



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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December 8, 2022

Jesse Grof, Mayor
City of Tecumseh
PO Box 417
Tecumseh, NE 68450

Dear Mayor Grof:

As you know, the Nebraska Auditor of Public Accounts (APA) was contacted regarding a City of Tecumseh (City) Public Library (Library) bank account being controlled separately by the Library, without oversight from the City, as well as unauthorized payroll checks issued to the Library's former Assistant Librarian. As a result, the APA began limited preliminary planning work to determine if a full financial audit or attestation would be warranted. Pursuant thereto, the APA obtained financial records and other relevant documentation from the City. Based on the outcome of this preliminary planning work, including an analysis of the information examined, the APA has determined that a separate financial audit or attestation is unnecessary at this time.

Nevertheless, during the preliminary planning work, the APA noted a certain issue that merits corrective action.

Background Information

The City is a city of the second class located in Johnson County. The City Council (Council) is the governing body that exercises financial accountability and control over activities relevant to the operations of the City. Council members are elected by the public and have broad decision-making authority, including the power to levy taxes and to designate management, the ability to exert significant influence over all City operations, and the primary responsibility for related fiscal matters.

Under Neb. Rev. Stat. § 51-201 (Reissue 2021), a city has the authority to establish a public library to be used by its residents and may levy a tax of "not more than ten and five-tenths cents on each one hundred dollars upon the taxable property in such city" to be placed into a library fund. After establishing a public library, Neb. Rev. Stat. § 51-202 (Reissue 2021) requires the city council to create a library board consisting of at least five members. Neither the mayor nor any member of the city council is allowed to sit on the library board. Per Neb. Rev. Stat. § 51-207 (Reissue 2021), the library board has "exclusive control of expenditures, of all money collected or donated to the credit of the library fund" Furthermore, Neb. Rev. Stat. § 51-209 (Reissue 2021) states, in relevant part, the following:

All taxes levied or collected and all funds donated or in any way acquired for the erection, maintenance, or support of any public library shall be kept for the use of the library separate and apart from all other funds of the city, village, county, or township, shall be drawn upon and paid out by the treasurer of such city, village, county, or township upon vouchers signed by the president of the library board and authenticated by the secretary of such board, and shall not be used or disbursed for any other purpose or in any other manner.

The library board's general powers and duties are established under Neb. Rev. Stat. § 51-211 (Reissue 2021), as follows:

(1) The library board may erect, lease, or occupy an appropriate building for the use of a library, appoint a suitable librarian and assistants, fix the compensation of such appointees, and remove such appointees at the pleasure of the board. The governing body of the county, city, or village in which the library is located shall approve any personnel administrative or compensation policy or procedure before implementation of such policy or procedure by the library board.

(2) The library board may establish rules and regulations for the government of such library as may be deemed necessary for its preservation and to maintain its usefulness and efficiency. The library board may fix and impose, by general rules, penalties and forfeitures for trespasses upon or injury to the library grounds, rooms, books, or other property, for failure to return any book, or for violation of any bylaw, rule, or regulation and fix and impose reasonable fees, not to exceed the library's actual cost, for nonbasic services. The board shall have and exercise such power as may be necessary to carry out the spirit and intent of sections 51-201 to 51-219 in establishing and maintaining a public library and reading room.

(3) The public library shall make its basic services available without charge to all residents of the political subdivision which supplies its tax support.

(4) No service shall be denied to any person because of race, sex, religion, age, color, national origin, ancestry, physical handicap, or marital status.

The following timeline details significant events and the APA's correspondence with the City related thereto:

- On October 19, 2022, the City became aware of a "petty cash fund" bank account held at the local American National Bank (Bank) that was being used only by the Library without oversight from the City. The Librarian was the sole signer on this account.
- On October 21, 2022, the City asked the Bank to remove the Librarian as the authorized signer on the bank account and instead set up the account with the City Clerk, Assistant Clerk, and the Mayor as authorized signers, as is done with all other City bank accounts. The City Clerk and Mayor also questioned the Librarian about the purpose of the account and the disbursements made out of it.
- On October 24, 2022, the APA was contacted to analyze the activity of the Library's bank account and payments made to the former Assistant Librarian.

The following comment and recommendation, which has been discussed with the appropriate members of the City and its management, is intended to improve internal control or result in other operating efficiencies.

Comment and Recommendation

1. Unauthorized Payments

The APA received allegations that the Library's former Assistant Librarian had received unauthorized compensation in addition to her regular wages. These extra payments were supposedly being paid out of a "petty cash fund" bank account that was not under the custody and control of the City, and they likely started around November 2011 and continued until August 2020, when the former Assistant Librarian resigned. Per discussion with City representatives, this account appears to have been the Library's original operating account, which was established over 30 years ago, and the only authorized signer on the account was the Librarian. In response to the allegations received, the APA obtained the Library "petty cash fund" bank account's statements, as well as other supporting documentation, including payroll reports, for the period November 1, 2011, through August 31, 2020.

During our examination of the Library's bank statements, the APA observed several disbursements to the former Assistant Librarian. According to City representatives, the Librarian stated that she was told by a former City Clerk to use the "petty cash fund" bank account to pay the former Assistant Librarian an extra \$4 per hour because the Council would not approve the pay rate she wanted. As stated in the **Background Information** section above, § 51-211(1) provides, in relevant part, the following:

The library board may . . . appoint a suitable librarian and assistants, fix the compensation of such appointees, and remove such appointees at the pleasure of the board. The governing body of the . . . city . . . in which the library is located shall approve any personnel administrative or compensation policy or procedure before implementation of such policy or procedure by the library board.

This statute states plainly that the Library Board must authorize any compensation policy for employees, including the Assistant Librarian, and the governing body of the City, the Council, is ultimately responsible for approving such policy. The additional compensation paid to the former Assistant Librarian was never authorized by the Library Board or approved by the Council, however.

The APA noted that between November 1, 2011, and August 31, 2020, the former Assistant Librarian appears to have been paid an extra \$15,925.36, which has been summarized in the following table.

Calendar Year	Approved Wages Total	Actual Wages Total	Variance
2011 * (November to December)	\$ -	\$ 100.00	\$ 100.00
2012 *	\$ 164.34	\$ 1,187.84	\$ 1,023.50
2013	\$ 1,370.93	\$ 1,780.93	\$ 410.00
2014	\$ 3,239.74	\$ 4,885.74	\$ 1,646.00
2015	\$ 3,841.36	\$ 5,719.36	\$ 1,878.00
2016	\$ 4,748.19	\$ 6,768.05	\$ 2,019.86
2017	\$ 4,783.18	\$ 6,793.18	\$ 2,010.00
2018	\$ 4,634.12	\$ 6,716.12	\$ 2,082.00
2019	\$ 7,038.34	\$ 9,662.34	\$ 2,624.00
2020 (January to August)	\$ 4,078.85	\$ 6,210.85	\$ 2,132.00
Totals	\$ 33,899.05	\$ 49,824.41	\$15,925.36

* The City was unable to provide any payroll records for fiscal year 2012 or the period October 1, 2011, through September 30, 2012.

The variance in actual and approved wages is due solely to the unapproved additional wages paid from the “petty cash fund” bank account. Below is a listing of all 84 checks paid to the former Assistant Librarian from November 2011 through August 2020. It should be noted that none of these checks were run properly through the City’s payroll system; therefore, each check amount is equal to the gross pay amount. In addition, the APA observed that some of these checks appear to have been reimbursements paid to the former Assistant Librarian for expenses incurred by her on behalf of the Library.

Check #	Clear Date	Payee	Memo	Check Amount
1002	11/16/2011	Maureen Goings	contract labor	\$ 100.00
1007	1/10/2012	Maureen Goings		\$ 319.00
1011	4/10/2012	Maureen Goings	3/28-3/30	\$ 187.00
1012	4/10/2012	Maureen Goings	Landscaping (Note 1)	\$ 50.00
1014	5/21/2012	Maureen Goings	contract labor	\$ 137.50
1016	5/21/2012	Maureen Goings	contract labor	\$ 192.50
1020	10/29/2012	Maureen Goings		\$ 52.00
1022	12/17/2012	Maureen Goings		\$ 49.50
1024	12/17/2012	Maureen Goings		\$ 36.00
1051	4/29/2013	Maureen Goings	contract work	\$ 102.00
1055	8/8/2013	Maureen Goings	July 2, June 11,18,25,31, Aug 2,3	\$ 118.00
1059	8/8/2013	Maureen Goings		\$ 52.00
1064	10/2/2013	Maureen Goings	Sept 13, 20, 21	\$ 86.00
1069	12/5/2013	Maureen Goings	Nov 22, 23	\$ 52.00
1071	1/27/2014	Maureen Goings	Dec 20, 21	\$ 52.00
1072	1/27/2014	Maureen Goings	Jan 13 & 15	\$ 68.00

Check #	Clear Date	Payee	Memo	Check Amount
1075	3/13/2014	Maureen Goings	Pay until 2/19/2014	\$ 248.00
1076	3/20/2014	Maureen Goings	Thru 3/19/14	\$ 548.00
1078	5/27/2014	Maureen Goings	Thru 4/5/14	\$ 298.00
1079	5/27/2014	Maureen Goings	5/2, 5/3, 5/14	\$ 86.00
1081	6/25/2014	Maureen Goings	5/20/14 - 6/19/14	\$ 76.00
1085	9/30/2014	Maureen Goings	6/24 8/4	\$ 42.00
1088	10/28/2014	Maureen Goings		\$ 228.00
1089	1/30/2015	Maureen Goings	11/10, 12/15, 12/17	\$ 102.00
1090	1/30/2015	Maureen Goings	12/29/14	\$ 34.00
1091	1/30/2015	Maureen Goings	1/26/15	\$ 34.00
1092	2/23/2015	Maureen Goings	1/26 - 2/10 - 2/11 - 2/14 - 2/17	\$ 114.00
1093	4/13/2015	Maureen Goings	2/20/15 - 3/19/15	\$ 114.00
1094	4/13/2015	Maureen Goings	3/20 - 4/19/15 45 hours	\$ 180.00
1095	6/1/2015	Maureen Goings	4/20/15 - 5/19/15	\$ 180.00
1096	7/2/2015	Maureen Goings	5/20/15 - 6/14/15	\$ 172.00
1100	7/14/2015	Maureen Goings	6/20/15 - 7/19/15	\$ 244.00
1101	9/28/2015	Maureen Goings	7/20/15 - 8/19/15	\$ 178.00
1104	9/28/2015	Maureen Goings	8/20/15 - 9/19/15	\$ 132.00
1105	11/4/2015	Maureen Goings		\$ 146.00
1106	12/14/2015	Maureen Goings		\$ 248.00
1107	1/7/2016	Maureen Goings	11/20/15 - 12/19/15	\$ 162.00
1113	2/9/2016	Maureen Goings	12/20/15 - 1/19/16	\$ 144.00
1114	2/23/2016	Maureen Goings	1/20/16 - 2/19/16	\$ 178.00
1115	5/2/2016	Maureen Goings	2 periods	\$ 376.00
1118	6/7/2016	Maureen Goings	4/20/16 - 5/19/16	\$ 210.00
1119	6/7/2016	Maureen Goings	ear phones (Note 1)	\$ 27.86
1121	8/4/2016	Maureen Goings		\$ 338.00
1122	8/22/2016	Maureen Goings		\$ 164.00
1124	10/18/2016	Maureen Goings	8/20/16 - 9/19/16	\$ 196.00
1125	11/1/2016	Maureen Goings	9/30/16 - 10/19/16	\$ 224.00
926	2/6/2017	Maureen Goings	10/20/16 - 11/19/16	\$ 162.00
927	2/6/2017	Maureen Goings	2 pay periods 11/30/16 - 1/19/17	\$ 376.00
929	3/15/2017	Maureen Goings	1/20/17 - 2/19/17	\$ 128.00
930	5/5/2017	Maureen Goings	2/20/17 - 3/19/17	\$ 214.00
931	5/5/2017	Maureen Goings	3/20/17 - 4/19/17	\$ 194.00
934	8/7/2017	Maureen Goings	5/20/17 - 6/19/17	\$ 196.00
935	8/7/2017	Maureen Goings	4/20/17 - 5/19/16	\$ 146.00
938	8/7/2017	Maureen Goings	6/20/17 - 7/19/17	\$ 176.00
940	10/23/2017	Maureen Goings	7/20/17 - 8/19/17	\$ 114.00
941	10/23/2017	Maureen Goings	8/20 - 9/19 9/20 - 10/19	\$ 304.00
943	3/13/2018	Maureen Goings	10/20/17 - 12/19/17	\$ 408.00
945	3/13/2018	Maureen Goings	2 pay periods	\$ 392.00
946	6/18/2018	Maureen Goings		\$ 306.00
948	8/13/2018	Maureen Goings	5/20 - 6/19/18	\$ 200.00
949	9/4/2018	Maureen Goings	6/20/18 - 7/19/18	\$ 162.00
950	9/24/2018	Maureen Goings	7/20 - 8/19	\$ 128.00
951	10/16/2018	Maureen Goings	8/20/18 - 9/19/18	\$ 194.00
953	11/14/2018	Maureen Goings	9/20/18 - 10/19/18	\$ 162.00
956	12/11/2018	Maureen Goings	10/20/18 - 11/19/18	\$ 130.00
957	1/29/2019	Maureen Goings	11/20/18 - 12/19/18	\$ 144.00
958	2/13/2019	Maureen Goings	12/20/18 - 1/19/19	\$ 198.00
960	4/2/2019	Maureen Goings	1/20/19 - 2/19/19	\$ 370.00
961	4/24/2019	Maureen Goings	2/20 - 3/19/19	\$ 252.00
963	6/12/2019	Maureen Goings	3/20 - 4/19/19	\$ 286.00
964	8/28/2019	Maureen Goings	4/20 - 5/19	\$ 186.00

Check #	Clear Date	Payee	Memo	Check Amount
965	8/28/2019	Maureen Goings	5/20 - 6/19/19	\$ 264.00
1032	8/28/2019	Maureen Goings	6/20/19 - 7/19/19	\$ 204.00
1033	10/3/2019	Maureen Goings	7/20/19 - 8/19/19	\$ 200.00
1034	11/18/2019	Maureen Goings	8/20 - 9/19/19	\$ 250.00
1035	12/24/2019	Maureen Goings	9/20/19 - 10/19/19	\$ 270.00
1036	1/31/2020	Maureen Goings	10/20/19 - 11/19/19	\$ 216.00
1038	3/3/2020	Maureen Goings	11/20/19 - 12/19/19	\$ 234.00
1039	3/3/2020	Maureen Goings	12/20/19 - 1/19/20	\$ 132.00
1040	6/10/2020	Maureen Goings	1/20/20 - 2/19/20	\$ 250.00
1041	6/10/2020	Maureen Goings	2/20/20 - 3/19/20	\$ 166.00
1042	6/10/2020	Maureen Goings	4/20/20 - 5/19/20	\$ 290.00
1043	8/7/2020	Maureen Goings	5/20/20 - 6/19/20	\$ 382.00
1044	8/19/2020	Maureen Goings	6/20/20 - 7/19/20 7/20/20 - 8/19/20	\$ 462.00
Total				\$ 15,925.36

Note 1: These checks appear to be reimbursements rather than paychecks.

Each of the 84 checks was signed solely by the Librarian. According to City representatives, the Librarian stated that none of the disbursements made from this “petty cash fund” bank account, including the payroll and reimbursement checks at issue, were ever presented to either the Library Board or City Council for review and approval.

Furthermore, none of the additional payments to the former Assistant Librarian properly withheld Federal or State income, Social Security, or Medicare taxes. As a result, the APA estimates that over \$2,400 in unpaid employee and employer Federal taxes accrued for calendar years 2011 through 2020, without taking possible interest and penalties into consideration.

U.S. Internal Revenue Service (IRS) Publication 15 (2022), (Circular E), “Employer’s Tax Guide,” states the following:

***Trust fund recovery penalty.** If federal income, social security, or Medicare taxes that must be withheld (that is, trust fund taxes) aren't withheld or aren't deposited or paid to the U.S. Treasury, the trust fund recovery penalty may apply. The penalty is 100% of the unpaid trust fund tax. If these unpaid taxes can't be immediately collected from the employer or business, the trust fund recovery penalty may be imposed on all persons who are determined by the IRS to be responsible for collecting, accounting for, or paying over these taxes, and who acted willfully in not doing so. The trust fund recovery penalty won't apply to any amount of trust fund taxes an employer holds back in anticipation of any credits they are entitled to. It also won't apply to applicable taxes properly deferred under section 2302 of the CARES Act or applicable taxes deferred under Notice 2020-65 and Notice 2021-11 if paid by the due date.*

Good internal controls and sound accounting practices require procedures to ensure that Library employees receive compensation only in amounts officially authorized by the Library Board and approved by the Council. Those same procedures should ensure also that a formal review and approval of all Library expenditures is performed. Additionally, steps should be taken to ensure that Federal taxes are properly withheld from compensation paid to Library employees and remitted timely to the IRS, as required by Federal law.

Without such procedures, there is an increased risk for not only loss or misuse of City funds but also noncompliance with State statute. Moreover, if Federal taxes are not properly withheld from employee compensation in violation of the Federal law, penalties could be imposed on the City.

We recommend the City implement procedures to ensure: (1) Library employees receive compensation only in amounts officially authorized by the Library Board and approved by the Council; (2) a formal review and approval of all Library expenditures is performed; and (3) Federal taxes are properly withheld from compensation paid to Library employees and remitted timely to the IRS, as required by Federal law. Further, because this comment gives rise to concerns regarding possible tax consequences, we are forwarding the information herein to the IRS and the Nebraska Department of Revenue for further review.

City Response: City management will work with Library staff to implement new record keeping processes, assuring all expenses are reviewed and approved by the library board, and paid from the City Treasurer's office, from a specified Library fund, once obtaining final approval by City Council.

Currently and going forward all payroll will follow state and federal laws for withholdings. We will work with state and federal agencies to correct any previous past due liabilities owed.

* * * * *

Our audit procedures are designed primarily on a test basis and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use the knowledge gained during our work to make comments and suggestions that we hope will be useful to the City.

Draft copies of this letter were furnished to the City to provide its management with an opportunity to review and to respond to the comment and recommendation contained herein. Any formal response received has been incorporated into this letter. Such response has been objectively evaluated and recognized, as appropriate, in the letter. A response that indicates corrective action has been taken was not verified at this time.

This communication is intended solely for the information and use of the City and its management. It is not intended to be, and should not be, used by anyone other than those specified parties. However, this communication 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.

Audit Staff Working on this Examination:

Craig Kubicek, CPA, CFE – Deputy Auditor

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Sincerely,



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