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September 18, 2023

State Auditor Mike Foley Alleges Major Embezzlement of Public Funds Intended for Resource Conservation

State Auditor Mike Foley issued a letter today to the Acting Chairperson of the now defunct Five Rivers Resource Conservation & Development, Inc. (Five Rivers RC&D), which was based in Tecumseh, Nebraska. In that letter, Auditor Foley detailed numerous examples of egregious misuses of public funds that appear to have plagued Five Rivers RC&D over, at least, its last few years of existence.

The work of Five Rivers RC&D included, according to its own bylaws, assisting its member communities in “initiating and carrying out long-range programs of resource, conservation and development for the purpose of achieving a dynamic rural community with a satisfactory level of income and a pleasing environment, to create a favorable investment climate attractive to private capital, and to provide community services which may not be met by other agencies or organizations.”

Throughout most of 1993 to 2023, Five Rivers RC&D operated as a nonprofit corporation, having been formed under the Joint Public Agency Act by 10 southeast Nebraska political subdivisions. Between 2020 and 2023 alone, Five Rivers RC&D received \$310,768.12 in funding. Some 91% of those receipts was compromised of public monies from the Nebraska Environmental Trust (\$182,395.27), the Nebraska Department of Agriculture (\$47,095.00), the Nebraska Department of Environment and Energy (\$2,717.16), and the various founding political subdivisions (\$49,694.20).

As described in Auditor Foley’s letter, the former director of Five Rivers RC&D allegedly diverted nearly \$220,000 over a five-year period to Arley’s, LLC (“Arley’s”), a mobile food vendor based out of Steinauer, Nebraska, and owned by her husband.

Auditor Foley’s letter details what appears to have been a systematic series of no fewer than 200 improper payments to Arley’s via a Five Rivers RC&D credit card, which was under the exclusive control of the former director, and other improper electronic bank transfers that she allegedly initiated.

There is no evidence of any public benefit having resulted from, or even been intended by, the alleged diversion of Five Rivers RC&D funds – consisting primarily of public monies received from governmental entities – to Arley’s.

Additionally, Auditor Foley’s letter addresses questionable payroll and expense reimbursement payments that the former director of Five Rivers RC&D executed to herself. The audit team found that, between 2020 and 2022, the former director received 63 payroll disbursements, totaling over \$86,000, and more than \$28,000 in expense reimbursement payments – all of which she directed unilaterally to be issued. Due to a lack of proper documentation, however, Auditor Foley’s staff could not determine how many, if any, of those payments were legitimate.

In addition to preventing a proper accounting of payroll and expense reimbursement payments made by its former director, the extremely sloppy and disheveled financial practices of Five Rivers RC&D resulted in thousands of dollars of credit card fees, interest payments, and bank overdraft charges during the period examined.

Auditor Foley’s letter concludes by pointing to multiple mandatory quarterly payroll tax payments that Five Rivers RC&D failed to make to the Internal Revenue Service, strongly suggesting additional violations of law.

Due to the possible illegal activity revealed by Auditor Foley’s letter, the information therein is being forward to the Attorney General for further review and, if warranted, criminal prosecution.

“What occurred at Five Rivers RC&D is a prime example of how public monies are placed at serious risk of misuse when a governing board of directors is inattentive to the day-to-day operations of a director under its control,” explained Auditor Foley. “Even more disturbing,” he continued, “no effort seems to have been made by the governmental bodies that provided most of Five Rivers RC&D’s funding to ensure that those taxpayer dollars were being spent and accounted for appropriately.”