
	3511	LYLE EISENHAUER	\$ 188.69
	3512	VOID	\$ -
	3513	WINDSTREAM	\$ 30.82
	3514	HEARTLAND SALES	\$ 49.00
	3515	AUTO OWNERS INSURANCE	\$ 6,771.00

Neither of the above examples includes the purpose of any expense listed thereon.

Nebraska’s Open Meetings Act (Act), which is set out at Neb. Rev. Stat. § 84-1407 et seq. (Reissue 2014, Cum. Supp. 2018), requires detailed minutes to be kept for all meetings of public bodies, such as the Authority Board. Specifically, Neb. Rev. Stat. § 84-1413(1) (Cum. Supp. 2018) states the following:

*Each public body shall keep minutes of all meetings showing the time, place, members present and absent, and the substance of all matters discussed.*

Good internal control requires procedures that both ensure full compliance with the requirements of the Act and promote public transparency. In the present instance, such procedures should direct any list of expenses or checks presented to the Authority Board for approval to specify the purpose of each payment. Moreover, such listing should either be printed verbatim in the meeting minutes themselves or included as an official attachment to the minutes.

Through such attention to detail and proven commitment to public transparency, the Authority Board will be able to ensure that its meeting minutes truly reflect “the substance of all matters discussed,” as required by the Act.

We recommend the Authority Board implement procedures to ensure that its meeting minutes both comply with the Act and promote public transparency by specifying the purpose of each payment or check provided for approval.

*Village Response: The Tecumseh Airport Authority has taken the necessary steps to identify the purpose of each payment or expense. Since we keep invoices to support all payments that are initiated by at least two (2) members before checks are issued by two (2) other members, it would appear our accounting and*

*internal checks likely exceed the standards of nearly all entities in Nebraska. We must respectfully disagree with your assertion that the Open Meetings Act in any way dictates that the purpose of payments be listed in the minutes.*

**APA Response: The Open Meetings Act (Act) requires the meeting minutes to reflect the “substance of all matters discussed.” According to the Nebraska Supreme Court, the provisions of the Act are a “statutory commitment to openness in government,” and they exist so that “government may be accountable to the governed.” Grein v. Bd. of Educ., 216 Neb. 158, 163-164, 343 N.W.2d 718, 722 (1984). Toward that end, the Court has declared that these laws should be “broadly interpreted and liberally construed to obtain the objective of openness in favor of the public.” Id. at 164-165, 343 N.W.2d at 723. Regarding financial decisions in particular, the Court has quoted an authoritative source that notes the following:**

*[D]ecisions which result in the expenditure of public funds ought to be made openly so that the people can see how their money is being spent; publicity of expenditures further serves to deter misappropriations, conflicts of interest, and all other forms of official misbehavior.*

**Id. at 164, 343 N.W.2d at 722-723. In light of all the above, including in the meeting minutes the purpose of each Authority expenditure appears a perfectly reasonable way of ensuring compliance with the spirit, if not the letter, of the Act. Doing so would hardly prove onerous or in any way burdensome, and it would display a dedication on the part of the Authority to true openness and transparency. While certainly significant, the internal controls mentioned in the Authority’s response contribute nothing to either fulfilling the purposes of the Act or enhancing the public’s understanding of the expenses at issue. There is no legitimate reason to resist providing a full and accurate accounting of Authority expenditures in the meeting minutes.**

\* \* \* \* \*

The preliminary planning work that resulted in this letter was designed primarily on a test basis; therefore, it may not bring to light all existing weaknesses in the Authority’s policies and procedures. Nevertheless, our objective is to use the knowledge of the entity to make comments and recommendations that we hope will prove useful.

Draft copies of this letter were furnished to the Authority to provide for an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into the letter.

This communication is intended solely for the information and use of the Authority. It is not intended to be, and should not be, used by any other party. 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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