



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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November 1, 2022

Susan Houck, Chairwoman
Decatur Housing Authority
302 East 6th Street
P.O. Box 159
Decatur, NE 68020

Dear Ms. Houck:

As you may know, the Nebraska Auditor of Public Accounts (APA) was contacted regarding alleged financial improprieties by the former Executive Director of the Decatur Housing Authority (Authority), Nicole Small.

Responding thereto, the APA began limited preliminary planning work to determine if a full financial audit or attestation would be warranted. In doing so, the APA obtained financial records and other relevant documentation of the Authority. Based on the outcome of this preliminary planning work, including an analysis of the information obtained, 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 certain issues that merit corrective action.

Background Information

Located in Burt County, Nebraska, the Decatur Housing Authority (Authority) operates as a local housing agency under the Nebraska Housing Agency Act (Act), which is set out at Neb. Rev. Stat. §§ 71-1572 to 71-15,168 (Reissue 2018).

Neb. Rev. Stat. § 71-1575(16) (Reissue 2018) of the Act defines a local housing agency as follows:

Local housing agency or agency means a public body, corporate and politic, previously established or to be established by a city or a county pursuant to the authority provided in the act, exercising necessary and essential governmental functions for the purposes stated in the act in matters of statewide concern, although its operations are local in nature. A local housing agency shall be a political subdivision of this state, independent from the city or county which established or establishes it or which may appoint some or all of its commissioners. Any reference in the act to a local housing agency includes a housing agency or a regional housing agency, unless the context clearly otherwise requires. The term local housing agency also includes any housing authority established under prior law[.]

As a local housing agency, the Authority serves Decatur, NE, per Neb. Rev. Stat. § 71-1577 (Reissue 2018), to address “the shortage of decent, safe, and sanitary housing in such city . . . that is available and affordable to all residents regardless of income.”

Per Neb. Rev. Stat. § 71-1595 (Reissue 2018) of the Act, the Authority’s powers are vested in a Board of Commissioners (Board), which is responsible for exercising financial accountability and control over activities relevant to its operations. Such Board has broad decision-making authority, including the power to designate management, the ability to exert significant influence over all Authority operations, and the primary responsibility for related fiscal matters.

As of August 2, 2022, the Board consisted of the following members:

- Susan Houck, Chairwoman
- Deb Krutilek, Vice Chairwoman
- Peggy Smith
- John Maryott
- Jim Nicola

The Authority owns and operates the Maple Villa Apartments in Decatur, NE. The apartment complex consists of 24 (one bedroom) units and a community building that houses the Executive Director's office.

The following comments and recommendations, which have been discussed with the appropriate members of the Authority and its management, are intended to improve internal control or result in other operating efficiencies.

Comments and Recommendations

1. Alleged Fraud

Nicole Small's duties as the Executive Director of the Authority included, among other responsibilities, writing payroll checks for herself and other Authority employees. The APA received allegations that Ms. Small had been writing herself payroll checks in excess of her regular wages. According to documentation provided by the Authority, Ms. Small's monthly pay was based on the number of apartment units that were vacant or occupied.

The following table shows the different pay rates for Ms. Small from 2019 to 2022:

Year	Pay Rate Per Vacant Apartment	Pay Rate Per Occupied Apartment
2019	\$9.00	\$63.00
2020	\$10.00	\$68.00
2021	\$10.00	\$70.00
2022	\$13.00	\$75.00

The Authority was unable to provide documentation to support that the Board approved any of these rates.

In response to the allegations received, the APA analyzed the Authority's bank account records from First Nebraska Bank in Decatur, NE, for the period January 2019 through March 2022. Because Ms. Small resigned from her position at the Authority effective March 1, 2022, she should have received 38 monthly salary payments during the period examined. As stated above, her salary would vary based on the number of occupied and vacant apartment units.

Based on the documentation available, the APA determined that Ms. Small's total salary during this period should have been \$58,760; however, she paid herself a gross salary of \$90,650.20. Further, Ms. Small would routinely write checks before the month the checks were to be issued (e.g., the paychecks for October, November, and December 2019 were issued in September 2019). This practice did not agree to how she was to be paid, as Ms. Small's salary was based on the number of occupied and vacant apartment units – which, according to Authority representatives, is not determined until the beginning of each month.

The following table provides a comparative summary of Ms. Small's estimated regular gross wages and the actual pay that she received as a result of the apparently excess payroll amounts:

Year	Estimated Salary Total	Actual Salary Total	Variance
2019	\$ 17,658.00	\$ 26,135.00	\$ 8,477.00
2020	\$ 18,424.00	\$ 21,953.80	\$ 3,529.80
2021	\$ 19,140.00	\$ 33,397.00	\$ 14,257.00
2022 (January to February)	\$ 3,538.00	\$ 9,164.40	\$ 5,626.40
Totals	\$ 58,760.00	\$ 90,650.20	\$ 31,890.20

Note: The estimated salary is the gross pay, not the net check amount.

The table below contains a listing of all 63 payroll checks received by Ms. Small from January 2019 through March 2022, including both the check and her gross pay amounts:

Check #	Check Date	Payee Per Check	Memo	Check Amount	Gross Pay Amount	APA Notes
13568	1/2/2019	Nicole Small	Jan manage	\$ 1,307.14	\$ 1,512.00	
13577	1/22/2019	Nicole Small	feb	\$ 1,307.14	\$ 1,512.00	
13593	1/31/2019	Nicole Small	pay adjust	\$ 500.00	\$ 500.00	Check was not run through the payroll system.
13618	2/27/2019	Nicole Small		\$ 1,307.14	\$ 1,512.00	
13631	3/19/2019	Nicole Small	april pay	\$ 1,000.00	\$ 1,000.00	Check was not run through the payroll system.
13640	3/29/2019	Nicole Small	april	\$ 1,307.14	\$ 1,512.00	
13664	4/30/2019	Nicole Small		\$ 1,307.14	\$ 1,512.00	
13680	5/23/2019	Nicole Small	june	\$ 1,307.14	\$ 1,512.00	
13686	5/30/2019	Nicole Small		\$ 500.00	\$ 500.00	Check was not run through the payroll system.
13696	6/25/2019	Nicole Small	july	\$ 1,307.14	\$ 1,512.00	
13473	7/30/2019	Nicole Small	august	\$ 1,307.14	\$ 1,512.00	
13474	8/5/2019	Nicole Small		\$ 500.00	\$ 500.00	Check was not run through the payroll system.
13484	8/19/2019	Nicole Small		\$ 1,307.14	\$ 1,512.00	
13490	8/23/2019	Nicole Small	yard	\$ 420.19	\$ 455.00	
13492	8/29/2019	Nicole Small	24 units	\$ 1,307.14	\$ 1,512.00	
13509	9/24/2019	Nicole Small		\$ 1,307.14	\$ 1,512.00	
13512	9/30/2019	Nicole Small	nov & dec	\$ 2,614.28	\$ 3,024.00	
13538	10/30/2019	Nicole Small		\$ 1,307.14	\$ 1,512.00	
13556	12/2/2019	Nicole Small		\$ 1,307.14	\$ 1,512.00	
13557	12/2/2019	Nicole Small		\$ 461.75	\$ 500.00	
13575	1/2/2019	Nicole Small	22 full	\$ 1,298.64	\$ 1,516.00	Check was most likely issued on January 2, 2020.
13591	1/31/2020	Nicole Small	Feb	\$ 1,426.86	\$ 1,632.00	
13611	3/4/2020	Nicole Small	march	\$ 1,426.86	\$ 1,632.00	
13624	3/24/2020	Nicole Small		\$ 1,426.86	\$ 1,632.00	
13635	4/30/2020	Nicole Small	may	\$ 1,246.39	\$ 1,516.00	
13650	5/29/2020	Nicole Small	june	\$ 1,246.39	\$ 1,516.00	
13663	7/1/2020	Nicole Small	july	\$ 1,246.39	\$ 1,516.00	
13684	8/3/2020	Nicole Small	aug full	\$ 1,355.61	\$ 1,632.00	
13702	8/31/2020	Nicole Small	sept 24 full	\$ 1,355.61	\$ 1,632.00	
13718	9/28/2020	Nicole Small	oct 24 full	\$ 1,426.86	\$ 1,632.00	
13736	10/28/2020	Nicole Small	Nov & mileage	\$ 1,717.53	\$ 1,632.00	Includes an additional reimbursement of \$290.67.
13737	11/6/2020	Nicole Small		\$ 1,426.86	\$ 1,632.00	
13750	11/16/2020	Nicole Small		\$ 500.00	\$ 500.00	Check was not run through the payroll system.
13754	11/25/2020	Nicole Small	Dec	\$ 1,426.86	\$ 1,632.00	
13766	12/15/2020	Nicole Small		\$ 101.80	\$ 101.80	Check was not run through the payroll system.
13767	12/18/2020	Nicole Small	pay correction	\$ 600.00	\$ 600.00	Check was not run through the payroll system.
13769	1/1/2021	Nicole Small		\$ 1,536.99	\$ 1,800.00	
13778	2/2/2021	Nicole Small	Feb pay	\$ 1,536.99	\$ 1,800.00	
13800	3/1/2021	Nicole Small	march	\$ 1,536.99	\$ 1,800.00	
13814	3/31/2021	Nicole Small	April 22 full	\$ 1,330.94	\$ 1,560.00	
13828	5/3/2021	Nicole Small	May 22 full	\$ 1,330.94	\$ 1,560.00	

Check #	Check Date	Payee Per Check	Memo	Check Amount	Gross Pay Amount	APA Notes
13842	5/28/2021	Nicole Small	June 23 full	\$ 2,374.42	\$ 2,620.00	Includes an additional payment of \$1,000 for "cleaning."
13859	7/6/2021	Nicole Small	july	\$ 1,536.99	\$ 1,800.00	
13865	7/21/2021	Nicole Small	aug	\$ 1,536.99	\$ 1,800.00	
13880	8/18/2021	Nicole Small		\$ 1,536.99	\$ 1,800.00	
13884	8/25/2021	Nicole Small	sept	\$ 1,536.99	\$ 1,800.00	
13898	9/7/2021	Nicole Small		\$ 1,536.99	\$ 1,800.00	
13914	9/27/2021	Nicole Small	oct	\$ 1,536.99	\$ 1,800.00	
13920	10/6/2021	Nicole Small		\$ 1,536.99	\$ 1,800.00	
13937	10/19/2021	Nicole Small	23 wks cleaning	\$ 828.38	\$ 897.00	
13939	10/26/2021	Nicole Small	nov	\$ 1,536.99	\$ 1,800.00	
13954	11/22/2021	Nicole Small	dec full	\$ 1,536.99	\$ 1,800.00	
13958	12/2/2021	Nicole Small	dec manage	\$ 1,536.99	\$ 1,800.00	
13962	12/16/2021	Nicole Small	dec mile & pay correct	\$ 1,676.79	\$ 1,800.00	Includes an additional reimbursement of \$139.80.
13964	12/20/2021	Nicole Small	painting (5 apts)	\$ 923.50	\$ 1,000.00	
13967	12/29/2021	Nicole Small	vacation pay 10 days	\$ 517.16	\$ 560.00	
13968	1/3/2022	Nicole Small	jan 24 full	\$ 1,524.87	\$ 1,800.00	
13982	1/12/2022	Nicole Small		\$ 1,524.87	\$ 1,800.00	
13993	1/24/2022	Nicole Small	24 full	\$ 1,524.87	\$ 1,800.00	
13994	1/24/2022	Nicole Small	10 vacay days	\$ 517.16	\$ 517.16	Check was not run through the payroll system.
13998	2/3/2022	Nicole Small		\$ 827.46	\$ 827.46	Check was not run through the payroll system.
14000	2/14/2022	Nicole Small		\$ 619.78	\$ 619.78	Check was not run through the payroll system.
14003	2/17/2022	Nicole Small	feb	\$ 1,524.87	\$ 1,800.00	
Totals				\$79,245.44	\$90,650.20	

The APA summarized the allegedly improper payroll and reimbursement checks dating back to January 1, 2019; however, per discussions with Authority representatives, similar activity appears to have been occurring in prior years.

In addition to the payroll checks at issue, Ms. Small received reimbursement checks for mileage and other expenses supposedly incurred by her on behalf of the Authority. The APA noted that Ms. Small received 23 such reimbursement checks, totaling \$6,095.76, from January 2019 through March 2022, as summarized in the table below:

Check #	Check Date	Payee Per Check	Memo	Check Amount
13592	1/29/2019	Nicole Small		\$ 86.42
13605	2/20/2019	Nicole Small	office & mileage	\$ 105.66
13641	3/29/2019	Nicole Small	march mile	\$ 66.68
13679	5/23/2019	Nicole Small	may mileage	\$ 53.94
13699	6/25/2019	Nicole Small	june mileage	\$ 83.52
13704	7/2/2019	Nicole Small	phone reimburse	\$ 360.00
13467	7/22/2019	Nicole Small	mileage/supplies	\$ 75.40
13523	10/22/2019	Nicole Small	aug-oct mile	\$ 323.06
13565	12/18/2019	Nicole Small	Nov-Dec mile	\$ 227.74
13597	2/7/2020	Nicole Small	mileage/supplies	\$ 292.66
13628	4/10/2020	Nicole Small	mar/apr mileage	\$ 193.62
13651	5/29/2020	Nicole Small	apr & may mileage	\$ 183.01

Check #	Check Date	Payee Per Check	Memo	Check Amount
13661	6/26/2020	Nicole Small	june mileage & supplies	\$ 231.40
13668	7/8/2020	Nicole Small	#13 fridge handle	\$ 72.44
13716	9/16/2020	Nicole Small	mileage & supplies	\$ 242.33
13813	3/31/2021	Nicole Small	Jan-mar mileage	\$ 230.68
13843	5/28/2021	Nicole Small	Apr & May mile & supplies	\$ 166.05
13851	6/14/2021	Nicole Small	2 AC units	\$ 1,266.36
13854	6/22/2021	Nicole Small	AC unit #11	\$ 634.24
13876	8/2/2021	Nicole Small	june/july mileage	\$ 228.07
13899	9/7/2021	Nicole Small	mileage/supplies	\$ 158.36
13938	10/19/2021	Nicole Small	sept & oct mileage	\$ 154.72
13952	11/17/2021	Nicole Small	mile/bonus	\$ 659.40*
Total				\$ 6,095.76

*The APA noted that check # 13952 included an additional payment amount of \$500 for a "bonus."

The Authority was unable to provide adequate documentation to support any of these reimbursement checks paid to Ms. Small. See **Attachment A** herein for images of three of the cleared checks to Ms. Small; images of the other checks made to her can be provided to the Authority or other authorized personnel upon request.

The APA staff are not handwriting experts, but it appears that the signature of Susan Houck, the Board Chairwoman, may have been forged on several of Ms. Small's payroll and reimbursement checks, as well as other checks issued from the Authority's bank account. It should be noted also that Ms. Small is the daughter of Ms. Houck. The following images are examples of checks issued to Ms. Small, both on the same day.

DECATUR HOUSING AUTHORITY
MAPLE VILLA
P.O. BOX 159
DECATUR, NE 68020

13556

DATE 12-2-19 76-895/1048

PAY TO THE ORDER OF Nicole Small \$ 1307.14

one thousand three hundred seven & 14/100 DOLLARS

FOR First Nebraska Bank

Nicole S. Small
Susan J. Houck

#13556 12/03/2019 \$1,307.14

DECATUR HOUSING AUTHORITY
MAPLE VILLA
P.O. BOX 159
DECATUR, NE 68020

13557

DATE 12-2-19 76-895/1049

PAY TO THE ORDER OF Nicole Small \$ 461.75

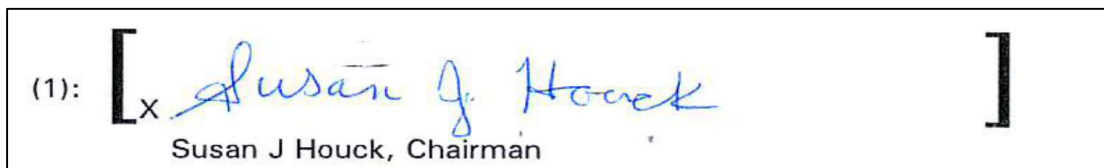
four hundred sixty one & 75/100 DOLLARS

FOR First Nebraska Bank

Nicole S. Small
Susan J. Houck

#13557 12/03/2019 \$461.75

As can be seen from these images, the “Susan J. Houck” signatures on both checks appear to be different, especially when observing the middle “J” initial therein. Provided below is an example of the Chairwoman’s actual signature, taken from the Authority’s bank account signature card.



The above information gives rise to concerns regarding the possible unauthorized expenditure of public funds by Ms. Small for her own personal benefit, which could involve violations of State law.

To start, Neb. Rev. Stat. § 28-511 (Reissue 2016) provides, in relevant part, the following:

- (1) A person is guilty of theft if he or she takes, or exercises control over, movable property of another with the intent to deprive him or her thereof.*
- (2) A person is guilty of theft if he or she transfers immovable property of another or any interest therein with the intent to benefit himself or herself or another not entitled thereto.*

Neb. Rev. Stat. § 28-512 (Reissue 2016) states the following, as is relevant:

A person commits theft if he obtains property of another by deception. A person deceives if he intentionally:

- (1) Creates or reinforces a false impression, including false impressions as to law, value, intention, or other state of mind; but deception as to a person’s intention to perform a promise shall not be inferred from the fact alone that he did not subsequently perform the promise; or*
- (2) Prevents another from acquiring information which would affect his judgment of a transaction; or*
- (3) Fails to correct a false impression which the deceiver previously created or reinforced, or which the deceiver knows to be influencing another to whom he stands in a fiduciary or confidential relationship; or*
- (4) Uses a credit card, charge plate, or any other instrument which purports to evidence an undertaking to pay for property or services delivered or rendered to or upon the order of a designated person or bearer (a) where such instrument has been stolen, forged, revoked, or canceled, or where for any other reason its use by the actor is unauthorized, or (b) where the actor does not have the intention and ability to meet all obligations to the issuer arising out of his use of the instrument.*

Neb. Rev. Stat. § 28-911 (Reissue 2016) prohibits “abuse of public records,” as follows:

(1) A person commits abuse of public records, if:

- (a) He knowingly makes a false entry in or falsely alters any public record; or*
- (b) Knowing he lacks the authority to do so, he intentionally destroys, mutilates, conceals, removes, or impairs the availability of any public record; or*
- (c) Knowing he lacks the authority to retain the record, he refuses to deliver up a public record in his possession upon proper request of any person lawfully entitled to receive such record; or*
- (d) He makes, presents, or uses any record, document, or thing, knowing it to be false, and with the intention that it be taken as a genuine part of the public record.*

(2) As used in this section, the term public record includes all official books, papers, or records created, received, or used by or in any governmental office or agency.

(3) Abuse of public records is a Class II misdemeanor.

Neb. Rev. Stat. § 28-924 (Reissue 2016) creates the offense of “official misconduct” by a public servant, as follows:

(1) A public servant commits official misconduct if he knowingly violates any statute or lawfully adopted rule or regulation relating to his official duties.

(2) Official misconduct is a Class II misdemeanor.

Neb. Rev. Stat. § 28-602 (Reissue 2016) provides the following:

(1) A person commits forgery in the first degree if, with intent to deceive or harm, he falsely makes, completes, endorses, alters, or utters a written instrument which is or purports to be, or which is calculated to become or to represent if completed:

(a) Part of an issue of money, stamps, securities, or other valuable instruments issued by a government or governmental agency; or

(b) Part of an issue of stock, bonds, bank notes, or other instruments representing interests in or claims against a corporate or other organization or its property.

(2) Forgery in the first degree is a Class III felony.

Furthermore, Neb. Rev. Stat. § 49-14,101.01(2) (Reissue 2021) of the Nebraska Political Accountability and Disclosure Act restricts the use of resources under the “official care and control” of a public official or public employee, as follows:

A public official or public employee shall not use or authorize the use of personnel, resources, property, or funds under his or her official care and control other than in accordance with prescribed constitutional, statutory, and regulatory procedures or use such items, other than compensation provided by law, for personal financial gain.

Per subsection (7) of that same statute, “[A]ny person violating this section shall be guilty of a Class III misdemeanor”

These potential statutory concerns aside, it should be noted that good internal controls and sound accounting practices require procedures to ensure that one person is not in a position both to perpetrate and to conceal financial errors or irregularities, including fraud.

Without such procedures, there is an increased risk for fraud or the misappropriation of Authority funds.

We recommend the Authority implement procedures to prevent one person from being in a position both to perpetrate and to conceal financial errors or irregularities, including fraud. Among other things, the Authority could require a Board member or other employee not involved with the payment process to perform a documented review of all payroll disbursements. We also recommend the Authority implement procedures to ensure that all claims are submitted and approved with all relevant supporting documentation. Finally, because this comment gives rise to concerns regarding possible violations of State statute, we are forwarding the information herein to the Nebraska State Patrol, Nebraska Attorney General, Nebraska Accountability and Disclosure Commission, and Burt County Attorney for further review. The APA will also forward the details of this matter to the Nebraska Department of Revenue and the U.S. Internal Revenue Service.

2. Additional Payroll Issues

In addition to the alleged fraud discussed in the previous comment, the APA noted several other issues with the Authority’s payroll procedures, including:

- The Authority Board’s meeting minutes for multiple months state that some apartment units were vacant, but Ms. Small was still paid as if all units were occupied.

- Ms. Small paid herself the 2022 rates in 2021 for the months with full occupancy.
- Federal and State income taxes were not calculated correctly for Ms. Small's pay.

To illustrate each of these issues, the following is an image of the minutes from the Board's meeting on September 20, 2021:

Decatur Housing Authority P.O. Box 159 Decatur, NE 68020	
September 20 th , 2021	
A regular meeting of the Decatur Housing Authority was held on September 20, 2021 at 11:30a.m. Present were: Susan Houck, Deb Krutilek, Jim Nicola, Peggy Smith, and Pam Nelsen. Absent: John Maryott. Guest: Betty Wiseman #5. The minutes of last month's meeting were read and approved by Peg and seconded by Jim. Board Vote: All Yes	
Tenant Concerns: None	
Old Business: None	
New Business: Apartments 12, 19, 20 and 22 are vacant. Virgie Bligh will be taking #20 on October 1. A few applications have been sent out but none returned at this point. HUD (CMS) will be here Friday September 24 th , 2021 at 9 am for a management review. They go through tenant files and will look at vacant apartments. Outstanding bills were approved for payment by Peg and seconded by Deb. Board vote: All Yes. Jim made a motion to adjourn, seconded by Peg. Board Vote: All Yes	
Secretary Nicole Small	

The Authority has a total of 24 apartment units. As stated clearly in the above minutes, three of those apartment units were vacant at the beginning of October 2021; however, Ms. Small was paid as if all 24 of the units were occupied during that month, as show below:

Decatur Housing Authority/Maple Villa Earnings Statement 2021 - Nicole S. Small									
Employee Name	SS#	Filing Status							
Nicole Small P.O. Box 225 Decatur, NE 68020		Single 2							
Date of Pay	Rate of Pay \$70/ full apt	Apts. Full	Gross Pay	Soc. Sec 6.20%	Medicare 1.45%	Federal	State	Total Ded.	Net Pay
1/1/2021	Jan	24	\$ 1,800.00	\$ 111.60	\$ 26.10	\$ 80.00	\$ 45.31	\$ 263.01	\$ 1,536.99
2/1/2021	Feb	24	\$ 1,800.00	\$ 111.60	\$ 26.10	\$ 80.00	\$ 45.31	\$ 263.01	\$ 1,536.99
3/1/2021	Mar	24	\$ 1,800.00	\$ 111.60	\$ 26.10	\$ 80.00	\$ 45.31	\$ 263.01	\$ 1,536.99
Qtr 1			\$ 5,400.00	\$ 334.80	\$ 78.30	\$ 240.00	\$ 135.93	\$ 789.03	\$ 4,610.97
4/1/2021	Apr	22 full + 2 empty	\$ 1,560.00	\$ 96.72	\$ 22.62	\$ 80.00	\$ 29.72	\$ 229.06	\$ 1,330.94
5/1/2021	May	22 full + 2 empty	\$ 1,560.00	\$ 96.72	\$ 22.62	\$ 80.00	\$ 29.72	\$ 229.06	\$ 1,330.94
6/1/2021	June	23 full + 1 empty	\$ 2,620.00	\$ 100.44	\$ 23.49	\$ 90.00	\$ 31.65	\$ 245.58	\$ 2,374.42
Qtr 2			\$ 5,740.00	\$ 293.88	\$ 68.73	\$ 250.00	\$ 91.09	\$ 703.70	\$ 5,036.30
7/1/2021	July	24 full	\$ 1,800.00	\$ 111.60	\$ 26.10	\$ 80.00	\$ 45.31	\$ 263.01	\$ 1,536.99
8/1/2021	Aug	24 full	\$ 1,800.00	\$ 111.60	\$ 26.10	\$ 80.00	\$ 45.31	\$ 263.01	\$ 1,536.99
9/1/2021	Sept	24 full	\$ 1,800.00	\$ 111.60	\$ 26.10	\$ 80.00	\$ 45.31	\$ 263.01	\$ 1,536.99
Qtr 3			\$ 5,400.00	\$ 334.80	\$ 78.30	\$ 240.00	\$ 135.93	\$ 789.03	\$ 4,610.97
8/25/2021	Oct	24 full	\$ 1,800.00	\$ 111.60	\$ 26.10	\$ 80.00	\$ 45.31	\$ 263.01	\$ 1,536.99
9/7/2021	Nov	24 full	\$ 1,800.00	\$ 111.60	\$ 26.10	\$ 80.00	\$ 45.31	\$ 263.01	\$ 1,536.99
9/27/2021	Dec	24 full	\$ 1,800.00	\$ 111.60	\$ 26.10	\$ 80.00	\$ 45.31	\$ 263.01	\$ 1,536.99
10/6/2021		24 full	\$ 1,800.00	\$ 111.60	\$ 26.10	\$ 80.00	\$ 45.31	\$ 263.01	\$ 1,536.99
10/20/2021	clean		\$ 897.00	\$ 55.61	\$ 13.01	\$ -	\$ -	\$ 68.62	\$ 828.38
10/29/2021			\$ 1,800.00	\$ 111.60	\$ 26.10	\$ 80.00	\$ 45.31	\$ 263.01	\$ 1,536.99
11/24/2021			\$ 1,800.00	\$ 111.60	\$ 26.10	\$ 80.00	\$ 45.31	\$ 263.01	\$ 1,536.99
12/2/2021			\$ 1,800.00	\$ 111.60	\$ 26.10	\$ 80.00	\$ 45.31	\$ 263.01	\$ 1,536.99
12/16/2021			\$ 1,800.00	\$ 111.60	\$ 26.10	\$ 80.00	\$ 45.31	\$ 263.01	\$ 1,536.99
12/20/2021	paint		\$ 1,000.00	\$ 62.00	\$ 14.50	\$ -	\$ -	\$ 76.50	\$ 923.50
12/29/2021	10 vac. Days		\$ 560.00	\$ 34.72	\$ 8.12	\$ -	\$ -	\$ 42.84	\$ 517.16
			\$ 16,857.00	\$ 1,045.13	\$ 244.43	\$ 640.00	\$ 362.48	\$ 2,292.04	\$ 14,564.96
Year-to-Date Totals			\$ 33,397.00	\$ 2,008.61	\$ 469.76	\$ 1,370.00	\$ 725.43	\$ 4,573.80	\$ 28,823.20

The APA found 24 other instances, between January 2019 and March 2022, of Ms. Small being paid for the incorrect number of occupancies.

Ms. Small not only paid herself for the incorrect number of occupied apartments but also used the wrong pay rate, resulting in an overpayment of \$300 in gross pay. Ms. Small received \$1,800 in gross pay for the October 2021 paycheck reference above. As mentioned previously, the 2021 pay rate for occupied apartments was \$70/unit and \$10/unit for vacant apartments. Nevertheless, Ms. Small was paid the 2022 rate for occupied apartments, or \$75/unit. Since there were 21 occupied and 3 vacant apartments, Ms. Small should have only been paid \$1,500 in October 2021.

To further compound these issues, the Federal and State income tax withholdings for Ms. Small's pay was calculated incorrectly. As shown above in the earnings statement report, Ms. Small had \$80 in Federal and \$45.31 in State income tax withholdings. With a gross pay of \$1,800, the withholdings should have instead been \$75.42 for Federal income tax and \$37.45 for State income tax. However, because Ms. Small should have been paid \$1,500 rather than \$1,800, the APA calculated her correct withholdings as shown in the following table.

Nicole Small Pay October 2021							
	Gross Pay	Social Security Tax	Medicare Tax	Federal Income Tax	State Income Tax	Total Deductions	Net Pay
Authority Calculation	\$ 1,800.00	\$ 111.60	\$ 26.10	\$ 80.00	\$ 45.31	\$ 263.01	\$ 1,536.99
APA Calculation	\$ 1,500.00	\$ 93.00	\$ 21.75	\$ 45.42	\$ 27.79	\$ 187.96	\$ 1,312.04
Variance	\$ 300.00	\$ 18.60	\$ 4.35	\$ 34.58	\$ 17.52	\$ 75.05	\$ 224.95

Good internal controls and sound accounting practices require procedures to ensure that the Authority's Executive Director is paid correctly according to both the actual number of occupied and vacant apartment units and the appropriate pay rate. Those same procedures should also ensure the accuracy of Federal and State income tax withholdings from the Executive Director's paychecks.

Without such procedures, there is an increased risk for the loss or misuse of public funds. Additionally, if income taxes are not withheld in the proper amount, penalties could be imposed on the Authority.

We recommend the Authority implement procedures to ensure: 1) the Executive Director is paid correctly according to both the actual number of occupied and vacant apartment units and the correct pay rate; and 2) the correct amount of Federal and State taxes are withheld from the Executive Director's paychecks.

3. Other Issues

The APA noted also that the Authority paid the following expenses without any supporting documentation:

- \$190 to the Green Lantern steakhouse in Decatur, NE, for a Christmas party for the Authority's tenants and staff.
- \$102 to the Fiesta Foods grocery store in Onawa, IA, for Easter hams for its tenants.

On September 17, 1993, the Nebraska Accountability and Disclosure Commission adopted a document entitled "A Guideline to the Use of Public Funds by Cities and Villages – Revised" (Guideline). Based upon the provisions of the Local Government Miscellaneous Expenditure Act, which is found at Neb. Rev. Stat. § 13-2201 et seq. (Reissue 2012, Cum. Supp. 2020), the Guideline addresses a number of different scenarios involving the expenditure of public funds. Though issued almost three decades ago, the Guideline remains relevant to various Nebraska public entities.

The Guideline begins by setting out the following general rules for the proper handling of public funds:

- A) The manner in which government does business sometimes is, and must be, different from the way that private industry does business.*
- B) The government body expending public funds should always be able to articulate the statutory or other legal basis for the expenditure. "We've always done it this way" is not a legal basis.*
- C) A government body expending public funds should always be able to articulate the public purpose served by the expenditure.*
- D) Government resources are for government purposes only.*

Regarding the issue of purchases for social functions specifically, the Guideline provides the following:

Question #9 – May municipal funds be used to pay for Christmas parties and other social functions for employees?

Response – No.

Housing authorities are not among the political subdivisions listed in Neb. Rev. Stat. § 13-2202(2) & (3) (Cum. Supp. 2020) as being subject to the Act. Consequently, neither the restrictions therein nor the information contained in the Guideline governs housing authority expenditures.

Nevertheless, both the Act and the Guideline offer sound directives for safeguarding public funds from waste and abuse – adherence to which would prove beneficial to the fiscal credibility of all public entities, regardless of technical legal status.

Good internal controls require procedures to ensure that any expenditure of Authority funds is not only supported by adequate documentation but also made in strict compliance with formal policies that delineate the proper use of those monies.

Without such procedures, there is an increased risk for the loss or misuse of public funds.

We recommend the Board implement policies for ensuring the proper expenditure of Authority funds, including purchases of meals and gifts for tenants. Those same policies should ensure also that all expenditures of Authority funds are supported by adequate documentation.

* * * *

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 Authority.

Draft copies of this letter were furnished to the Authority to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. The Board declined to respond.

This communication is intended solely for the information and use of the Authority 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
Mason Culver – Auditor-In-Charge

Sincerely,



Craig Kubicek, CPA, CFE
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Auditor of Public Accounts
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cc: Nebraska Attorney General
Nebraska State Patrol
Nebraska Accountability and Disclosure Commission
Burt County Attorney
Nebraska Department of Revenue
Internal Revenue Service

DECATUR HOUSING AUTHORITY
Check Image Examples of Extra Paychecks

Attachment A

EXAMPLE 1

DECATUR HOUSING AUTHORITY
MAPLE VILLA
P.O. BOX 159
DECATUR, NE 68020

13512

DATE 9-30-19 76-89511049

PAY TO THE ORDER OF Nicole Small \$ 2614.28

two thousand six hundred fourteen & 28/100 DOLLARS

FOR Nov-Dec First Nebraska Bank, www.firstnebraska.com

Nicole S. Small
Susan G. Houck

#013512# 1049089561#

#13512 10/01/2019 \$2,614.28

EXAMPLE 2

DECATUR HOUSING AUTHORITY
MAPLE VILLA
P.O. BOX 159
DECATUR, NE 68020

13591

DATE 1-31-2020 76-89511049

PAY TO THE ORDER OF Nicole Small \$ 1426.86

one thousand four hundred twenty six & 86/100 DOLLARS

FOR Feb First Nebraska Bank, www.firstnebraska.com

Nicole S. Small
Susan G. Houck

#013591# 1049089561#

#13591 02/03/2020 \$1,426.86

EXAMPLE 3

DECATUR HOUSING AUTHORITY
MAPLE VILLA
P.O. BOX 159
DECATUR, NE 68020

13884

DATE 8-25-21 76-89511049

PAY TO THE ORDER OF Nicole Small \$ 1536.99

one thousand five hundred thirty six & 99/100 DOLLARS

FOR Sept First Nebraska Bank, www.firstnebraska.com

Nicole S. Small
Susan G. Houck

#013884# 1049089561#

#13884 08/26/2021 \$1,536.99