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State Auditor Reveals Serious Financial Concerns at Village of Litchfield

State Auditor Mike Foley announced today the release of an audit letter detailing numerous disturbing issues – from apparent misappropriation of public funds to inaccurate utility billings and lack of documentation for expenditures, among others – involving the finances of the Village of Litchfield (Village) for the fiscal year ending September 30, 2023.

“For various reasons, proper financial control can sometimes be less rigorous among smaller political subdivisions,” Foley observed. “But the consequences of such insufficient fiscal oversight may be just as devastating, if not more so, to those less-populous communities and their local taxpayers,” he continued, “as to their larger counterparts.”

Village Clerk – Payroll

Note: In anticipation of the release of the audit letter, the Village Clerk resigned her position last week.

Some of the more disturbing audit letter findings pertain to the improper pecuniary benefits apparently garnered by the Village Clerk from payroll irregularities. To start, Foley’s office received allegations that she had collected hourly pay from the Village while actually working at a hair salon that she owns next to the municipal office. Furthermore, though hired initially for only 20 hours per week, the Village Clerk was authorized in January of 2023 to begin working additional hours, recorded as “overtime,” for which she received twice her regular salary. The special pay rate for those “overtime” hours was intended as a temporary compensatory measure for training needed to master her official duties; however, the Village Clerk continued to receive the extra pay eight months later.

During those eight months, the Village Clerk, whose tasks include administering the municipal payroll, received \$18,524.10 for 680.97 hours of reported “overtime.” Foley’s audit staff found, moreover, that she paid herself \$525 on August 18, 2023, for only one hour of “overtime” – some \$495 more than her approved hourly “overtime” rate.

Exacerbating concerns about her questionable “overtime” compensation, the auditors discovered inaccuracies in the Village Clerk’s timesheets for multiple pay periods, resulting in overpayments. Worse yet, supposedly duplicate timesheets for the same pay periods showed the Village Clerk working on different days and times – heightening already grave doubts about the veracity of her claimed work schedules.

Much of the blame for these problematic expenditures, the letter concludes, lies with the failure of the Village to implement proper payroll procedures, including the lack of a monthly review and approval of payroll by Village officials.

Foley commented, “Granted, it does take some effort for municipal officials to ensure that proper payroll procedures are in place and being followed. It is not overly difficult, though, and inattention to such seemingly insignificant matters invites all sorts of unnecessary and often quite costly repercussions.”

Village Clerk – Municipal Purchasing Card

In addition to profiting from these glaring payroll problems, the auditors allege, the Village Clerk appears to have misused the municipal purchasing cards for personal gain. Specifically, on July 4, 2023, she made a \$97.89 purchase at Walmart with one of the cards, later claiming to have bought cleaning supplies for the Village office; however, when requested by the auditors, she failed to provide a receipt in support of that assertion. Upon further investigation, Foley’s staff succeeded in tracking down documentation for the expenditure at issue, learning that it had been for items unrelated to cleaning supplies, including a women’s tank top, a pair of women’s shorts, charcoal briquettes, a kiddie pool, and various food and beverage items.

The audit letter points to specific State laws that such purported misuse of a Village purchasing card may have violated, including basic theft statutes, legal requirements for the permissible use of a municipal purchasing card, and the prohibition of a public employee using public property or funds for illicit personal gain under the Nebraska Political Accountability and Disclosure Act. Furthermore, the letter stresses, attempting to hinder or obstruct an examination by the Auditor of Public Accounts (APA) or provide misleading information during such an audit is, like most of these other statutory prohibitions, punishable by criminal sanction.

Similar to the concerns with the Village Clerk’s apparent payroll improprieties, the misuse of the municipal credit card alleged in the audit letter is attributed, at least in part, to a lack of formal policies for the proper use of those governmental payment instruments.

“When a political subdivision decides to authorize a municipal purchasing card, as both permitted and delineated by State law,” Foley cautioned, “it is imperative that accompanying administrative policies not only restrict but also rigorously oversee its use – thereby, both ensuring statutory compliance and safeguarding public funds.” He continued, “Though troubling, the problems found with the Village’s purchasing card could have been much worse, but they serve as a cautionary tale nonetheless.”

Other Issues

The audit letter details additional concerns with the Village’s financial transactions and other procedures, including: lack of supporting documentation for expenditures; payment of late fees and Nebraska sales taxes; inaccurate Village utility customer billings; and failure to remit State income taxes

withheld from municipal employee wages to the Nebraska Department of Revenue; and untimely publication of the Village Board’s official proceedings.

The audit letter concludes by making special note of the Village’s failure to comply with certain requirements pertinent to Foley’s office. To start, the Village neglected to file a mandatory audit or audit waiver request by the annual December 31, 2023, deadline – inexplicably delaying that filing, despite repeated notification of the delinquency, until seven months afterwards.

Furthermore, in clear violation of State law requiring response to a written APA inquiry within three business days thereof, the Village did not respond timely to a May 10, 2024, information request by Foley’s office. After waiting more than two months for the Village’s compliance, the auditors were forced to travel to the municipal office to obtain the needed documents. In addition to being subject to criminal penalty, such intentional lack of cooperation by the Village impeded the progress of the audit waiver request – unnecessarily increasing both its time and expense, but not ultimately forestalling acquisition of the information sought.

“As my office’s letter indicates, the Village has a lot to do to right the ship in terms of proper financial management,” concluded Foley. “I have no doubt that it can be done, much to the benefit of the municipality as a whole and the taxpayers who pay for its operations, assuming sufficient determination to accomplish the crucial goal of sound fiscal stewardship and accountability.”

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