



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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### State Auditor Mike Foley Sheds More Light on Alleged Felony Embezzlement at North Fork Area Transit

Much ink has been spilled already regarding the alleged theft, abuse, and mismanagement of many hundreds of thousands of dollars, comprised largely of taxpayer funds, by Jeffrey Stewart, the former Director of North Fork Area Transit (NFAT) in Madison County.

Stewart crossed the border from Mexico back to the US and surrendered to law enforcement in mid-July of this year. He has now been indicted for felony theft and is awaiting trial in Norfolk.

As legendary radio personality Paul Harvey would so often say: "Now, the rest of the story!"

After several months of intensive forensic analysis by his office, State Auditor Mike Foley released a report today detailing what appear to have been extraordinary and egregious breaches of law and common-sense management practices precipitating the alleged embezzlement by Stewart. That hard-hitting report, along with detailed working papers supporting its findings, will be provided to prosecutors as they prepare their case against Stewart.

The following are the key findings of Auditor Foley's report:

**Alleged Falsified Timesheets:** The overwhelming source of funding (nearly 83%) for NFAT was from the State of Nebraska, Madison County, and the City of Norfolk. NFAT submitted timesheets to the State to secure reimbursement of non-operating personnel expenses. The audit team noted it appears the timesheets were tampered with and falsified (in a clumsy and obvious manner) to claim hours for service never rendered.

**Florida Vacation Expenses:** The auditors found that NFAT's credit card was used to pay for over \$35,000 in expenses associated with the Director's vacation in Florida with his family. Timesheets submitted to the State showed the Director on the job in Norfolk, but his wife's Facebook posts contain videos and photos of him at Disney World and Sea World in Orlando, Florida, during that same time.

**Casino Gambling:** The Director appears to have spent considerable time at two Iowa casinos while claiming and seeking reimbursement for hours supposedly on the job in Norfolk. In addition, some of his travel to the Iowa casinos (hundreds of miles away) appears to have occurred in a vehicle registered to NFAT. The report estimates that over 90 hours were spent at the casinos and then charged off as hours worked at NFAT. The report notes also that the Director executed numerous significant wire transfers to the two Iowa casinos using the NFAT credit card.

**Improper Expenditures:** NFAT's accounting records show calendar year 2022 expenses of roughly \$4.7 million, but the audit team calculates that only about \$3.3 million was likely for legitimate expenditures – leaving \$1.4 million in suspect “expenses” for the year. Over \$1.1 million in credit card expenses were incurred during the year and much of this was clearly inappropriate and unrelated to the operation of NFAT.

**Bogus Reimbursement Submissions:** NFAT's accounting records are distorted and misleading, ostensibly to disguise financial impropriety. One of the apparent tactics used was to incur an expense, write a check to the vendor, but never mail it – thus, leaving those unexpended funds available for nefarious purposes. Investigators with the Madison County Sheriff's Office found a multitude of prepared and signed, but never sent, checks were stuffed in desk drawers at the NFAT offices. The auditors observed that these unmailed checks were submitted by NFAT to NDOT as supporting documentation for its reimbursement requests even though no NFAT funds had actually been expended at the time of the submission.

**Required Audit Not Performed:** Pursuant to its agreements with Madison County and the City of Norfolk, NFAT was required to submit an annual audit conducted by a CPA by December 31<sup>st</sup>. That required audit was not submitted by December 31, 2022, but supposedly will be at a later date.

**Lost Accounting Records:** The Nebraska Department of Transportation (NDOT), which controls the largest source of funding for NFAT, processed reimbursement requests from NFAT throughout 2022 but cannot now locate key timesheet records for June 2022.

**Extraordinary and Unreasonable Hours Claimed:** The timesheets that NFAT submitted to NDOT as support for expense reimbursement requests showed hours of service that the auditors believe to have been inaccurate, if not outright fraudulent.

For instance, nine NFAT drivers claimed to have worked 24 or more hours consecutively. One of those drivers claimed to have worked over 53 hours consecutively with no breaks during September 2022. Two employees claimed to have worked an average of about 11 hours per day for 244 consecutive days with no breaks or leave. Failing to challenge the veracity of those clearly dubious reimbursement requests, NDOT paid them without question.

**Vehicle Operating Requirements Violated:** Both Nebraska law and the NFAT Employee Handbook impose strict limitations on the number of consecutive hours that a driver can operate a vehicle, how many off-duty hours are required prior to the resumption of driving, and the type of operating license a driver must have. The report documents MANY violations of these requirements.

For example, only 29 of the 90 NFAT employees identified as “drivers” had a valid commercial driver's license (CDL) or commercial learner's permits (CLP); therefore, over two-thirds of the “drivers” could not legally operate many of the vehicles typically used by NFAT. One individual listed as a “driver” lacked a valid driver's license due to two DUI convictions.

**Gross Payroll Discrepancies:** The auditors found many additional issues with NFAT's payroll processes, including differences between NFAT employees' actual compensation amounts and the amounts being reported to NDOT for reimbursement. For example, one employee received about \$470 less than the amount requested for reimbursement. On the opposite end of the spectrum, another

employee was found to have been paid about \$1,800 more than the reimbursement request amount. Overall, the NFAT's payroll system's recording of both the rate of compensation and the number of hours worked was riddled with errors.

Reflecting upon the findings in his office's report, Auditor Foley concluded, "There is no doubt whatsoever that NFAT has seriously abused the trust of the citizens, not to mention their hard-earned tax dollars." He added, "I am beyond proud of my audit team for their outstanding work on this comprehensive project."